BioMed Realty Trust Inc
Form 10-Q
August 07, 2013

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 June 30, 2013

Commission File Number: 1-32261 (BioMed Realty Trust, Inc.)
000-54089 (BioMed Realty, L.P.)
BIOMED REALTY TRUST, INC.
BIOMED REALTY, L.P.
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	20-1142292 (BioMed Realty Trust, Inc.) 20-1320636 (BioMed Realty, L.P.) (I.R.S. Employer Identification No.)
17190 Bernardo Center Drive San Diego, California (Address of Principal Executive Offices)	92128 (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 Exchange Act 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.

BioMed Realty Trust, Inc.	Yes þ No o
BioMed Realty, L.P.	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).

BioMed Realty Trust, Inc.	Yes þ No o
BioMed Realty, L.P.	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):
BioMed Realty Trust, Inc.:

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

BioMed Realty, L.P.:

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ (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).

BioMed Realty Trust, Inc.	Yes o No þ
BioMed Realty, L.P.	Yes o No þ

The number of outstanding shares of BioMed Realty Trust, Inc.'s common stock, par value $0.01 per share, as of August 7, 2013 was 192,128,927.

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EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended June 30, 2013 of BioMed Realty Trust, Inc., a Maryland corporation, and BioMed Realty, L.P., a Maryland limited partnership of which BioMed Realty Trust, Inc. is the parent company and general partner. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “we,” “us,” “our” or “our company” refer to BioMed Realty Trust, Inc. together with its consolidated subsidiaries, including BioMed Realty, L.P. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “our operating partnership” or “the operating partnership” refer to BioMed Realty, L.P. together with its consolidated subsidiaries.

BioMed Realty Trust, Inc. operates as a real estate investment trust, or REIT, and is the general partner of BioMed Realty, L.P. As of June 30, 2013, BioMed Realty Trust, Inc. owned an approximate 97.3% partnership interest and other limited partners, including some of our directors, executive officers and their affiliates, owned the remaining 2.7% partnership interest (including long term incentive plan units) in BioMed Realty, L.P. As the sole general partner of BioMed Realty, L.P., BioMed Realty Trust, Inc. has the full, exclusive and complete responsibility for the operating partnership’s day-to-day management and control.

There are a few differences between our company and our operating partnership, which are reflected in the disclosure in this report. We believe it is important to understand the differences between our company and our operating partnership in the context of how BioMed Realty Trust, Inc. and BioMed Realty, L.P. operate as an interrelated consolidated company. BioMed Realty Trust, Inc. is a REIT, whose only material asset is its ownership of partnership interests of BioMed Realty, L.P. As a result, BioMed Realty Trust, Inc. does not conduct business itself, other than acting as the sole general partner of BioMed Realty, L.P., issuing public equity from time to time and guaranteeing certain debt of BioMed Realty, L.P. BioMed Realty Trust, Inc. itself does not hold any indebtedness but guarantees some of the secured and unsecured debt of BioMed Realty, L.P. BioMed Realty, L.P. holds substantially all the assets of the company and holds the ownership interests in the company’s joint ventures. BioMed Realty, L.P. conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from public equity issuances by BioMed Realty Trust, Inc., which are generally contributed to BioMed Realty, L.P. in exchange for partnership units, BioMed Realty, L.P. generates the capital required by the company’s business through BioMed Realty, L.P.’s operations, by BioMed Realty, L.P.’s direct or indirect incurrence of indebtedness or through the issuance of partnership units.

Noncontrolling interests and stockholders’ equity and partners’ capital are the main areas of difference between the consolidated financial statements of BioMed Realty Trust, Inc. and those of BioMed Realty, L.P. The operating partnership and long term incentive plan units in BioMed Realty, L.P. that are not owned by BioMed Realty Trust, Inc. are accounted for as partners’ capital in BioMed Realty, L.P.’s financial statements and as noncontrolling interests in BioMed Realty Trust, Inc.’s financial statements. The noncontrolling interests in BioMed Realty, L.P.’s financial statements include the interests of joint venture partners. The noncontrolling interests in BioMed Realty Trust, Inc.’s financial statements include the same noncontrolling interests at the BioMed Realty, L.P. level as well as the limited partnership unitholders of BioMed Realty, L.P., not including BioMed Realty Trust, Inc. The differences between stockholders’ equity and partners’ capital result from the differences in the equity issued at the BioMed Realty Trust, Inc. and BioMed Realty, L.P. levels.

We believe combining the quarterly reports on Form 10-Q of BioMed Realty Trust, Inc. and BioMed Realty, L.P. into this single report:

- better reflects how management and the analyst community view the business as a single operating unit,
- enhances investor understanding of our company by enabling them to view the business as a whole and in the same manner as management,
- is more efficient for our company and results in savings in time, effort and expense, and
- is more efficient for investors by reducing duplicative disclosure and providing a single document for their review.

To help investors understand the significant differences between our company and our operating partnership, this report presents the following separate sections for each of BioMed Realty Trust, Inc. and BioMed Realty, L.P.:

- consolidated financial statements,
- the following notes to the consolidated financial statements:

- Equity / Partners’ Capital,
- Debt, and

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- Earnings Per Share / Unit,
- Liquidity and Capital Resources in Management's Discussion and Analysis of Financial Condition and Results of Operations, and
- Unregistered Sales of Equity Securities and Use of Proceeds.

This report also includes separate Item 4. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of BioMed Realty Trust, Inc. and BioMed Realty, L.P. in order to establish that the Chief Executive Officer and the Chief Financial Officer of BioMed Realty Trust, Inc. have made the requisite certifications and BioMed Realty Trust, Inc. and BioMed Realty, L.P. are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

BIOMED REALTY TRUST, INC. AND BIOMED REALTY, L.P.

FORM 10-Q - QUARTERLY REPORT
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013
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PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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BIOMED REALTY TRUST, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	June 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Investments in real estate, net	$5,131,507	$4,319,716
Investments in unconsolidated partnerships	32,250	32,367
Cash and cash equivalents	27,666	19,976
Accounts receivable, net	6,274	4,507
Accrued straight-line rents, net	163,287	152,096
Deferred leasing costs, net	213,567	172,363
Other assets	289,232	133,454
Total assets	$5,863,783	$4,834,479
LIABILITIES AND EQUITY		
Mortgage notes payable, net	$821,582	$571,652
Exchangeable senior notes	180,000	180,000
Unsecured senior notes, net	894,622	894,177
Unsecured senior term loan	395,676	405,456
Unsecured line of credit	240,000	118,000
Accounts payable, accrued expenses and other liabilities	281,780	180,653
Total liabilities	2,813,660	2,349,938
Equity:		
Stockholders' equity:		
Preferred stock, $.01 par value, 15,000,000 shares authorized: 7.375% Series A cumulative redeemable preferred stock, no shares issued and outstanding at June 30, 2013; and 7,920,000 shares issued and outstanding at December 31, 2012, $198,000 liquidation preference ($25.00 per share)	—	191,469
Common stock, $.01 par value, 250,000,000 shares authorized, 191,948,111 shares issued and outstanding at June 30, 2013; and 200,000,000 shares authorized, 154,327,818 shares issued and outstanding at December 31, 2012	1,919	1,543
Additional paid-in capital	3,549,082	2,781,849
Accumulated other comprehensive loss, net	(43,094)	(54,725)
Dividends in excess of earnings	(504,921)	(443,280)
Total stockholders' equity	3,002,986	2,476,856
Noncontrolling interests	47,137	7,685
Total equity	3,050,123	2,484,541
Total liabilities and equity	$5,863,783	$4,834,479

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share data)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues:				
Rental	$108,092	$95,708	$211,048	$187,183
Tenant recoveries	32,494	28,939	65,131	57,390
Other revenue	19,053	201	43,911	285
Total revenues	159,639	124,848	320,090	244,858
Expenses:				
Rental operations	41,941	37,044	82,494	73,773
Depreciation and amortization	63,557	47,575	124,320	92,508
General and administrative	10,396	8,576	20,424	17,191
Acquisition-related expenses	2,120	12,245	4,357	12,879
Total expenses	118,014	105,440	231,595	196,351
Income from operations	41,625	19,408	88,495	48,507
Equity in net loss of unconsolidated partnerships	(267)	(317)	(585)	(671)
Interest expense, net	(26,119)	(23,825)	(52,021)	(46,044)
Other expense	(202)	(549)	(3,392)	(375)
Income / (loss) from continuing operations	15,037	(5,283)	32,497	1,417
Income / (loss) from discontinued operations	—	49	—	(4,370)
Net income / (loss)	15,037	(5,234)	32,497	(2,953)
Net (income) / loss attributable to noncontrolling interests	(234)	172	(379)	201
Net income / (loss) attributable to the Company	14,803	(5,062)	32,118	(2,752)
Preferred stock dividends	—	(3,651)	(2,393)	(7,301)
Cost on redemption of preferred stock	—	—	(6,531)	—
Net income / (loss) available to common stockholders	$14,803	$(8,713)	$23,194	$(10,053)
Income / (loss) from continuing operations per share available to common stockholders:				
Basic and diluted earnings per share	$0.08	$(0.06)	$0.13	$(0.04)
Loss from discontinued operations per share available to common stockholders:				
Basic and diluted earnings per share	$—	$—	$—	$(0.03)
Net income / (loss) per share available to common stockholders:				
Basic and diluted earnings per share	$0.08	$(0.06)	$0.13	$(0.07)
Weighted-average common shares outstanding:				
Basic	186,735,157	152,775,422	173,288,517	152,715,715
Diluted	190,151,166	152,775,422	176,508,215	152,715,715

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income / (loss)	$15,037	$(5,234)	$32,497	$(2,953)
Other comprehensive income:				
Foreign currency translation adjustments	64	2,991	(2,118)	2,991
Unrealized gain / (loss) from derivative instruments, net	5,313	(3,372)	5,176	(3,597)
Amortization of deferred interest costs	1,711	1,736	3,429	3,479
Reclassification of unrealized loss on equity securities	—	545	—	545
Reclassification on sale of equity securities	—	(60)	—	(32)
Unrealized gain / (loss) on equity securities	6,323	(254)	6,155	(519)
Total other comprehensive income	13,411	1,586	12,642	2,867
Comprehensive income / (loss)	28,448	(3,648)	45,139	(86)
Comprehensive (income) / loss attributable to noncontrolling interests	(1,258)	141	(1,390)	146
Comprehensive income / (loss) attributable to the Company	$27,190	$(3,507)	$43,749	$60

See accompanying notes to consolidated financial statements.

BIOMED REALTY TRUST, INC.

CONSOLIDATED STATEMENT 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, net	Dividends in Excess of Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2012	$191,469	154,327,818	$1,543	$2,781,849	$(54,725)	$(443,280)	$2,476,856	$7,685	$2,484,541
Net proceeds from sale of common stock	—	31,855,000	319	640,918	—	—	641,237	—	641,237
Net issuances of unvested restricted common stock	—	176,670	1	(4,800)	—	—	(4,799)	—	(4,799)
Conversion of OP units to common stock	—	20,396	—	(87)	—	—	(87)	87	—
Redemption of Series A Preferred Stock	(191,469)	—	—	—	—	(6,531)	(198,000)	—	(198,000)
Vesting of share-based awards	—	—	—	6,078	—	—	6,078	—	6,078
Issuance of common stock in connection with Wexford merger	—	5,568,227	56	116,487	—	—	116,543	—	116,543
Issuance of OP units	—	—	—	—	—	—	—	48,571	48,571
Reallocation of equity to noncontrolling interests	—	—	—	8,637	—	—	8,637	(8,637)	—
Common stock dividends	—	—	—	—	—	(84,835)	(84,835)	—	(84,835)
OP unit distributions	—	—	—	—	—	—	—	(1,959)	(1,959)
Net income	—	—	—	—	—	32,118	32,118	379	32,497
Preferred stock dividends	—	—	—	—	—	(2,393)	(2,393)	—	(2,393)
	—	—	—	—	(2,083)	—	(2,083)	(35)	(2,118)

Foreign currency translation adjustments									
Unrealized gain on equity securities	—	—	—	—	5,324	—	5,324	831	6,155
Amortization of deferred interest costs	—	—	—	—	3,354	—	3,354	75	3,429
Unrealized gain on derivative instruments, net	—	—	—	—	5,036	—	5,036	140	5,176
Balance at June 30, 2013	$—	191,948,111	$1,919	$3,549,082	$(43,094)	$(504,921)	$3,002,986	$47,137	$3,050,123

See accompanying notes to consolidated financial statements.

BIOMED REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2013	2012
Operating activities:		
Net income / (loss)	$32,497	$(2,953)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	124,320	92,600
Allowance for doubtful accounts	708	833
Non-cash revenue adjustments	9,313	6,349
Other non-cash adjustments	9,864	11,862
Compensation expense related to restricted common stock and LTIP units	6,079	5,575
Distributions representing a return on capital from unconsolidated partnerships	119	1,088
Changes in operating assets and liabilities:		
Accounts receivable	(1,438)	1,004
Accrued straight-line rents	(11,458)	(9,934)
Deferred leasing costs	(12,321)	(6,587)
Other assets	1,047	6,038
Accounts payable, accrued expenses and other liabilities	(14,155)	2,243
Net cash provided by operating activities	144,575	108,118
Investing activities:		
Purchases of investments in real estate and related intangible assets	(471,910)	(365,751)
Capital expenditures	(75,936)	(79,703)
Contributions from historic tax credit transactions, net of deferred costs	8,620	—
Contributions from new market tax credit transactions, net of deferred costs	4,078	—
Draws on construction loan receivable	(70,947)	—
Contributions to unconsolidated partnerships, net	(999)	(1,350)
Purchases of debt and equity securities	(7,309)	(3,258)
Proceeds from the sale of equity securities	73	110
Deposits to escrow for acquisitions	—	(1,000)
Net cash used in investing activities	(614,330)	(450,952)
Financing activities:		
Proceeds from common stock offering	668,552	—
Payment of offering costs	(27,316)	—
Redemption of Series A preferred stock	(198,000)	—
Payment of deferred loan costs	(486)	(5,022)
Unsecured line of credit proceeds	541,000	498,000
Unsecured line of credit payments	(419,000)	(688,000)
Principal payments on mortgage notes payable	(4,305)	(36,557)
Proceeds from unsecured senior term loan	—	400,000
Proceeds from unsecured senior notes	—	247,815
Distributions to operating partnership unit and LTIP unit holders	(1,375)	(1,232)

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	Six Months Ended June 30, 2013	2012
Dividends paid to common stockholders	(75,995)	(63,965)
Dividends paid to preferred stockholders	(6,043)	(7,301)
Net cash provided by financing activities	477,032	343,738
Effect of exchange rate changes on cash and cash equivalents	413	70
Net increase in cash and cash equivalents	7,690	974
Cash and cash equivalents at beginning of period	19,976	16,411
Cash and cash equivalents at end of period	$27,666	$17,385
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest (net of amounts capitalized of $6,015 and $4,450 during the six months ended June 30, 2013 and 2012, respectively)	$45,243	$34,289
Supplemental disclosure of non-cash investing and financing activities:		
Accrual for preferred stock dividends declared	$—	$3,651
Accrual for common stock dividends declared	45,108	33,149
Accrual for distributions declared for operating partnership unit and LTIP unit holders	1,273	633
Accrued additions to real estate and related intangible assets	44,693	30,104
Mortgage notes assumed (includes premiums of $8,671 during the six months ended June 30, 2013)	254,735	—
Equity issued in connection with Wexford merger and 320 Charles Street acquisition	165,114	—
Deposits applied for acquisitions	—	18,649

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.

CONSOLIDATED BALANCE SHEETS
(In thousands, except unit data)

	June 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Investments in real estate, net	$5,131,507	$4,319,716
Investments in unconsolidated partnerships	32,250	32,367
Cash and cash equivalents	27,666	19,976
Accounts receivable, net	6,274	4,507
Accrued straight-line rents, net	163,287	152,096
Deferred leasing costs, net	213,567	172,363
Other assets	289,232	133,454
Total assets	$5,863,783	$4,834,479
LIABILITIES AND CAPITAL		
Mortgage notes payable, net	$821,582	$571,652
Exchangeable senior notes	180,000	180,000
Unsecured senior notes, net	894,622	894,177
Unsecured senior term loan	395,676	405,456
Unsecured line of credit	240,000	118,000
Accounts payable, accrued expenses and other liabilities	281,780	180,653
Total liabilities	2,813,660	2,349,938
Capital:		
Partners’ capital:		
Preferred units, 7.375% Series A cumulative redeemable preferred units, no units issued and outstanding at June 30, 2013; and 7,920,000 units issued and outstanding at December 31, 2012, $198,000 liquidation preference ($25.00 per unit)	—	191,469
Limited partners' capital, 5,415,974 and 2,932,758 units issued and outstanding at June 30, 2013 and December 31, 2012, respectively	47,426	7,937
General partner's capital, 191,948,111 and 154,327,818 units issued and outstanding at June 30, 2013 and December 31, 2012, respectively	3,043,421	2,338,464
Accumulated other comprehensive loss	(40,435)	(53,077)
Total partners’ capital	3,050,412	2,484,793
Noncontrolling interests deficit	(289)	(252)
Total capital	3,050,123	2,484,541
Total liabilities and capital	$5,863,783	$4,834,479

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except unit data)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues:				
Rental	$108,092	$95,708	$211,048	$187,183
Tenant recoveries	32,494	28,939	65,131	57,390
Other revenue	19,053	201	43,911	285
Total revenues	159,639	124,848	320,090	244,858
Expenses:				
Rental operations	41,941	37,044	82,494	73,773
Depreciation and amortization	63,557	47,575	124,320	92,508
General and administrative	10,396	8,576	20,424	17,191
Acquisition-related expenses	2,120	12,245	4,357	12,879
Total expenses	118,014	105,440	231,595	196,351
Income from operations	41,625	19,408	88,495	48,507
Equity in net loss of unconsolidated partnerships	(267)	(317)	(585)	(671)
Interest expense, net	(26,119)	(23,825)	(52,021)	(46,044)
Other expense	(202)	(549)	(3,392)	(375)
Income / (loss) from continuing operations	15,037	(5,283)	32,497	1,417
Income / (loss) from discontinued operations	—	49	—	(4,370)
Net income / (loss)	15,037	(5,234)	32,497	(2,953)
Net loss attributable to noncontrolling interests	29	6	37	9
Net income / (loss) attributable to the Operating Partnership	15,066	(5,228)	32,534	(2,944)
Preferred unit distributions	—	(3,651)	(2,393)	(7,301)
Cost on redemption of preferred units	—	—	(6,531)	—
Net income / (loss) available to unitholders	$15,066	$(8,879)	$23,610	$(10,245)
Income / (loss) from continuing operations per unit available to unitholders:				
Basic and diluted earnings per unit	$0.08	$(0.06)	$0.13	$(0.04)
Loss from discontinued operations per unit available to unitholders:				
Basic and diluted earnings per unit	$—	$—	$—	$(0.03)
Net income / (loss) per unit available to unitholders:				
Basic and diluted earnings per unit	$0.08	$(0.06)	$0.13	$(0.07)
Weighted-average units outstanding:				
Basic	190,102,488	155,694,169	176,433,680	155,641,727
Diluted	190,151,166	155,694,169	176,506,777	155,641,727

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income / (loss)	$15,037	$(5,234)	$32,497	$(2,953)
Other comprehensive income:				
Foreign currency translation adjustments	64	2,991	(2,118)	2,991
Unrealized gain / (loss) from derivative instruments, net	5,313	(3,372)	5,176	(3,597)
Amortization of deferred interest costs	1,711	1,736	3,429	3,479
Reclassification of unrealized loss on equity securities	—	545	—	545
Reclassification on sale of equity securities	—	(60)	—	(32)
Unrealized gain / (loss) on equity securities	6,323	(254)	6,155	(519)
Total other comprehensive income	13,411	1,586	12,642	2,867
Comprehensive income / (loss)	28,448	(3,648)	45,139	(86)
Comprehensive loss attributable to noncontrolling interests	29	6	37	9
Comprehensive income / (loss) attributable to the Operating Partnership	$28,477	$(3,642)	$45,176	$(77)

See accompanying notes to consolidated financial statements.

BIOMED REALTY, L.P.

CONSOLIDATED STATEMENT OF CAPITAL
(In thousands, except unit data)
(Unaudited)

	Preferred Series A		Limited Partners' Capital		General Partner's Capital		Accumulated Other Comprehensive (Loss)/Income	Total Partners' Capital	Noncontrollin Interests Deficit	Total Capita
	Units	Amount	Units	Amount	Units	Amount				
Balance at December 31, 2012	7,920,000	$191,469	2,932,758	$7,937	154,327,818	$2,338,464	$(53,077)	$2,484,793	$(252)	$2,48
Proceeds from issuance of OP units	—	—	2,034,211	41,518	31,855,000	641,237	—	682,755	—	682,7
Net issuances of unvested restricted OP units	—	—	132,441	—	176,670	(4,799)	—	(4,799)	—	(4,79
Conversion of OP units	—	—	(20,396)	87	20,396	(87)	—	—	—	—
Redemption of Series A Preferred Units	(7,920,000)	(198,000)	—	—	—	—	—	(198,000)	—	(198,0
Vesting of share-based awards	—	—	—	—	—	6,078	—	6,078	—	6,078
Issuance of OP units in connection with Wexford merger	—	—	336,960	7,053	5,568,227	116,543		123,596	—	123,5
Reallocation of capital to limited partners	—	—	—	(7,626)	—	7,626	—	—	—	—
Distributions	—	(2,393)	—	(1,959)	—	(84,835)	—	(89,187)	—	(89,18
Net income	—	8,924	—	416	—	23,194	—	32,534	(37)	32,49
Foreign currency translation adjustments	—	—	—	—	—	—	(2,118)	(2,118)	—	(2,118
Unrealized gain on	—	—	—	—	—	—	6,155	6,155	—	6,155

equity securities										
Amortization of deferred interest costs	—	—	—	—	—	—	3,429	3,429	—	3,429
Unrealized gain on derivative instruments, net	—	—	—	—	—	—	5,176	5,176	—	5,176
Balance at June 30, 2013	—	$—	5,415,974	$47,426	191,948,111	$3,043,421	$(40,435)	$3,050,412	$(289)	$3,05

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2013	2012
Operating activities:		
Net income / (loss)	$32,497	$(2,953)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	124,320	92,600
Allowance for doubtful accounts	708	833
Non-cash revenue adjustments	9,313	6,349
Other non-cash adjustments	9,864	11,862
Compensation expense related to share-based payments	6,079	5,575
Distributions representing a return on capital from unconsolidated partnerships	119	1,088
Changes in operating assets and liabilities:		
Accounts receivable	(1,438)	1,004
Accrued straight-line rents	(11,458)	(9,934)
Deferred leasing costs	(12,321)	(6,587)
Other assets	1,047	6,038
Accounts payable, accrued expenses and other liabilities	(14,155)	2,243
Net cash provided by operating activities	144,575	108,118
Investing activities:		
Purchases of investments in real estate and related intangible assets	(471,910)	(365,751)
Capital expenditures	(75,936)	(79,703)
Contributions from historic tax credit transactions, net of deferred costs	8,620	—
Contributions from new market tax credit transactions, net of deferred costs	4,078	—
Draws on construction loan receivable	(70,947)	—
Contributions to unconsolidated partnerships, net	(999)	(1,350)
Purchases of debt and equity securities	(7,309)	(3,258)
Proceeds from the sale of equity securities	73	110
Deposits to escrow for acquisitions	—	(1,000)
Net cash used in investing activities	(614,330)	(450,952)
Financing activities:		
Proceeds from issuance of OP units	641,236	—
Redemption of Series A preferred units	(198,000)	—
Payment of deferred loan costs	(486)	(5,022)
Unsecured line of credit proceeds	541,000	498,000
Unsecured line of credit payments	(419,000)	(688,000)
Principal payments on mortgage notes payable	(4,305)	(36,557)
Proceeds from unsecured senior term loan	—	400,000
Proceeds from unsecured senior notes		247,815
Distributions paid to unitholders	(77,370)	(65,197)
Distributions paid to preferred unitholders	(6,043)	(7,301)

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	Six Months Ended June 30,	
	2013	2012
Net cash provided by financing activities	477,032	343,738
Effect of exchange rate changes on cash and cash equivalents	413	70
Net increase in cash and cash equivalents	7,690	974
Cash and cash equivalents at beginning of period	19,976	16,411
Cash and cash equivalents at end of period	$27,666	$17,385
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest (net of amounts capitalized of $6,015 and $4,450 during the six months ended June 30, 2013 and 2012, respectively)	$45,243	$34,289
Supplemental disclosure of non-cash investing and financing activities:		
Accrual for unit distributions declared	$46,381	$33,782
Accrual for preferred unit distributions declared	—	3,651
Accrued additions to real estate and related intangible assets	44,693	30,104
Mortgage notes assumed (includes premiums of $8,671 during the six months ended June 30, 2013)	254,735	—
Equity issued in connection with Wexford merger and 320 Charles Street acquisition	165,114	—
Deposits applied for acquisitions	—	18,649

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.
BIOMED REALTY, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization of the Parent Company and Description of Business

BioMed Realty Trust, Inc., a Maryland corporation (the “Parent 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” and together with the Parent Company referred to as the “Company”). 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 Francisco, Maryland, San Diego and New York/New Jersey.

The Parent Company is the sole general partner of the Operating Partnership and, as of June 30, 2013, owned a 97.3% interest in the Operating Partnership. The remaining 2.7% interest in the Operating Partnership is held by limited partners. Each partner’s percentage interest in the Operating Partnership is determined based on the number of operating partnership units and long-term incentive plan units (“LTIP units” and together with the operating partnership units, the “OP units”) owned as compared to total OP units (and potentially issuable OP units, as applicable) outstanding as of each period end and is used as the basis for the allocation of net income or loss to each partner.

On May 31, 2013, the Company merged with Wexford Science & Technology, LLC (“Wexford”), which operates as a wholly-owned subsidiary of the Operating Partnership. Wexford owns laboratory and office space located in U.S. educational and research centers, such as Baltimore, Chicago, Miami, Philadelphia, St. Louis and Winston-Salem, and which are occupied primarily by universities and university-related institutions either on campus or on nearby land that carries the university brand or direct sponsorship.

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 U.S. 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, 2012.

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 (“VIEs”) 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.

Assets and liabilities of subsidiaries outside the United States with non-U.S. dollar functional currencies are translated into U.S. dollars using exchange rates as of the balance sheet dates. Income and expenses are translated using the average exchange rates for the reporting period. Foreign currency translation adjustments are recorded as a component of other comprehensive income. For the three months ended June 30, 2013 and 2012, total revenues from properties outside the United States were $4.5 million and $901,000, respectively, which represented 2.8% and 0.7% of the Company’s total revenues during the respective periods. For the six months ended June 30, 2013 and 2012, total revenues from properties outside the United States were $9.0 million and $901,000, respectively, which represented 2.8% and 0.4% of the Company's total revenues during the respective

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periods. The Company’s net investment in properties outside the United States was $190.9 million and $188.8 million at June 30, 2013 and December 31, 2012, respectively.

Investments in Partnerships and Limited Liability Companies

The Company has determined that it is the primary beneficiary in six VIEs, consisting of single-tenant properties in which the tenant has a fixed-price purchase option, which are consolidated and reflected in the accompanying consolidated financial statements. Selected financial data of the VIEs at June 30, 2013 and December 31, 2012 consist of the following (in thousands):

	June 30, 2013	December 31, 2012
Investment in real estate, net	$391,633	$397,542
Total assets	429,038	434,105
Total debt	143,980	144,889
Total liabilities	151,958	150,330

The Company is also a party to certain VIEs through its ownership of Wexford, which are described in further detail in Note 11.

Investments in Real Estate, Net

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

	June 30, 2013	December 31, 2012
Land	$718,662	$702,993
Land under development	105,761	48,744
Buildings and improvements	4,755,527	4,028,089
Construction in progress	241,021	143,340
	5,820,971	4,923,166
Accumulated depreciation	(689,464)	(603,450)
	$5,131,507	$4,319,716

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. The review of recoverability is based on an estimate of the future undiscounted cash flows (excluding interest charges) expected to result from the long-lived asset’s use and eventual disposition. These cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If impairment exists due to the inability to recover the carrying value of a 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. 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.

In April 2012, the Company completed the exchange of a property for another real estate operating property. As a result, the property disposed of was reclassified as a discontinued operation. This property was written down to its estimated fair-value of $28.0 million, less costs to sell, which resulted in an impairment loss of $4.6 million that is included in loss from discontinued operations for the six months ended June 30, 2012. The parties to the exchange determined and agreed upon the fair-value of the property received in the transaction, which the Company considers to be a level 2 input in the fair-value hierarchy. See Note 12 for discussion of discontinued operations.

Deferred Leasing Costs, Net

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Leasing commissions and other direct costs associated with obtaining new or renewal leases 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 20 years as of June 30, 2013. Deferred leasing costs also include the net carrying value of acquired in-place leases and acquired management agreements.

Deferred leasing costs, net at June 30, 2013 consisted of the following (in thousands):

	Balance at June 30, 2013	Accumulated Amortization	Net
Acquired in-place leases	$367,334	$(214,899)	$152,435
Acquired management agreements	25,827	(19,117)	6,710
Deferred leasing and other direct costs	81,575	(27,153)	54,422
	$474,736	$(261,169)	$213,567

Deferred leasing costs, net at December 31, 2012 consisted of the following (in thousands):

	Balance at December 31, 2012	Accumulated Amortization	Net
Acquired in-place leases	$303,521	$(185,463)	$118,058
Acquired management agreements	24,963	(15,242)	9,721
Deferred leasing and other direct costs	68,175	(23,591)	44,584
	$396,659	$(224,296)	$172,363

Investments

Investments in equity securities, which are included in other assets on the accompanying consolidated balance sheets, consisted of the following (in thousands):

	June 30, 2013	December 31, 2012
Available-for-sale securities, historical cost	$8,481	$275
Unrealized gain	6,270	115
Available-for-sale securities, fair-value (1)	14,751	390
Privately-held securities, cost basis	20,872	12,280
Total equity securities	$35,623	$12,670

(1) Determination of fair-value is classified as Level 1 in the fair-value hierarchy based on the use of quoted prices in active markets.

The Company holds investments in available-for-sale securities of five publicly traded companies. Certain of these investments have fair-values less than the Company's cost basis, net of previous other-than-temporary impairment in these securities due to decreases in their respective stock prices during the six months ended June 30, 2013. However, management has the intent and ability to retain the investments for a period of time sufficient to allow for an anticipated recovery in their market value. Management will continue to periodically evaluate whether any investment, the fair-value of which is less than the Company's cost basis, should be considered other-than-temporarily impaired. If other-than-temporary impairment is considered to exist, the related unrealized loss will be reclassified from accumulated other comprehensive loss and recorded as a reduction of net income.

The Company's remaining investments consisted of securities in privately-held companies or funds, which are recorded at cost basis due to the Company's lack of control or significant influence over such companies or funds. The Company owned equity securities of four privately-held companies and four privately-held funds during the six months ended June 30, 2013.

During the six months ended June 30, 2013, the Company recorded $2.8 million in an impairment charge, which is included in other expense in the consolidated statements of operations. The impairment charge related to the Company’s investment in a privately-held company, comprising a $2.0 million cost basis equity investment and $825,000 related to notes receivable that were included in other assets on the consolidated balance sheets. Other than this investment there were no identified events or changes in circumstances that may have a significant adverse effect on the carrying value of the Company's cost basis investments and therefore, no evaluation of impairment was performed during the six months ended June 30, 2013 on the Company's remaining cost basis investments.

Construction Loan Receivable

The Company has a $255.0 million interest in a $355.0 million construction loan secured by first priority mortgages on a 1.1 million square foot laboratory, office and retail development project located in Boston, Massachusetts, which is 95% leased to Vertex Pharmaceuticals Incorporated to serve as its new corporate headquarters.

The construction loan matures on September 30, 2014, with two one-year extension options exercisable at the borrower's election after paying the lenders an extension fee on the then-outstanding principal amount. The construction loan bears interest on the outstanding principal amount at a floating rate equal to the greater of (1) reserve adjusted LIBOR plus 550 basis points and (2) 6.5%. In addition, the borrower is required to pay a fee to the lenders based on a specified percentage of the average daily unfunded amount of the construction loan. The borrower may prepay the construction loan in part under certain circumstances, and may prepay the construction loan in full with prior notice and a prepayment fee to the lenders. As of June 30, 2013, the Company had invested approximately $92.6 million in the construction loan. The Company expects to have fully funded its obligation in early 2014.

Lease Termination

During the six months ended June 30, 2013, the Company recorded approximately $35.2 million of lease termination revenue, net of write-offs of lease intangibles, included in other revenue on the consolidated statement of operations, related to the termination of a lease with Elan Corporation ("Elan") at the Company's Science Center at Oyster Point property for which Elan paid the Company $46.5 million.

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 revenue 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 revenue and expenses that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions or conditions.

3. Equity of the Parent Company

During the six months ended June 30, 2013, the Parent Company issued restricted stock awards to the Company's employees and directors totaling 444,134 and 26,897 shares of common stock, respectively (240,093 shares of common stock were surrendered to the Company and subsequently retired in lieu of cash payments for taxes due on the vesting of restricted stock and 34,199 shares were forfeited during the same period), which are included in the total of common stock outstanding as of the period end.

Of the restricted stock awards issued to the Company's employees, 20,069 shares were issued as part of the consideration paid in the Company's merger with Wexford (as discussed below), and 41,568 shares are subject to performance-based vesting conditions. In addition, in connection with the merger with Wexford, the Operating Partnership issued 132,441 operating partnership units which are also subject to performance-based vesting conditions. The aggregate grant date fair-value of these performance-based awards of approximately $3.6 million will be recognized as compensation expense on a straight-line basis over each respective vesting period. The total compensation expense remaining for these awards to be expensed in future periods as of June 30, 2013 was approximately $3.6 million over a weighted-average term of approximately four years. Dividends and distributions are payable on these awards from the date of issuance.

The Parent Company awarded units to certain of its executive officers (the “Performance Units”), which represent a contingent right to receive one share of the Parent Company’s common stock if vesting conditions are satisfied. Outstanding Performance Units vest ratably over two or three year periods (each, a “Performance Period”) based upon the Parent Company’s total stockholder return relative to its peer group (the "Market Conditions"). The grant date fair-value of the Performance Units was estimated using a Monte Carlo simulation which considered the likelihood of achieving the Market Conditions. The expected value of the Performance Units on the grant date was determined by simulating the total stockholder return for the Parent Company and the peer group, considering the stock price variance for each of the peer group companies compared to each other and the Parent

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Company. In January 2013, 136,296 Performance Units, which were originally granted to certain executive officers in January 2012 and represent the maximum number of Performance Units that could have vested, were forfeited as a result of the Parent Company's total stockholder return relative to its peer group in 2012 being below the threshold for any payout. During the six months ended June 30, 2013, the Parent Company awarded 406,288 performance units which represent the maximum number of Performance Units that may vest. The grant date fair-value of these awards of approximately $3.6 million will be recognized as compensation expense on a straight-line basis over each respective Performance Period. The total compensation remaining on the Performance Units granted during the six months ended June 30, 2013 to be expensed in future periods over a weighted-average term of approximately two years was $2.9 million as of June 30, 2013. No dividends will be paid or accrued on the Performance Units, and shares of the Parent Company's common stock will not be issued until vesting of the Performance Units occurs.

In February 2013, the Parent Company issued 14,605,000 shares of common stock and contributed net proceeds of approximately $287.0 million, after deducting the underwriters' discounts and commissions and offering expenses, to the Operating Partnership in exchange for the issuance of 14,605,000 operating partnership units. The net proceeds to the Operating Partnership were utilized to fund the acquisition of the Woodside Technology Park property in Redwood City, California, to fund a portion of the redemption of all 7,920,000 outstanding shares of the Parent Company's 7.375% Series A Cumulative Redeemable Preferred Stock ("Series A preferred stock"), to repay a portion of the outstanding indebtedness under its unsecured line of credit and for other general corporate and working capital purposes.

In April 2013, the Parent Company issued 17,250,000 shares of common stock and contributed net proceeds of approximately $354.1 million, after deducting the underwriters' discounts and commissions and offering expenses, to the Operating Partnership in exchange for the issuance of 17,250,000 operating partnership units. The net proceeds to the Operating Partnership were utilized to repay a portion of the outstanding indebtedness under its unsecured line of credit, to fund a portion of the purchase price of the merger with Wexford and for other general corporate and working capital purposes.

In May 2013, as part of the consideration paid for the merger with Wexford, the sellers received 5,568,227 shares of the Parent Company's common stock and 336,960 operating partnership units, of which 20,069 shares of common stock and all of the operating partnership units are subject to certain restrictions.

In June 2013, as part of the consideration paid for the Company's acquisition of the 320 Charles Street property in Cambridge, Massachusetts, the seller received 2,034,211 operating partnership units.

Common Stock, Operating Partnership Units and LTIP Units

As of June 30, 2013, the Company had outstanding 191,948,111 shares of the Parent Company’s common stock and 5,083,400 and 332,574 operating partnership and LTIP units, respectively (excluding operating partnership units held by the Parent Company). A share of the Parent Company’s common stock and the operating 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.

7.375% Series A Cumulative Redeemable Preferred Stock

On March 15, 2013, the Company redeemed all 7,920,000 outstanding shares of its Series A preferred stock for approximately $198.0 million, or $25.00 per share, net of accrued dividends of approximately $2.4 million, or $0.30217 per share. The redemption of the Series A preferred stock resulted in the recognition of costs on redemption of preferred stock of approximately $6.5 million for the six months ended June 30, 2013 as a result of the difference between the carrying value and the price paid to redeem the Series A preferred stock.

Dividends and Distributions

The following table lists the dividends and distributions declared by the Parent Company and the Operating Partnership during the six months ended June 30, 2013:

Declaration Date	Securities Class	Amount Per Share/Unit	Period Covered	Dividend and Distribution Payable Date	Dividend and Distribution Amount (In thousands)
March 15, 2013	Common stock and OP units	$0.235	January 1, 2013 to March 31, 2013	April 15, 2013	$40,413
June 14, 2013	Common stock and OP units	$0.235	April 1, 2013 to June 30, 2013	July 15, 2013	$46,381

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Total 2013 dividends and distributions declared through June 30, 2013 (in thousands):

Common stock and OP units	$86,794
Series A preferred stock/units (1)	$2,393
	$89,187

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(1) On March 15, 2013, the Company redeemed all 7,920,000 outstanding shares of its Series A preferred stock for approximately $198.0 million, or $25.00 per share, net of accrued dividends of approximately $2.4 million, or $0.30217 per share.

Changes in Accumulated Other Comprehensive Loss by Component

	Foreign currency translation adjustments	Unrealized gains/(losses) on available-for-sale securities	Gain/(loss) on derivative instruments	Total
Balance at December 31, 2012	$3,543	$ 114	$(58,382)	$(54,725)
Other comprehensive (loss) / income before reclassifications	(2,118)	6,155	4,024	8,061
Amounts reclassified from accumulated other comprehensive income (1)	—	—	4,581	4,581
Net other comprehensive (loss)/income	(2,118)	6,155	8,605	12,642
Net other comprehensive loss/(income) allocable to noncontrolling interests	$35	$ (831)	$(215)	$(1,011)
Balance as of June 30, 2013	$1,460	$ 5,438	$(49,992)	$(43,094)

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(1) Amounts reclassified from loss on derivative instruments are included in interest expense, net in the consolidated statements of operations. See Note 9 for further information.

Noncontrolling Interests

Noncontrolling interests on the consolidated balance sheets of the Parent Company relate primarily to the OP units in the Operating Partnership that are not owned by the Parent Company. With respect to the noncontrolling interests in the Operating Partnership, noncontrolling interests with redemption provisions that permit the issuer to settle in either cash or common stock at the option of the issuer are further evaluated to determine whether temporary or permanent equity classification on the balance sheet is appropriate. Because the OP units comprising the noncontrolling interests contain such a provision, the Company evaluated this guidance, including the requirement to settle in unregistered shares, and determined that the OP units meet the requirements to qualify for presentation as permanent equity.

The Company evaluates individual redeemable noncontrolling interests for the ability to continue to recognize the noncontrolling interest as permanent equity in the consolidated balance sheets. Any redeemable noncontrolling interest that fails to qualify as permanent equity will be reclassified as temporary equity and adjusted to the greater of (1) the carrying amount, or (2) its redemption value at the end of the period in which the determination is made.

The redemption value of the OP units not owned by the Parent Company, had such units been redeemed at June 30, 2013, was approximately $106.6 million based on the average closing price of the Parent Company’s common stock of $19.69 per share for the ten consecutive trading days immediately preceding June 30, 2013.

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

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	June 30, 2013 Operating Partnership Units and LTIP Units	Percentage of Total		December 31, 2012 Operating Partnership Units and LTIP Units	Percentage of Total	
BioMed Realty Trust	190,654,869	97.3	%	152,853,368	98.1	%
Noncontrolling interest consisting of:						
Operating partnership and LTIP units held by employees and related parties	2,656,388	1.4	%	2,339,314	1.5	%
Operating partnership and LTIP units held by third parties	2,627,145	1.3	%	565,051	0.4	%
Total	195,938,402	100.0	%	155,757,733	100.0	%

4. Capital of the Operating Partnership

Operating Partnership Units and LTIP Units

As of June 30, 2013, the Operating Partnership had outstanding 197,031,511 operating partnership units and 332,574 LTIP units. The Parent Company owned 97.3% of the partnership interests in the Operating Partnership at June 30, 2013, is the Operating Partnership's general partner and is responsible for the management of the Operating Partnership's business. As the general partner of the Operating Partnership, the Parent Company effectively controls the ability to issue common stock of the Parent Company upon a limited partner's notice of redemption. In addition, the Parent Company has generally acquired OP units upon a limited partner's notice of redemption in exchange for shares of its common stock. The redemption provisions of OP units owned by limited partners that permit the Parent Company to settle in either cash or common stock at the option of the Parent Company are further evaluated in accordance with applicable accounting guidance to determine whether temporary or permanent equity classification on the balance sheet is appropriate. The Operating Partnership evaluated this guidance, including the requirement to settle in unregistered shares, and determined that these OP units meet the requirements to qualify for presentation as permanent equity.

The redemption value of the OP units owned by the limited partners, not including the Parent Company, had such units been redeemed at June 30, 2013, was approximately $106.6 million based on the average closing price of the Parent Company's common stock of $19.69 per share for the ten consecutive trading days immediately preceding June 30, 2013.

Changes in Accumulated Other Comprehensive Loss by Component

	Foreign currency translation adjustments		Unrealized gains on available-for-sale securities	Gain/(loss) on derivative instruments		Total	
Balance at December 31, 2012	$3,611		$115	$(56,803	)	$(53,077	)
Other comprehensive (loss) / income before reclassifications	(2,118	)	6,155	4,024		8,061	
Amounts reclassified from accumulated other comprehensive income (1)	—		—	4,581		4,581	
Net other comprehensive (loss)/income	(2,118	)	6,155	8,605		12,642	
Balance as of June 30, 2013	$1,493		$6,270	$(48,198	)	$(40,435	)

(1) Amounts reclassified from loss on derivative instruments are included in interest expense, net in the consolidated statements of operations. See Note 9 for further information.

5. Debt

Debt of the Parent Company

The Parent Company does not hold any indebtedness. All debt is held directly or indirectly by the Operating Partnership; however, the Parent Company has guaranteed the Operating Partnership's mortgage loan secured by the Company's Center for

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Life Science | Boston property, Exchangeable Senior Notes due 2030 (the "Exchangeable Senior Notes"), Unsecured Senior Notes due 2016 (the "Notes due 2016"), Unsecured Senior Notes due 2020 (the "Notes due 2020"), Unsecured Senior Notes due 2022 (the "Notes due 2022"), Unsecured Senior Term Loan (the "Term Loan") and unsecured line of credit.

Debt of the Operating Partnership

The following is a summary of the Operating Partnership's outstanding consolidated debt as of June 30, 2013 and December 31, 2012 (dollars in thousands):

	Stated Interest Rate	Effective Interest Rate	Principal Balance June 30, 2013	Principal Balance December 31, 2012	Maturity Date
Mortgage Notes Payable					
9900 Belward Campus Drive	5.64 %	3.99 %	$10,699	$10,767	July 1, 2017
9901 Belward Campus Drive	5.64 %	3.99 %	13,176	13,260	July 1, 2017
Center for Life Science | Boston	7.75 %	7.75 %	336,485	338,447	June 30, 2014
4320 Forest Park Avenue (3)	4.00 %	2.70 %	21,000	—	September 10, 2014
Hershey Center for Applied Research (3)	6.15 %	4.71 %	13,686	—	May 5, 2027
500 Kendall Street (Kendall D)	6.38 %	5.45 %	59,062	60,164	December 1, 2018
3711 Market Street (3)	2.70 %	2.70 %	45,900	—	February 28, 2016
Shady Grove Road	5.97 %	5.97 %	143,979	144,889	September 1, 2016
University of Maryland BioPark I (3)	5.93 %	4.69 %	17,075	—	May 15, 2025
University of Maryland BioPark II (3)	5.20 %	4.33 %	63,446	—	September 5, 2021
University of Maryland BioPark Garage (3)	5.20 %	4.33 %	4,776	—	September 1, 2021
University of Miami Life Science & Technology Park (3)	4.00 %	2.89 %	20,000	—	February 1, 2016
University of Miami Life Science & Technology Park Bonds (3) (4)	0.10 %	0.10 %	60,000	—	November 3, 2042
			809,284	567,527	
Unamortized premiums			12,298	4,125	
Mortgage notes payable, net			821,582	571,652	
Exchangeable Senior Notes	3.75 %	3.75 %	180,000	180,000	January 15, 2030
Notes due 2016	3.85 %	3.99 %	400,000	400,000	April 15, 2016
Notes due 2020	6.13 %	6.27 %	250,000	250,000	April 15, 2020
Notes due 2022	4.25 %	4.36 %	250,000	250,000	July 15, 2022
			900,000	900,000	
Unamortized discounts			(5,378)	(5,823)	
Unsecured senior notes, net			894,622	894,177	
Term Loan - U.S. dollar (1)	1.85 %	2.64 %	243,596	243,596	March 30, 2017
Term Loan - GBP (1)	2.14 %	2.39 %	152,080	161,860	March 30, 2017
Term Loan			395,676	405,456	
Unsecured line of credit (2)	1.75 %	1.75 %	240,000	118,000	July 13, 2015
Total consolidated debt			$2,531,880	$2,169,285	

(1)

In August 2012, the Operating Partnership converted approximately $156.4 million of outstanding borrowings into British pounds sterling (“GBP”) equal to £100.0 million, which was designated as a net investment hedge to mitigate the risk of fluctuations in foreign currency exchange rates. The principal balance represents the U.S. dollar amount based on the exchange rate of $1.52 to £1.00 and $1.62 to £1.00 at June 30, 2013 and December 31, 2012, respectively. The effective interest rate includes the impact of interest rate swap agreements (see Note 9 for further discussion of interest rate swap agreements).

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(2) At June 30, 2013, the Operating Partnership had additional borrowing capacity under the unsecured line of credit of up to approximately $510.0 million.

(3) Mortgage notes and bonds which were assumed on May 31, 2013 in connection with the Company's merger with Wexford.

(4) In July 2013, the Operating Partnership voluntarily prepaid in full the outstanding bonds pertaining to the University of Miami Life Science & Technology Park property in the amount of approximately $60.0 million prior to the maturity date, utilizing restricted cash included in other assets in the consolidated balance sheets at June 30, 2013. The bonds were not secured by the property, but were collateralized by a letter of credit.

Net Investment Hedge

The Operating Partnership designated the GBP denominated debt under the Term Loan as a net investment hedge. The Operating Partnership entered into this net investment hedge to protect a designated amount of the Operating Partnership's net investment in a GBP functional currency subsidiary against the risk of adverse changes in the GBP/U.S. dollar exchange rate (foreign exchange risk). Variability in the GBP/U.S. dollar exchange rate impacts the Operating Partnership (a U.S. dollar functional currency entity) as the financial statements of the GBP functional currency subsidiary are translated each period, with the effect of changes in the GBP/U.S. dollar exchange rate being recorded in accumulated other comprehensive income. When the net investment is sold or substantially liquidated, the balance of the cumulative translation adjustment accumulated in other comprehensive income will be reclassified into earnings. The Operating Partnership is hedging the risk of changes in the U.S. dollar equivalent value of a portion of its net investment in its GBP subsidiary attributable to changes in the GBP/U.S. dollar exchange rate during the period of investment during which the hedging instrument is outstanding.

As of June 30, 2013, principal payments due for the Operating Partnership's consolidated indebtedness (excluding debt premiums and discounts) were as follows (in thousands):

2013	$65,334
2014	362,415
2015	249,006
2016	612,416
2017	425,970
Thereafter (1)	809,819
	$2,524,960

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(1) Includes $180.0 million in principal payments of the Exchangeable Senior Notes based on a contractual maturity date of January 15, 2030.

6. Earnings Per Share of the Parent Company

Through June 30, 2013 all of the Company's participating securities (including the OP units) received dividends/distributions at an equal dividend/distribution rate per share/unit. As a result, the portion of net income allocable to the weighted-average unvested restricted stock outstanding for the three and six months ended June 30, 2013 and 2012 has been deducted from net income available to common stockholders to calculate basic earnings per share. The calculation of diluted earnings per share for the three and six months ended June 30, 2013 includes the outstanding OP units (both vested and unvested) in the weighted-average shares, and net income attributable to noncontrolling interests in the Operating Partnership has been added back to net income available to common stockholders. For the three and six months ended June 30, 2012, the outstanding OP units (both vested and unvested) were anti-dilutive to the calculation of diluted earnings per share and were therefore excluded and net income attributable to noncontrolling interest in the Operating Partnership was not added back to net income available to common stockholders. For the three and six months ended June 30, 2013, the Performance Units were dilutive to the calculation of diluted earnings per share as calculated, assuming that June 30, 2013 was the end date of the Performance Units' Performance Period. For the three and six months ended June 30, 2012, the Performance Units were anti-dilutive to the calculation of diluted earnings per share as calculated, assuming that June 30, 2012 was the end date of the Performance Units' Performance Period. For the three and six months ended June 30, 2013 and 2012 the unvested restricted stock was anti-dilutive to the calculation of diluted earnings per share and was therefore excluded. As a result, diluted earnings per share was calculated based upon net income available to common stockholders less net income allocable to unvested restricted stock and distributions in excess of earnings attributable to unvested restricted stock. In addition, 10,259,496 and 10,127,232 shares issuable upon settlement of the exchange feature of the Exchangeable Senior Notes were anti-dilutive and were not included in the calculation of diluted earnings per share based on the

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"if converted" method for the three and six months ended June 30, 2013 and 2012, respectively. No other shares were considered anti-dilutive for the three and six months ended June 30, 2013 or 2012.

Computations of basic and diluted earnings per share (in thousands, except share data) were as follows:

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	Three Months Ended June 30, 2013	2012	Six Months Ended June 30, 2013	2012
Basic earnings per share:				
Income / (loss) from continuing operations	$15,037	$(5,283)	$32,497	$1,417
(Income) / loss from continuing operations attributable to noncontrolling interests	(234)	173	(379)	119
Preferred stock dividends	—	(3,651)	(2,393)	(7,301)
Cost on redemption of preferred stock	—	—	(6,531)	—
Net income allocable and distributions in excess of earnings to participating securities (continuing operations)	(313)	(299)	(657)	(618)
Income / (loss) from continuing operations available to common stockholders - basic	14,490	(9,060)	22,537	(6,383)
Income / (loss) from discontinued operations	—	49	—	(4,370)
(Income) / loss from discontinued operations attributable to noncontrolling interests	—	(1)	—	82
Income / (loss) from discontinued operations available to common stockholders - basic	—	48	—	(4,288)
Net income / (loss) available to common stockholders - basic	$14,490	$(9,012)	$22,537	$(10,671)
Diluted earnings per share:				
Income / (loss) from continuing operations available to common stockholders - basic	14,490	(9,060)	22,537	(6,383)
Income from continuing operations attributable to noncontrolling interests in Operating Partnership	263	—	416	—
Income / (loss) from continuing operations available to common stockholders - diluted	14,753	(9,060)	22,953	(6,383)
Income / (loss) from discontinued operations available to common stockholders - basic and diluted	—	48	—	(4,288)
Net income / (loss) available to common stockholders - diluted	$14,753	$(9,012)	$22,953	$(10,671)
Weighted-average common shares outstanding:				
Basic	186,735,157	152,775,422	173,288,517	152,715,715
Incremental shares from assumed conversion:				
Performance units	48,678	—	73,097	—
Operating partnership and LTIP units	3,367,331	—	3,146,601	—
Diluted	190,151,166	152,775,422	176,508,215	152,715,715
Basic and diluted earnings per share:				
Income / (loss) from continuing operations per share available to common stockholders - basic and diluted	$0.08	$(0.06)	$0.13	$(0.04)
Loss from discontinued operations per share available to common stockholders - basic and diluted	$—	$—	$—	$(0.03)
Net income / (loss) per share available to common stockholders - basic and diluted	$0.08	$(0.06)	$0.13	$(0.07)

7. Earnings Per Unit of the Operating Partnership

Through June 30, 2013 all of the Operating Partnership's participating securities received distributions at an equal distribution rate per unit. As a result, the portion of net income allocable to the weighted-average unvested OP units outstanding for the three

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and six months ended June 30, 2013 and 2012 has been deducted from net income available to unitholders to calculate basic earnings per unit. For the three and six months ended June 30, 2013 and 2012 the unvested OP units were anti-dilutive to the calculation of earnings per unit and were therefore excluded from the calculation of diluted earnings per unit, and diluted earnings per unit is calculated based upon net income attributable to unitholders. For the three and six months ended June 30, 2013, the Performance Units were dilutive to the calculation of diluted earnings per unit as calculated, assuming that June 30, 2013 was the end date of the Performance Units' Performance Period. For the three and six months ended June 30, 2012, the Performance Units were anti-dilutive to the calculation of diluted earnings per unit as calculated, assuming that June 30, 2012 was the end date of the Performance Units' Performance Period. In addition, 10,259,496 and 10,127,232 units issuable upon settlement of the exchange feature of the Exchangeable Senior Notes were anti-dilutive and were not included in the calculation of diluted earnings per unit based on the "if converted" method for the three and six months ended June 30, 2013 and 2012, respectively. No other units were considered anti-dilutive for the three and six months ended June 30, 2013 or 2012.

Computations of basic and diluted earnings per unit (in thousands, except unit data) were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Basic and diluted earnings per unit:				
Income / (loss) from continuing operations	$15,037	$(5,283)	$32,497	$1,417
Loss from continuing operations attributable to noncontrolling interests	29	6	37	9
Preferred unit distributions	—	(3,651)	(2,393)	(7,301)
Cost on redemption of preferred units	—	—	(6,531)	—
Net income allocable and distributions in excess of earnings to participating securities (continuing operations)	(317)	(305)	(661)	(631)
Income / (loss) from continuing operations available to unitholders - basic and diluted	14,749	(9,233)	22,949	(6,506)
Income / (loss) from discontinued operations - basic and diluted	—	49	—	(4,370)
Net income / (loss) available to unitholders - basic and diluted	$14,749	$(9,184)	$22,949	$(10,876)
Weighted-average units outstanding:				
Basic	190,102,488	155,694,169	176,433,680	155,641,727
Incremental units from assumed conversion:				
Performance units	48,678	—	73,097	—
Diluted	190,151,166	155,694,169	176,506,777	155,641,727
Basic and diluted earnings per unit:				
Income / (loss) from continuing operations per unit available to unitholders - basic and diluted	$0.08	$(0.06)	$0.13	$(0.04)
Loss from discontinued operations per share available to unitholders - basic and diluted	$—	$—	$—	$(0.03)
Net income / (loss) per unit available to unitholders, basic and diluted	$0.08	$(0.06)	$0.13	$(0.07)

8. Investment in Unconsolidated Partnerships

The accompanying consolidated financial statements include investments in two limited liability companies with Prudential Real Estate Investors (“PREI”), 10165 McKellar Court, L.P. (“McKellar Court”), a limited partnership with Quidel Corporation, the tenant which occupies the McKellar Court property, and BioPark Fremont, LLC ("BioPark Fremont"), a limited liability company with RPC Poppleton, LLC. General information on the PREI limited liability companies, the McKellar Court partnership, and BioPark Fremont (each referred to in this footnote individually as a “partnership” and collectively as the “partnerships”) as of June 30, 2013 was as follows:

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Name	Partner	Company's Ownership Interest	Company's Economic Interest	Date Acquired
PREI I LLC (1)	PREI	20%	20%	April 4, 2007
PREI II LLC	PREI	20%	20%	April 4, 2007
McKellar Court (2)	Quidel Corporation	22%	22%	September 30, 2004
BioPark Fremont (3)	RPC Poppleton, LLC	50%	50%	May 31, 2013

(1) PREI I LLC owns two properties in Cambridge, Massachusetts. At June 30, 2013, there were $139.0 million in outstanding borrowings on a secured loan facility held by a wholly-owned subsidiary of PREI I LLC, with a contractual interest rate of 3.20% (including the applicable credit spread) and a maturity date of August 13, 2013, which may be extended for one year at the discretion of the PREI I LLC subsidiary.

(2) The Company's investment in the McKellar Court partnership (maximum exposure to losses) was approximately $12.1 million at June 30, 2013. The Company's economic interest in the McKellar Court partnership entitles it to 75% of the extraordinary cash flows after repayment of the partners' capital contributions and 22% of the operating cash flows.

(3) The Company's partnership interest was acquired in connection with the Company's merger with Wexford.

The condensed combined balance sheets for all of the Company's unconsolidated partnerships were as follows (in thousands):

	June 30, 2013	December 31, 2012
Assets:		
Investments in real estate, net	$261,064	$257,666
Cash and cash equivalents (including restricted cash)	2,316	1,968
Other assets	4,797	4,370
Total assets	$268,177	$264,004
Liabilities and members' equity:		
Mortgage notes payable and secured loan	$151,916	$149,255
Other liabilities	7,877	5,988
Members' equity	108,384	108,761
Total liabilities and members equity	$268,177	$264,004
Company's net investment in unconsolidated partnerships	$32,250	$32,367

The selected data and results of operations for the unconsolidated partnerships were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Total revenues	$2,879	$2,182	$5,708	$4,386
Total expenses	(5,236)	(4,766)	(10,685)	(9,781)
Net loss	(2,357)	(2,584)	(4,977)	(5,395)
Company's equity in net loss of unconsolidated partnerships	$(267)	$(317)	$(585)	$(671)
Fees earned by the Company (1)	$23	$23	$45	$45

(1) The Company acts as the operating member or partner, as applicable, and day-to-day manager for the partnerships. The Company is entitled to receive fees for providing construction and development services (as applicable) and management services to the PREI joint ventures, which are reflected in tenant recoveries and other income in the consolidated statements of operations.

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9. Derivatives and Other Financial Instruments

The Company is exposed to the effect of changes in interest rates on the Operating Partnership's U.S. dollar-LIBOR-based and GBP-LIBOR-based debt. The Company limits this risk by following established risk management policies and procedures including the use of derivatives. The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements related to the Operating Partnership's LIBOR-based debt. To accomplish these objectives, 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 making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The interest rate swaps hedge the Company's exposure to the variability on expected cash flows attributable to changes in interest rates. These interest rate swaps are currently intended to hedge interest payments associated with the Operating Partnership's Term Loan.

As of June 30, 2013, the Company had deferred interest costs of approximately $38.8 million in accumulated other comprehensive loss related to forward starting swaps, which were settled with the corresponding counterparties in 2009. The forward starting swaps were entered into to mitigate the Company's exposure to the variability in expected future cash flows attributable to changes in future interest rates associated with a forecasted issuance of fixed-rate debt, with interest payments for a minimum of ten years. The deferred interest costs will be amortized as additional interest expense over a remaining period of approximately six years.

The following is a summary of the terms of the interest rate swaps and their respective fair-values (dollars in thousands):

					Fair-Value(1)	
	Notional Amount	Strike Rate	Effective Date	Expiration Date	June 30, 2013	December 31, 2012
Interest rate swaps	$200,000	1.1630 %	March 30, 2012	March 30, 2017	$(1,439)	$ (4,826)
Interest rate swaps(2)	76,040	0.7310 %	August 2, 2012	March 30, 2017	675	(216)
Interest rate swaps(2)	76,040	0.7425 %	August 2, 2012	March 30, 2017	652	(243)
Total interest rate swaps	$352,080				$(112)	$ (5,285)

(1) Fair-value of derivative instruments does not include any related accrued interest payable, which is included in accrued expenses on the accompanying consolidated balance sheets. Derivative valuations are classified in Level 2 of the fair-value hierarchy. Assets are included in other assets and liabilities are included in accounts payable, accrued expenses and other liabilities on the accompanying consolidated balance sheets.

(2) Translation to U.S. dollars is based on an exchange rate of $1.52 to £1.00 and $1.62 to £1.00 at June 30, 2013 and December 31, 2012, respectively.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair-value of the derivative is initially reported in other comprehensive income (outside of earnings) and subsequently reclassified to earnings in the period in which the hedged forecasted transaction affects earnings. During the three months ended June 30, 2013 and 2012, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair-value of the derivatives is recognized directly in earnings. No portion of the derivatives designated as cash flow hedges were classified as ineffective during the three months ended June 30, 2013 and 2012.

The following is a summary of the amount of gain / (loss) recognized in other comprehensive income related to the derivative instruments (in thousands):

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Amount of gain / (loss) recognized in other comprehensive income (effective portion):				
Cash flow hedges				
Interest rate swaps	$4,721	$(3,879)	$4,024	$(4,178)
Amount of loss reclassified from accumulated other comprehensive loss to income (effective portion):				
Cash flow hedges				