

BioMed Realty Trust Inc  
Form 10-Q  
May 16, 2005

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**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, 2005.**

**Commission File Number: 1-32261**

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**BIOMED REALTY TRUST, INC.**

*(Exact name of registrant as specified in its charter)*

**Maryland**

*(State or other jurisdiction of  
incorporation or organization)*

**20-1142292**

*(I.R.S. Employer Identification No.)*

**17140 Bernardo Center Drive, Suite 222**

**San Diego, California**

*(Address of Principal Executive Offices)*

**92128**

*(Zip Code)*

**(858) 485-9840**

*(Registrant's telephone number, including area code)*

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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  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of outstanding shares of the registrant's common stock, par value \$0.01 per share, as of May 13, 2005 was 31,434,558.

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**BIOMED REALTY TRUST, INC.**

**FORM 10-Q QUARTERLY REPORT  
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005**

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**Table of Contents****PART 1 FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****BIOMED REALTY TRUST, INC.****CONSOLIDATED BALANCE SHEETS**

(Unaudited)

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
	<b>(In thousands, except per share data)</b>	
<b>ASSETS</b>		
Rental property, net	\$ 489,136	\$ 468,488
Property under development	5,373	
Investment in unconsolidated partnership	2,505	2,470
Cash and cash equivalents	15,570	27,869
Restricted cash	2,572	2,470
Accounts receivable, net	5,255	1,837
Accrued straight-line rents, net	4,224	3,306
Acquired above market leases, net	7,543	8,006
Deferred leasing costs, net	60,950	61,503
Deferred loan costs, net	1,605	1,700
Prepaid expenses	2,154	1,531
Other assets	4,730	2,543
<b>Total assets</b>	<b>\$ 601,617</b>	<b>\$ 581,723</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Mortgage notes payable, net	\$ 101,594	\$ 102,236
Unsecured line of credit	19,500	
Security deposits	5,227	4,831
Due to affiliates		53
Dividends and distributions payable	9,262	9,249
Accounts payable and accrued expenses	9,466	7,529
Acquired lease obligations, net	14,209	13,741
<b>Total liabilities</b>	<b>159,258</b>	<b>137,639</b>
Minority interests	22,486	22,267
Stockholders' equity:		
Preferred stock, \$.01 par value, 15,000,000 shares authorized, none issued or outstanding		
Common stock, \$.01 par value, 100,000,000 shares authorized, 31,432,558 and 31,386,333 shares issued and outstanding at March 31, 2005 and December 31, 2004, respectively	314	314
Additional paid-in capital	435,010	434,075

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Deferred compensation	(4,410)	(4,182)
Dividends in excess of earnings	(11,041)	(8,390)
Total stockholders' equity	419,873	421,817
<b>Total liabilities and stockholders' equity</b>	<b>\$ 601,617</b>	<b>\$ 581,723</b>

See accompanying notes to consolidated financial statements.

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**BIOMED REALTY TRUST, INC. AND  
INHALE 201 INDUSTRIAL ROAD, L.P. (PREDECESSOR)**

**CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

	<b>BIOMED REALTY TRUST, INC. Three Months Ended March 31, 2005</b>	<b>INHALE 201 INDUSTRIAL ROAD, L.P. (PREDECESSOR) Three Months Ended March 31, 2004</b>
(In thousands, except per share data)		
Revenues:		
Rental	\$ 14,214	\$ 1,562
Tenant recoveries	7,254	150
Other income	3,003	
 Total revenues	 24,471	 1,712
Expenses:		
Rental operations	6,395	65
Real estate taxes	1,788	88
Depreciation and amortization	6,191	242
General and administrative	2,550	
 Total expenses	 16,924	 395
Income from operations	7,547	1,317
Equity in net income of unconsolidated partnership	51	
Interest income	78	
Interest expense	(1,411)	(686)
 Income before minority interests	 6,265	 631
Minority interests	(429)	
 Net income	 \$ 5,836	 \$ 631
 Basic earnings per share	 \$ 0.19	
 Diluted earnings per share	 \$ 0.19	

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Weighted-average common shares outstanding:

Basic	31,129,613
Diluted	34,148,820

See accompanying notes to consolidated financial statements.

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**BIOMED REALTY TRUST, INC. AND  
INHALE 201 INDUSTRIAL ROAD, L.P. (PREDECESSOR)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

	<b>BIOMED REALTY TRUST, INC. Three Months Ended March 31, 2005</b>	<b>INHALE 201 INDUSTRIAL ROAD, L.P. (PREDECESSOR)  Three Months Ended March 31, 2004</b>
	(in thousands)	
Operating activities:		
Net income	\$ 5,836	\$ 631
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	429	
Depreciation and amortization	6,191	242
Revenue reduction attributable to acquired above market leases	463	
Revenue recognized related to acquired lease obligations	(310)	
Vesting of restricted common stock	707	
Amortization of loan costs	129	21
Interest expense reduction for amortization of debt premium	(261)	
Income from unconsolidated partnership	(51)	
Changes in operating assets and liabilities:		
Accounts receivable	(3,418)	
Accrued straight-line rents	(918)	(134)
Deferred leasing costs	(320)	
Prepaid expenses	(623)	
Other assets	38	(66)
Due to affiliates	(53)	
Restricted cash	(102)	
Accounts payable and accrued expenses	1,937	(7)
Security deposits	388	
Net cash provided by operating activities	10,062	687
Investing activities:		
Purchases of interests in and additions to rental property and related intangible assets	(25,409)	
Purchase of interests in and additions to property under development	(5,373)	
Security deposits received from prior owners of rental property	8	
Receipts of master lease payments (reduction to rental property)	786	



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Distributions received from unconsolidated partnership	16	
Funds held in escrow for acquisitions (other assets)	(2,225)	
Net cash used in investing activities	(32,197)	
Financing activities:		
Payment of loan costs	(34)	
Line of credit proceeds	19,500	
Principal payments on mortgage notes payable	(381)	(246)
Distributions to operating partnership unit holders	(775)	
Dividends paid	(8,474)	
Distributions to owners of Predecessor		(510)
Net cash provided by (used in) financing activities	9,836	(756)
Net decrease in cash and cash equivalents	(12,299)	(69)
Cash and cash equivalents at beginning of period	27,869	157
Cash and cash equivalents at end of period	\$ 15,570	\$ 88
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest (net of amounts capitalized of \$25 and \$0, respectively)	\$ 1,273	\$ 676
Supplemental disclosure of non-cash investing and financing activities:		
Accrual for dividends declared	8,487	
Accrual for distributions declared for operating partnership unit holders	775	
Restricted stock awards	935	

See accompanying notes to consolidated financial statements.

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**BIOMED REALTY TRUST, INC. AND  
INHALE 201 INDUSTRIAL ROAD, L.P. (PREDECESSOR)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**1. Organization and Description of Business**

As used herein, the terms we, us, our or the Company refer to BioMed Realty Trust, Inc., a Maryland corporation and any of our subsidiaries, including BioMed Realty, L.P., a Maryland limited partnership (our Operating Partnership), and 201 Industrial Road, L.P. (Industrial Road or our Predecessor). We operate 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. The Company's tenants include biotechnology and pharmaceutical companies, scientific research institutions, government agencies and other entities involved in the life science industry. The Company's primary acquisition targets and current properties are located in markets with well established reputations as centers for scientific research, including San Diego, San Francisco, Seattle, Maryland, Pennsylvania, New York/New Jersey and Boston.

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 Offering) of 27,000,000 shares of its common stock, par value \$.01 per share. The Offering price was \$15.00 per share resulting in gross proceeds of \$405.0 million. On August 16, 2004, in connection with the exercise of the underwriters' over-allotment option, the Company issued an additional 4,050,000 shares of common stock and received gross proceeds of \$60.8 million. The aggregate proceeds to the Company, net of underwriting discounts and commissions and Offering costs, were approximately \$429.3 million. In addition, simultaneously with the Offering, the Company obtained a \$100.0 million revolving unsecured credit facility (Note 5), which is used to finance acquisitions and for other corporate purposes. The Company issued a stock warrant in connection with the Offering to the lead underwriter for the right to purchase 270,000 common shares at \$15.00 per share, which equals the estimated fair value at the date of grant. The warrant became exercisable six months after the Offering date and expires five years after the Offering date. From inception through August 11, 2004, neither the Company nor its Operating Partnership had any operations.

At March 31, 2005, we owned or had interests in 19 properties, located in San Diego, San Francisco, Seattle, Maryland, Pennsylvania, New York and New Jersey, consisting of 36 buildings with approximately 2.8 million rentable square feet of laboratory and office space. We also owned undeveloped land that we estimate can support up to 548,000 rentable square feet of laboratory and office space.

Industrial Road is the largest of the properties contributed in the Offering and therefore has been identified as the accounting acquirer pursuant to paragraph 17 of Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations* (SFAS 141). As such, the historical financial statements presented herein for Industrial Road were prepared on a stand-alone basis up to and including the acquisition date, August 17, 2004. Upon completion of the Offering, the interest in the Predecessor acquired from affiliates was recorded at historic cost. The acquisitions of the unaffiliated interests in the Predecessor and the interests in all of the other properties have been accounted for as a purchase in accordance with SFAS 141.

**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 necessary for a fair presentation of the financial statements for these interim periods have been included. These financial statements should be read in conjunction with the audited consolidated financial statements and notes therein included in our annual report on Form 10-K for the year ended December 31, 2004.

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and partnerships and limited liability companies it controls. All material intercompany transactions and balances have been eliminated. The Company consolidates entities the Company controls and records a minority 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

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majority of the voting interests, with consideration given to the existence of approval or veto rights granted to the minority shareholder. If the minority shareholder holds substantive participation rights, it overcomes the presumption of control by the majority voting interest holder. In contrast, if the minority shareholder 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. With respect to the partnerships and limited liability companies, the Company determines control through a consideration of each party's financial interests in profits and losses and the ability to participate in major decisions such as the acquisition, sale or refinancing of principal assets.

***Investments in Rental Property***

Rental property, net consists of the following (in thousands):

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
Land	\$ 70,285	\$ 68,755
Ground lease	14,210	14,217
Buildings and improvements	409,686	388,502
Tenant improvements	720	283
	494,901	471,757
Accumulated depreciation	(5,765)	(3,269)
	\$ 489,136	\$ 468,488

***Revenue Recognition***

Lease termination fees are recognized when the related leases are canceled and we have no continuing obligation to provide services to such former tenants. A gain on early termination of lease of \$3.0 million for the three months ended March 31, 2005 is included in other income on the consolidated statements of income and was due to the early termination of a portion of the Nektar lease at our Industrial Road property. Accordingly, the related lease commissions and other related intangible assets have been fully amortized.

***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. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

***Income Taxes***

We will elect to be taxed as a REIT under the Code commencing with our taxable year ended December 31, 2004. We believe we have qualified and continue to qualify as a REIT. As a REIT, we will be permitted to deduct distributions paid to our stockholders and generally will not be required to pay federal corporate income taxes on such

income. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements.

***Management's Estimates***

Management of the Company 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 financial statements and the reporting of revenue and expenses during the reporting period to prepare these 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 revenue and expenses that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions or conditions.

**3. Minority Interests**

Minority interests on the consolidated balance sheet relate to the limited partnership units in the Operating Partnership ( Units ) that are not owned by the Company, which at March 31, 2005 amounted to 8.44% of Units outstanding. In conjunction with the

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formation of the Company, certain persons and entities contributing interests in properties to the Operating Partnership received Units. Limited partners who were issued Units in the formation transactions have the right, commencing approximately one year after the Offering, to require the Operating Partnership to redeem part or all of their Units for cash based upon the fair market value of an equivalent number of shares of the Company's common stock at the time of redemption. Alternatively, 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. Minority interests also include an 11% interest of a limited partner, in the limited partnership that owns the King of Prussia property and a 10% interest by a limited partner in the limited liability company that owns the Waples property, which are consolidated entities of the Company.

**4. Mortgage Notes Payable**

A summary of our outstanding consolidated secured indebtedness as of March 31, 2005 is as follows (in thousands):

	<b>Stated Fixed Interest Rate</b>	<b>Effective Interest Rate</b>	<b>Principal Amount</b>	<b>Unamortized Premium Amount</b>	<b>Carrying Value at March 31, 2005</b>	<b>Carrying Value at December 31, 2004</b>	<b>Maturity Date</b>
Ardentech Court	7.25%	5.06%	\$ 4,807	\$ 591	\$ 5,398	\$ 5,440	July 1, 2012
Bayshore Boulevard	4.55%	4.55%	16,378		16,378	16,438	January 1, 2010
Bridgeview	8.07%	5.04%	11,798	1,780	13,578	13,681	January 1, 2011
Eisenhower Road	5.80%	4.63%	2,244	73	2,317	2,331	May 5, 2008
Elliott Avenue	7.38%	4.63%	16,881	1,017	17,898	18,107	November 24, 2007
Monte Villa Parkway	4.55%	4.55%	9,971		9,971	10,007	January 1, 2010
Science Center Drive	7.65%	5.04%	11,667	1,613	13,280	13,376	July 1, 2011
Towne Centre Drive	4.55%	4.55%	22,774		22,774	22,856	January 1, 2010
			\$ 96,520	\$ 5,074	\$ 101,594	\$ 102,236	

Premiums were recorded upon assumption of the 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.

**5. Line of Credit**

On August 11, 2004, the Company entered into a \$100.0 million revolving unsecured loan agreement, which bears interest at LIBOR plus 1.20%, or higher depending on the leverage ratio of the Company at the time of any draw, or a reference rate, and expires on August 11, 2007. The Company, at its sole discretion, may extend the maturity date to August 11, 2008 after satisfying certain conditions and paying an extension fee totaling 0.20% of the then outstanding commitment. The Company may increase the amount of the commitment up to \$200.0 million upon satisfying certain conditions and with agreement of the lender. The credit facility requires payment of a quarterly unused commitment fee ranging from 0.15% to 0.25% depending on the total unused commitment and an annual administrative fee equal to \$10,000 times the number of banks participating in the facility. As of March 31, 2005, borrowings outstanding on the credit facility were \$19.5 million and the weighted-average interest rate was 4.03%.

The terms of the credit facility 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 interest expense coverage, leverage ratio, cash flow coverage, the maximum amount of unsecured, secured and recourse indebtedness, 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 during any four consecutive quarters make distributions with respect to common stock or other equity interests in an aggregate amount 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, 2005.

## **6. Earnings Per Share**

Earnings per share is calculated based on the weighted-average number of shares of our common stock outstanding during the period. The effect of the outstanding Units, vesting of unvested restricted stock that has been granted or has been committed to be granted, and the assumed exercise of the stock warrant, using the treasury method, were dilutive and included in the calculation of diluted weighted-average shares for the three months ended March 31, 2005.

The following sets forth information related to the computations of basic and diluted earnings per share in accordance with SFAS No. 128, *Earnings per Share* (in thousands, except per share amounts):

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	<b>For the Three Months Ended March 31, 2005</b>
Net income attributable to common shares	\$ 5,836
Operating partnership unit share in earnings of minority interest (1)	538
Adjusted net income attributable to common shares	\$ 6,374
Weighted-average common shares outstanding:	
Basic	31,129,613
Incremental shares from assumed conversion/exercise:	
Stock warrant	75,047
Vesting of restricted stock	73,596
Operating Partnership Units	2,870,564
Diluted	34,148,820
Earnings per share basic and diluted	\$ 0.19

(1) Does not include minority interest for the limited partner's interest in the King of Prussia property of \$(109,000).

**7. Incentive Award Plan**

During the three months ended March 31, 2005, the Company granted 46,225 shares of restricted stock under the BioMed Realty Trust, Inc. and BioMed Realty, L.P. 2004 Incentive Award Plan. As a result, an additional \$935,000 was added to deferred compensation. For the three months ended March 31, 2005, \$707,000 of stock-based compensation expense was recognized in general and administrative expense.

**8. Segment Information**

The Company's segments are based on its method of internal reporting which classifies its operations by geographic area. The Company's segments by geographic area are San Francisco, San Diego, Seattle, New York and New Jersey, Pennsylvania and Maryland. The rental operations expenses at the Corporate and Other segment consists primarily of the corporate level management of the properties.

The principal financial measure of the performance of a segment used by the Company is Net Operating Income. Net Operating Income is not a measure of operating results or cash flows from operating activities as measured by GAAP, and it is not indicative of cash available to fund cash needs and should not be considered an alternative to cash flows as a measure of liquidity. All companies may not calculate Net Operating Income in the same manner. The Company considers Net Operating Income to be an appropriate supplemental measure to net income because it helps both investors and management to understand the core operations of the Company's properties. Net Operating Income is derived by deducting rental operations and real estate tax expenses from rental revenues and tenant recoveries.

The Predecessor operated in one geographic area San Francisco.

Information by geographic area (dollars in thousands):



	San Francisco	San Diego	Seattle	New York and New Jersey	Pennsylvania	Maryland	Corporate and Other	Total
Rental revenues and tenant recoveries	\$ 3,547	\$ 3,728	\$ 2,233	\$ 7,887	\$ 3,053	\$ 1,020	\$	\$ 21,468
% of total revenues	16.5%	17.4%	10.4%	36.7%	14.2%	4.8%	0.0%	100.0%
Rental operations and real estate tax expenses	\$ 534	\$ 728	\$ 287	\$ 4,778	\$ 1,609	\$ 81	\$ 166	\$ 8,183
% of total rental operations expenses	6.5%	8.9%	3.5%	58.4%	19.7%	1.0%	2.0%	100.0%
Net operating income	\$ 3,013	\$ 3,000	\$ 1,946	\$ 3,109	\$ 1,444	\$ 939	\$ (166)	\$ 13,285
% of total net operating income	22.7%	22.6%	14.6%	23.4%	10.9%	7.1%	(1.3)%	100.0%
Equity in net income of unconsolidated partnership		\$ 51						\$ 51

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	San Francisco	San Diego	Seattle	New York and New Jersey	Pennsylvania	Maryland	Corporate and Other	Total
% of total equity income of unconsolidated partnership		100.0%						100.0%
Gain on early termination of lease	\$ 3,003							\$ 3,003
% of total gain on early termination of lease	100.0%							100.0%
Interest and other income	\$ 31	\$ 2		\$ 1	\$ 1		\$ 43	\$ 78
% of total interest income	39.7%	2.6%		1.3%	1.3%		55.1%	100.0%
Depreciation and amortization	\$ (1,335)	\$ (1,449)	\$ (796)	\$ (1,539)	\$ (896)	\$ (176)		\$ (6,191)
% of total depreciation and amortization	(21.6)%	(23.4)%	(12.8)%	(24.8)%	(14.5)%	(2.9)%		(100.0)%
General and administrative							\$ (2,550)	\$ (2,550)
% of total general and administrative							(100.0)%	(100.0)%
Interest expense	\$ (422)	\$ (411)	\$ (336)		\$ (27)		\$ (215)	\$ (1,411)
% of total interest expense	(29.9)%	(29.1)%	(23.8)%		(1.9)%		(15.3)%	(100.0)%
Minority interests					\$ 109		\$ (538)	\$ (429)
% of total minority interests					25.4%		(125.4)%	(100.0)%
Net income	\$ 4,290	\$ 1,193	\$ 814	\$ 1,571	\$ 631	\$ 763	\$ (3,426)	\$ 5,836
% of total net income	73.5%	20.4%	14.0%	26.9%	10.8%	13.1%	(58.7)%	100.0%
Investment in unconsolidated		\$ 2,505						\$ 2,505

partnership

Total assets	\$ 153,670	\$ 136,749	\$ 70,700	\$ 109,558	\$ 93,088	\$ 32,409	\$ 5,443	\$ 601,617
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**9. Property Acquisitions**

The Company acquired interests in three properties during the three months ended March 31, 2005 (in thousands):

	<b>Purchase</b>	<b>Acquisition</b>
	<b>Price</b>	<b>Date</b>
Waples San Diego	\$ 5,100	March 1, 2005
Bridgeview San Francisco	16,200	March 16, 2005
Graphics Drive New Jersey	7,700	March 17, 2005
	\$ 29,000	

**10. Subsequent Events**

On April 5, 2005, the Company, through the Operating Partnership, completed the acquisition of Fresh Pond Research Park located in Cambridge, Massachusetts for cash consideration of approximately \$20.7 million. The purchase price was funded with borrowings under our \$100.0 million revolving unsecured loan agreement.

On April 5, 2005, the Company, through the Operating Partnership, completed the acquisition of a property on Coolidge Avenue located in the Boston area in Watertown, Massachusetts for cash consideration of approximately \$10.8 million. The purchase price was funded with borrowings under our \$100.0 million revolving unsecured loan agreement.

On April 5, 2005, the Company, through the Operating Partnership, completed the acquisition of a property located on Phoenixville Pike in Malvern, Pennsylvania for cash consideration of approximately \$13.0 million. The purchase price was funded with borrowings under our \$100.0 million revolving unsecured loan agreement and cash on hand.

On April 15, 2005, the Company signed a definitive purchase and sale agreement to acquire a portfolio of seven properties and one parking structure in Cambridge, Massachusetts and an additional property in Lebanon, New Hampshire for a total purchase price of \$531.0 million, including estimated closing costs. The purchase price is to be paid in cash and through the assumption of approximately \$130.0 million of indebtedness. In order to finance the acquisition and provide additional working capital, the Company has secured a commitment from KeyBank National Association, under which the Company intends to borrow up to \$600.0 million under three credit facilities, including a three-year, senior unsecured revolving credit facility of \$250.0 million, a three-year, senior unsecured term loan facility of \$100.0 million, and a five-year, secured term loan facility of \$250.0 million. The new \$250.0 million senior unsecured revolving credit facility, which contains an accordion option up to \$400.0 million, will replace the Company's existing \$100.0 million revolving unsecured credit facility.

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On April 19, 2005, the Company entered into a lease amendment with Centocor, Inc., a subsidiary of Johnson & Johnson. Under the amendment, Centocor has agreed to lease an additional 79,667 rentable square feet at the Company's King of Prussia property located in Radnor, Pennsylvania from May 1, 2005 through March 31, 2010. The new lease replaces the existing portion of the master lease with an affiliate of The Rubenstein Company, the original seller of the property, with respect to this space. Annualized base rent of approximately \$1.3 million and certain tenant reimbursements received under the new lease will correspondingly reduce the rent received under the master lease.

On April 21, 2005, the Company, through the Operating Partnership, completed the acquisition of a property located on Nancy Ridge Drive in San Diego for cash consideration of approximately \$5.8 million and the assumption of approximately \$7.0 million in debt. The cash portion of the purchase price was funded with borrowings under our \$100.0 million revolving unsecured loan agreement.

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. We make statements in this report that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events.

Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise, and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, approximately, intends, plans, or the negative of these words and phrases or similar words or phrases. You can also identify forward-looking statements by discussions of strategy, plans or intentions. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: general risks affecting the real estate industry (including, without limitation, the inability to enter into or renew leases, dependence on tenants' financial condition, and competition from other developers, owners and operators of real estate); adverse economic or real estate developments in the life science industry or the California region; risks associated with the availability and terms of financing and the use of debt to fund acquisitions and developments; failure to manage effectively our growth and expansion into new markets, or to complete or integrate acquisitions (including the proposed acquisition of the Lyme portfolio) successfully; risks and uncertainties affecting property development and construction; risks associated with downturns in the national and local economies, increases in interest rates, and volatility in the securities markets; potential liability for uninsured losses and environmental contamination; risks associated with our potential failure to qualify as a REIT under the Internal Revenue Code of 1986, as amended, or the Code, and possible adverse changes in tax and environmental laws; and risks associated with our dependence on key personnel whose continued service is not guaranteed. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The risks included here are not exhaustive, and additional factors could adversely affect our business and financial performance, including factors and risks included in other sections of this report. In addition, we discussed a number of material risks in our annual report on Form 10-K for the year ended December 31, 2004. Those risks continue to be relevant to our performance and financial condition. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

A more complete discussion of our critical accounting policies can be found in our annual report on Form 10-K for the year ended December 31, 2004.

**Overview**

We operate as a REIT focused on acquiring, developing, owning, leasing and managing laboratory and office space for the life science industry. Our tenants include biotechnology and pharmaceutical companies, scientific research institutions, government agencies and other entities involved in the life science industry. The company's primary acquisition targets and current properties are located in markets with well established reputations as centers for scientific research, including San Diego, San Francisco, Seattle, Maryland, Pennsylvania, New York/New Jersey and Boston.

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At March 31, 2005, we owned or had interests in 19 properties, located in San Diego, San Francisco, Seattle, Maryland, Pennsylvania, New York and New Jersey, consisting of 36 buildings with approximately 2.8 million rentable square feet of laboratory and office space. We also owned undeveloped land that we estimate can support up to 548,000 rentable square feet of laboratory and office space.

We were formed on April 30, 2004 and commenced operations on August 11, 2004, after completing our initial public offering.

### **Factors Which May Influence Future Operations**

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As of March 31, 2005, our property portfolio was 91.5% leased to 57 tenants. Of the remaining unleased space, approximately 105,000 square feet, or 3.7% of the company's total rentable square footage, was under redevelopment. Approximately 4.5% of our leased square footage expires during 2005 and approximately 5.1% of our leased square footage expires during 2006. Our leasing strategy for 2005 focuses on leasing currently vacant space and negotiating renewals for leases scheduled to expire during the year, and identifying new tenants or existing tenants seeking additional space to occupy the spaces for which we are unable to negotiate such renewals. Additionally, we will seek to lease space that is currently under master lease arrangements at our Bayshore and King of Prussia properties, which expire in 2006 and 2008, respectively.

Our corporate strategy is to continue to focus on acquiring, developing, owning, leasing and managing laboratory and office space for the life science industry. Our leasing strategy focuses on executing long-term leases with creditworthy tenants. We also intend to proceed with new developments, when prudent.

The success of our leasing and development strategy will be dependent upon the general economic conditions in the United States and in our target markets of San Diego, San Francisco, Seattle, Maryland, Pennsylvania, New York/New Jersey and Boston. We are optimistic that market conditions will continue to improve during 2005 as evidenced by reduced vacancy rates for life science space in 2004. However, this is contingent upon continued strong job growth in our markets.

We believe that, on a portfolio basis, rental rates on leases expiring in 2005 and 2006 are at or below market rental rates that are currently being achieved in our markets. However, we cannot give any assurance that leases will be renewed or that available space will be released at rental rates equal to or above the current contractual rental rates or at all.

## **Results of Operations**

The following is a comparison of the three months ended March 31, 2005 of the consolidated operating results of BioMed Realty Trust, Inc., to the combined operating results of 201 Industrial Road, L.P., our predecessor, and Bernardo Center Drive, Science Center Drive and Balboa Avenue for the three months ended March 31, 2004. We refer to Bernardo Center Drive, Science Center Drive and Balboa Avenue as the Combined Contribution Properties. As part of our formation transactions, our predecessor was contributed to us in exchange for 1,461,451 units in our Operating Partnership, and the Combined Contribution Properties, which were under common management with our predecessor, were contributed to us in exchange for 1,153,708 units in our Operating Partnership.

Our predecessor is considered for accounting purposes to be our acquirer. As such, the historical financial statements presented herein for our predecessor were prepared on a stand-alone basis. The financial information of the Combined Contribution Properties are presented herein on an historical combined basis. Management does not consider the operating results of our predecessor on a stand-alone basis to be indicative of the historical operating results of our company taken as a whole. Therefore, the following discussion relates to the operating results of our predecessor and the Combined Contribution Properties, the other properties contributed to us over which our management has provided continuous common management throughout the applicable reporting periods, on a combined historical basis. Subsequent to the dates they were contributed to us, the financial information for each of our predecessor and the Combined Contribution Properties is included in the financial information for BioMed Realty Trust, which commenced operations on August 11, 2004. Management believes this presentation provides a more meaningful discussion of the operating results of BioMed Realty Trust, our predecessor and the Combined Contribution Properties. In order to present these results on a meaningful combined basis, the historical combined financial information for all periods presented includes combining entries to reflect the partner's capital of our predecessor which was not owned by management.





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The following table sets forth the basis for presenting the historical financial information.

	<b>Three Months Ended March 31, 2005</b>		<b>Three Months Ended March 31, 2004</b>		
	<b>BioMed Realty Trust, Inc.</b>	<b>Predecessor</b>	<b>Combined</b>		<b>Total</b>
			<b>Contribution Properties</b>	<b>Combining Entries</b>	
Revenues:					
Rental	\$ 14,214	\$ 1,562	\$ 1,046		\$ 2,608
Tenant recoveries	7,254	150	182		332
Other income	3,003				
Total revenues	24,471	1,712	1,228		2,940
Expenses:					
Rental operations	6,395	65	74		139
Real estate taxes	1,788	88	56		144
Depreciation and amortization	6,191	242	204		446
General and administrative	2,550		58		58
Total expenses	16,924	395	392		787
Income from operations	7,547	1,317	836		2,153
Equity in net income of unconsolidated partnership	51				
Interest income	78		5		5
Interest expense	(1,411)	(686)	(613)		(1,299)
Income before minority interests	6,265	631	228		859
Minority interests	(429)		(72)	(370)	(442)
Net income	\$ 5,836	\$ 631	\$ 156	\$ (370)	\$ 417

**Comparison of Three Months Ended March 31, 2005 to Three Months Ended March 31, 2004**

**Rental Revenues.** Rental revenues increased \$11.6 million to \$14.2 million for the three months ended March 31, 2005 compared to \$2.6 million for the three months ended March 31, 2004. The increase was primarily due to the inclusion of rental revenues for the properties acquired in connection with our initial public offering as well as acquisitions subsequent to our initial public offering.

**Tenant Recoveries.** Revenues from tenant reimbursements increased \$7.0 million to \$7.3 million for the three months ended March 31, 2005 compared to \$332,000 for the three months ended March 31, 2004. The increase was primarily due to the inclusion of tenant reimbursements for the properties acquired in connection with our initial public offering as well as acquisitions subsequent to our initial public offering.

*Other Income.* Other income is comprised of a gain on early termination of lease of a portion of the Nektar lease at Industrial Road of \$3.0 million for the three months ended March 31, 2005 compared to \$0 for the three months ended March 31, 2004.

*Rental Operations Expense.* Rental operations expenses increased \$6.3 million to \$6.4 million for the three months ended March 31, 2005 compared to \$139,000 for the three months ended March 31, 2004. The increase was primarily due to the inclusion of rental property operations expenses for the properties acquired in connection with our initial public offering as well as acquisitions subsequent to our initial public offering.

*Real Estate Tax Expense.* Real estate tax expense increased \$1.7 million to \$1.8 million for the three months ended March 31, 2005 compared to \$144,000 for the three months ended March 31, 2004. The increase was primarily due to the inclusion of property taxes for the properties acquired in connection with our initial public offering as well as additional property acquisitions subsequent to our initial public offering.

*Depreciation and Amortization Expense.* Depreciation and amortization expense increased \$5.8 million to \$6.2 million for the three months ended March 31, 2005 compared to \$446,000 for the three months ended March 31, 2004. The increase was primarily due to the inclusion of depreciation and amortization expense for the properties acquired in connection with our initial public offering as well as acquisitions subsequent to our initial public offering.

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*General and Administrative Expenses.* General and administrative expenses increased to \$2.6 million for the three months ended March 31, 2005 from \$58,000 for the three months ended March 31, 2004. The increase was primarily due to the initial public offering, the hiring of new personnel after the initial public offering, the addition of expenses relating to operating as a public company, compensation expense related to unvested restricted stock compensation awards accrued during the three months ended March 31, 2005 and higher consulting and professional fees associated with corporate governance and Sarbanes-Oxley Section 404 implementation.

*Interest Income.* Interest income increased to \$78,000 for the three months ended March 31, 2005 from \$5,000 for the three months ended March 31, 2004. This is primarily due to interest earned on an increase of funds held by us during the three months ended March 31, 2005.

*Interest Expense.* Interest expense increased \$100,000 to \$1.4 million for the three months ended March 31, 2005 compared to \$1.3 million for the three months ended March 31, 2004. The increase in interest is a result of more overall debt outstanding after the consummation of the initial public offering partially offset by a reduction of interest expense in 2005 due to the accretion of debt premium, which decreased interest expense by \$261,000.

*Minority Interests.* Minority interests decreased to \$429,000 for the three months ended March 31, 2005 from \$442,000 for the three months ended March 31, 2004. The minority interest allocations for the three months ended March 31, 2005 and 2004 are not comparable due to the initial public offering. The 2004 allocation was a result of the percentage allocation to non-controlling interests of the Combined Contribution Properties and for our predecessor. The 2005 allocation was allocated to the limited partner unit holders of our Operating Partnership.

**Cash Flows*****Comparison of Three Months Ended March 31, 2005 to Three Months Ended March 31, 2004***

	<b>BioMed Realty Trust, Inc. 2005</b>	<b>Three Months Ended March 31, Predecessor and Combined Contribution Properties 2004</b>	<b>Change</b>
Net cash provided by operating activities	\$ 10,062	\$ 1,137	\$ 8,925
Net cash used in investing activities	(32,197)		(32,197)
Net cash provided by (used in) financing activities	9,836	(1,254)	11,090
Ending cash balance	15,570	238	15,332

Cash and cash equivalents were \$15.6 million and \$238,000, respectively, at March 31, 2005 and March 31, 2004.

Net cash provided by operating activities increased \$8.9 million to \$10.0 million for the three months ended March 31, 2005 compared to \$1.1 million for the three months ended March 31, 2004. The increase was primarily due to the increases in operating income before depreciation and amortization, and changes in other operating assets and liabilities.

Net cash used in investing activities was \$32.2 million for the three months ended March 31, 2005 compared to \$0 for the three months ended March 31, 2004. The increase was primarily due to \$33.0 million paid to acquire interests

in real estate entities and funds held in escrow for acquisitions partially offset by receipts of master lease payments.

Net cash provided by financing activities increased \$11.1 million to \$9.8 million for the three months ended March 31, 2005 compared to cash used of \$1.3 million for the three months ended March 31, 2004. The increase was primarily due to borrowings under our revolving unsecured loan agreement offset by principal payments on mortgage loans, and payments of dividends and distributions.

### **Funds from Operations**

We present funds from operations, or FFO, because we consider it an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time.

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Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities and interest costs, providing perspective not immediately apparent from net income. We compute FFO in accordance with standards established by the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT, in its March 1995 White Paper (as amended in November 1999 and April 2002). As defined by NAREIT, FFO represents net income (computed in accordance with GAAP), excluding gains (or losses) from sales of property, plus real estate related depreciation and amortization (excluding amortization of loan origination costs) and after adjustments for unconsolidated partnerships and joint ventures. Our computation may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. Further, FFO does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties. FFO should not be considered as an alternative to net income (loss) (computed in accordance with GAAP) as an indicator of our financial performance or to cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions.

The following table provides the calculation of our FFO and a reconciliation to net income for the three months ended March 31, 2005 (in thousands, except per share amounts):

Net income	\$	5,836
Adjustments		
Operating partnership unit share in earnings of minority interest		538
Depreciation and amortization - real estate assets		6,180
Funds from operations	\$	12,554
Funds from operations per share - diluted	\$	0.37
Weighted-average common shares outstanding - diluted		34,148,820

**Liquidity and Capital Resources**

Our short-term liquidity requirements consist primarily of funds to pay for operating expenses and other expenditures directly associated with our properties, including:

- interest expense and scheduled principal payments on outstanding indebtedness,
- general and administrative expenses,
- future distributions expected to be paid to our stockholders, and
- capital expenditures, tenant improvements and leasing commissions.

We expect to satisfy our short-term liquidity requirements through our existing working capital and cash provided by our operations. Our rental revenue, provided by our triple-net leases, and minimal unreimbursed operating expenses generally provide cash inflows to meet our debt service obligations, pay general and administrative expenses, and fund regular distributions.

Our long-term liquidity requirements consist primarily of funds to pay for scheduled debt maturities, renovations, expansions and other non-recurring capital expenditures that need to be made periodically and the costs associated with acquisitions of properties that we pursue. We expect to satisfy our long-term liquidity requirements through our existing working capital, cash provided by operations, long-term secured and unsecured indebtedness, the issuance of additional equity or debt securities and the use of net proceeds from the disposition of non-strategic assets. We also expect to use funds available under our revolving unsecured loan agreement to finance acquisition and development activities and capital expenditures on an interim basis.

Our total market capitalization at March 31, 2005 was approximately \$822.7 million based on the market closing price of our common stock at March 31, 2005 of \$20.60 per share (assuming the conversion of 2,870,564 operating partnership units into common stock) and our debt outstanding was approximately \$116.0 million (exclusive of unamortized debt premium and accounts payable and

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accrued expenses). As a result, our debt to total market capitalization ratio was approximately 14.1% at March 31, 2005. Our board of directors adopted a policy of limiting our indebtedness to approximately 60% of our total market capitalization. However, our board of directors may from time to time modify our debt policy in light of current economic or market conditions including, but not limited to, the relative costs of debt and equity capital, market conditions for debt and equity securities and fluctuations in the market price of our common stock. Accordingly, we may increase or decrease our debt to market capitalization ratio beyond the limit described above.

On August 11, 2004, we entered into a \$100.0 million revolving unsecured loan agreement, which bears interest at LIBOR plus 1.20%, or higher depending on our leverage ratio at the time of any draw, or a reference rate, and expires on August 11, 2007. We, at our sole discretion, may extend the maturity date to August 11, 2008 after satisfying certain conditions and paying an extension fee totaling 0.20% of the then outstanding commitment. We may increase the amount of the commitment up to \$200.0 million upon satisfying certain conditions and with agreement of the lender. The credit facility requires payment of a quarterly unused commitment fee ranging from 0.15% to 0.25% depending on the total unused commitment and an annual administrative fee equal to \$10,000 times the number of banks participating in the facility. As of March 31, 2005, borrowing outstanding on the credit facility totaled \$19.5 million and the weighted-average interest rate was 4.03%.

The terms of the credit facility 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 interest expense coverage, leverage ratio, cash flow coverage, the maximum amount of unsecured, secured and recourse indebtedness, and certain investment limitations. The dividend restriction referred to above provides that, except to enable us to continue to qualify as a REIT for federal income tax purposes, we will not during any four consecutive quarters make distributions with respect to common stock or other equity interests in an aggregate amount in excess of 95% of funds from operations, as defined, for such period, subject to other adjustments. Management believes that we were in compliance with the covenants as of March 31, 2005.

A summary of our outstanding consolidated secured indebtedness as of March 31, 2005 is as follows (in thousands):

	<b>Stated Fixed Interest</b>	<b>Effective Interest</b>	<b>Principal Amount</b>	<b>Unamortized Premium Amount</b>	<b>Total Carrying Value</b>	<b>Maturity Date</b>
Ardentech Court	7.25%	5.06%	\$ 4,807	\$ 591	\$ 5,398	July 1, 2012
Bayshore Boulevard	4.55%	4.55%	16,378		16,378	January 1, 2010
Bridgeview	8.07%	5.04%	11,798	1,780	13,578	January 1, 2011
Eisenhower Road	5.80%	4.63%	2,244	73	2,317	May 5, 2008
Elliott Avenue	7.38%	4.63%	16,881	1,017	17,898	November 24, 2007
Monte Villa Parkway	4.55%	4.55%	9,971		9,971	January 1, 2010
Science Center Drive	7.65%	5.04%	11,667	1,613	13,280	July 1, 2011
Towne Centre Drive	4.55%	4.55%	22,774		22,774	January 1, 2010

6.01%      4.71%    \$ 96,520    \$    5,074    \$ 101,594

As of March 31, 2005, borrowings outstanding on the credit facility totaled \$19.5 million, which matures in 2007.

Premiums were recorded upon assumption of the notes at the time of the related 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.

As of March 31, 2005, principal payments due for our total consolidated indebtedness were as follows (in thousands):

2005	\$ 1,456
2006	2,017
2007	37,112
2008	3,732
2009	1,716
Thereafter	69,987
	\$ 116,020



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We may in the future enter into derivative financial instruments such as interest rate swaps, caps and treasury locks in order to mitigate our interest rate risk on a related financial instrument; however, we were not a party to any derivative financial instruments at March 31, 2005. Further, we do not enter into derivative or interest rate transactions for speculative or trading purposes.

**Off Balance Sheet Arrangements**

As of March 31, 2005, we had an investment in McKellar Court, L.P., which owns a single tenant occupied property located in San Diego. The acquisition of the investment in McKellar Court closed on September 30, 2004. McKellar Court is a variable interest entity as defined in Financial Accounting Standards Board Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*; however, we are not the primary beneficiary. The limited partner is also the only tenant in the property and will bear a disproportionate amount of any losses. We, as the general partner, will receive 21% of the operating cash flows and 75% of the gains upon sale of the property. We account for our general partner interest using the equity method. Significant accounting policies used by the unconsolidated partnership that owns this property are similar to those used by us. At March 31, 2005, our share of the debt related to this investment was equal to approximately \$2.3 million (excluding unamortized debt premium). The assets and liabilities of McKellar Court were \$18.9 million and \$12.9 million, respectively, at March 31, 2005. The table below summarizes our share of the outstanding debt (based on our respective ownership interests) of this investment at March 31, 2005 (in thousands):

	<b>Stated Fixed Interest</b>	<b>Effective Interest</b>	<b>Principal</b>	<b>Unamortized Premium</b>	<b>Total Book Value</b>	<b>Maturity Date</b>
	<b>Rate</b>	<b>Rate</b>	<b>Amount</b>	<b>Amount</b>	<b>Value</b>	<b>January 1, 2010</b>
McKellar Court	8.56%	4.63%	\$ 2,271	\$ 385	\$ 2,656	

**Cash Distribution Policy**

We will elect to be taxed as a REIT under the Code commencing with our taxable year ended December 31, 2004. To qualify as a REIT, we must meet a number of organizational and operational requirements, including the requirement that we distribute currently at least 90% of our ordinary taxable income to our stockholders. It is our intention to comply with these requirements and maintain our REIT status. As a REIT, we generally will not be subject to corporate federal, state or local income taxes on taxable income we distribute currently (in accordance with the Code and applicable regulations) to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal, state and local income taxes at regular corporate rates and may not be able to qualify as a REIT for subsequent tax years. Even if we qualify for federal taxation as a REIT, we may be subject to certain state and local taxes on our income and to federal income and excise taxes on our undistributed taxable income, *i.e.*, taxable income not distributed in the amounts and in the time frames prescribed by the Code and applicable regulations thereunder.

Since our initial public offering through March 31, 2005, we have declared aggregate dividends on our common stock and distributions on our operating partnership units of \$0.6897 per common share and unit, representing two full quarterly dividends for the fourth quarter of 2004 and first quarter of 2005 of \$0.27 each and a partial third quarter dividend for 2004 of \$0.1497 per common share and unit. The dividends are equivalent to an annual rate of \$1.08 per common share and unit.

## **Inflation**

Some of our leases contain provisions designed to mitigate the adverse impact of inflation. These provisions generally increase rental rates during the terms of the leases either at fixed rates or indexed escalations (based on the Consumer Price Index or other measures). We may be adversely impacted by inflation on the leases that do not contain indexed escalation provisions. In addition, most of our leases require the tenant to pay an allocable share of operating expenses, including common area maintenance costs, real estate taxes and insurance. This may reduce our exposure to increases in costs and operating expenses resulting from inflation, assuming our properties remain leased and tenants fulfill their obligations to reimburse us for such expenses.

Our revolving loan agreement bears interest at a variable rate, which will be influenced by changes in short-term interest rates, and will be sensitive to inflation.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our future income, cash flows and fair values relevant to financial instruments depend upon prevailing market interest rates. Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices and equity prices. The primary market risk to which we believe we are exposed is interest rate risk. Many factors, including governmental

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monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond our control contribute to interest rate risk.

As of March 31, 2005, our consolidated debt consisted of eight fixed-rate notes with a carrying value of \$101.6 million (including \$5.1 million of unamortized premium) and a weighted-average effective interest rate of 4.71% and our credit facility with an outstanding balance of \$19.5 million and a weighted-average variable interest rate of 4.03%. To determine fair value, the fixed-rate debt is discounted at a rate based on an estimate of current lending rates, assuming the debt is outstanding through maturity and considering the notes collateral. At March 31, 2005, the fair value of the fixed-rate debt was estimated to be \$99.0 million compared to the net carrying value of \$101.6 million (including \$5.1 million of unamortized premium). We do not believe that the interest rate risk represented by our fixed rate debt was material as of March 31, 2005 in relation to total assets of \$601.6 million and equity market capitalization of \$706.7 million of our common stock and operating units. At March 31, 2005, the fair value of the debt of our investment in unconsolidated partnership approximated the carrying value.

If interest rates were to increase by 10%, or 40 basis points, the increase in interest expense on our \$19.5 million in variable rate debt would decrease future annual earnings and cash flows by approximately \$72,000. If interest rates were to decrease by 10%, or 40 basis points, the decrease in interest expense on our \$19.5 million in variable rate debt would increase our future annual earnings and cash flows by approximately \$72,000.

These amounts were determined by considering the impact of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of the magnitude discussed above, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

In order to modify and manage the interest rate characteristics of our outstanding debt and to limit the effects of interest rate risks on our operations, we may utilize a variety of financial instruments, including interest rate swaps, caps and treasury locks in order to mitigate our interest rate risk on a related financial instrument. The use of these types of instruments to hedge our exposure to changes in interest rates carries additional risks, including counterparty credit risk, the enforceability of hedging contracts and the risk that unanticipated and significant changes in interest rates will cause a significant loss of basis in the contract. To limit counterparty credit risk we will seek to enter into such agreements with major financial institutions with high credit ratings. There can be no assurance that we will be able to adequately protect against the foregoing risks and will ultimately realize an economic benefit that exceeds the related amounts incurred in connection with engaging in such hedging activities. We do not enter into such contracts for speculative or trading purposes. For the period from August 11, 2004 to March 31, 2005, we were not a party to any such financial instruments.

## **ITEM 4. CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have investments in an unconsolidated entity. As we manage this entity, our disclosure controls and procedures with respect to such entity

are essentially consistent with those we maintain with respect to our consolidated entities.

As required by Securities and Exchange Commission Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There has been no change in our internal control over financial reporting during the quarter ended March 31, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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**PART II OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

We are not currently a party to any legal proceedings nor, to our knowledge, is any legal proceeding threatened against us that would have a material adverse effect on our financial position, results of operations or liquidity.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
10.1	BioMed Realty 401(k) Retirement Savings Plan. (1)
10.2	First Amendment to the BioMed Realty 401(k) Retirement Savings Plan. (1)
10.3	Second Amendment to the BioMed Realty 401(k) Retirement Savings Plan. (1)
10.4	Amendment to Amended and Restated Built-to-Suit Lease dated as of January 11, 2005 between BMR-201 Industrial Road LLC and Nektar Therapeutics. (1)
10.5	Form of Restricted Stock Award Agreement under the 2004 Incentive Award Plan. (1)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	

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Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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- (1) Incorporated herein by reference to BioMed Realty Trust Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 14, 2005.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BioMed Realty Trust, Inc.

Dated: May 13, 2005

/s/ ALAN D. GOLD  
Alan D. Gold  
Chairman of the Board, President and Chief  
Executive  
Officer  
(Principal Executive Officer)

/s/ JOHN F. WILSON, II  
John F. Wilson, II  
Chief Financial Officer  
(Principal Financial Officer)

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