BioMed Realty Trust Inc
Form 10-Q
April 30, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q
QUARTERLY REPORT
PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2009
Commission File Number: 1-32261
BIOMED REALTY TRUST, INC.
(Exact name of registrant as specified in its charter)

Maryland	**20-1142292**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
17190 Bernardo Center Drive San Diego, California	**92128**
(Address of Principal Executive Offices)	*(Zip Code)*

(858) 485-9840
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The number of outstanding shares of the registrant s common stock, par value $0.01 per share, as of April 29, 2009 was 81,202,562.

BIOMED REALTY TRUST, INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2009
TABLE OF CONTENTS

	Page
PART I FINANCIAL INFORMATION	
Item 1 Consolidated Financial Statements	3
Consolidated Balance Sheets as of March 31, 2009 (Unaudited) and December 31, 2008 (Unaudited)	3
Consolidated Statements of Income for the three months ended March 31, 2009 and 2008 (Unaudited)	4
Consolidated Statements of Equity for the three months ended March 31, 2009 and 2008 (Unaudited)	5
Consolidated Statements of Comprehensive Income/(Loss) for the three months ended March 31, 2009 and 2008 (Unaudited)	6
Consolidated Statements of Cash Flows for the three months ended March 31, 2009 and 2008 (Unaudited)	7
Notes to Consolidated Financial Statements (Unaudited)	8
Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3 Quantitative and Qualitative Disclosures About Market Risk	35
Item 4 Controls and Procedures	36
PART II OTHER INFORMATION	
Item 1 Legal Proceedings	37
Item 1A Risk Factors	37
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 3 Defaults Upon Senior Securities	37
Item 4 Submission of Matters to a Vote of Security Holders	37
Item 5 Other Information	37
Item 6 Exhibits	37

SIGNATURES	38

Exhibit 10.1
Exhibit 10.2
Exhibit 31.1
Exhibit 31.2
Exhibit 32.1

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. *CONSOLIDATED FINANCIAL STATEMENTS*

BIOMED REALTY TRUST, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	March 31, 2009	December 31, 2008 (Revised)
ASSETS		
Investments in real estate, net	$ 3,001,077	$ 2,960,429
Investments in unconsolidated partnerships	49,756	18,173
Cash and cash equivalents	32,318	21,422
Restricted cash	4,951	7,877
Accounts receivable, net	14,749	9,417
Accrued straight-line rents, net	62,040	58,138
Acquired above-market leases, net	4,009	4,329
Deferred leasing costs, net	95,204	101,519
Deferred loan costs, net	8,451	9,754
Other assets	37,607	38,256
Total assets	$ 3,310,162	$ 3,229,314
LIABILITIES AND EQUITY		
Mortgage notes payable, net	$ 351,469	$ 353,161
Secured construction loan	507,128	507,128
Secured term loan	250,000	250,000
Exchangeable senior notes, net	111,068	122,043
Unsecured line of credit	204,334	108,767
Security deposits	7,641	7,623
Dividends and distributions payable	32,563	32,445
Accounts payable, accrued expenses, and other liabilities	87,359	66,821
Derivative instruments	100,840	126,091
Acquired below-market leases, net	14,762	17,286
Total liabilities	1,667,164	1,591,365
Equity:		
Stockholders equity:		
Preferred stock, $.01 par value, 15,000,000 shares authorized: 7.375% Series A cumulative redeemable preferred stock, $230,000,000 liquidation preference ($25.00 per share), 9,200,000 shares issued and outstanding at March 31, 2009 and December 31, 2008	222,413	222,413
Common stock, $.01 par value, 100,000,000 shares authorized, 81,181,196 and 80,757,421 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	812	808
Additional paid-in capital	1,661,656	1,661,009
Accumulated other comprehensive loss	(100,314)	(112,126)

Dividends in excess of earnings		(154,708)		(146,536)
Total stockholders equity		1,629,859		1,625,568
Noncontrolling interests		13,139		12,381
Total equity		1,642,998		1,637,949
Total liabilities and equity	$	3,310,162	$	3,229,314

See accompanying notes to consolidated financial statements.

Table of Contents

BIOMED REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except share data)
(Unaudited)

	For the Three Months Ended March 31, 2009	For the Three Months Ended March 31, 2008 (Revised)
Revenues:		
Rental	$ 68,419	$ 50,342
Tenant recoveries	21,081	16,582
Other income	4,451	434
Total revenues	93,951	67,358
Expenses:		
Rental operations	22,152	13,865
Real estate taxes	7,233	5,269
Depreciation and amortization	27,313	17,687
General and administrative	5,280	6,194
Total expenses	61,978	43,015
Income from operations	31,973	24,343
Equity in net loss of unconsolidated partnerships	(301)	(172)
Interest income	63	155
Interest expense	(12,080)	(7,173)
Loss on derivative instruments	(56)	
Gain on extinguishment of debt	4,371	
Net income	23,970	17,153
Net income attributable to noncontrolling interests	(705)	(581)
Preferred stock dividends	(4,241)	(4,241)
Net income attributable to common stockholders	$ 19,024	$ 12,331
Net income per share available to common stockholders:		
Basic and diluted earnings per share	$ 0.23	$ 0.19
Weighted-average common shares outstanding:		
Basic	80,261,363	65,350,512
Diluted	84,499,365	69,024,935

See accompanying notes to consolidated financial statements.

4

Table of Contents

BIOMED REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except share data)
(Unaudited)

	Series A Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)/Income	Dividends in Excess of Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2008 (Revised)	$ 222,413	80,757,421	$ 808	$ 1,661,009	$ (112,126)	$ (146,536)	$ 1,625,568	$ 12,381	$ 1,637,949
Net issuances of unvested restricted common stock		350,165	3	(34)			(31)		(31)
Conversion of operating partnership units to common stock		73,610	1	(153)			(152)	152	
Vesting of share-based awards				1,404			1,404		1,404
Allocation of equity to noncontrolling interests				(570)			(570)	570	
Common stock dividends						(27,196)	(27,196)		(27,196)
Net income						23,265	23,265	705	23,970
Preferred stock dividends						(4,241)	(4,241)		(4,241)
OP unit distributions								(1,126)	(1,126)
Unrealized gain on marketable securities					549		549	21	570
Unrealized loss on derivative instruments					11,263		11,263	436	11,699
Balance at March 31, 2009	$ 222,413	81,181,196	$ 812	$ 1,661,656	$ (100,314)	$ (154,708)	$ 1,629,859	$ 13,139	$ 1,642,998

See accompanying notes to consolidated financial statements.

Table of Contents

BIOMED REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008 (Revised)
Net income attributable to common stockholders and noncontrolling interests	$ 19,729	$ 12,912
Other comprehensive income/(loss):		
Unrealized gain/(loss) on derivative instruments	12,787	(32,067)
Equity in other comprehensive loss of unconsolidated partnerships	(213)	
Deferred settlement payments derivative instruments, net	(875)	(995)
Unrealized gain on marketable securities	570	
Total other comprehensive income/(loss)	12,269	(33,062)
Comprehensive income/(loss)	31,998	(20,150)
Comprehensive (income)/loss attributable to noncontrolling interests	(1,162)	900
Comprehensive income/(loss) attributable to common stockholders	$ 30,836	$ (19,250)

See accompanying notes to consolidated financial statements.

Table of Contents

BIOMED REALTY TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2009	**2008 (Revised)**
Operating activities:		
Net income	$ 23,970	$ 17,153
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on extinguishment of debt	(4,371)	
Loss on derivative instruments	56	
Depreciation and amortization, including amounts for discontinued operations	27,313	17,687
Allowance for doubtful accounts	3,739	91
Revenue reduction attributable to acquired above-market leases	320	371
Revenue recognized related to acquired below-market leases	(3,902)	(1,509)
Revenue reduction attributable to lease incentives	331	126
Compensation expense related to restricted common stock and LTIP units	1,404	1,382
Amortization of deferred loan costs	1,143	563
Amortization of debt premium on mortgage notes payable	(455)	(150)
Amortization of debt discount on exchangeable senior notes	483	664
Loss from unconsolidated partnerships	301	172
Distributions representing return on capital from unconsolidated partnerships	32	19
Changes in operating assets and liabilities:		
Restricted cash	2,926	516
Accounts receivable	(5,830)	(350)
Accrued straight-line rents	(7,143)	(4,267)
Deferred leasing costs	(2,909)	(1,480)
Other assets	1,251	2,110
Security deposits	18	236
Accounts payable, accrued expenses and other liabilities	4,619	(7,015)
Net cash provided by operating activities	43,296	26,319
Investing activities:		
Purchases of interests in and additions to investments in real estate and related intangible assets	(45,367)	(61,342)
Distributions representing return of capital from unconsolidated partnerships		1,373
Contributions to unconsolidated partnerships, net of intercompany eliminations	(32,131)	(332)
Receipts of master lease payments		103
Additions to non-real estate assets	(125)	(4,448)
Net cash used in investing activities	(77,623)	(64,646)
Financing activities:		
Payment of deferred loan costs	(17)	
Unsecured line of credit proceeds	95,567	39,800

Principal payments on mortgage notes payable	(1,237)	(1,446)
Repurchases of exchangeable senior notes	(6,910)	
Settlement of derivative instruments	(8,860)	
Secured construction loan proceeds		32,468
Deferred settlement payments, net on interest rate swaps	(875)	(995)
Distributions to operating partnership unit and LTIP unit holders	(1,151)	(1,029)
Dividends paid to common stockholders	(27,053)	(20,326)
Dividends paid to preferred stockholders	(4,241)	(4,241)
Net cash provided by financing activities	45,223	44,231
Net increase in cash and cash equivalents	10,896	5,904
Cash and cash equivalents at beginning of period	21,422	13,479
Cash and cash equivalents at end of period	$ 32,318	$ 19,383
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest (net of amounts capitalized of $4,130 and $15,064, respectively)	$ 10,821	$ 9,186
Supplemental disclosure of non-cash investing and financing activities:		
Accrual for preferred stock dividends declared	$ 4,241	$ 4,241
Accrual for common stock dividends declared	27,196	21,974
Accrual for distributions declared for operating partnership unit and LTIP unit holders	1,126	1,170
Accrued additions to real estate and related intangible assets	37,048	54,037

See accompanying notes to consolidated financial statements.

Table of Contents

BIOMED REALTY TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Description of Business

BioMed Realty Trust, Inc., a Maryland corporation (the Company), was incorporated in Maryland on April 30, 2004. On August 11, 2004, the Company commenced operations after completing its initial public offering. The Company operates as a fully integrated, self-administered and self-managed real estate investment trust (REIT) focused on acquiring, developing, owning, leasing and managing laboratory and office space for the life science industry principally through its subsidiary, BioMed Realty, L.P., a Maryland limited partnership (the Operating Partnership). The Company s tenants primarily include biotechnology and pharmaceutical companies, scientific research institutions, government agencies and other entities involved in the life science industry. The Company s properties are generally located in markets with well-established reputations as centers for scientific research, including Boston, San Diego, San Francisco, Seattle, Maryland, Pennsylvania and New York/New Jersey.

2. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying interim financial statements are unaudited, but have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments and eliminations, consisting of normal recurring adjustments necessary for a fair presentation of the financial statements for these interim periods have been recorded. These financial statements should be read in conjunction with the audited consolidated financial statements and notes therein included in the Company s annual report on Form 10-K for the year ended December 31, 2008.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, partnerships and limited liability companies it controls, and variable interest entities for which the Company has determined itself to be the primary beneficiary. All material intercompany transactions and balances have been eliminated. The Company consolidates entities the Company controls and records a noncontrolling interest for the portions not owned by the Company. Control is determined, where applicable, by the sufficiency of equity invested and the rights of the equity holders, and by the ownership of a majority of the voting interests, with consideration given to the existence of approval or veto rights granted to the minority stockholder. If the minority stockholder holds substantive participating rights, it overcomes the presumption of control by the majority voting interest holder. In contrast, if the minority stockholder simply holds protective rights (such as consent rights over certain actions), it does not overcome the presumption of control by the majority voting interest holder.

Investments in Partnerships

The Company evaluates its investments in limited liability companies and partnerships under Financial Accounting Standards Board (FASB) Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities* (FIN 46R), an interpretation of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*. FIN 46R provides guidance on the identification of entities for which control is achieved through means other than voting rights (variable interest entities) and the determination of which business enterprise should consolidate the variable interest entity (the primary beneficiary). Generally, FIN 46R applies when either (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest, (2) the equity investment at risk is insufficient to finance that entity s activities without additional subordinated financial support or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest.

Table of Contents

If FIN 46R does not apply, the Company considers Emerging Issues Task Force (EITF) Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF 04-5), which provides guidance in determining whether a general partner controls a limited partnership. EITF 04-5 states that the general partner in a limited partnership is presumed to control that limited partnership. The presumption may be overcome if the limited partners have either (1) the substantive ability to dissolve the limited partnership or otherwise remove the general partner without cause or (2) substantive participating rights, which provide the limited partners with the ability to effectively participate in significant decisions that would be expected to be made in the ordinary course of the limited partnership s business and thereby preclude the general partner from exercising unilateral control over the partnership. If the criteria in EITF 04-5 are met and the Company is the general partner or the managing member, as applicable, the consolidation of the partnership or limited liability company is required.

Except for investments that are consolidated in accordance with FIN 46R or EITF 04-5, the Company accounts for investments in entities over which it exercises significant influence, but does not control, under the equity method of accounting. These investments are recorded initially at cost and subsequently adjusted for equity in earnings and cash contributions and distributions. Under the equity method of accounting, the Company s net equity in the investment is reflected in the consolidated balance sheets and its share of net income or loss is included in the Company s consolidated statements of income.

On a periodic basis, management assesses whether there are any indicators that the carrying value of the Company s investments in unconsolidated partnerships or limited liability companies may be impaired on a more than temporary basis. An investment is impaired only if management s estimate of the fair-value of the investment (based on estimated future discounted cash flows) is less than the carrying value of the investment on a more than temporary basis. To the extent impairment has occurred, the loss is measured as the excess of the carrying value of the investment over the fair-value of the investment. Management does not believe that the value of any of the Company s unconsolidated investments in partnerships or limited liability companies was impaired as of March 31, 2009.

Investments in Real Estate

Investments in real estate, net consists of the following (in thousands):

	March 31, 2009	December 31, 2008 (Revised)
Land	$ 365,154	$ 347,878
Land under development	52,247	69,529
Buildings and improvements	2,193,415	2,104,072
Construction in progress	405,764	439,221
Tenant improvements	164,700	161,839
	3,181,280	3,122,539
Accumulated depreciation	(180,203)	(162,110)
	$ 3,001,077	$ 2,960,429

On February 24, 2009, the Company paid $15.0 million upon completion of an expansion of an existing building located on the Company s 6114-6154 Nancy Ridge Drive property pursuant to the purchase and sale agreement for the original acquisition of the property in May 2007. In connection with the transaction, the Company recognized a below-market lease intangible liability related to the contractual lease rate on the additional premises of approximately $1.4 million.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed

The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If estimated future

undiscounted cash flows (excluding interest charges) expected to result from a long-lived asset s use and eventual disposition are insufficient to recover the carrying value of the long-lived asset, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair-value of the property. The Company is required to make subjective assessments as to whether there are impairments in the values of its investments in long-lived assets, including estimates of future cash flows, considering factors such as expected future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. These assessments have a direct impact on the Company s net income because recording an impairment loss results in an immediate negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. Although the Company s strategy is to hold its properties over the long-term, if the Company s strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized to reduce the property to the lower of the carrying amount or fair-value, and such loss could be material. If the Company determines that impairment has occurred, the affected assets must be reduced to their fair-value. As of and through March 31, 2009, no assets have been identified as impaired and no such impairment losses have been recognized.

Table of Contents

Deferred Leasing Costs

Leasing commissions and other direct costs associated with new or renewal lease activity are recorded at cost and amortized on a straight-line basis over the terms of the respective leases, with remaining terms ranging from less than one year to approximately 15 years as of March 31, 2009. Deferred leasing costs also include the net carrying value of acquired in-place leases and acquired management agreements.

Deferred leasing costs, net at March 31, 2009 consisted of the following (in thousands):

	Balance at March 31, 2009	Accumulated Amortization	Net
Acquired in-place leases	$ 168,390	$ (99,770)	$ 68,620
Acquired management agreements	12,921	(9,444)	3,477
Deferred leasing and other direct costs	29,226	(6,119)	23,107
	$ 210,537	$ (115,333)	$ 95,204

Deferred leasing costs, net at December 31, 2008 consisted of the following (in thousands):

	Balance at December 31, 2008	Accumulated Amortization	Net
Acquired in-place leases	$ 168,390	$ (92,072)	$ 76,318
Acquired management agreements	12,921	(8,602)	4,319
Deferred leasing and other direct costs	26,364	(5,482)	20,882
	$ 207,675	$ (106,156)	$ 101,519

Revenue Recognition

The Company commences revenue recognition on its leases based on a number of factors. In most cases, revenue recognition under a lease begins when the lessee takes possession of or controls the physical use of the leased asset. Generally, this occurs on the lease commencement date. In determining what constitutes the leased asset, the Company evaluates whether the Company or the lessee is the owner, for accounting purposes, of the tenant improvements. If the Company is the owner, for accounting purposes, of the tenant improvements, then the leased asset is the finished space and revenue recognition begins when the lessee takes possession of the finished space, typically when the improvements are substantially complete. If the Company concludes that it is not the owner, for accounting purposes, of the tenant improvements (the lessee is the owner), then the leased asset is the unimproved space and any tenant improvement allowances funded under the lease are treated as lease incentives which reduce revenue recognized over the term of the lease. In these circumstances, the Company begins revenue recognition when the lessee takes possession of the unimproved space for the lessee to construct improvements. The determination of who is the owner, for accounting purposes, of the tenant improvements determines the nature of the leased asset and when revenue recognition under a lease begins. The Company considers a number of different factors to evaluate whether it or the lessee is the owner of the tenant improvements for accounting purposes. These factors include:

- whether the lease stipulates how and on what a tenant improvement allowance may be spent;
- whether the tenant or landlord retains legal title to the improvements;
- the uniqueness of the improvements;
- the expected economic life of the tenant improvements relative to the length of the lease;

- the responsible party for construction cost overruns; and
- who constructs or directs the construction of the improvements.

The determination of who owns the tenant improvements, for accounting purposes, is subject to significant judgment. In making that determination, the Company considers all of the above factors. However, no one factor is determinative in reaching a conclusion.

All leases are classified as operating leases and minimum rents are recognized on a straight-line basis over the term of the related lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in accrued straight-line rents on the accompanying consolidated balance sheets and contractually due but unpaid rents are included in accounts receivable. Existing leases at acquired properties are reviewed at the time of acquisition to determine if contractual rents are above or below current market rents for the acquired property. An identifiable lease intangible asset or liability is recorded based on the present value (using a discount rate that reflects the risks associated with the acquired leases) of the difference between (1) the contractual amounts to be paid pursuant to the in-place leases and (2) the Company s estimate of the fair market lease rates for the corresponding in-place leases at acquisition, measured over a period equal to the remaining non-cancelable term of the leases and any fixed rate renewal periods (based on the Company s assessment of the likelihood that the renewal periods will be exercised). The capitalized above-market lease values are amortized as a reduction of rental income over the remaining non-cancelable terms of the respective leases. The capitalized below-market lease values are amortized as an increase to rental income over the remaining non-cancelable terms of the respective leases and any fixed rate renewal periods, if applicable. If a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be written off.
Acquired above-market leases, net consisted of the following (in thousands):

	March 31, 2009	December 31, 2008
Acquired above-market leases	$ 12,729	$ 12,729
Accumulated amortization	(8,720)	(8,400)
	$ 4,009	$ 4,329

Acquired below-market leases, net consisted of the following (in thousands):

	March 31, 2009	December 31, 2008
Acquired below-market leases	$ 39,339	$ 37,961
Accumulated amortization	(24,577)	(20,675)
	$ 14,762	$ 17,286

Lease incentives, net, which is included in other assets on the accompanying consolidated balance sheets, consisted of the following (in thousands):

	March 31, 2009	December 31, 2008
Lease incentives	$ 11,718	$ 11,698
Accumulated amortization	(2,542)	(2,211)
	$ 9,176	$ 9,487

Substantially all rental operations expenses, consisting of real estate taxes, insurance and common area maintenance costs, are subject to recovery from tenants under the terms of lease agreements. Amounts recovered are dependent on several factors, including occupancy and lease terms. Revenues are recognized in the period the expenses are incurred. The reimbursements are recognized and presented in accordance with EITF 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent* (EITF 99-19). EITF 99-19 requires that these reimbursements be recorded gross, as the Company is generally the primary obligor with respect to purchasing goods and services from third-party

suppliers, has discretion in selecting the supplier and bears the credit risk.

Lease termination fees are recognized when the related leases are canceled, the amounts to be received are fixed and determinable and collectability is assured, and when the Company has no continuing obligation to provide services to such former tenants. Income related to the early termination of leases of $3.8 million for the three months ended March 31, 2009 is included in other income in the consolidated statements of income. Related straight-line rent receivable, tenant recoveries and remaining other intangible assets corresponding to the lease terminations in the aggregate amount of approximately $4.7 million (net of amortization of below-market lease intangible assets) were fully amortized as a charge to their respective line items in the accompanying consolidated statements of income in the three months ended March 31, 2009.

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required rent and tenant recovery payments or defaults. The Company may also maintain an allowance for accrued straight-line rents and amounts due from lease terminations based on an assessment of the collectability of the balance.

Investments

The Company, through its Operating Partnership, holds equity investments in certain publicly-traded companies and privately-held companies primarily involved in the life science industry. The Company may accept equity investments from tenants in lieu of cash rents, as prepaid rent pursuant to the execution of a lease, or as additional consideration for a lease termination. All of the Company s investments in publicly-traded companies are considered available-for-sale in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (SFAS 115), and are recorded at fair-value pursuant to SFAS No. 157, *Fair Value Measurements* (SFAS 157). The fair-value of the Company s equity investments in publicly-traded companies is determined based upon the closing trading price of the equity security as of the balance sheet date, with unrealized gains and losses shown as a separate component of stockholders equity. The classification of investments under SFAS 115 is determined at the time each investment is made, and such determination is reevaluated at each balance sheet date. The cost of investments sold is determined by the specific identification method, with net realized gains and losses included in other income. Investments in privately-held companies are generally accounted for under the cost method because we do not influence any operating or financial policies of the companies in which we invest. For all investments, if a decline in the fair-value of an investment below its carrying value is determined to be other-than-temporary, such investment is written down to its estimated fair-value with a non-cash charge to earnings. The factors that the Company considers in making these assessments include, but are not limited to, market prices, market conditions, available financing, prospects for favorable or unfavorable clinical trial results, new product initiatives and new collaborative agreements. At March 31, 2009, the Company held investments with a carrying value of approximately $1.2 million (including $570,000 of unrealized gains), which is included in other assets in the accompanying consolidated balance sheets.

Share-Based Payments

SFAS No. 123 (revised 2004), *Share-Based Payment*, requires that all share-based payments to employees be recognized in the income statement based on their fair-value. The fair-value is recorded based on the market value of the common stock on the grant date and is amortized to general and administrative expense and rental operations expense over the relevant service period, adjusted for anticipated forfeitures. Through the three months ended March 31, 2009, the Company had only awarded restricted stock and long-term incentive plan (LTIP) unit grants under its incentive award plan (see Note 7), which are valued based on the closing market price of the underlying common stock on the date of grant, and had not granted any stock options.

Assets and Liabilities Measured at Fair-Value

On January 1, 2008, the Company adopted SFAS 157, which defines fair-value, establishes a framework for measuring fair-value, and expands disclosures about fair-value measurements. SFAS 157 applies to reported balances that are required or permitted to be measured at fair-value under existing accounting pronouncements; accordingly, the standard does not require any new fair-value measurements of reported balances.

On January 1, 2008, the Company adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which permits companies to choose to measure certain financial instruments and other items at fair-value in order to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently. However, the Company has not elected to measure any additional financial instruments and other items at fair-value (other than those previously required under other GAAP rules or standards) under the provisions of this standard.

SFAS 157 emphasizes that fair-value is a market-based measurement, not an entity-specific measurement. Therefore, a fair-value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair-value measurements, SFAS 157 establishes a fair-value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and

liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity s own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair-value measurement is based on inputs from different levels of the fair-value hierarchy, the level in the fair-value hierarchy within which the entire fair-value measurement falls is based on the lowest level input that is significant to the fair-value measurement in its entirety. The Company s assessment of the significance of a particular input to the fair-value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Currently, the Company uses forward starting and interest rate swaps to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair-values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. To comply with the provisions of SFAS 157, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty s nonperformance risk in the fair-value measurements. In adjusting the fair-value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair-value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of March 31, 2009, the Company has determined that the impact of the credit valuation adjustments on the overall valuation of its derivative positions is not significant. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair-value hierarchy (see Note 9).

The valuation of the Company s investments in publicly-traded investments utilizes observable market-based inputs, based on the closing trading price of securities as of the balance sheet date. Although the Company has determined that the majority of the inputs used to value its investments fall within Level 1 of the fair-value hierarchy, discounts that may be applied to investments in private companies utilize Level 3 inputs. However, as of March 31, 2009, the Company has determined that the impact of the discounts on the overall valuation of its investments is not significant. As a result, the Company has determined that valuations of its investments in their entirety are classified in Level 1 of the fair-value hierarchy.

No other assets or liabilities are measured at fair-value on a recurring basis, or have been measured at fair-value on a non-recurring basis subsequent to initial recognition, in the accompanying consolidated balance sheets as of March 31, 2009.

Derivative Instruments

On January 1, 2009, the Company adopted SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (SFAS 161), which amends and expands the disclosure requirements of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect a company s financial position, financial performance, and cash flows. SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about the fair-value of and gains and losses on derivative instruments, and disclosures about credit risk-related contingent features in derivative instruments.

The Company records all derivatives on the consolidated balance sheets at fair-value. In determining the fair-value of its derivatives, the Company considers the credit risk of its counterparties. These counterparties are generally larger financial institutions engaged in providing a variety of financial services. These institutions generally face similar risks regarding adverse changes in market and economic conditions, including, but not limited to, fluctuations in interest rates, exchange rates, equity and commodity prices and credit spreads. The current and pervasive disruptions in the financial markets have heightened the risks to these institutions.

The accounting for changes in the fair-value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair-value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair-value hedges. Derivatives designated and

qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair-value of the hedged asset or liability that are attributable to the hedged risk in a fair-value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risks, even though hedge accounting does not apply or the Company elects not to apply hedge accounting under SFAS 133.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair-value of the derivative is initially reported in accumulated other comprehensive income (outside of earnings) and subsequently reclassified to earnings in the period in which the hedged transaction affects earnings. If charges relating to the hedged transaction are being deferred pursuant to redevelopment or development activities, the effective portion of changes in the fair-value of the derivative are also deferred in other comprehensive income on the consolidated balance sheet, and are amortized to the income statement once the deferred charges from the hedged transaction begin again to affect earnings. The ineffective portion of changes in the fair-value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged item or transaction.

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known or expected cash amounts, the value of which are determined by interest rates. The Company s derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company s known or expected cash receipts and its known or expected cash payments principally related to the Company s investments and borrowings.

The Company s objective in using derivatives is to add stability to interest expense and to manage its exposure to interest rate movements or other identified risks. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying principal amount. During the three months ended March 31, 2009 and 2008, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt and future variability in the interest-related cash flows from forecasted issuances of debt (see Note 9). The Company formally documents the hedging relationships for all derivative instruments, has historically accounted for all of its interest rate swap agreements as cash flow hedges, and does not use derivatives for trading or speculative purposes. At December 31, 2008, the hedging relationships for two of four forward starting swaps were no longer considered highly effective and the Company was required to prospectively discontinue hedge accounting for these two swaps under SFAS 133 (see Note 9).

Management s Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reporting of revenues and expenses during the reporting period to prepare these consolidated financial statements in conformity with GAAP. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions or conditions.

Segment Information

The Company s properties share the following similar economic and operating characteristics: (1) they have similar forecasted returns (measured by capitalization rate at acquisition), (2) they are generally occupied almost exclusively by life science tenants that are public companies, government agencies or their subsidiaries, (3) they are generally located near areas of high life science concentrations with similar demographics and site characteristics, (4) the majority of properties are designed specifically for life science tenants that require infrastructure improvements not generally found in standard properties, and (5) the associated leases are primarily triple-net leases, generally with a fixed rental rate and scheduled annual escalations, that provide for a recovery of close to 100% of operating expenses. Consequently, the Company s properties qualify for aggregation into one reporting segment under the provisions of SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*.

Reclassifications and Adoption of New Accounting Pronouncements

Certain prior year amounts have been reclassified to conform to the current year presentation. In addition, certain prior year amounts have been revised as a result of the adoption on January 1, 2009 of SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160) (see Note 3), FASB Staff Position APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* (FSP 14-1), an interpretation of APB Opinion No. 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants* (see Note 5), and FASB Staff Position EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (FSP 03-6-1) (see Note 7), which have been applied retroactively to prior periods.

14

3. Equity

During the three months ended March 31, 2009, the Company issued restricted stock awards to employees totaling 353,600 shares of common stock (not including 3,435 shares of common stock, which were surrendered to the Company and subsequently retired in lieu of cash payments for taxes due on the vesting of restricted stock), which are included in the total of common stock outstanding as of the period end (see Note 7).

The Company maintains a Dividend Reinvestment Program and a Cash Option Purchase Plan (collectively, the DRIP Plan) to provide existing stockholders of the Company with an opportunity to invest automatically the cash dividends paid upon shares of the Company s common stock held by them, as well as permit existing and prospective stockholders to make voluntary cash purchases. Participants may elect to reinvest a portion of, or the full amount of cash dividends paid, whereas optional cash purchases are normally limited to a maximum amount of $10,000. In addition, the Company may elect to establish a discount ranging from 0% to 5% from the market price applicable to newly issued shares of common stock purchased directly from the Company. The Company may change the discount, initially set at 0%, at its discretion, but may not change the discount more frequently than once in any three-month period. Shares purchased under the DRIP Plan shall be, at the Company s option, purchased from either (1) authorized, but previously unissued shares of common stock, (2) shares of common stock purchased in the open market or privately negotiated transactions, or (3) a combination of both.

Common Stock, Partnership Units and LTIP Units

As of March 31, 2009, the Company had outstanding 81,181,196 shares of common stock and 2,795,364 and 566,540 partnership and LTIP units, respectively. A share of the Company s common stock and the partnership and LTIP units have essentially the same economic characteristics as they share equally in the total net income or loss and distributions of the Operating Partnership. The partnership units are further discussed below in this Note 3 and the LTIP units are discussed further below in this Note 3 and in Note 7.

7.375% Series A Cumulative Redeemable Preferred Stock

As of March 31, 2009, the Company had outstanding 9,200,000 shares of 7.375% Series A cumulative redeemable preferred stock, or Series A preferred stock. Dividends are cumulative on the Series A preferred stock from the date of original issuance in the amount of $1.84375 per share each year, which is equivalent to 7.375% of the $25.00 liquidation preference per share. Dividends on the Series A preferred stock are payable quarterly in arrears on or about the 15th day of January, April, July and October of each year. Following a change in control, if the Series A preferred stock is not listed on the New York Stock Exchange, the American Stock Exchange or the Nasdaq Global Market, holders will be entitled to receive (when and as authorized by the board of directors and declared by the Company), cumulative cash dividends from, but excluding, the first date on which both the change of control and the delisting occurred at an increased rate of 8.375% per annum of the $25.00 liquidation preference per share (equivalent to an annual rate of $2.09375 per share) for as long as the Series A preferred stock is not listed. The Series A preferred stock does not have a stated maturity date and is not subject to any sinking fund or mandatory redemption provisions. Upon liquidation, dissolution or winding up, the Series A preferred stock will rank senior to the Company s common stock with respect to the payment of distributions and other amounts. The Company is not allowed to redeem the Series A preferred stock before January 18, 2012, except in limited circumstances to preserve its status as a REIT. On or after January 18, 2012, the Company may, at its option, redeem the Series A preferred stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus all accrued and unpaid dividends on such Series A preferred stock up to, but excluding the redemption date. Holders of the Series A preferred stock generally have no voting rights except for limited voting rights if the Company fails to pay dividends for six or more quarterly periods (whether or not consecutive) and in certain other circumstances. The Series A preferred stock is not convertible into or exchangeable for any other property or securities of the Company.

Dividends and Distributions

The following table lists the dividends and distributions made by the Company and the Operating Partnership during the three months ended March 31, 2009:

	Dividend and Distribution	Dividend and

Declaration Date	Securities Class	Amount Per Share/Unit	Period Covered	Payable Date	Distribution Amount (in thousands)
March 16, 2009	Common stock and partnership and LTIP units	$ 0.33500	January 1, 2009 to March 31, 2009	April 15, 2009	$ 28,322
March 16, 2009	Series A preferred stock	$ 0.46094	January 16, 2009 to April 15, 2009	April 15, 2009	$ 4,241

Total 2009 dividends and distributions declared through March 31, 2009:

Common stock, partnership units, and LTIP units	$	28,322
Series A preferred stock		4,241
	$	32,563

Noncontrolling Interests

On January 1, 2009, the Company adopted SFAS 160, which clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 also requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest and requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. In addition, SFAS 160 establishes a single method of accounting for changes in a parent s ownership interest in a subsidiary that does not result in deconsolidation and requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. As a result of the issuance of SFAS 160, the guidance in EITF Topic D-98, *Classification and Measurement of Redeemable Securities*, was amended to include redeemable noncontrolling interests within its scope. If noncontrolling interests are determined to be redeemable, they are to be carried at their redemption value as of the balance sheet date and reported as temporary equity.

Noncontrolling interests on the consolidated balance sheets relate primarily to the partnership and LTIP units in the Operating Partnership (collectively, the Units) that are not owned by the Company. In conjunction with the formation of the Company, certain persons and entities contributing interests in properties to the Operating Partnership received partnership units. In addition, certain employees of the Operating Partnership received LTIP units in connection with services rendered or to be rendered to the Operating Partnership. Limited partners who have been issued Units have the right to require the Operating Partnership to redeem part or all of their Units upon vesting of the Units, if applicable. The Company may elect to acquire those Units in exchange for shares of the Company s common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of stock rights, specified extraordinary distributions and similar events, or pay cash based upon the fair market value of an equivalent number of shares of the Company s common stock at the time of redemption.

SFAS 160 was required to be applied prospectively after adoption, with the exception of the presentation and disclosure requirements, which were applied retrospectively for all periods presented. The Company has evaluated the terms of the Units and, as a result of the adoption of SFAS 160, the Company reclassified noncontrolling interests to permanent equity in the accompanying consolidated balance sheets and recorded an increase to the carrying value of noncontrolling interests of approximately $570,000 (a corresponding reduction was recorded to additional paid-in capital) to reflect the noncontrolling interests proportionate share of equity at March 31, 2009. In periods subsequent to the adoption of SFAS 160, the Company will periodically evaluate individual noncontrolling interests for the ability to continue to recognize the noncontrolling interest as permanent equity in the consolidated balance sheets. Any noncontrolling interest that fails to qualify as permanent equity will be reclassified as temporary equity and adjusted to the greater of (a) the carrying amount, or (b) its redemption value as of the end of the period in which the determination is made.

The redemption value of the Units not owned by the Company at March 31, 2009 was approximately $23.6 million based on the average closing price of the Company s common stock of $7.03 per share for the ten consecutive trading days immediately preceding March 31, 2009.

The following table shows the vested ownership interests in the Operating Partnership:

	March 31, 2009		**December 31, 2008**	
	Partnership Units	**Percentage of Total**	**Partnership Units**	**Percentage of Total**

	and LTIP Units		and LTIP Units	
BioMed Realty Trust	80,340,929	96.3%	80,208,533	96.3%
Noncontrolling interest consisting of:				
Partnership and LTIP units held by employees and related parties	2,461,586	2.9%	2,961,369	3.5%
Partnership and LTIP units held by third parties(1)	665,802	0.8%	122,192	0.2%
Total	83,468,317	100.0%	83,292,094	100.0%

(1) Includes vested ownership interests held by a former employee which are now classified as held by a third party.

16

Table of Contents

A charge is recorded each period to the consolidated statements of income for the noncontrolling interests proportionate share of the Company s net income. An additional adjustment is made each period such that the carrying value of the noncontrolling interests equals the greater of (a) the noncontrolling interests proportionate share of equity as of the period end, or (b) the redemption value of the noncontrolling interests as of the period end, if classified as temporary equity.

The accompanying consolidated financial statements include the results of investments in three variable interest entities in which the Company was considered to be the primary beneficiary under FIN 46R for some or all of the periods presented. As of March 31, 2009, the Company had an 87.5% interest in the limited liability company that owns the Ardenwood Venture property. This entity is consolidated in the accompanying consolidated financial statements. Equity interests in this limited liability company not owned by the Company are classified as a portion of the noncontrolling interests on the consolidated balance sheets as of March 31, 2009. Subject to certain conditions, the Company has the right to purchase the other member s interest or sell its own interest in the Ardenwood limited liability company. The estimated fair-value of this option is not material and the Company believes that it will have adequate resources to settle the option if exercised.

On June 2, 2008, pursuant to the exercise of a put option by the noncontrolling interest member, the Company completed the purchase of the remaining 30% interest in the limited liability company that owns the Waples Street property for consideration of approximately $1.8 million, excluding closing costs. On October 14, 2008, the Company completed the purchase of the remaining 30% interest in the limited liability company that owns the 530 Fairview Avenue property for consideration of approximately $2.6 million, excluding closing costs.

4. Mortgage Notes Payable

A summary of the Company s outstanding consolidated mortgage notes payable was as follows (dollars in thousands):

	Stated Fixed Interest Rate	Effective Interest Rate	Principal Balance March 31, 2009	Principal Balance December 31, 2008	Maturity Date
Ardentech Court	7.25%	5.06%	$ 4,436	$ 4,464	July 1, 2012
Bayshore Boulevard	4.55%	4.55%	14,817	14,923	January 1, 2010
Bridgeview Technology Park I	8.07%	5.04%	11,347	11,384	January 1, 2011
500 Kendall Street (Kendall D)	6.38%	5.45%	67,386	67,810	December 1, 2018
Lucent Drive	5.50%	5.50%	5,289	5,341	January 21, 2015
Monte Villa Parkway	4.55%	4.55%	9,020	9,084	January 1, 2010
6828 Nancy Ridge Drive	7.15%	5.38%	6,668	6,694	September 1, 2012
Road to the Cure	6.70%	5.78%	15,140	15,200	January 31, 2014
Science Center Drive	7.65%	5.04%	11,105	11,148	July 1, 2011
Shady Grove Road	5.97%	5.97%	147,000	147,000	September 1, 2016
Sidney Street	7.23%	5.11%	28,974	29,184	June 1, 2012
9885 Towne Centre Drive	4.55%	4.55%	20,602	20,749	January 1, 2010
900 Uniqema Boulevard	8.61%	5.61%	1,317	1,357	May 1, 2015
			343,101	344,338	
Unamortized premiums			8,368	8,823	
			$ 351,469	$ 353,161	

Premiums were recorded upon assumption of the mortgage notes payable at the time of acquisition to account for above-market interest rates. Amortization of these premiums is recorded as a reduction to interest expense over the remaining term of the respective note using the effective-interest method.

The Company intends to repay any principal and accrued interest due in the next twelve months through the use of cash from operations or borrowings from its unsecured line of credit.

5. Credit Facilities, Exchangeable Senior Notes, and Other Debt Instruments

Unsecured Line of Credit

The Company s unsecured line of credit with KeyBank National Association (KeyBank) and other lenders has a borrowing capacity of $600.0 million and a maturity date of August 1, 2011. The unsecured line of credit bears interest at a floating rate equal to, at the Company s option, either (1) reserve-adjusted LIBOR plus a spread which ranges from 100 to 155 basis points, depending on the Company s leverage, or (2) the higher of (a) the prime rate then in effect plus a spread which ranges from 0 to 25 basis points, or (b) the federal funds rate then in effect plus a spread which ranges from 50 to 75 basis points, in each case, depending on the Company s leverage. Subject to the administrative agent s reasonable discretion, the Company may increase the amount of the unsecured line of credit to $1.0 billion upon satisfying certain conditions. In addition, the Company, at its sole discretion, may extend the maturity date of the unsecured line of credit to August 1, 2012 after satisfying certain conditions and paying an extension fee based on the then current facility commitment. The Company has deferred the loan costs associated with the subsequent amendments to the unsecured line of credit, which are being amortized to expense with the unamortized loan costs from the original debt facility over the remaining term. At March 31, 2009, the Company had $204.3 million in outstanding borrowings on its unsecured line of credit, with a weighted average interest rate of 1.6% on the unhedged portion of the outstanding debt of approximately $169.3 million.

Secured Term Loan

The Company s $250.0 million secured term loan from KeyBank and other lenders, which is secured by the Company s interests in twelve of its properties, has a maturity date of August 1, 2012. The secured term loan bears interest at a floating rate equal to, at the Company s option, either (1) reserve-adjusted LIBOR plus 165 basis points or (2) the higher of (a) the prime rate then in effect plus 25 basis points or (b) the federal funds rate then in effect plus 75 basis points. The secured term loan is also secured by the Company s interest in any distributions from these properties, a pledge of the equity interests in a subsidiary owning one of these properties, and a pledge of the equity interests in a subsidiary owning an interest in another of these properties. At March 31, 2009, the Company had $250.0 million in outstanding borrowings on its secured term loan, with an interest rate of 2.1% (excluding the effect of interest rate swaps).

The terms of the credit agreements for the unsecured line of credit and the secured term loan include certain restrictions and covenants, which limit, among other things, the payment of dividends and the incurrence of additional indebtedness and liens. The terms also require compliance with financial ratios relating to the minimum amounts of net worth, fixed charge coverage, unsecured debt service coverage, the maximum amount of secured, and secured recourse indebtedness, leverage ratio and certain investment limitations. The dividend restriction referred to above provides that, except to enable the Company to continue to qualify as a REIT for federal income tax purposes, the Company will not make distributions with respect to common stock or other equity interests in an aggregate amount for the preceding four fiscal quarters in excess of 95% of funds from operations, as defined, for such period, subject to other adjustments. Management believes that it was in compliance with the covenants as of March 31, 2009.

Exchangeable Senior Notes, net

On September 25, 2006, the Operating Partnership issued $175.0 million aggregate principal amount of its 4.50% Exchangeable Senior Notes due 2026 (the Notes). The Notes are general senior unsecured obligations of the Operating Partnership and rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership. Interest at a rate of 4.50% per annum is payable on April 1 and October 1 of each year, beginning on April 1, 2007, until the stated maturity date of October 1, 2026. The terms of the Notes are governed by an indenture, dated September 25, 2006, among the Operating Partnership, as issuer, the Company, as guarantor, and U.S. Bank National Association, as trustee. The Notes contain an exchange settlement feature, which provides that the Notes may, on or after September 1, 2026 or under certain other circumstances, be exchangeable for cash (up to the principal amount of the Notes) and, with respect to excess exchange value, into, at the Company s option, cash, shares of the Company s common stock or a combination of cash and shares of common stock at the then applicable exchange rate. The initial exchange rate was 26.4634 shares per $1,000 principal amount of Notes, representing an exchange price of approximately $37.79 per share. If certain designated events occur on or prior to October 6, 2011 and a holder elects to exchange Notes in connection with any such transaction, the Company will increase the exchange rate by a number of additional shares of common stock based on the date the transaction becomes effective and the price paid per share of common stock in the transaction, as set forth in the indenture governing the Notes. The exchange rate may also be adjusted under certain other circumstances, including the payment of cash dividends in excess of $0.29 per share of common stock. The increase in the quarterly cash dividend to $0.335 per share of common stock for 2008 resulted in an increase in the exchange rate to 26.8135 per $1,000 principal amount of Notes, effective as of December 29, 2008, the Company s ex dividend date. The Operating Partnership may redeem the Notes, in whole or in part, at any time to preserve the Company s status as a REIT or at any time on or after October 6, 2011 for cash at 100% of the principal amount plus accrued and unpaid interest. The holders of the Notes have the right to require the Operating Partnership to repurchase the Notes, in whole or in part, for cash on each of October 1, 2011, October 1, 2016 and October 1, 2021, or upon the occurrence of a designated event, in each case for a repurchase price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest. At March 31, 2009 and 2008, the Notes had a contractual interest rate of 4.5%, which resulted in interest expense for the three months ended March 31, 2009 and 2008 of approximately $1.4 million and $2.0 million, respectively.

On January 1, 2009, the Company adopted FSP 14-1, which requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer s nonconvertible debt borrowing

rate. The equity component of the convertible debt is included in the additional paid-in capital section of stockholders equity and the value of the equity component is treated as original issue discount for purposes of accounting for the debt component of the debt security. The resulting debt discount will be accreted as additional interest expense over the non-cancelable term of the instrument. Retrospective application was required and has been reflected in all periods presented. The adoption of FSP 14-1 by the Company on January 1, 2009 resulted in a decrease to the gain on extinguishment of debt recognized in the fourth quarter of 2008 of approximately $2.3 million (or approximately $0.03 per diluted share) as a result of the retrospective application of the standard to earlier periods. In addition, adoption of FSP 14-1 resulted in an increase in the recognition of additional non-cash interest expense of approximately $5.9 million during the period from the date of issuance of the Notes through December 2008, partially offset by the recognition of additional capitalized interest of approximately $2.7 million. However, the adoption of FSP 14-1 did not change the previously reported earnings per share for the periods presented. As of March 31, 2009 and December 31, 2008, the carrying value of the equity component recognized in connection with the adoption of FSP 14-1 was approximately $14.0 million.

Table of Contents

In March 2009, the Company completed the repurchase of approximately $12.0 million face value of the Notes for approximately $6.9 million. The repurchase of the Notes resulted in the recognition of a gain on extinguishment of debt of approximately $4.4 million (net of the write-off of approximately $719,000 in deferred loan fees and debt discount), which is reflected in the consolidated statements of income.
Exchangeable senior notes, net, consisted of the following (in thousands):

	March 31, 2009	December 31, 2008
Exchangeable senior notes	$ 116,250	$ 128,250
Unamortized debt discount(1)	(5,182)	(6,207)
	$ 111,068	$ 122,043

(1) The unamortized debt discount will be amortized through October 1, 2011, the first date at which the holders of the Notes may require the Operating Partnership to repurchase the Notes. Amortization of the debt discount during the three months ended March 31, 2009 and 2008 resulted in an effective interest rate of 6.5% on the Notes and additional interest expense of approximately $483,000 and $662,000, respectively.

Secured Construction Loan

The Company s $550.0 million secured construction loan from KeyBank is secured by the Company s Center for Life Science | Boston property. The loan is separated into four tranches of notes, tranches A, B-1, B-2 and C, and bears interest at a blended rate equal to, at the Company s option, either (1) LIBOR plus approximately 122.5 basis points or (2) the higher of (a) the prime rate then in effect or (b) the federal funds rate then in effect plus 50 basis points. The loan matures on November 16, 2009, but the Company may extend the maturity date to November 16, 2010 after satisfying certain conditions and payment of an extension fee. The construction loan requires interest only monthly payments until the maturity date. The Company is presently in discussions with various financial institutions regarding the refinancing of its secured construction loan, which the Company is making efforts to complete by June 30, 2009 (see Note 9). The Company utilized a portion of the borrowing capacity on the construction loan, along with borrowings on its unsecured line of credit, to acquire the Center for Life Science | Boston property and to fund construction activities. The loan includes certain restrictions and covenants, which limit, among other things, the incurrence of additional indebtedness and liens. The loan also requires compliance with financial covenants relating to minimum amounts of net worth, fixed charge coverage, and leverage ratio. Management believes that it was in compliance with these covenants as of March 31, 2009. At March 31, 2009, the Company had outstanding borrowings on the secured construction loan of $507.1 million, with a weighted-average interest rate of 1.7% on the unhedged portion of the outstanding debt of approximately $392.1 million.

As of March 31, 2009, principal payments due for the Company s consolidated indebtedness (mortgage notes payable excluding the debt premium of $8.4 million, unsecured line of credit, secured term loan, the Notes excluding the debt discount of $5.2 million and the secured construction loan) were as follows (in thousands):

2009	$ 510,917
2010	47,446
2011	230,555
2012	291,421
2013	4,862
Thereafter(1)	335,612
	$ 1,420,813

(1) Includes $116.3 million in principal payments of the Notes based on a contractual maturity date of October 1, 2026.

6. Earnings Per Share

On January 1, 2009, the Company adopted FASB Staff Position EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (FSP 03-6-1), which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in earnings allocation in computing basic earnings per share under the two-class method. The Company has adjusted its calculation of basic and diluted earnings per share to conform to the guidance provided in FSP 03-06-1, which also required retrospective application for all periods presented. The change in calculating basic and diluted earnings per share pursuant to the adoption of FSP 03-6-1 did not have a material effect on the amounts previously reported for the periods presented (with the exception of the amount of weighted-average basic and diluted shares utilized in the calculation).

The two-class method is an earnings allocation method for calculating earnings per share when a company s capital structure includes either two or more classes of common stock or common stock and participating securities. Basic earnings per share under the two-class method is calculated based on dividends declared on common shares and other participating securities (distributed earnings) and the rights of participating securities in any undistributed earnings, which represents net income remaining after deduction of dividends accruing during the period. The undistributed earnings are allocated to all outstanding common shares and participating securities based on the relative percentage of each security to the total number of outstanding participating securities. Basic earnings per share represents the summation of the distributed and undistributed earnings per share class divided by the total number of shares.

As of and through March 31, 2009, the Company has accrued and paid dividends in excess of net income, resulting in no undistributed earnings, as defined under the two-class method. In addition, all of the Company s participating securities (including the Units) receive dividends/distributions at an equal dividend/distribution rate per share/unit. As a result, the portion of net income allocable to the weighted-average restricted stock outstanding for the three months ended March 31, 2009 and 2008 has been deducted from net income allocable to common stockholders to calculate basic earnings per share. The calculation of diluted earnings per share for the three months ended March 31, 2009 and 2008 includes the outstanding Units (both vested and unvested) and restricted stock in the weighted-average shares, as well as an increase to net income allocable to common stockholders for the noncontrolling interest charge recognized during the respective period. No shares were contingently issuable upon settlement of the excess exchange value pursuant to the exchange settlement feature of the Notes (originally issued in 2006 see Note 5) as the weighted-average common stock prices of $9.52 and $22.46 for the three months ended March 31, 2009 and 2008, respectively, did not exceed the current exchange price then in effect of $37.79 and $37.29 per share, respectively. Therefore, potentially issuable shares resulting from settlement of the Notes were not included in the calculation of diluted weighted-average shares. No other shares were considered antidilutive for the three months ended March 31, 2009 and 2008.

Computations of basic and diluted earnings per share in accordance with SFAS No. 128, *Earnings per Share* and FSP 03-06-1 (in thousands, except share data) were as follows:

	Three Months Ended March 31,	
	2009	2008 (Revised)
Basic earnings per share:		
Net income attributable to common stockholders	$ 19,024	$ 12,331
Less: net income allocable to unvested restricted stock	(190)	(49)
Less: distributions in excess of earnings attributable to unvested restricted stock	(93)	(39)
Net income available to common stockholders	$ 18,741	$ 12,243
Diluted earnings per share:		
Net income attributable to common stockholders	$ 19,024	$ 12,331
Plus: net income attributable to noncontrolling interests of operating partnership	722	589
Net income available to common stockholders and participating securities (including the Units)	$ 19,746	$ 12,920
Weighted-average common shares outstanding:		

Basic	80,261,363	65,350,512
Incremental shares from assumed conversion/vesting:		
Unvested restricted stock	822,916	235,458
Operating partnership and LTIP units	3,415,086	3,438,965
Diluted	84,499,365	69,024,935
Basic and diluted earnings per share:		
Income per share basic and diluted:		
Net income per share available to common stockholders	$ 0.23	$ 0.19

Table of Contents

7. Incentive Award Plan

The Company has adopted the BioMed Realty Trust, Inc. and BioMed Realty, L.P. 2004 Incentive Award Plan (the Plan). The Plan provides for grants to directors, employees and consultants of the Company and the Operating Partnership (and their respective subsidiaries) of stock options, restricted stock, LTIP units, stock appreciation rights, dividend equivalents and other incentive awards. The Company has reserved 2,500,000 shares of common stock for issuance pursuant to the Plan, subject to adjustments as set forth in the Plan. As of March 31, 2009, 445,714 shares of common stock or awards convertible into or exchangeable for common stock remained available for future issuance under the Plan. Each LTIP unit issued will count as one share of common stock for purposes of calculating the limit on shares that may be issued. Compensation cost for these incentive awards is measured based on the fair-value of the award on the grant date (fair-value is calculated based on the closing price of the Company s common stock on the date of grant) and is recognized as expense over the respective vesting period, which for restricted stock awards and LTIP units is generally two to five years. Fully vested incentive awards may be settled for either cash or stock depending on the Company s election and the type of award granted. Participants are entitled to cash dividends and may vote such awarded shares, but the sale or transfer of such shares is limited during the restricted or vesting period. Through March 31, 2009, the Company had only awarded restricted stock grants and LTIP units. The restricted stock grants may only be settled for stock whereas the LTIP units may be redeemed for either cash or common stock, at the Company s election.

LTIP units represent a profits interest in the Operating Partnership for services rendered or to be rendered by the LTIP unit holder in its capacity as a partner, or in anticipation of becoming a partner, in the Operating Partnership. Initially, LTIP units do not have full parity with common units of the Operating Partnership with respect to liquidating distributions, although LTIP unit holders receive the same quarterly per unit distributions as common units and may vote the LTIP units from the date of issuance. The LTIP units are subject to vesting requirements, which lapse over a specified period of time (generally three to five years from the date of issuance). In addition, the LTIP units are generally subject to a two-year lock-up period during which time the LTIP units may not be redeemed or sold by the LTIP unit holder. Upon the occurrence of specified events, LTIP units may over time achieve full parity with common units of the Operating Partnership for all purposes. Upon achieving full parity, and after the expiration of any vesting and lock-up periods, LTIP units may be redeemed for an equal number of the Company s common stock or cash, at the Company s election.

During the three months ended March 31, 2009 and 2008, the Company granted 353,600 shares of unvested restricted stock with an aggregate value of $3.9 million (not including 3,435 shares of common stock, which were surrendered to the Company and subsequently retired in lieu of cash payments for taxes due on the vesting of restricted stock), and 199,115 shares of unvested restricted stock and LTIP units with an aggregate value of $4.4 million under the Plan, respectively. For the three months ended March 31, 2009 and 2008, a total of 179,658 and 227,103 shares of restricted stock and LTIP units vested, with fair-values of $1.9 million and $5.2 million, respectively. In each of the three months ended March 31, 2009 and 2008, $1.4 million of stock-based compensation expense was recognized in general and administrative expense and rental operations expense. As of March 31, 2009, total stock-based compensation expense related to unvested awards of $14.5 million will be recognized in the future over a weighted-average period of 3.2 years.

A summary of the Company s unvested restricted stock and LTIP units is as follows: