

Converted Organics Inc.  
Form SC 13D/A  
January 31, 2012

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 13D**

**(Rule 13d-101)**

**INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT  
TO § 240.13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO  
§ 240.13d-2(a)**

**(Amendment No. 1) \***

Converted Organics Inc.

(Name of Issuer)

Common Stock, \$0.0001 par value

(Title of Class of Securities)

Peter S. Johnson, Esq.

Nixon Peabody LLP

100 Summer Street

Boston, Massachusetts 02110

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

21254S 4 04

(CUSIP Number)

January 17, 2012

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box.

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

(Continued on following pages)

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NAME OF REPORTING PERSONS

1  
The Magliochetti Family 2009 Irrevocable Trust dated 01/12/09

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a) ..  
2  
(b) ..

SEC USE ONLY

3

SOURCE OF FUNDS

4

NA  
CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED

5  
PURSUANT TO ITEM 2(d) OR 2(e) ..  
CITIZENSHIP OR PLACE OF ORGANIZATION

6

Massachusetts

SOLE VOTING POWER

7  
NUMBER OF 0 shares

SHARES  
SHARED VOTING POWER

BENEFICIALLY

OWNED BY 8  
2,500,000 shares

EACH

REPORTING 9 SOLE DISPOSITIVE POWER

PERSON

WITH 0 shares

10 SHARED DISPOSITIVE POWER

2,500,000 shares

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

112,500,000 shares

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See  
12 Instructions)

..

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13

0.9%

TYPE OF REPORTING PERSON (See Instructions)

14

OO

NAME OF REPORTING PERSONS

1  
LAM 2005 Trust dated 02/15/05

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a) ..  
2  
(b) ..

SEC USE ONLY

3

SOURCE OF FUNDS

4

NA  
CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED

5  
PURSUANT TO ITEM 2(d) OR 2(e) ..  
CITIZENSHIP OR PLACE OF ORGANIZATION

6

Massachusetts

SOLE VOTING POWER

7  
NUMBER OF 0 shares

SHARES

BENEFICIALLY SHARED VOTING POWER

8  
OWNED BY 2,500,000 shares

EACH

9  
REPORTING PERSON SOLE DISPOSITIVE POWER

WITH 0 shares

10 SHARED DISPOSITIVE POWER

2,500,000 shares

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11 2,500,000 shares

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See  
12 Instructions)

..

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13

0.9%

TYPE OF REPORTING PERSON (See Instructions)

14

OO

NAME OF REPORTING PERSONS

1  
ORM 2005 Trust dated 02/15/05

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a) ..  
2  
(b) ..

SEC USE ONLY  
3

SOURCE OF FUNDS  
4

NA  
CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED

5  
PURSUANT TO ITEM 2(d) OR 2(e) ..  
CITIZENSHIP OR PLACE OF ORGANIZATION

6  
Massachusetts

SOLE VOTING POWER

7  
NUMBER OF 0 shares

SHARES

BENEFICIALLY SHARED VOTING POWER

8  
OWNED BY 2,500,000 shares

EACH

9 SOLE DISPOSITIVE POWER

PERSON

WITH 0 shares

10 SHARED DISPOSITIVE POWER

2,500,000 shares

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11  
2,500,000 shares

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See  
12 Instructions)

..

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13  
0.9%

TYPE OF REPORTING PERSON (See Instructions)

14  
OO

NAME OF REPORTING PERSONS

1  
Frank P. Magliochetti

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a)   
2  
(b)

SEC USE ONLY  
3

SOURCE OF FUNDS  
4

NA  
CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED

5  
PURSUANT TO ITEM 2(d) OR 2(e)  S  
CITIZENSHIP OR PLACE OF ORGANIZATION

6  
USA

SOLE VOTING POWER

7  
NUMBER OF 0 shares

SHARES

BENEFICIALLY SHARED VOTING POWER

OWNED BY 8  
5,000,000 shares

EACH

REPORTING 9 SOLE DISPOSITIVE POWER

PERSON

WITH 0 shares

10 SHARED DISPOSITIVE POWER

5,000,000 shares

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

115,000,000 shares

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See  
12 Instructions)

..

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13

1.8%

TYPE OF REPORTING PERSON (See Instructions)

14

IN

NAME OF REPORTING PERSONS

1  
Laura Ashley Magliochetti

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a) ..  
2  
(b) ..

SEC USE ONLY

3

SOURCE OF FUNDS

4

NA  
CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED

5  
PURSUANT TO ITEM 2(d) OR 2(e) ..  
CITIZENSHIP OR PLACE OF ORGANIZATION

6

USA

SOLE VOTING POWER

7  
NUMBER OF 0 shares

SHARES

SHARED VOTING POWER

BENEFICIALLY

8  
OWNED BY 2,500,000 shares

EACH

9 SOLE DISPOSITIVE POWER

PERSON

WITH 0 shares

10 SHARED DISPOSITIVE POWER

2,500,000 shares

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

112,500,000 shares

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See  
12 Instructions)

..

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  
13

0.9%

TYPE OF REPORTING PERSON (See Instructions)  
14  
IN

NAME OF REPORTING PERSONS

1  
Olivia Rose Magliochetti

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a) ..  
2  
(b) ..

SEC USE ONLY

3

SOURCE OF FUNDS

4

NA  
CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED

5  
PURSUANT TO ITEM 2(d) OR 2(e) ..  
CITIZENSHIP OR PLACE OF ORGANIZATION

6

USA

SOLE VOTING POWER

7  
NUMBER OF 0 shares

SHARES

BENEFICIALLY SHARED VOTING POWER

8  
OWNED BY 2,500,000 shares

EACH

9 SOLE DISPOSITIVE POWER

PERSON

WITH 0 shares

10 SHARED DISPOSITIVE POWER

2,500,000 shares

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

112,500,000 shares

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (See  
12 Instructions)

..

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  
13

0.9%

TYPE OF REPORTING PERSON (See Instructions)  
14  
IN

NAME OF REPORTING PERSONS

1

Peter S. Johnson

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a) ..

2

(b) ..

SEC USE ONLY

3

SOURCE OF FUNDS

4

NA

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED

5

PURSUANT TO ITEM 2(d) OR 2(e) ..

CITIZENSHIP OR PLACE OF ORGANIZATION

6

USA

On May 31, 2005, the Company entered into three credit facilities with KeyBank National Association and other lenders under which the Company initially borrowed \$485.0 million of a total of \$600.0 million available under these facilities. The credit facilities include an unsecured revolving credit facility of \$250.0 million, under which the Company initially borrowed \$135.0 million, an unsecured term loan of \$100.0 million and a secured term loan of \$250.0 million. The Company borrowed the full amounts under the unsecured term loan and secured term loan. The unsecured revolving credit facility has a maturity date of May 30, 2008 and bears interest at a floating rate equal to, at our option, either (1) reserve adjusted LIBOR plus a spread which ranges from 120 to 200 basis points, depending on our leverage, or (2) the higher of (a) the prime rate then in effect plus a spread which ranges from 0 to 50 basis points and (b) the federal funds rate then in effect plus a spread which ranges from 50 to 100 basis points, in each case, depending on our leverage. The Company may extend the maturity date of the unsecured credit facility to May 30, 2009 after satisfying certain conditions and paying an extension fee, and the Company may increase the amount of the revolving credit facility to \$400.0 million upon satisfying certain conditions. The secured term loan, which has a maturity date of May 30, 2010, is secured by 14 of our properties and bears interest at a floating rate equal to, at our option, either (1) reserve adjusted LIBOR plus 225 basis points or (2) the higher of (a) the prime rate then in effect

plus 50 basis points and (b) the federal funds rate then in effect plus 100 basis points. The secured term loan is also secured by our interest in any distributions from these properties and a pledge of the equity interests in a subsidiary owning one of these properties. The Company may not prepay the secured term loan prior to May 31, 2006. The Company entered into an interest rate swap agreement in connection with the closing of the credit facilities, which will have the effect of fixing the interest rate on the secured term loan at 6.4%. The \$100.0 million unsecured term loan facility was fully repaid with the proceeds from our follow-on common stock offering and terminated on June 27, 2005. Accordingly, related loan costs of \$1.1 million were fully amortized in the three months ended June 30, 2005. At March 31, 2006, the Company had \$30.7 million in outstanding borrowings on its unsecured revolving credit facility and \$250.0 million in outstanding borrowings on its secured term loan.

The terms of the credit agreements include certain restrictions and covenants, which limit, among other things, the payment of dividends, and the incurrence of additional indebtedness and liens. The terms also require compliance with financial ratios relating to the minimum amounts of net worth, fixed charge coverage, unsecured debt service coverage, interest coverage, the maximum amount of secured, variable-rate and recourse indebtedness, leverage ratio, and certain investment limitations. The dividend restriction referred to above provides that, except to enable the Company to continue to qualify as a REIT for federal income tax purposes, the Company will not for any fiscal quarter ended on or prior to September 30, 2005 or during any four consecutive quarters thereafter, 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 or make distributions in excess of 100% of funds available for distribution, as defined, for such period, subject to other adjustments. Management believes that it was in compliance with the covenants as of March 31, 2006.

As of March 31, 2006, principal payments due for our consolidated indebtedness (mortgage notes payable, secured term loan, and unsecured line of credit excluding debt premium of \$14.5 million) were as follows (in thousands):

|            |            |
|------------|------------|
| 2006       | \$ 4,248   |
| 2007       | 21,352     |
| 2008       | 54,837     |
| 2009       | 4,784      |
| 2010       | 297,186    |
| Thereafter | 130,154    |
|            | \$ 512,561 |

## 6. Earnings Per Share

Earnings per share (EPS) is calculated based on the weighted 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 quarters ended March 31, 2006 and 2005. No shares were considered antidilutive as of March 31, 2006 and 2005.

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

|  | <b>For the Three<br/>Months Ended<br/>March 31,<br/>2006</b> | <b>For the Three<br/>Months Ended<br/>March 31,<br/>2005</b> |
|--|--|--|
| Net income attributable to common shares             | \$ 4,474   | \$ 5,836   |
| Minority interests in operating partnership          | 276  | 538  |
| <br>   |  |  |
| Adjusted net income attributable to common shares    | \$ 4,750   | \$ 6,374   |
| <br>   |  |  |
| Weighted-average common shares outstanding:          |  |  |
| Basic  | 46,369,605   | 31,129,613   |
| Incremental shares from assumed conversion/exercise: |  |  |
| Stock warrant  | 121,234  | 75,047   |
| Vesting of restricted stock                          | 163,607  | 73,596   |
| Operating partnership units                          | 2,863,564  | 2,870,564  |
| <br>   |  |  |
| Diluted  | 49,518,010   | 34,148,820   |
| <br>   |  |  |
| Earnings per share basic and diluted                 | \$ 0.10  | \$ 0.19  |

**7. Incentive Award Plan**

The Company has adopted the BioMed Realty Trust, Inc. and BioMed Realty, L.P. 2004 Incentive Award Plan (the Plan). The Plan provides for the grant to directors, employees and consultants of the Company, and the Operating Partnership (and their respective subsidiaries) of stock options, restricted stock, stock appreciation rights, dividend equivalents, and other incentive awards. The Company has reserved 2,500,000 shares of common stock for issuance pursuant to the Plan, subject to adjustments as set forth in the Plan. Compensation cost for these incentive awards is measured based on the fair value of the award on the grant date and is recognized as expense over the respective vesting period, which is generally two to three years. Fully vested incentive awards may be settled for either cash or stock depending on the Company's preference and the type of award granted. Through March 31, 2006, the Company has only awarded restricted stock grants, which may only be settled for stock.

During the three months ended March 31, 2006 and 2005, the Company granted 147,200 shares of unvested restricted stock with an aggregate value of \$4.0 million, and 46,225 shares of unvested restricted stock with an aggregate value of \$936,000 under the Plan, respectively. Participants are entitled to cash dividends and may vote such awarded shares, but the sale or transfer of such shares is limited during the restricted period. For the three months ended March 31, 2006 and 2005, \$784,000 and \$707,000, respectively, of stock-based compensation expense was recognized in general and administrative expense. As of March 31, 2006, total compensation expense related to unvested awards of \$6.4 million will be recognized in the future over a weighted average period of 1.8 years.

A summary of our unvested restricted stock as of March 31, 2006 and 2005 is presented below:

| <b>Unvested</b> | <b>Weighted<br/>Average<br/>Grant-</b> |
|-----------------|--|
|-----------------|--|

|  | <b>Restricted<br/>Shares</b> | <b>Date Fair<br/>Value</b> |
|--|------------------------------|----------------------------|
| Unvested Restricted Stock at January 1, 2006 | 344,492                      | \$ 17.70                   |
| Granted                                      | 147,200                      | 27.11                      |
| Vested                                       | (153,194)                    | 16.53                      |
| Unvested Restricted Stock at March 31, 2006  | 338,498                      | \$ 22.32                   |

|  | <b>Unvested<br/>Restricted<br/>Shares</b> | <b>Weighted<br/>Average<br/>Grant-<br/>Date Fair<br/>Value</b> |
|--|---|--|
| Unvested Restricted Stock at January 1, 2005 | 336,333                                   | \$ 15.03   |
| Granted                                      | 46,225                                    | 20.24  |
| Vested                                       | (109,440)                                 | 15.03  |
| Unvested Restricted Stock at March 31, 2005  | 273,118                                   | \$ 15.91   |

**Table of Contents****8. Segment Information**

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

Net Operating Income is not a measure of operating results or cash flows from operating activities as measured by GAAP, 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. Not all companies 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 expenses from total revenues.

Information by geographic area (dollars in thousands):

For the quarter ended March 31, 2006:

|  | Boston    | San Francisco | San Diego | Seattle  | New York and New Jersey | Pennsylvania | Maryland | University related/ other | Corporate  | Total     |
|--|-----------|---------------|-----------|----------|-------------------------|--------------|----------|---------------------------|------------|-----------|
| Rental revenues and tenant recoveries              | \$ 17,282 | \$ 4,973      | \$ 4,384  | \$ 2,199 | \$ 7,949                | \$ 5,166     | \$ 1,020 | \$ 819                    | \$ (5)     | \$ 43,787 |
| Rental operations and real estate tax expenses     | 4,161     | 710           | 988       | 300      | 5,037                   | 2,405        | 104      | 160                       | (80)       | 13,785    |
| Net operating income                               | 13,121    | 4,263         | 3,396     | 1,899    | 2,912                   | 2,761        | 916      | 659                       | 75         | 30,002    |
| Equity in net income of unconsolidated partnership |           |               | 20        |          |                         |              |          |                           |            | 20        |
| Other income                                       | 1         |               |           |          |                         |              |          |                           | 5          | 6         |
| Interest income                                    | 37        | 50            | 10        | 2        | 8                       | 23           | 1        | 1                         | 28         | 160       |
| Depreciation and amortization                      | (5,139)   | (2,180)       | (1,731)   | (798)    | (1,753)                 | (1,384)      | (176)    | (200)                     |            | (13,361)  |
| General and administrative                         |           |               | (2)       |          |                         |              |          |                           | (4,345)    | (4,347)   |
| Interest expense                                   | (1,749)   | (285)         | (497)     | (281)    |                         | (49)         |          | (81)                      | (4,842)    | (7,784)   |
| Minority interests                                 |           |               |           |          |                         | 54           |          |                           | (276)      | (222)     |
| Net income   | \$ 6,271  | \$ 1,848      | \$ 1,196  | \$ 822   | \$ 1,167                | \$ 1,405     | 741      | 379                       | \$ (9,355) | \$ 4,474  |

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Investment in unconsolidated partnership \$ 2,476 \$ 2,476

Total assets \$ 574,409 \$ 208,993 \$ 157,110 \$ 70,803 \$ 108,009 \$ 141,970 \$ 31,858 \$ 26,384 \$ 27,361 \$ 1,346,897

|                                       | San Francisco |       | San Diego | Seattle | New York and New Jersey | Pennsylvania | Maryland | Unrelated/other | Corporate | Total  |
|---------------------------------------|---------------|-------|-----------|---------|-------------------------|--------------|----------|-----------------|-----------|--------|
| % of total revenues                   | 39.4%         | 11.4% | 10.0%     | 5.0%    | 18.2%                   | 11.8%        | 2.3%     | 1.9%            | 0.0%      | 100.0% |
| % of total rental operations expenses | 30.1%         | 5.2%  | 7.2%      | 2.2%    | 36.5%                   | 17.4%        | 0.8%     | 1.2%            | (0.6)%    | 100.0% |
| % of total net operating income       | 43.7%         | 14.2% | 11.3%     | 6.3%    | 9.7%                    | 9.2%         | 3.1%     | 2.2%            | 0.3%      | 100.0% |

For the quarter ended March 31, 2005:

|  | San Francisco | San Diego | Seattle  | New York and New Jersey | Pennsylvania | Maryland | Corporate  | Total     |
|--|---------------|-----------|----------|-------------------------|--------------|----------|------------|-----------|
| Rental revenues and tenant recoveries            | \$ 3,570      | \$ 3,728  | \$ 2,233 | \$ 7,887                | \$ 3,053     | \$ 1,020 | \$ (7)     | \$ 21,484 |
| Rental operations and real estate tax expenses   | 603           | 789       | 325      | 5,030                   | 1,639        | 100      | (303)      | 8,183     |
| Net operating income                             | 2,967         | 2,939     | 1,908    | 2,857                   | 1,414        | 920      | 296        | 13,301    |
| Equity in net loss of unconsolidated partnership |               | 51        |          |                         |              |          |            | 51        |
| Other income                                     | 3,004         |           |          |                         |              |          | 17         | 3,021     |
| Interest income                                  | 8             | 2         |          | 1                       | 1            |          | 48         | 60        |
| Depreciation and amortization                    | (1,335)       | (1,449)   | (796)    | (1,539)                 | (896)        | (176)    |            | (6,191)   |
| General and administrative                       |               |           |          |                         |              |          | (2,566)    | (2,566)   |
| Interest expense                                 | (422)         | (411)     | (336)    |                         | (27)         |          | (215)      | (1,411)   |
| Minority interests                               |               |           |          |                         | 109          |          | (538)      | (429)     |
| Net income                                       | \$ 4,222      | \$ 1,132  | \$ 776   | \$ 1,319                | \$ 601       | \$ 744   | \$ (2,958) | \$ 5,836  |



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|                                       | San<br>Francisco | San<br>Diego | Seattle | New<br>York<br>and<br>New<br>Jersey | Pennsylvania | Maryland | Corporate | Total  |
|---------------------------------------|------------------|--------------|---------|-------------------------------------|--------------|----------|-----------|--------|
| % of total revenues.                  | 16.6%            | 17.3%        | 10.4%   | 36.7%                               | 14.2%        | 4.8%     | 0.0%      | 100.0% |
| % of total rental operations expenses | 7.4%             | 9.6%         | 4.0%    | 61.5%                               | 20.0%        | 1.2%     | (3.7)%    | 100.0% |
| % of total net operating income       | 22.4%            | 22.1%        | 14.3%   | 21.5%                               | 10.6%        | 6.9%     | 2.2%      | 100.0% |

**9. Property Acquisitions**

The Company acquired interests in two properties during the three months ended March 31, 2006 (in thousands):

| Property                                       | Acquisition<br>Date | Investment<br>in Real<br>Estate | Above<br>Market<br>Lease | Deferred<br>Leasing Costs<br>In<br>place Management<br>Fee |     | Below<br>Market<br>Lease | Mortgage<br>Note<br>Assumed | Mortgage<br>Note<br>Premium | Total<br>Cash<br>Consideration |
|--|---------------------|---------------------------------|--------------------------|--|-----|--------------------------|-----------------------------|-----------------------------|--------------------------------|
|  |                     |                                 |                          | Lease  | Fee |                          |                             |                             |                                |
| Fairview<br>Avenue<br>900 Uniqema<br>Boulevard | 1/12/2006           | \$ 2,703                        | \$                       | \$   | \$  | \$                       | \$                          | \$                          | \$ 2,703                       |
|  | 1/13/2006           | 4,106                           | 700                      | 310  |     |                          | (1,766)                     | (236)                       | 3,114                          |
|  |                     | \$ 6,809                        | \$ 700                   | \$ 310   | \$  | \$                       | \$ (1,766)                  | \$ (236)                    | \$ 5,817                       |

Weighted  
average  
intangible  
amortization life  
(in months)

107 107

109

**10. Derivative Financial Instruments**

We record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. 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 when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows of the derivative

hedging instrument with the changes in fair value or cash flows of the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings.

Our objective in using derivatives is to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish this objective, we primarily use interest rate swaps as part of our cash flow hedging strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts in exchange for fixed-rate payments over the life of the agreements without exchange of the underlying principal amount. During 2005 and the first quarter of 2006, one such derivative has been used to hedge the variable cash flows associated with existing variable-rate debt. We formally documented the hedging relationship and account for our interest rate swap agreement as a cash flow hedge.

As of March 31, 2006, no derivatives were designated as fair value hedges or hedges of net investments in foreign operations. Additionally, the Company does not use derivatives for trading or speculative purposes. As of March 31, 2006, our one interest rate swap had a notional amount of \$250.0 million, whereby we pay a fixed rate of 6.4% and receive the difference between the fixed rate and the one-month LIBOR rate plus 225 basis points. This agreement expires on June 1, 2010, and no initial investment was made to enter into this agreement. At March 31, 2006, the interest rate swap agreement had a fair value of \$9.3 million, which is included in other assets. The change in net unrealized gains of \$3.3 million in the three months ended March 31, 2006 for derivatives designated as cash flow hedges is reflected on the consolidated balance sheets in stockholders' equity as accumulated other comprehensive income. An immaterial amount of hedge ineffectiveness on our cash flow hedge due to mismatches in maturity dates of the swap and debt was recognized in other income during the three months ended March 31, 2006.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are received on the Company's variable-rate debt. The change in net unrealized gains/losses on cash flow hedges

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reflects recognition of \$230,000 of net realized gains from accumulated other comprehensive income to interest expense for the three months ended March 31, 2006.

The limited partner in the King of Prussia limited partnership has a put option that would require the Company to purchase the limited partner's interest in the property beginning August 21, 2007 through November 11, 2007 for \$1.8 million less any distributions paid to the limited partner. If the put option is not exercised, then the Company has a call option beginning in May 11, 2008 through August 11, 2008 to purchase the limited partner's interest for \$1.9 million less any distributions paid to the limited partner. If the Company does not exercise the option, then the limited partnership will continue in existence under the terms of the partnership agreement. The net fair value of the put and call options was \$325,000 and \$317,000 at March 31, 2006 and December 31, 2005, respectively, and is recorded as a net accrued liability included in accounts payable and accrued expenses on the consolidated balance sheets. In addition, the Company has recorded net change in fair value of the put and call options of \$9,000 and \$13,000 for the three months ended March 31, 2006 and 2005, respectively, which is recorded as a charge to expense on the consolidated statements of income.

The other member in the Waples limited liability company has a put option that would require the Company to purchase the member's interest in the property at any time after completion of the initial tenant improvements at the property. If the put option is not exercised, then the Company has a call option to purchase the other member's interest after the second anniversary of the limited liability company agreement, January 25, 2007, but only while the Waples property is stabilized. If neither option is exercised, then the limited liability company will continue in existence under the terms of the limited liability company agreement. The agreement provides that the put and call option prices will be based on the fair value of the project at that time.

The other member in the Fairview limited liability company has a put option that would require the Company to purchase the member's interest in the property at any time after the first anniversary and before the fifth anniversary of the project completion date. The Company has a call option to purchase the other member's interest at any time after the first anniversary and before the fifth anniversary of the project completion date. If neither option is exercised, then the limited liability company will continue in existence under the terms of the limited liability company agreement. The agreement provides that the put and call option prices will be based on an intrinsic value of the project at that time. At March 31, 2006, the net fair value of the put and call options were equal to each member's equity investment.

**11. Subsequent Events**

On April 7, 2006, the Company completed the acquisition of a property located at 58 Charles Street in Cambridge, Massachusetts. The property consists of a 47,912 square-foot three-story office/laboratory facility. The total purchase price of approximately \$13.2 million was paid in cash.

On May 2, 2006, the Company signed a definitive purchase and sale agreement with Human Genome Sciences, Inc. to acquire Human Genome Sciences' large-scale manufacturing and headquarters office and laboratory facilities located in Rockville, Maryland. The portfolio includes a total of approximately 925,000 rentable square feet of existing laboratory, office and manufacturing space, with the headquarters facility consisting of three recently constructed buildings and a parking structure, as well as undeveloped land that management estimates can support over 500,000 rentable square feet of additional laboratory and office space. The total purchase price is approximately \$425 million, excluding closing costs. The acquisition is anticipated to close in the second quarter of 2006, and is subject to customary closing conditions. The Company has secured a commitment from KeyBank National Association for a bridge loan in an amount equal to approximately \$152.5 million. The net proceeds of the bridge loan will be used to fund a portion of the purchase price of the acquisition.

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

The following discussion should be read in conjunction with the consolidated 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 our target markets; 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 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, 2005. 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.

**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 primarily include biotechnology and pharmaceutical companies, scientific research institutions, government agencies and other entities involved in the life science industry. Our current properties and our primary acquisition targets are located in markets with well established reputations as centers for scientific research, including Boston, San Diego, San Francisco, Seattle, Maryland, Pennsylvania and New York/New Jersey.

As of March 31, 2006, we owned or had interests in 42 properties, located principally in Boston, San Diego, San Francisco, Seattle, Maryland, Pennsylvania and New York/New Jersey, consisting of 63 buildings with approximately 4.8 million rentable square feet of laboratory and office space, which was approximately 89.2% leased to 86 tenants. Of the approximately 514,000 square feet of unleased space, 356,000 square feet, or 69.3% of our unleased square footage, was under redevelopment. We also owned undeveloped land that we estimate can support up to 799,000 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**

Our corporate strategy is to continue to focus on acquiring, developing, owning, leasing and managing laboratory and office space for the life science industry. As of March 31, 2006, our property portfolio was 89.2% leased to 86 tenants. Approximately 3.0% of our leased square footage expires during the remainder of 2006 and approximately 12.0% of our leased square footage expires during 2007. Our leasing strategy focuses on leasing currently vacant space and negotiating renewals for leases scheduled to expire during the

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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 a master lease arrangement at our King of Prussia property, which will expire in 2008. The master lease at our Bayshore Boulevard property expired in February 2006.

The success of our leasing and development strategy will depend upon the general economic conditions in the United States and in our target markets of Boston, San Diego, San Francisco, Seattle, Maryland, Pennsylvania, New York/New Jersey and research parks near or adjacent to universities.

**Critical Accounting Policies**

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, 2005.

On January 1, 2006, we adopted SFAS No. 123 (revised 2004), *Share-Based Payment* ( SFAS 123(R) ). SFAS 123(R) requires that all share-based payments to employees be recognized in the income statement based on their fair values. The fair-value is recorded based on the market value of the common stock on the grant date and is amortized to general and administrative expense over the respective vesting periods. Prior to the adoption of SFAS 123(R), we followed SFAS No. 123, *Accounting for Stock-Based Compensation* ( SFAS 123 ), as amended by SFAS No. 148. SFAS 123 required that compensation expense be recorded for the fair-value of restricted stock granted to employees and non-employee directors. The treatment of restricted stock grants under SFAS 123(R) does not materially differ from the treatment under SFAS 123.

We adopted SFAS 123(R) using a modified prospective application as permitted under SFAS 123(R). Accordingly, prior period amounts have not been restated. Under this application, we are required to record compensation expense for all awards granted after the date of adoption and for the unvested portion of previously granted awards that remain outstanding as of the beginning of the fiscal year of adoption. The impact of adopting SFAS 123(R) on all previously granted awards approximates the impact of using SFAS 123, therefore no change in the amount recognized for these awards in the current period is necessary.

**Results of Operations*****Comparison of Three Months Ended March 31, 2006 to Three Months Ended March 31, 2005***

*Rental Revenues.* Rental revenues increased \$17.0 million to \$31.2 million for the three months ended March 31, 2006 compared to \$14.2 million for the three months ended March 31, 2005. The increase was primarily due to acquisitions during 2005 and 2006. In addition, same property rental revenues increased \$471,000, or 3.2%, for the three months ended March 31, 2006 compared to the same period in 2005.

*Tenant Recoveries.* Revenues from tenant reimbursements increased \$5.3 million to \$12.6 million for the three months ended March 31, 2006 compared to \$7.3 million for the three months ended March 31, 2005. The increase was primarily due to acquisitions during 2005 and 2006. In addition, same property tenant recoveries increased \$323,000, or 4.5%, for the three months ended March 31, 2006 compared to the same period in 2005.

*Other Income.* Other income decreased \$3.0 million to \$6,000 for the three months ended March 31, 2006 compared to \$3.0 million for the three months ended March 31, 2005. The balance for the three months ended March 31, 2005 is comprised of a gain on early termination of lease of a portion of the Nektar lease at Industrial Road of \$3.0 million.

*Rental Operations Expense.* Rental operations expenses increased \$3.1 million to \$9.5 million for the three months ended March 31, 2006 compared to \$6.4 million for the three months ended March 31, 2005. The increase was primarily due to the inclusion of rental property operations expenses for acquired properties during 2005 and 2006, offset by a decrease in same property rental operations expense of \$17,000, or 0.3% for the three months ended March 31, 2006 compared to the same period in 2005.

*Real Estate Tax Expense.* Real estate tax expense increased \$2.4 million to \$4.2 million for the three months ended March 31, 2006 compared to \$1.8 million for the three months ended March 31, 2005. The increase was primarily due to the inclusion of

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property taxes for the properties acquired in 2005 and 2006, as well as the increase in same property real estate tax expense of \$110,000, or 6.3% for the three months ended March 31, 2006 compared to the same period in 2005.

*Depreciation and Amortization Expense.* Depreciation and amortization expense increased \$7.2 million to \$13.4 million for the three months ended March 31, 2006 compared to \$6.2 million for the three months ended March 31, 2005. The increase was primarily due to the inclusion of depreciation and amortization expense for the properties acquired in 2005 and 2006.

*General and Administrative Expenses.* General and administrative expenses increased \$1.7 million to \$4.3 million for the three months ended March 31, 2006 compared to \$2.6 million for the three months ended March 31, 2005. The increase was primarily due to the hiring of new personnel and higher consulting and professional fees associated with corporate governance and Sarbanes-Oxley Section 404 implementation.

*Interest Income.* Interest income increased \$100,000 to \$160,000 for the three months ended March 31, 2006 compared to \$60,000 for the three months ended March 31, 2005. This is primarily due to interest earned on an increase in invested funds, and an increase in interests rates for the three months ended March 31, 2006 versus the three months ended March 31, 2005.

*Interest Expense.* Interest expense increased \$6.4 million to \$7.8 million for the three months ended March 31, 2006 compared to \$1.4 million for the three months ended March 31, 2005. The increase in interest is a result of more overall debt outstanding during 2006 partially offset by a reduction of interest expense in 2006 due to the accretion of debt premium, which decreased interest expense by \$605,000 compared to \$261,000 in 2005.

*Minority Interest in Consolidated Partnerships.* Minority interest in consolidated partnerships decreased \$55,000 to \$54,000 for the three months ended March 31, 2006 compared to \$109,000 for the three months ended March 31, 2005. The decrease is a result of a decrease in the net loss of the King of Prussia limited partnership.

*Minority Interests in Operating Partnership.* Minority interests in operating partnerships decreased \$262,000 to (\$276,000) for the three months ended March 31, 2006 compared to (\$538,000) for the three months ended March 31, 2005. The decrease in minority interest is related to a decrease in the percentage of ownership of the operating partnership unit holders due to our follow-on offering in June 2005 and corresponding decreases in the income allocable to minority interests for the operating partnership.

**Cash Flows****Comparison of Three Months Ended March 31, 2006 to Three Months Ended March 31, 2005**

|   | <b>Three Months Ended March 31,</b> |             |               |
|---|-------------------------------------|-------------|---------------|
|   | <b>2006</b>                         | <b>2005</b> | <b>Change</b> |
|   | <b>(in thousands)</b>               |             |               |
| Net cash provided by operating activities           | \$ 21,345                           | \$ 9,394    | \$ 11,951     |
| Net cash used in investing activities               | (10,383)                            | (31,529)    | 21,146        |
| Net cash (used in) provided by financing activities | (909)                               | 9,836       | (10,745)      |
| Ending cash balance                                 | 30,365                              | 15,570      | 14,795        |

Cash and cash equivalents were \$30.4 million and \$15.6 million, respectively, at March 31, 2006 and March 31, 2005.

Net cash provided by operating activities increased \$11.9 million to \$21.3 million for the three months ended March 31, 2006 compared to \$9.4 million for the three months ended March 31, 2005. 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 decreased \$21.1 million to \$10.4 million for the three months ended March 31, 2006 compared to \$31.5 million for the three months ended March 31, 2005. The decrease was primarily due to a decrease of cash paid to acquire interests in real estate entities, funds held in escrow for acquisitions, and receipts of master lease payments.

Net cash (used in) provided by financing activities decreased \$10.7 million to (\$909,000) for the three months ended March 31, 2006 compared to \$9.8 million for the three months ended March 31, 2005. The decrease was

primarily due to higher principal payments on mortgage loans, higher payments of dividends and distributions, and lower borrowings under our unsecured line of credit.

**Table of Contents****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. 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 (in thousands, except per share amounts):

|  | <b>For the Three<br/>Months Ended<br/>March 31,<br/>2006</b> | <b>For the Three<br/>Months Ended<br/>March 31,<br/>2005</b> |
|--|--|--|
| Net income   | \$ 4,474   | \$ 5,836   |
| Adjustments  |  |  |
| Minority interests in operating partnership        | 276  | 538  |
| Depreciation and amortization real estate assets   | 13,381   | 6,180  |
| Funds from operations                              | \$ 18,131  | \$ 12,554  |
| Funds from operations per share diluted            | \$ 0.37  | \$ 0.37  |
| Weighted-average common shares outstanding diluted | 49,518,010   | 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 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

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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 unsecured revolving credit facility to finance acquisition and development activities and capital expenditures on an interim basis.

In October 2005, we filed a universal shelf registration statement on Form S-3 with the Securities and Exchange Commission, which was declared effective in December 2005. The universal shelf registration statement may permit us, from time to time, to offer and sell up to \$500 million of debt securities, common stock, preferred stock, warrants and other securities. However, there can be no assurance that we will be able to complete any such offerings of securities.

Our total market capitalization at March 31, 2006 was approximately \$2.0 billion based on the market closing price of our common stock at March 31, 2005 of \$29.64 per share (assuming the conversion of 2,863,564 operating partnership units into common stock) and our debt outstanding was approximately \$527.1 million (exclusive of accounts payable and accrued expenses). As a result, our debt to total market capitalization ratio was approximately 26.4% at March 31, 2006. 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.

At March 31, 2006, we had \$30.7 million in outstanding borrowings on our \$250.0 million unsecured revolving credit facility and \$250.0 million in outstanding borrowings on our secured term loan.

**Off Balance Sheet Arrangements**

As of March 31, 2006, we had an investment in McKellar Court, L.P., which owns a single tenant occupied property located in San Diego. McKellar Court is a variable interest entity ( VIE ) as defined in FIN 46(R); 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, 2006, our share of the debt related to this investment was equal to approximately \$2.2 million. The debt has a maturity date of January 1, 2010 and bears interest at 8.56%. The assets and liabilities of McKellar Court were \$17.0 million and \$11.0 million, respectively, at March 31, 2006, and were \$17.1 million and \$11.0 million, respectively, at December 31, 2005. Our equity in net income of McKellar Court was \$20,000 and \$51,000 for the three months ended March 31, 2006 and 2005, respectively.

We have been determined to be the primary beneficiary in two other variable interest entities, which we consolidate.

**Cash Distribution Policy**

We elected 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 as a REIT for federal income tax purposes, 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.

From our initial public offering through March 31, 2006, we have declared aggregate dividends on our common stock and distributions on our operating partnership units of \$1.7897 per common share and unit, representing one

quarterly dividend of \$0.29 in the first quarter of 2006, five full quarterly dividends of \$0.27 in 2005 and the fourth quarter of 2004 and a partial third quarter 2004 dividend of \$0.1497 per common share and unit.

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**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 credit facility 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 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, 2006, our consolidated debt consisted of 14 fixed-rate notes with a carrying value of \$246.4 million (including \$14.5 million of unamortized premium) and a weighted-average effective interest rate of 5.06%, our revolving credit facility with an outstanding balance of \$30.7 million at a weighted average interest rate of 6.13% and our secured term loan with an outstanding balance of \$250.0 million. We have entered into an interest rate swap agreement, which has the effect of fixing the interest rate on the secured term loan at 6.4%. 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, 2006, the fair value of the fixed-rate debt was estimated to be \$237.1 million compared to the net carrying value of \$246.4 million (including \$14.5 million of premium). We do not believe that the interest rate risk represented by our fixed rate debt was material as of March 31, 2006 in relation to total assets of \$1.3 billion and equity market capitalization of \$1.5 billion of our common stock and operating units. At March 31, 2006, the fair value of the debt of our investment in unconsolidated partnership approximated the carrying value.

Based on our revolving credit facility balance at March 31, 2006, a 1% change in interest rates would change our interest costs by \$307,000 per year. This amount was determined by considering the impact of hypothetical interest rates on our financial instruments. This analysis does 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, this analysis 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.

**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

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is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have an investment 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, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. As reported in our Current Report on Form 8-K filed with the Securities and Exchange Commission on March 15, 2006, we appointed a new Chief Financial Officer in March 2006.

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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 1A. RISK FACTORS**

There are no material changes to the Risk Factors described under Part I, Item 1A, Risk Factors, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005. Please refer to that section for disclosures regarding the risks and uncertainties related to our business.

**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**

**Exhibit**

**Number**

**Description of Exhibit**

- |      |  |
|------|--|
| 10.1 | First Amendment to Employment Agreement between BioMed Realty Trust, Inc. and John F. Wilson, II dated as of March 27, 2006.(1)  |
| 10.2 | Employment Agreement between BioMed Realty Trust, Inc. and R. Kent Griffin dated as of March 27, 2006.(1)  |
| 10.3 | First Amendment to Employment Agreement between BioMed Realty Trust, Inc. and Matthew G. McDevitt dated as of February 27, 2006.(2)  |
| 10.4 | Third Amendment to the BioMed Realty 401(k) Retirement Savings Plan.(2)  |
| 10.5 | Seventh Amendment to Lease, dated as of January 23, 2006, by and between BMR-675 West Kendall Street LLC, as successor to Kendall Square, LLC, and Vertex Pharmaceuticals Incorporated.(2) |
| 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 | 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.            |

(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  
March 15, 2006.

- (2) Incorporated  
herein by  
reference to  
BioMed Realty  
Trust Inc. s  
Annual Report  
on Form 10-K  
filed with the  
Securities and  
Exchange  
Commission on  
March 15, 2006.

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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 5, 2006

/s/ ALAN D. GOLD

Alan D. Gold

Chairman of the Board, President and Chief  
Executive Officer (Principal Executive  
Officer)

/s/ R. KENT GRIFFIN, JR.

R. Kent Griffin, Jr.

Chief Financial Officer  
(Principal Financial Officer)

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