

Reconciliation of Non-GAAP Financial Measures

Adjusted EBITDA is reconciled to net income available to common stockholders as follows:

	Fiscal Years Ended	
	2008	2007
	(\$ in thousands)	
Net income available to common stockholders	\$ 29,097	\$ 21,262
Interest including discontinued operations	61,090	65,011
Depreciation and amortization ⁽¹⁾	172,280	134,773
Minority interests	2,886	4,073
Preferred stock dividends	38,564	19,330
Adjusted EBITDA	<u>\$303,917</u>	<u>\$244,449</u>

⁽¹⁾ Depreciation and amortization was computed as follows:

	Fiscal Years Ended	
	2008	2007
	(\$ in thousands)	
Depreciation and amortization per income statement	\$172,280	\$134,394
Depreciation and amortization of discontinued operations	—	379
	<u>\$172,280</u>	<u>\$134,773</u>

We believe that adjusted earnings before interest expense, income taxes, depreciation and amortization, or Adjusted EBITDA, is a useful supplemental performance measures because it allows investors to view our performance without the impact of noncash depreciation and amortization or the cost of debt and preferred dividends and minority interests. In addition, we believe adjusted EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs. Because Adjusted EBITDA is calculated before recurring cash charges including interest expense and income taxes, excludes capitalized costs, such as leasing commissions, and is not adjusted for capital expenditures or other recurring cash requirements of our business, its utility as a measure of our performance is limited. Accordingly, Adjusted EBITDA should be considered only as a supplement to net income (computed in accordance with GAAP) as a measure of our financial performance. Other equity REITs may calculate Adjusted EBITDA differently than we do; accordingly, our Adjusted EBITDA may not be comparable to such other REITs' Adjusted EBITDA. Adjusted EBITDA for 2007 includes the results of properties sold in 2007: 100 Technology Center Drive (March 2007) and 4055 Valley View Lane (March 2007).

Funds from operations is reconciled to net income available to common stockholders as follows:

	Fiscal Years Ended	
	2008	2007
	(\$ in thousands)	
Net income available to common stockholders	\$ 29,097	\$ 21,262
Adjustments:		
Minority interests in operating partnership including discontinued operations	2,551	4,073
Real estate related depreciation and amortization ⁽¹⁾	171,559	134,240
Real estate related depreciation and amortization related to investment in unconsolidated joint venture	2,339	3,934
Gain on sale of assets	—	(18,049)
FFO available to common stockholders and unitholders ⁽²⁾	<u>\$205,546</u>	<u>\$145,460</u>
Basic FFO per share and unit	\$ 2.73	\$ 2.12
Diluted FFO per share and unit ⁽²⁾	\$ 2.62	\$ 2.05
Weighted average common stock and units outstanding		
Basic	75,160	68,754
Diluted ⁽²⁾	87,811	70,799

⁽¹⁾ Real estate depreciation and amortization was computed as follows:

	Fiscal Years Ended	
	2008	2007
	(\$ in thousands)	
Depreciation and amortization per income statement	172,280	134,394
Depreciation and amortization of discontinued operations	—	379
Non real estate depreciation	(721)	(533)
	<u>\$171,559</u>	<u>\$134,240</u>

(2) At December 31, 2008, we had 7,000,000 series C convertible preferred shares and 13,800,000 series D convertible preferred shares outstanding that were convertible into 3,614,800 common shares and 8,217,900 common shares, respectively. See below for calculations of diluted FFO available to common stockholders and unitholders and weighted average common stock and units outstanding.

	Fiscal Years Ended	
	2008	2007
FFO available to common stockholders and unitholders	\$205,546	\$145,460
Add: Series C convertible preferred dividends	7,656	—
Add: Series D convertible preferred dividends	17,130	—
FFO available to common stockholders and unitholders — diluted	<u>\$230,332</u>	<u>\$145,460</u>
Weighted average common stock and units outstanding	75,160	68,754
Add: Effect of dilutive securities (excluding series C and D convertible preferred stock)	1,606	2,045
Add: Effect of dilutive series C convertible preferred stock	3,615	—
Add: Effect of dilutive series D convertible preferred stock	7,430	—
Weighted average common stock and units outstanding — diluted	<u>87,811</u>	<u>70,799</u>

We calculate Funds from Operations, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of property, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. Management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures and capitalized leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our financial condition and results from operations, the utility of FFO as a measure of our performance is limited. Other REITs may not calculate FFO in accordance with the NAREIT definition and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO for 2007 includes the results of properties sold in 2007: 100 Technology Center Drive (March 2007) and 4055 Valley View Lane (March 2007).