

HEALTH CARE PROPERTY INVESTORS INC

Form 424B5

April 25, 2005

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Filed pursuant to Rule 424(b)(5)

Registration File No. 333-111174

PROSPECTUS SUPPLEMENT

(To Prospectus dated December 15, 2003)

\$250,000,000

Health Care Property Investors, Inc.

5⁵/₈% Senior Notes Due 2017

We will pay interest on the notes on May 1 and November 1 of each year, beginning November 1, 2005. We may not redeem the notes prior to their maturity on May 1, 2017. The notes will be unsecured obligations and rank equally with our unsecured senior indebtedness. The notes will only be issued in registered form in denominations of \$1,000 and in integral multiples of \$1,000.

Investing in the notes involves risks. See Risk Factors on page S-3 of this prospectus supplement and page 5 of the accompanying prospectus.

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

	<u>Per Note</u>	<u>Total</u>
Public offering price	99.585%	\$ 248,962,500
Underwriting discount and commission	0.650%	\$ 1,625,000

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Proceeds, before expenses, to Health Care Property Investors

98.935%

\$ 247,337,500

The public offering price set forth above does not include interest, if any. Interest on the notes will accrue from April 27, 2005.

Delivery of the notes in book-entry form only will be made on or about April 27, 2005.

Book-Running Manager

UBS Investment Bank

Banc of America Securities LLC

Barclays Capital

JPMorgan

The date of this prospectus supplement is April 22, 2005.

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You should rely only on the information contained, or incorporated by reference, in this document. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

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SUMMARY

The following summary may not contain all the information that may be important to you. You should read the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference in the prospectus before making a decision to invest in the notes.

All references to HCP, our and we in this prospectus supplement and the accompanying prospectus mean Health Care Property Investors, Inc. and its majority-owned subsidiaries and other entities controlled by Health Care Property Investors, Inc., except where it is clear from the context that the term means only the issuer, Health Care Property Investors, Inc.

Our Company

We were organized in 1985 to qualify as a real estate investment trust, or a REIT. We invest directly or through joint ventures in healthcare related real estate located throughout the United States. We commenced business 20 years ago, making us the second oldest REIT specializing in healthcare real estate. Since 1986, the debt rating agencies have rated our debt investment grade. We expect that the notes offered pursuant to this prospectus will be rated by Moody's Investors Service and Standard & Poor's at Baa2 and BBB+, respectively. The market value of our common stock was approximately \$3.3 billion as of April 22, 2005.

As of December 31, 2004, our gross investment in our properties, including investments through joint ventures and mortgage loans, was approximately \$3.5 billion. As of December 31, 2004, our portfolio of 527 properties in 43 states consisted of:

29 hospitals;

171 skilled nursing facilities;

119 assisted living and continuing care retirement communities;

184 medical office buildings; and

24 other healthcare facilities.

Our principal offices are located at 3760 Kilroy Airport Way, Suite 300, Long Beach, California 90806, and our telephone number is (562) 733-5100.

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The Offering

Issuer	Health Care Property Investors, Inc.
Securities offered	\$250 million in aggregate principal amount of 5 ⁵ / ₈ % senior notes.
Maturity	May 1, 2017.
Interest payment dates	May 1 and November 1 of each year, beginning November 1, 2005.
Ranking	The notes will be unsecured and rank senior to our subordinated indebtedness and equally with our other senior indebtedness. The notes will effectively rank junior to all liabilities of our subsidiaries. The notes will also be subordinated to our secured indebtedness as to the assets securing such indebtedness.
Covenants	Under specified circumstances, the indenture governing the notes restricts our ability to incur additional indebtedness.
Use of proceeds	We estimate that the net proceeds from this offering, after deducting estimated fees and expenses, will be approximately \$247.0 million. We currently intend to use these net proceeds to repay borrowings outstanding under our revolving line of credit and for other general corporate purposes.
Risk factors	See Risk Factors and the other information in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in the notes.

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RISK FACTORS

Set forth below and in the section entitled "Risk Factors" of the accompanying prospectus are the risks that we believe are material to investors who purchase the notes. In addition to other information contained in this prospectus supplement, the accompanying prospectus and our annual report on Form 10-K for the fiscal year ended December 31, 2004, you should carefully consider the following factors before investing in the notes.

Our indebtedness could adversely affect our financial results and prevent us from fulfilling our obligations under the notes.

At December 31, 2004, our total consolidated indebtedness was approximately \$1.5 billion with gross investments in our properties, including partnership interests and mortgage loans, of \$3.5 billion. We may be able to borrow substantial additional unsecured indebtedness in the future. If new indebtedness is added to our current debt levels, the related risks that we now face could increase.

Our indebtedness could have important consequences for the holders of the notes, including:

limiting our ability to satisfy our obligations with respect to the notes;

increasing our vulnerability to general adverse economic and industry conditions;

limiting our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements;

requiring a substantial portion of our cash flow from operations for the payment of principal of, and interest on, our indebtedness and reducing our ability to use our cash flow to fund working capital, capital expenditures and general corporate requirements;

limiting our flexibility in planning for, or reacting to, changes in our business and the industry; and

putting us at a disadvantage compared to competitors with less indebtedness.

Our business operations may not generate the cash needed to service our indebtedness.

Our ability to make payments on our indebtedness, including these notes, and to fund planned capital expenditures will depend on our ability to generate cash in the future. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to pay our indebtedness, including these notes, or to fund our other liquidity needs.

Although these notes are referred to as senior notes, they will be effectively subordinated to our secured indebtedness and all liabilities of our subsidiaries.

The notes are unsecured and therefore will be effectively subordinated to any secured indebtedness we may incur to the extent of the value of the assets securing such indebtedness. In the event of a bankruptcy or similar proceeding involving us, our assets which serve as collateral will be available to satisfy the obligations under any secured indebtedness before any payments are made on the notes. In addition, our subsidiaries and general and limited partnerships will not guarantee the notes. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries or partnerships, creditors of our subsidiaries and partnerships will generally be entitled to payment of their claims from the assets of those subsidiaries and partnerships before any assets are made available for distribution to us, except to the extent we may also have a claim as a creditor. At December 31, 2004, these notes would have been effectively junior to approximately \$139.4 million of indebtedness.

An active trading market may not develop for the notes.

Prior to the offering, there was no existing trading market for the notes. Although the underwriters have informed us that they currently intend to make a market in the notes after we complete the offering, they have no obligation to do so and may discontinue making a market at any time without notice.

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We do not intend to apply for listing of the notes on any securities exchange or for quotation on the Nasdaq National Market.

The liquidity of any market for the notes will depend on a number of factors, including:

the number of holders of the notes;

our performance;

the market for similar securities;

the interest of securities dealers in making a market in the notes; and

prevailing interest rates.

We cannot assure you that an active market for the notes will develop or, if developed, that it will continue.

Downgrades or other changes in our credit ratings could affect our financial results and reduce the market value of the notes.

The credit ratings assigned to our unsecured indebtedness, including the notes, may affect our ability to obtain new financing and the costs of our financing. It is possible that rating agencies may downgrade our credit ratings or change their outlook about us, which could increase our cost of capital and make our efforts to raise capital more difficult and, in turn, adversely affect our financial results. Such a downgrade in rating may also reduce the price that a subsequent purchaser may be willing to pay for the notes.

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CAUTIONARY LANGUAGE REGARDING FORWARD LOOKING STATEMENTS

Statements in this prospectus supplement, the accompanying prospectus and the information incorporated by reference in this prospectus supplement and the accompanying prospectus that are not historical factual statements are forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward looking statements to be covered by the safe harbor provisions for forward looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this section for purposes of complying with these safe harbor provisions. The statements include, among other things, statements regarding the intent, belief or expectations of HCP and its officers and can be identified by the use of terminology such as may, will, expect, believe, intend, plan, estimate, other comparable terms or the negative thereof. In addition, we, through our senior management, from time to time make forward looking oral and written public statements concerning our expected future operations and other developments. You are cautioned that, while forward looking statements reflect our good faith belief and best judgment based upon current information, they are not guarantees of future performance and are subject to known and unknown risks and uncertainties. Actual results may differ materially from the expectations contained in the forward looking statements as a result of various factors. In addition to the factors set forth in this prospectus supplement, the accompanying prospectus and our annual report on Form 10-K for the fiscal year ended December 31, 2004, you should consider the following:

Legislative, regulatory, or other changes in the healthcare industry at the local, state or federal level which increase the costs of or otherwise affect the operations of our tenants;

Changes in the reimbursement available to our tenants and mortgagors by governmental or private payors, including changes in Medicare and Medicaid payment levels and the availability and cost of third party insurance coverage;

Competition for tenants and mortgagors, including with respect to new leases and mortgages and the renewal or rollover of existing leases;

Availability of suitable healthcare facilities to acquire at a favorable cost of capital and the competition for such acquisition and financing of healthcare facilities;

The ability of our tenants and mortgagors to operate our properties in a manner sufficient to maintain or increase revenues and to generate sufficient income to make rent and loan payments;

The financial weakness of operators in the long-term care and assisted living sectors, including the bankruptcies of certain of our tenants, which results in uncertainties in our ability to continue to realize the full benefit of such operators' leases;

Changes in national or regional economic conditions, including changes in interest rates and the availability and cost of capital;

The risk that we will not be able to sell or lease facilities that are currently vacant;

The potential costs of SB 1953 (seismic safety) compliance with respect to our hospital in Tarzana, California;

The financial, legal and regulatory difficulties of two of our significant operators, Tenet Healthcare Corporation and HealthSouth Corporation; and

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The potential impact of existing and future litigation matters.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events discussed in this prospectus supplement or discussed in or incorporated by reference in the accompanying prospectus may not occur.

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The following table sets forth our ratios of earnings to fixed charges for the periods indicated. In computing the ratios of earnings to fixed charges, earnings have been based on consolidated income from continuing operations before fixed charges (exclusive of capitalized interest). Fixed charges consist of interest on debt, including amounts capitalized, and rental expense.

	For the Year Ended December 31,				
	2000	2001	2002	2003	2004
Ratio of Earnings to Fixed Charges ⁽¹⁾	2.17	2.42	2.72	2.62	2.79
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends ⁽¹⁾	1.68	1.83	2.05	1.86	2.26

- (1) Our ratio of earnings to fixed charges and ratio of earnings to combined fixed charges and preferred stock dividends have been revised from those presented in the accompanying prospectus to reflect reclassifications of discontinued operations pursuant to Statement of Financial Accounting Standard No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets (FAS 144).

USE OF PROCEEDS

We expect that the net proceeds from the sale of the notes will be approximately \$247.0 million after deducting underwriting discounts, commissions and our expenses. We currently intend to use these net proceeds to repay borrowings outstanding under our revolving line of credit and for other general corporate purposes. As of April 18, 2005, our revolving line of credit had a balance of approximately \$277.1 million, with a weighted average annual interest rate of 3.50%. Borrowings we repay under our revolving line of credit may be reborrowed, subject to customary conditions.

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The following table sets forth the capitalization of HCP as of December 31, 2004 on an actual basis and on an as adjusted basis to reflect the issuance and sale of the notes and the application of the proceeds from such sale.

	December 31, 2004	
	(Amounts in thousands)	
	Actual	As Adjusted
Debt Obligations:		
Bank Notes Payable ⁽¹⁾	\$ 300,100	\$ 53,062
Senior Notes Payable ⁽²⁾	1,046,690	1,296,690
Mortgage Notes Payable	139,416	139,416
Total Debt Obligations	1,486,206	1,489,168
Minority Interests	121,781	121,781
Stockholders' Equity:		
Preferred Stock, \$1.00 par value per share: 50,000,000 shares authorized; 11,820,000 shares issued and outstanding	285,173	285,173
Common Stock, \$1.00 par value per share: 750,000,000 shares authorized; 133,658,318 shares issued and outstanding	133,658	133,658
Additional Paid-In Capital	1,403,335	1,403,335
Cumulative Net Income	1,348,089	1,348,089
Cumulative Dividends	(1,739,859)	(1,739,859)
Other Equity	(10,954)	(10,954)
Total Stockholders' Equity	1,419,442	1,419,442
Total Capitalization	\$ 3,027,429	\$ 3,030,391

(1) Outstanding bank notes payable were approximately \$277.1 million at April 18, 2005, with a weighted average annual interest rate of 3.50%.

(2) Our senior debt is net of any original issue discounts and is rated Baa2 by Moody's and BBB+ by Standard & Poor's.

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DESCRIPTION OF NOTES

The following information concerning the notes supplements, and should be read in conjunction with, the statements under the heading Description of the Debt Securities in the accompanying prospectus. Capitalized terms not defined below are used as defined in the indenture.

General

The notes will be issued under an indenture, dated as of September 1, 1993, between HCP and The Bank of New York, as trustee, which has been incorporated by reference as an exhibit to the registration statement of which the accompanying prospectus is a part. The following summary of certain provisions of the notes and of the indenture is not complete and you should read the indenture to fully understand all the provisions of the notes.

The notes will constitute a separate series of senior debt securities under the indenture, initially limited to \$250,000,000 aggregate principal amount. We may, from time to time, without giving notice to or seeking the consent of the holders of the notes, issue additional notes having the same ranking, interest rate, maturity and other terms as the notes issued in this offering. Any additional notes having such similar terms together with the previously issued notes will constitute a single series of debt securities under the indenture.

The notes will be senior unsecured obligations of HCP and will rank equally with all other senior unsecured indebtedness of HCP. The indenture does not limit the aggregate principal amount of debt securities that HCP may issue under the indenture and the notes will rank equally and ratably with all other debt securities issued under the indenture. The notes will not be listed on any national securities exchange.

The notes will mature on May 1, 2017 and will not be redeemable prior to maturity. The notes will bear interest from their date of issuance at the rate shown on the cover of this prospectus supplement, payable semi-annually on May 1 and November 1 in each year, commencing on November 1, 2005, to holders of record on the preceding April 15 and October 15. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Beneficial interests in the notes may be acquired, or subsequently transferred, only in denominations of \$1,000 and integral multiples of \$1,000.

If any interest payment date or the maturity date falls on a day that is not a Business Day, the required payment of principal and/or interest will be made on the next succeeding Business Day as if made on the date such payment was due, and no interest will accrue on such payment for the period from and after such interest payment date or maturity date, as the case may be, to the date of such payment on the next succeeding Business Day. As used in this prospectus supplement, Business Day means any day, other than a Saturday or Sunday, which is not a day on which banking institutions or trust companies in the City of New York are authorized or obligated by law to close.

Except as described under Description of the Debt Securities Covenants Limitation on Borrowing Money in the accompanying prospectus, the indenture does not contain any other provisions that would allow holders of the notes protection in the event of a highly leveraged transaction, reorganization, restructuring, change in control, merger or similar transaction involving HCP that may adversely affect holders of the notes.

Global Notes, Delivery and Form

The notes will be represented by one fully registered global security which will be deposited with, or on behalf of, the depositary. Except as set forth below, the global security may not be transferred except as a whole by the depositary to a nominee of the depositary or by a nominee of the depositary to the depositary or another nominee of the depositary or by the depositary or any nominee to a successor of the depositary or a nominee of such successor.

So long as the depositary or its nominee is the registered owner of the global security, the depositary or its nominee, as the case may be, will be the sole holder of the notes represented thereby, and the trustee and HCP are only required to treat the depositary or its nominee as the legal owner of the notes, for all purposes under the

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indenture. Except as otherwise provided in this section, the beneficial owners of the global security representing the notes will not be entitled to receive physical delivery of certificated notes and will not be considered the holders of the notes for any purpose under the indenture, and no global security representing the notes shall be exchangeable or transferable. Accordingly, each person owning a beneficial interest in the global security must rely on the procedures of the depositary and, if such person is not a participant in the depositary's system, on the procedures of the participant through which such person owns its interest to exercise any rights of a holder under the indenture. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of the securities in certificated form. These limits and these laws may impair the ability to transfer beneficial interests in the global security representing the notes.

The following is based on information furnished by the depositary:

The depositary will act as securities depository for the notes. The notes will be issued as fully registered securities registered in the name of Cede & Co. (the depositary's partnership nominee). One fully registered global security will be issued for the notes in the aggregate principal amount of the notes, and will be deposited with the depositary.

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

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

To facilitate subsequent transfers, the global security representing the notes which is deposited with the depositary is registered in the name of the depositary's partnership nominee, Cede & Co. The deposit of the global security with the depositary and its registration in the name of Cede & Co. effect no change in beneficial ownership. The depositary has no knowledge of the actual beneficial owners of the global security representing the notes; the depositary's records reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by the depositary to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or

regulatory requirements as may be in effect from time to time.

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

Principal and interest payments on the global security representing the notes will be made to the depositary. The depositary's practice is to credit direct participants' accounts on the applicable payment date in accordance with their respective holdings shown on the depositary's records unless the depositary has reason to believe that it will not receive payment on such date. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such participant and not of the depositary, the trustee or HCP, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to the depositary is the responsibility of HCP or the trustee, disbursement of such payments to direct participants shall be the responsibility of the depositary, and disbursement of such payments to the beneficial owners shall be the responsibility of direct and indirect participants.

If the depositary is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed within 90 days, HCP will issue certificated notes in exchange for the notes represented by the global security. In addition, HCP may at any time and in its sole discretion determine to discontinue use of the global security and, in such event, will issue definitive notes in exchange for the notes represented by the global security. Notes so issued will be issued in denominations of \$1,000 and integral multiples of \$1,000 and will be issued in registered form only, without coupons.

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SUPPLEMENTAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of the material United States federal income tax consequences to you of purchasing, owning and disposing of the notes and the material United States federal income tax considerations related to our REIT election. This summary is based on current law, is for general information only and is not tax advice. This summary supersedes, in its entirety, the discussion in the accompanying prospectus entitled United States Federal Income Tax Considerations Related to Our REIT Election. The anticipated income tax treatment described in this prospectus supplement may be changed, perhaps retroactively, by legislative, administrative or judicial action at any time.

The information in this section is based on:

the Internal Revenue Code of 1986, as amended, or the Code;

current, temporary and proposed Treasury Regulations promulgated under the Code;

the legislative history of the Code;

current administrative interpretations and practices of the Internal Revenue Service; and

court decisions.

in each case, as of the date of this prospectus supplement. In addition, the administrative interpretations and practices of the Internal Revenue Service include its practices and policies as expressed in private letter rulings that are not binding on the Internal Revenue Service except with respect to the particular taxpayers who requested and received those rulings. Future legislation, Treasury Regulations, administrative interpretations and practices and/or court decisions may adversely affect the tax considerations described in this prospectus supplement. Any such change could apply retroactively to transactions preceding the date of the change. We have not requested, and do not intend to request, a ruling from the Internal Revenue Service that we qualify as a REIT or concerning the tax treatment of the notes, and the statements in this prospectus supplement are not binding on the Internal Revenue Service or any court. Thus, we can provide no assurance that the tax considerations contained in this prospectus supplement will not be challenged by the Internal Revenue Service or will be sustained by a court if so challenged. This summary does not discuss any state, local or foreign tax consequences associated with the acquisition, ownership, sale or other disposition of the notes, or our election to be taxed as a REIT.

You are urged to consult your tax advisor regarding the specific tax consequences to you of:

the acquisition, ownership and sale or other disposition of the notes, including the federal, state, local, foreign and other tax consequences;

our election to be taxed as a REIT for federal income tax purposes; and

potential changes in applicable tax laws.

Taxation of Note Holders

This summary does not purport to deal with all aspects of United States federal income taxation that may affect particular holders of our notes in light of their individual circumstances or holders subject to special treatment under the United States federal income tax laws, including:

insurance companies;

tax-exempt organizations;

banks, thrifts or other financial institutions;

broker-dealers or dealers in securities or currencies;

S corporations;

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traders in securities that elect to mark to market;

holders owning the notes as part of a straddle, hedging, integrated or conversion transaction or other risk reduction or constructive sale transaction;

persons holding the notes through a partnership or other pass-through entity;

holders subject to the alternative minimum tax;

holders whose functional currency is not the United States dollar;

United States expatriates;

REITs or regulated investment companies; or

holders that acquired our notes as compensation.

This summary assumes that you hold the notes as capital assets, generally, for investment, as defined in section 1221 of the Code, and purchase the notes upon their initial issuance at the price set forth on the cover of this prospectus supplement. In addition, this summary does not consider the effect of any foreign, state, local or other tax laws that may be applicable to us or a purchaser of our notes.

United States Holders

If you are a United States holder, as defined below, this section applies to you. Otherwise, the next section, Non-United States Holders, applies to you. You are a United States holder if you are a beneficial owner of a note and you are:

a citizen or resident of the United States;

a corporation or partnership, including a limited liability company or other entity treated as a corporation or partnership for United States federal income tax purposes, created or organized under the laws of the United States, any state thereof or the District of Columbia, unless, in the case of a partnership, Treasury Regulations provide otherwise;

an estate, the income of which is subject to United States federal income tax regardless of its source; or

a trust, if a United States court can exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or if the trust was in existence on August 20, 1996 and has elected to continue to be treated as a United States person.

Taxation of Stated Interest. You generally must include interest on the notes in your federal taxable income as ordinary income:

when it accrues, if you use the accrual method of accounting for United States federal income tax purposes; or

when you actually or constructively receive it, if you use the cash method of accounting for United States federal income tax purposes.

Sale, Exchange or Other Taxable Disposition of the Notes. Unless a nonrecognition provision applies, you must recognize taxable gain or loss on the sale, exchange, redemption, retirement or other taxable disposition of a note. The amount of your gain or loss equals the difference between the amount you receive for the note in cash or other property, valued at fair market value, less the amount attributable to accrued but unpaid interest on the note, and your adjusted tax basis in the note. Your initial tax basis in a note generally will equal the price you paid for the note.

Your gain or loss generally will be long-term capital gain or loss if at the time the note is disposed of you have held it for more than one year. Otherwise, it will be short-term capital gain or loss. Payments attributable to accrued interest which you have not yet included in income will be taxed as ordinary interest income. The

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maximum federal income tax rate on long-term capital gain on most capital assets held by an individual is 15% for taxable years ending on or before December 31, 2008. Thereafter, such maximum tax rate is scheduled to increase to 20%. Your ability to deduct capital losses may be limited.

Backup Withholding and Information Reporting. Backup withholding may apply when you receive interest payments on a note or proceeds upon the sale or other disposition of a note. Certain holders including, among others, corporations, financial institutions and certain tax-exempt organizations, are generally not subject to backup withholding. In addition, backup withholding will not apply to you if you provide your social security or other taxpayer identification number in the prescribed manner unless:

the Internal Revenue Service notifies us or our agent that the taxpayer identification number you provided is incorrect;

you fail to report interest and dividend payments that you receive on your tax return and the Internal Revenue Service notifies us or our agent that backup withholding is required; or

you fail to certify under penalty of perjury that backup withholding does not apply to you.

A United States holder of notes that does not provide us or our paying agent with its correct taxpayer identification number may be subject to penalties imposed by the Internal Revenue Service. If backup withholding does apply to you, you may request a refund of the amounts withheld or use the amounts withheld as a credit against your United States federal income tax liability as long as you provide the required information to the Internal Revenue Service. You should consult your tax advisor as to your qualification for exemption from backup withholding and the procedures for obtaining the exemption.

We will be required to furnish annually to the Internal Revenue Service and to you information relating to the amount of interest paid on the notes, and that information reporting may also apply to payments of proceeds to you from your sale of the notes. Some holders, including corporations, financial institutions and certain tax-exempt organizations, are generally not subject to information reporting.

Non-United States Holders

This section applies to you if you are a non-United States holder of notes. The term *non-United States holder* means a beneficial owner of a note that is not a United States holder.

Special rules may apply to certain non-United States holders such as *controlled foreign corporations* and *passive foreign investment companies*. Such entities are encouraged to consult their tax advisors to determine the United States federal, state, local and other tax consequences that may be relevant to them.

Payments of Interest. If you are a non-United States holder of notes, interest paid to you will not be subject to United States federal income tax or withholding tax if the interest is not effectively connected with your conduct of a trade or business within the United States, and you:

do not actually or constructively own a 10% or greater interest in our capital or profits;

are not a controlled foreign corporation with respect to which we are a related person within the meaning of section 864(d)(4) of the Code;

are not a bank that received such notes on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and

provide the appropriate certification as to your foreign status. You can generally meet this certification requirement by providing a properly executed Internal Revenue Service Form W-8BEN or appropriate substitute form to us or our paying agent. If you hold the notes through a financial institution or other agent acting on your behalf, you may be required to provide appropriate documentation to your agent. Your agent will then generally be required to provide appropriate certificatio