

TANGER FACTORY OUTLET CENTERS INC

Form 424B2

August 12, 2009

Table of Contents

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered(1)</b>	<b>Proposed Maximum Offering Price Per Unit</b>	<b>Proposed Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee(2)</b>
Common Shares, \$0.01 par value	3,450,000	\$ 35.50	\$ 122,475,000	\$ 6,834.11

(1) Includes common shares that may be purchased by the underwriters pursuant to their option to purchase additional common shares.

(2) Calculated in accordance with Rule 457(r) of the Securities Act of 1933.

**Table of Contents**

**Filed Pursuant to Rule 424(b)(2)  
Registration No. 333-160433**

**PROSPECTUS SUPPLEMENT**

(To Prospectus dated July 2, 2009)

**3,000,000 Shares**

**Tanger Factory Outlet Centers, Inc.**

**Common Shares**

We are selling 3,000,000 common shares. Our common shares are traded on the New York Stock Exchange under the symbol SKT. On August 11, 2009, the last reported sale price of our common shares was \$38.11 per share.

To preserve our qualification as a REIT (as defined herein) for U.S. federal income tax purposes, our charter imposes certain restrictions on ownership of our common shares. See Description of Common Shares Restrictions on Ownership and Transfer in the accompanying prospectus.

We declared a \$0.3825 per common share dividend for our second quarter ended June 30, 2009, which is payable on August 14, 2009 to our shareholders of record on July 30, 2009. Purchasers of common shares in this offering will not be entitled to receive this dividend.

Investing in our common shares involves risks. See Risk Factors beginning on page S-3 of this prospectus supplement and on page 2 of the accompanying prospectus, as well as in our Annual Report on Form 10-K for the year ended December 31, 2008, which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

	<b>Per Share</b>	<b>Total</b>
Public Offering Price	\$ 35.50	\$ 106,500,000
Underwriting Discount	\$ 1.5087	\$ 4,526,100
Proceeds to Tanger Factory Outlets Centers, Inc. (before expenses)	\$ 33.9913	\$ 101,973,900

The underwriters may also purchase up to an additional 450,000 common shares at the public offering price, less the underwriting discounts and commissions, within 30 days after the date of this prospectus supplement solely to cover overallocments, if any.

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

The common shares will be ready for delivery on or about August 14, 2009.

*Joint Book-Running Managers*

**BofA Merrill Lynch**

**Goldman, Sachs & Co.**

**Wells Fargo Securities**

**BB&T Capital Markets**

**Citi**

**SunTrust Robinson Humphrey**

**PNC Capital Markets LLC**

**Scotia Capital**

**Stifel Nicolaus**

The date of this prospectus supplement is August 11, 2009.

**Table of Contents**

**TABLE OF CONTENTS**

**Prospectus Supplement**

	<u>Page</u>
<u>About This Prospectus Supplement</u>	ii
<u>Where You Can Find More Information</u>	ii
<u>Disclosure Regarding Forward-Looking Statements</u>	iv
<u>Prospectus Supplement Summary</u>	S-1
<u>Risk Factors</u>	S-3
<u>Use of Proceeds</u>	S-6
<u>Material U.S. Federal Income Tax Consequences to Holders of Common Shares</u>	S-7
<u>Underwriting</u>	S-15
<u>Experts</u>	S-21
<u>Legal Matters</u>	S-21

**Prospectus**

	<u>Page</u>
<u>Where You Can Find More Information</u>	i
<u>Incorporation of Certain Information By Reference</u>	i
<u>Basis of Presentation</u>	ii
<u>Disclosure Regarding Forward-Looking Statements</u>	ii
<u>The Company and the Operating Partnership</u>	1
<u>Risk Factors</u>	2
<u>Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Share Dividends</u>	6
<u>Use of Proceeds</u>	7
<u>Description of Debt Securities and Guarantees</u>	8
<u>Description of Common Shares</u>	25
<u>Description of Common Share Warrants</u>	27
<u>Description of Preferred Shares</u>	28
<u>Description of Depositary Shares</u>	36
<u>Material Federal Income Tax Considerations to Tanger Factory Outlet Centers, Inc. of its REIT Election</u>	40
<u>Experts</u>	52
<u>Legal Matters</u>	52

**Table of Contents**

**ABOUT THIS PROSPECTUS SUPPLEMENT**

You should read this prospectus supplement along with the accompanying prospectus, as well as the information incorporated by reference herein and therein, carefully before you invest in our common shares. These documents contain important information you should consider before making your investment decision. This prospectus supplement and the accompanying prospectus contain the terms of this offering of common shares. The accompanying prospectus contains information about our securities generally, some of which does not apply to the common shares covered by this prospectus supplement. This prospectus supplement may add, update or change information contained in or incorporated by reference in the accompanying prospectus. If the information in this prospectus supplement is inconsistent with any information contained in or incorporated by reference in the accompanying prospectus, the information in this prospectus supplement will apply and will supersede the inconsistent information contained in or incorporated by reference in the accompanying prospectus.

It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the additional information incorporated by reference in this prospectus supplement and the accompanying prospectus. See *Where You Can Find More Information* in this prospectus supplement.

**You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus required to be filed with the Securities and Exchange Commission (the SEC). Neither we nor the underwriters have authorized any other person to provide you with additional or different information. If anyone provides you with additional or different information, you should not rely on it. Neither we nor the underwriters are making an offer to sell the common shares in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any such free writing prospectus and the documents incorporated by reference herein and therein is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.**

Tanger Factory Outlet Centers, Inc. and its subsidiaries are referred to in this prospectus supplement as the Company, and Tanger Properties Limited Partnership and its subsidiaries are referred to in this prospectus supplement as the Operating Partnership. The terms *we*, *our* and *us* refer to the Company and the Operating Partnership and its subsidiaries together, as the context requires.

**WHERE YOU CAN FIND MORE INFORMATION**

The Company and the Operating Partnership file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document the Company or the Operating Partnership files with the SEC at its Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. You may also obtain these materials from us at no cost by directing a written or oral request to us at Tanger Factory Outlet Centers, Inc., 3200 Northline Avenue, Suite 360, Greensboro, North Carolina 27408, Attn: Corporate Secretary, or by calling our Investor Relations Department at (336) 834-6863, or at our website at [www.tangeroutlet.com](http://www.tangeroutlet.com). Except for the documents described below, information on our website is not otherwise incorporated by reference into this prospectus supplement or the accompanying prospectus. In addition, the SEC maintains a web site, <http://www.sec.gov>, which contains reports, proxy and information statements and other information regarding registrants, including the Company and the Operating Partnership, that file electronically with the SEC.

**Table of Contents**

The SEC allows us to incorporate by reference certain information we file with the SEC, which means that we can disclose important information to you by referring to the other information we have filed with the SEC. The information that we incorporate by reference is considered a part of this prospectus supplement and information that we file later with the SEC prior to the termination of this offering will automatically update and supersede the information contained in this prospectus supplement. We incorporate by reference the following documents we filed with the SEC pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the Exchange Act ):

***Tanger Factory Outlet Centers, Inc.:***

Annual Report on Form 10-K for the year ended December 31, 2008;

Quarterly Report on Form 10-Q for the quarter ended March 31, 2009;

Quarterly Report on Form 10-Q for the quarter ended June 30, 2009;

Current Reports on Form 8-K filed on January 5, 2009, April 9, 2009, April 24, 2009, May 6, 2009, May 8, 2009, July 2, 2009 and August 7, 2009 (solely with respect to item 5.02);

Amendment to Current Report on Form 8-K/A filed on March 20, 2009;

Definitive proxy statement filed on March 27, 2009; and

Definitive additional proxy materials filed on March 27, 2009.

***Tanger Properties Limited Partnership:***

Annual Report on Form 10-K for the year ended December 31, 2008;

Quarterly Report on Form 10-Q for the quarter ended March 31, 2009;

Quarterly Report on Form 10-Q for the quarter ended June 30, 2009;

Current Reports on Form 8-K filed on January 5, 2009, April 9, 2009, May 6, 2009, May 8, 2009, July 2, 2009 and August 7, 2009 (solely with respect to item 5.02); and

Amendment to Current Report on Form 8-K/A filed on March 20, 2009.

Notwithstanding the foregoing, unless specifically stated to the contrary, none of the information that we disclose under Items 2.02, 7.01 or 9.01 of any Current Report on Form 8-K that we may from time to time furnish to the SEC will be incorporated by reference into, or otherwise included in, this prospectus supplement.

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We are also incorporating by reference additional documents that we may file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement and prior to the termination of this offering. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as Proxy Statements. Any statement contained in this prospectus supplement or the accompanying prospectus or in a document incorporated or deemed to be incorporated by reference herein or therein shall be deemed to be modified or superseded to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the accompanying prospectus.

**Table of Contents**

**DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements are subject to certain risks, uncertainties, and typically can be identified by the use of words such as will, expect, estimate, anticipate, forecast, plan, believe and similar terms. Although we believe that our expectations are reasonable, we can give no assurance that these expectations will prove to have been correct, and actual results may vary materially. Factors that could cause actual results to differ materially from those contemplated above include, among others:

national and local general economic and market conditions;

demographic changes; our ability to sustain, manage or forecast our growth; existing governmental regulations and changes in or the failure to comply with, government regulations;

adverse publicity; liability and other claims asserted against us;

competition;

the risk that we may not be able to finance our planned development activities;

risks related to the retail real estate industry in which we compete, including the potential adverse impact of external factors such as inflation, tenant demand for space, consumer confidence, unemployment rates and consumer tastes and preferences;

the risk that high fuel prices may impact consumer travel and spending habits;

risks associated with our development activities, such as the potential for cost overruns, delays and lack of predictability with respect to the financial returns associated with these development activities;

risks associated with real estate ownership, such as the potential adverse impact of changes in the local economic climate on the revenues and the value of our properties;

risks that we incur a material, uninsurable loss of our capital investment and anticipated profits from one of our properties, such as those that result from wars, earthquakes, tornados or hurricanes;

risks that a significant number of tenants or a tenant or tenants that lease a significant amount of gross leasable area from us may become unable to meet their lease obligations, including as a result of tenant bankruptcies, or that we may be unable to renew or re-lease a significant amount of available space on economically favorable terms;

fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans;



business disruptions;

the ability to attract and retain qualified personnel;

the ability to realize planned costs savings in acquisitions; and

retention of earnings.

Additional factors which may cause actual results to differ materially from current expectations include, but are not limited to, those set forth in the section entitled *Business* in our Annual Report on Form 10-K for the year ended December 31, 2008, including the subheadings entitled *Recent Developments*, *The Factory Outlet Concept*, *Our Factory Outlet Centers*, *Business Strategy*, *Growth Strategy*, *Operating Strategy*, *Capital Strategy*, *Competition*, the section entitled *Management's Discussion and Analysis of Financial Condition and Results of Operations* in the Form 8-K filed on July 2, 2009 and the section titled *Risk Factors* in each of this prospectus supplement, the accompanying prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2008. Please consider our forward-looking statements in light of those risks as you read this prospectus supplement and the accompanying prospectus.

**Table of Contents**

**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus and may not contain all of the information that is important to you. You should carefully read this entire prospectus supplement and the accompanying prospectus, as well as the documents incorporated by reference in this prospectus supplement and in the accompanying prospectus, before making an investment decision to purchase our common shares.*

**The Company and the Operating Partnership**

**Our Business**

We are one of the largest owners and operators of outlet centers in the United States. We are organized to operate as a real estate investment trust, or REIT, for U.S. federal income tax purposes. We are a fully-integrated, self-administered and self-managed real estate company that focuses exclusively on developing, acquiring, owning and operating outlet centers. We provide all development, leasing and management services for our centers. As of June 30, 2009, we owned 31 centers in 22 states coast to coast, totaling approximately 9.2 million square feet of gross leasable area. These centers were 95% occupied and contained over 1,900 stores, representing approximately 300 store brands. We also operate and have partial ownership interests in two outlet centers totaling approximately 950,000 square feet.

Our outlet centers and other assets are held by, and all of our operations are conducted by, the Operating Partnership. Accordingly, the descriptions of our business, employees and properties are also descriptions of the business, employees and properties of the Operating Partnership.

Ownership of our common shares is restricted to preserve our qualification as a REIT for U.S. federal income tax purposes. Subject to certain exceptions, a person may not actually or constructively own more than 4% of our outstanding common shares or 9.8% of our outstanding 7.5% Class C Cumulative Preferred Shares, or Class C Preferred Shares. We also operate in a manner intended to enable us to preserve our qualification as a REIT, including, among other things, making distributions with respect to our outstanding common shares equal to at least 90% of our taxable income each year.

The Company is a North Carolina corporation that was incorporated in March 1993, and the Operating Partnership is a North Carolina limited partnership that was formed in May 1993. Our executive offices are currently located at 3200 Northline Avenue, Suite 360, Greensboro, North Carolina, 27408 and our telephone number is (336) 292-3010. Our website can be accessed at [www.tangeroutlet.com](http://www.tangeroutlet.com). The information contained on or accessible through our website is not a part of this prospectus, other than the documents that we file with the SEC that are incorporated by reference into this prospectus supplement and the accompanying prospectus.

**Table of Contents**

**The Offering**

The summary below describes the principal terms of the common shares. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of Common Shares section of the accompanying prospectus contains a more detailed description of the terms and conditions of the common shares.

<b>Issuer</b>	Tanger Factory Outlet Centers, Inc.
<b>New York Stock Exchange Symbol</b>	SKT
<b>Common Shares Offered</b>	3,000,000 common shares.
<b>Overallotment Option Offered</b>	Up to 450,000 common shares.
<b>Common Shares Outstanding Following This Offering(1)</b>	39,812,739 common shares (40,262,739 common shares if the underwriters exercise their option to purchase additional shares in full).
<b>Use of Proceeds</b>	We estimate that the net proceeds from this offering will be approximately \$101.5 million (\$116.8 million if the underwriters exercise their option to purchase additional shares in full), after deducting underwriting discounts and estimated offering expenses payable by us.  We intend to use the net proceeds from this offering to repay borrowings under our unsecured lines of credit and for general corporate purposes.

**Risk Factors** Investment in our common shares involves risk. You should carefully consider the information set forth in the Risk Factors section of this prospectus supplement, the accompanying prospectus and our Annual Report on Form 10-K for the year ended December 31, 2008, as well as the other information included in or incorporated by reference in this prospectus supplement and the accompanying prospectus before deciding whether to invest in our common shares.

(1) The number of common shares to be outstanding after the offering is based on 36,812,739 common shares outstanding as of July 31, 2009, and excludes 144,735 common shares issuable upon the exercise of outstanding share options, 1,336,270 additional common shares available for issuance under our Amended and Restated Incentive Award Plan and 6,066,610 common shares issuable upon the conversion of partnership units of the Operating Partnership held by the Tanger Family Limited Partnership.

**Table of Contents**

**RISK FACTORS**

*An investment in our common shares involves certain risks. You should carefully consider the risks described below, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The market or trading price of our common shares could decline due to any of these risks, and you may lose all or part of your investment. In addition, please read *Disclosure Regarding Forward-Looking Statements* in this prospectus supplement where we describe additional uncertainties associated with our business and the forward-looking statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. Please note that additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.*

**Risks Relating to Our Common Shares**

**The market price and trading volume of our common shares may be volatile, which could result in substantial losses for shareholders.**

The market price of our common shares may be highly volatile and be subject to wide fluctuations. In addition, the trading volume in our common shares may fluctuate and cause significant price variations to occur. Some of the factors that could negatively affect the market price of our common shares or result in fluctuations in the market price or trading volume of our common shares include:

general market and economic conditions;

actual or anticipated changes in our future financial performance;

changes in market interest rates;

competitive developments, including announcements by us or our competitors of new significant factory outlet centers and stores, contracts, acquisitions, strategic partnerships or capital commitments;

the operations and stock performance of our competitors;

developments in the real property investments industry generally;

additions or departures of senior management and key personnel; and

actions by institutional shareholders.

We cannot assure you that the market price of our common shares will not fluctuate or decline significantly in the future. In addition, the stock market in general can experience considerable price and volume fluctuations that may be unrelated to our performance.

**We may issue additional shares that may cause dilution and may depress the market price of our common shares.**

We may issue additional common or preferred shares in connection with future equity offerings, acquisitions of securities or other assets of companies. In addition, the Operating Partnership may issue additional partnership units, which are convertible into our common shares. In addition, we may issue preferred shares that have preference rights over our common shares with respect to dividends, liquidation, voting and other matters or common shares that have preference rights over your common shares with respect to voting. The issuance of additional common

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shares (or partnership units of the Operating Partnership) could be substantially dilutive to your shares and may depress the market price of our common shares. The issuance of preferred shares that have preference rights over our common shares may depress the price of our common shares.

S-3

## **Table of Contents**

**Future offerings of debt securities, which would be senior to our common shares in liquidation, or equity securities, which would dilute our existing shareholders' interests and may be senior to our common shares for the purposes of distributions, may depress the market price of our common shares.**

In the future, we may seek to access the capital markets from time to time by making additional offerings of debt and/or equity securities, including commercial paper, medium-term notes, senior or subordinated notes, preferred shares or common shares. We are not precluded by the terms of our organizational documents or the terms of our existing indebtedness from issuing additional debt or equity securities. Accordingly, we could become more highly leveraged, resulting in an increase in debt service that could harm our ability to make expected distributions to shareholders and in an increased risk of default on our obligations. If we were to liquidate, holders of our debt and lenders with respect to other borrowings will receive a distribution of our available assets before the holders of our common shares. Additional equity offerings by us may dilute your interest in us or reduce the market price of your common shares, or both. Our outstanding Class C Preferred Shares, which rank senior to our common shares as to rights to dividends and upon liquidation, could limit our ability to make a distribution to you. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Further, market conditions could require us to accept less favorable terms for the issuance of our securities in the future. Thus, you will bear the risk of our future offerings reducing the market price of your common shares and diluting your interest in us.

**The share ownership limit imposed by the our charter may inhibit market activity in our common shares and may restrict our business combination opportunities.**

In order for us to maintain our qualification as a REIT under the Internal Revenue Code, or the Code, not more than 50% in value of our outstanding common shares may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year after our first REIT taxable year. Our Amended and Restated Articles of Incorporation, as amended, or the charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT and provides that, with certain exceptions, no person may beneficially own more than 4% of our common shares. Our directors also have authority under our charter to impose a similar ownership limitation as to any separate class or series of preferred shares we may issue in the future. Our board of directors may grant an exemption from the ownership limit in its sole discretion, subject to such conditions, representations and undertakings as it may determine that are consistent with ensuring compliance with the REIT provisions of the Code.

This ownership limit could delay or prevent a transaction or a change in our control that might involve a premium price for our common shares or otherwise be in your best interest and may result in the entrenchment of our board of directors and management regardless of performance.

**Certain provisions of our charter documents may make it difficult for a third party to acquire us and could depress the price of our common shares.**

Our charter and Restated By-laws, or the bylaws, contain provisions that could delay, defer, or prevent a change in control of the Company or management. These provisions could also discourage a proxy contest and make it more difficult for shareholders to elect directors and take other corporate actions. As a result, these provisions could limit the price that investors are willing to pay in the future for our common shares. Such provisions include, but are not limited to, the following:

Authorizing the board of directors to issue preferred shares;

Prohibiting cumulative voting in the election of directors;

Limiting the persons who may call special meetings of shareholders; and

**Table of Contents**

Establishing advance notice requirements for nominations for election to the board of directors for proposing matters that can be acted on by shareholders at shareholder meetings.

**We are required by law to make distributions to our shareholders.**

To obtain the favorable tax treatment associated with our qualification as a REIT, generally, we are required to distribute to our common and preferred shareholders at least 90% of our net taxable income (excluding capital gains) each year. We depend upon distributions or other payments from the Operating Partnership to make distributions to our common and preferred shareholders. Any such distribution that we make may be partially paid in shares and partially paid in cash at the election of each shareholder. Under Revenue Procedure 2009-15, up to 90% of any such taxable dividend for 2009 could be payable in our shares. Any such distribution of our common shares and cash will be fully taxable to U.S. holders of our common shares. As a result, a U.S. shareholder may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. See Material U.S. Federal Income Tax Consequences to Holders of Common Shares Taxable U.S. Holders Distributions Generally.

**Our failure to qualify as a REIT could subject our earnings to corporate level taxation.**

We believe that we have operated, and we intend to operate, in a manner that permits us to qualify as a REIT under the Code. However, we cannot assure you that we have qualified or will remain qualified as a REIT. If in any taxable year we were to fail to qualify as a REIT and certain statutory relief provisions were not applicable, we would not be allowed a deduction for distributions to shareholders in computing taxable income and would be subject to U.S. federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. In addition, unless we were entitled to relief under statutory provisions, we could not elect to be subject to tax as a REIT for four taxable years following the year during which we were disqualified. Our failure to qualify for taxation as a REIT could have an adverse effect on the market price and marketability of our common shares.

**Table of Contents**

**USE OF PROCEEDS**

We estimate that the net proceeds from this offering will be approximately \$101.5 million (\$116.8 million if the underwriters exercise their option to purchase additional shares in full), after deducting underwriting discounts and estimated offering expenses payable by us.

We intend to use the net proceeds from this offering to repay borrowings under our unsecured lines of credit and for general corporate purposes. The weighted average interest rate as of July 31, 2009 on indebtedness outstanding under our unsecured lines of credit was 1.03% per annum. For our unsecured lines of credit being utilized at July 31, 2009, the interest rates range from LIBOR +.60% to LIBOR +.75%. These lines are currently scheduled to expire at various dates from June 2011 through August 2011.

S-6



**Table of Contents**

**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES**

**TO HOLDERS OF COMMON SHARES**

The following summary discusses material U.S. federal income tax consequences relating to the purchase, ownership and disposition of our common shares, but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the provisions of the Code, Treasury Regulations promulgated thereunder, the legislative history of the Code, administrative interpretations and practices of the Internal Revenue Service, or IRS, and judicial decisions, all as of the date hereof. These authorities may be changed, possibly retroactively, so as to result in U.S. federal income tax consequences different from those set forth below. In addition, the administrative interpretations and practices of the IRS include its practices and policies as expressed in private letter rulings which are not binding on the IRS, except with respect to the particular taxpayers who requested and received such rulings. We have not sought any ruling from the IRS with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions or that such statements and conclusions, if challenged by the IRS, would be upheld by a court.

This summary is limited to holders who hold our common shares as capital assets. This summary also does not address the tax considerations arising under the U.S. federal estate and gift tax laws or the laws of any foreign, state or local jurisdiction. In addition, this discussion does not address tax considerations applicable to an investor's particular circumstances or to investors that may be subject to special tax rules, including, without limitation:

- banks, insurance companies or other financial institutions;
- mutual funds;
- persons subject to the U.S. federal alternative minimum tax;
- tax-exempt organizations (except to the extent specifically set forth below under "Tax-Exempt Holders");
- dealers or brokers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- foreign persons or entities (except to the extent specifically set forth below);
- regulated investment companies and REITs;
- certain former citizens or long-term residents of the United States;
- U.S. holders (as defined below) whose functional currency is not the U.S. dollar;
- persons who hold our common shares as a position in a hedging transaction, straddle, conversion transaction or other risk reduction transaction; or
- persons deemed to sell our common shares under the constructive sale provisions of the Code.

If you are considering acquiring our common shares, you should consult your tax advisors concerning the application of U.S. federal tax laws to your particular situation as well as any consequences arising under the laws of any state, local or foreign taxing jurisdiction.

For purposes of this summary, a "U.S. holder" means a beneficial owner of our common shares that is:

- a citizen or resident alien individual of the United States;
- a corporation or partnership (or any entity treated as a corporation or partnership for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision of the United States;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

A "non-U.S. holder" means a beneficial owner of our common shares that is not a U.S. holder. Special rules may apply to certain non-U.S. holders such as controlled foreign corporations, passive foreign investment

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**Table of Contents**

companies, persons eligible for benefits under income tax conventions to which the United States is a party and certain U.S. expatriates. Non-U.S. holders should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them.

If a holder is an entity treated as a partnership for U.S. federal income tax purposes, the tax treatment of each partner of such partnership will generally depend upon the status of the partner and upon the activities of the partnership. A holder that is treated as a partnership for U.S. federal income tax purposes, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of the purchase, ownership and disposition of our common shares.

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

**the purchase, ownership and disposition of our common shares, including the federal, state, local, foreign and other tax consequences and any reporting requirements;  
our election to be taxed as a REIT for U.S. federal income tax purposes; and  
potential changes in the tax laws.**

***Taxable U.S. Holders***

*Distributions Generally*

Distributions out of our current or accumulated earnings and profits will be treated as dividends and, other than with respect to capital gain dividends, and certain amounts that have previously been subject to corporate level tax, discussed below, will be taxable to U.S. holders as ordinary income. See Tax Rates below. As long as we qualify as a REIT, these distributions will not be eligible for the dividends-received deduction in the case of U.S. holders that are corporations. For purposes of determining whether distributions to holders of our common shares are out of our current or accumulated earnings and profits, our earnings and profits will be allocated first to our outstanding preferred shares and then to our outstanding common shares.

To the extent that we make distributions in excess of our current and accumulated earnings and profits, these distributions will be treated first as a tax-free return of capital to each U.S. holder. This treatment will reduce your adjusted tax basis in your common shares by the amount of the distribution, but not below zero. Distributions in excess of our current and accumulated earnings and profits and in excess of your adjusted tax basis in your common shares will be taxable as capital gains. Such gain will be taxable as long-term capital gain if your holding period for the common shares is greater than one year. Dividends will generally be taxable, if at all, in the year of the distribution. However, dividends we declare in October, November or December of any year and which are payable to a holder of record on a specified date in any of these months will be treated as both paid by us and received by the holder on December 31 of that year, provided we actually pay the dividend on or before January 31 of the following year. U.S. holders may not include in their own income tax returns any of our net operating losses or capital losses.

Certain share dividends, including dividends partially paid in our shares and partially paid in cash that we pay in compliance with Revenue Procedure 2009-15, will be fully taxable to the recipient U.S. holder.

*Capital Gain Dividends*

Distributions that we properly designate as capital gain dividends will be taxable to U.S. holders as gain from the sale or disposition of a capital asset, to the extent that such gain does not exceed our actual net capital gain for the taxable year, and will be taxed as long-term capital gains without regard to the U.S. holder's holding period. If we properly designate any portion of a distribution as a capital gain dividend, then, except as otherwise required by law, we presently intend to allocate a portion of total capital gain dividends paid or made available to holders of all classes of our shares for the year to the holders of our common shares and preferred shares in proportion to the amount that our total dividends, as determined for U.S. federal income tax purposes, paid or made available to holders of such shares for the year bears to the total dividends, as determined for U.S. federal income tax purposes, paid or made available to holders of all classes of our shares for the year.

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**Table of Contents**

*Passive Activity Losses and Investment Interest Limitations*

Distributions by us and gain arising from the sale, exchange or other disposition of our common shares by a U.S. holder will not be treated as passive activity income. As a result, if you are subject to the passive activity loss limitation rules, you generally will not be able to apply any passive losses against this income or gain. A U.S. holder may elect to treat capital gain dividends, capital gains from the disposition of our common shares and income designated as qualified dividend income as investment income for purposes of computing the investment interest limitation, but in such case, the holder will be taxed at ordinary income rates on such amount. Other distributions made by us, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation.

*Retention of Net Capital Gains*

We may elect to retain, rather than distribute as a capital gain dividend, all or a portion of our net capital gains. If we make this election, we would pay tax on our retained net capital gains. In addition, to the extent we so elect, you generally would:

- include your pro rata share of our undistributed net capital gains in computing your long-term capital gains for your taxable year in which the last day of our taxable year falls, subject to certain limitations as to the amount that is includable;
- be deemed to have paid the capital gains tax imposed on us on the designated amounts included in your capital gains;
- receive a credit or refund for the amount of tax deemed paid by you;
- increase the adjusted basis of your common shares by the difference between the amount of includable gains and the tax deemed to have been paid by you; and
- if you are a corporation, appropriately adjust your earnings and profits for the retained capital gains in accordance with Treasury Regulations to be promulgated by the IRS.

*Sale or Other Disposition of Common Shares*

Upon the sale or other disposition of our common shares, you generally will recognize capital gain or loss in an amount equal to the difference between (i) the amount of cash proceeds and the fair market value of any property received on the sale or other disposition and (ii) your adjusted tax basis in our common shares. Such gain or loss will generally be long-term capital gain or loss if your holding period in our common shares is more than one year at the time of such disposition. In general, if a U.S. holder recognizes loss upon the sale or other disposition of our common shares that it has held for six months or less, after applying certain holding period rules, the loss recognized will be treated as a long-term capital loss to the extent the U.S. holder received distributions from us which were required to be treated as long-term capital gains. Deduction of capital losses may be subject to limitations.

*Redemption or Repurchase by Us*

A redemption or repurchase of our common shares will be treated under Section 302 of the Code as a distribution taxable as a dividend to the extent of our current and accumulated earnings and profits unless the redemption or repurchase satisfies one of the tests set forth in Section 302(b) of the Code and is therefore treated as a sale or exchange of the redeemed or repurchased shares. The redemption or repurchase will be treated as a sale or exchange if it:

- is substantially disproportionate with respect to the U.S. holder;
  - results in a complete termination of the U.S. holder's interest in us; or
  - is not essentially equivalent to a dividend with respect to the U.S. holder,
- all within the meaning of Section 302(b) of the Code.

In determining whether any of these tests have been met, our shares, including our common shares and other equity interests in us, considered to be owned by the U.S. holder by reason of certain constructive ownership rules set forth in the Code, as well as our shares actually owned by the U.S. holder, must generally be taken into

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## **Table of Contents**

account. Because the determination as to whether any of the alternative tests of Section 302(b) of the Code will be satisfied with respect to the U.S. holder depends upon the facts and circumstances at the time that the determination must be made, U.S. holders are advised to consult their tax advisors to determine such tax treatment.

If a redemption or repurchase of our common shares is treated as a distribution taxable as a dividend, the amount of the distribution will be measured by the amount of cash and the fair market value of any property received. See *Taxable U.S. Holders Distributions Generally*. A U.S. holder's adjusted basis in the redeemed or repurchased common shares for tax purposes will be transferred to its remaining shares in us, if any. If a U.S. holder owns no other shares in us, such basis may, under certain circumstances, be transferred to a related person or it may be lost entirely.

If a redemption or repurchase of our common shares is not treated as a distribution taxable as a dividend, it will be treated as a taxable sale or exchange in the manner described under *Taxable U.S. Holders Sale or Other Disposition of Common Shares*.

### *Tax Rates*

The maximum tax rate for noncorporate taxpayers for (i) capital gains, including capital gain dividends, is currently 15% (although, depending on the characteristics of the assets which produced these gains and on designations which we may make, certain capital gain dividends may be taxed at a 25% rate) and (ii) qualified dividend income is currently 15%. In general, dividends payable by a REIT are not eligible for the reduced tax rate on qualified dividend income, except to the extent certain holding requirements have been met and the REIT's dividends are attributable to dividends received from taxable corporations (such as a taxable REIT subsidiary) or to income that was subject to tax at the corporate/REIT level (for example, if we distribute taxable income that we retained and paid tax on in the prior taxable year). Assuming there is no change in the current law (including the adoption of proposals from the current administration), the applicable provisions of the U.S. federal income tax laws relating to the 15% tax rate are currently scheduled to sunset or revert back to the provisions of prior law effective for taxable years beginning after December 31, 2010, at which time the capital gains tax rate will be increased to 20% and the rate applicable to dividends will be increased to the tax rate then applicable to ordinary income.

### *Taxable Non-U.S. Holders*

#### *Distributions Generally*

Distributions that are neither attributable to gain from sales or exchanges by us of U.S. real property interests nor designated by us as capital gain dividends will be treated as dividends of ordinary income to the extent they are made out of our current or accumulated earnings and profits. Such distributions ordinarily will be subject to U.S. federal withholding tax at the rate of 30% or such lower rate as may be specified by an applicable income tax treaty, unless the distributions are treated as effectively connected with your conduct of a trade or business in the United States. Under certain treaties, lower withholding rates generally applicable to dividends do not apply to dividends from a REIT.

In cases where the dividend income from a non-U.S. holder's investment in our common shares is, or is treated as, effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, the non-U.S. holder generally will be subject to U.S. tax at graduated rates, in the same manner as if it were a U.S. person, and, in the case of a non-U.S. holder that is a corporation, the income may also be subject to the 30% branch profits tax or such lower rate as may be specified in an applicable income tax treaty.

We expect to withhold U.S. income tax at the rate of 30% on any distributions made to a non-U.S. holder unless:

- a lower treaty rate applies and the non-U.S. holder provides us with an IRS Form W-8BEN (or applicable successor form) evidencing eligibility for that reduced treaty rate; or
- the non-U.S. holder provides us with an IRS Form W-8ECI (or applicable successor form) claiming that the distribution is income effectively connected with the non-U.S. holder's conduct of a trade or business in the United States.

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**Table of Contents**

Distributions in excess of our current and accumulated earnings and profits will not be taxable to you to the extent that such distributions do not exceed your adjusted tax basis in your common shares in us, but rather will reduce the adjusted tax basis of such shares. To the extent that such distributions exceed the adjusted tax basis of your common shares in us, they will give rise to gain from the sale or exchange of such shares, the tax treatment of which is described below. For withholding purposes, we expect to treat all distributions as if made out of our current or accumulated earnings and profits. However, amounts withheld should generally be refundable if it is subsequently determined that the distribution was, in fact, in excess of our current and accumulated earnings and profits.

*Capital Gain Dividends and Distributions Attributable to a Sale or Exchange of U.S. Real Property Interests*

Distributions to a non-U.S. holder that we properly designate as capital gain dividends, other than those arising from the disposition of a U.S. real property interest, generally should not be subject to U.S. federal income taxation, unless:

the investment in our common shares is treated as effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, in which case the non-U.S. holder generally will be subject to tax on such gain in the same manner as if it were a U.S. person, except that a non-U.S. holder that is a foreign corporation may also be subject to the 30% branch profits tax, as discussed above; or

the non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are met, in which case the nonresident alien individual will be subject to a flat 30% tax on the individual's capital gains (which may generally be offset by U.S. source capital losses).

Pursuant to the Foreign Investment in Real Property Tax Act, or FIRPTA, distributions to a non-U.S. holder that are attributable to gain from sales or exchanges by us of U.S. real property interests, whether or not designated as capital gain dividends, will cause the non-U.S. holder to be treated as recognizing such gain as income effectively connected with the non-U.S. holder's conduct of a trade or business in the United States. A non-U.S. holder generally will be subject to tax on such gain in the same manner as if it were a U.S. person, subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien, and a non-U.S. holder that is a foreign corporation may also be subject to the 30% branch profits tax discussed above. We also will be required to withhold and to remit to the IRS 35% (or 15% to the extent provided in Treasury Regulations) of any distribution to a non-U.S. holder that is designated as a capital gain dividend or, if greater, 35% of a distribution to a non-U.S. holder that could have been designated as a capital gain dividend. The amount withheld is creditable against the non-U.S. holder's U.S. federal income tax liability. However, any distribution with respect to any class of shares which is regularly traded, as defined by applicable Treasury Regulations, on an established securities market located in the United States is not subject to FIRPTA, and therefore not subject to the 35% U.S. withholding tax described above, if the non-U.S. holder did not own more than 5% of such class of shares at any time during the one-year period ending on the date of the distribution. Instead, such distributions will be treated as ordinary dividend distributions and will not be subject to the branch profits tax. We believe that our common shares are currently regularly traded on an established securities market; however, there can be no assurance that our common shares are currently so traded or that they will be regularly traded on an established securities market in the future.

*Retention of Net Capital Gains*

Although the law is not clear on the matter, it appears that amounts designated by us as retained capital gains in respect of our common shares held by U.S. holders generally should be treated with respect to non-U.S. holders in the same manner as actual distributions of capital gain dividends. Under that approach, you would be able to offset as a credit against your U.S. federal income tax liability your proportionate share of the tax paid by us on such retained capital gains and to receive from the IRS a refund to the extent your proportionate share of such tax paid by us were to exceed your actual U.S. federal income tax liability.

**Table of Contents**

*Sale or Other Disposition of Common Shares*

Any gain realized upon the sale or other disposition of our common shares generally will not be subject to U.S. federal income tax unless:

that gain is effectively connected with your conduct of a trade or business in the United States;