Edwards Lifesciences Corp
Form 10-Q
August 07, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2009

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number 1-15525

EDWARDS LIFESCIENCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**36-4316614**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Edwards Way, Irvine, California	**92614**
(Address of principal executive offices)	(Zip Code)

(949) 250-2500
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o 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.

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

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

The number of shares outstanding of the registrant's common stock, $1.00 par value, as of July 31, 2009 was 56,418,947.

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EDWARDS LIFESCIENCES CORPORATION

FORM 10-Q
For the quarterly period ended June 30, 2009

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Part I. Financial Information

Item 1. Financial Statements

EDWARDS LIFESCIENCES CORPORATION

CONSOLIDATED CONDENSED BALANCE SHEETS

(in millions, except par value; unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 183.1	$ 218.7
Short-term investments (Note 3)	5.2	8.1
Accounts and other receivables, net of allowances of $11.5 and $9.9, respectively (Note 4)	274.5	204.7
Inventories, net	160.9	151.8
Deferred income taxes	38.3	42.4
Prepaid expenses	44.8	30.7
Other current assets	38.8	35.5
Total current assets	745.6	691.9
Property, plant and equipment, net	239.1	230.1
Goodwill	315.7	315.7
Other intangible assets, net	91.3	96.9
Investments in unconsolidated affiliates (Note 7)	20.3	14.7
Deferred income taxes	36.4	37.7
Other assets	16.7	13.2
	$ 1,465.1	$ 1,400.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 245.1	$ 258.5
Long-term debt	113.9	175.5
Other long-term liabilities	103.0	87.4
Commitments and contingencies (Note 12)		
Stockholders' equity		
Preferred stock, $.01 par value, authorized 50.0 shares, no shares outstanding		
Common stock, $1.00 par value, 350.0 shares authorized, 75.1 and 73.7 shares issued, and 56.4 and 55.9 shares outstanding, respectively	75.1	73.7
Additional paid-in capital	998.1	940.4
Retained earnings	784.9	676.9
Accumulated other comprehensive loss	(23.7)	(35.4)
Treasury stock, at cost, 18.7 and 17.8 shares, respectively	(831.3)	(776.8)
Total stockholders' equity	1,003.1	878.8

	$1,465.1	$ 1,400.2

The accompanying notes are an integral part of these consolidated condensed financial statements.

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EDWARDS LIFESCIENCES CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(in millions, except per share information; unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Net sales	$335.5	$327.6	$649.0	$624.4
Cost of goods sold	101.9	113.0	198.9	215.9
Gross profit	233.6	214.6	450.1	408.5
Selling, general and administrative expenses	128.5	126.5	250.4	241.1
Research and development expenses	42.6	35.4	82.5	68.3
Special charges (gains), net (Note 2)	1.5	(0.8)	(29.3)	9.3
Interest expense, net	0.2	0.4	0.3	0.8
Other (income) expense, net	(2.0)	1.0	(1.6)	2.2
Income before provision for income taxes	62.8	52.1	147.8	86.8
Provision for income taxes	15.3	12.4	39.8	28.9
Net income	$ 47.5	$ 39.7	$108.0	$ 57.9
Share information (Note 14)				
Earnings per share:				
Basic	$ 0.85	$ 0.72	$ 1.93	$ 1.04
Diluted	$ 0.81	$ 0.67	$ 1.85	$ 0.98
Weighted-average number of common shares outstanding:				
Basic	56.2	55.4	56.1	55.8
Diluted	58.5	60.2	58.5	60.7

The accompanying notes are an integral part of these consolidated condensed financial statements.

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EDWARDS LIFESCIENCES CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Cash flows from operating activities		
Net income	$ 108.0	$ 57.9
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	29.1	27.5
Stock-based compensation (Note 11)	12.6	12.8
Deferred income taxes	4.8	1.0
Special (gains) charges, net (Note 2)	(25.9)	8.4
(Gain) loss on trading securities	(1.0)	1.2
Loss on investments		0.8
Other	3.2	(1.0)
Changes in operating assets and liabilities:		
Accounts and other receivables, net (Note 4)	(62.1)	(19.6)
Inventories, net	(8.0)	0.1
Accounts payable and accrued liabilities	(27.9)	(19.2)
Prepaid expenses and other current assets	(11.5)	(19.1)
Other	6.6	8.1
Net cash provided by operating activities	27.9	58.9
Cash flows from investing activities		
Capital expenditures	(28.2)	(20.7)
Investments in intangible assets		(0.4)
(Investments in) proceeds from unconsolidated affiliates, net	(3.5)	1.9
Investments in trading securities, net	(0.3)	(0.4)
Proceeds from investments (Note 3)	4.2	23.4
Proceeds from sale of assets (Note 2)	30.5	74.0
Net cash provided by investing activities	2.7	77.8
Cash flows from financing activities		
Proceeds from issuance of long-term debt	99.3	97.0
Payments on long-term debt	(157.7)	(22.5)
Purchases of treasury stock	(54.5)	(214.8)
Proceeds from stock plans	33.2	35.3
Excess tax benefit from stock plans	10.3	8.0
Other		1.3
Net cash used in financing activities	(69.4)	(95.7)
Effect of currency exchange rate changes on cash and cash equivalents	3.2	5.4
Net (decrease) increase in cash and cash equivalents	(35.6)	46.4
Cash and cash equivalents at beginning of period	218.7	141.8
Cash and cash equivalents at end of period	$ 183.1	$ 188.2

The accompanying notes are an integral part of these consolidated condensed financial statements.

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1. BASIS OF PRESENTATION

The accompanying interim consolidated condensed financial statements and related disclosures have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and should be read in conjunction with the consolidated financial statements and notes included in Edwards Lifesciences Corporation's Annual Report on Form 10-K for the year ended December 31, 2008. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted.

In the opinion of management of Edwards Lifesciences Corporation (the "Company" or "Edwards Lifesciences"), the interim consolidated condensed financial statements reflect all adjustments considered necessary for a fair statement of the interim periods. All such adjustments are of a normal, recurring nature. In connection with the preparation of the consolidated condensed financial statements, the Company has evaluated subsequent events through August 7, 2009, which is the date the financial statements were issued. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year. Certain reclassifications of previously reported amounts have been made to conform to classifications used in the current year.

Recently Adopted Accounting Standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "*Fair Value Measurements*" ("SFAS 157"), which defined fair value, established a framework for measuring fair value, and expanded disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position ("FSP") No. 157-2, "*Effective Date of FASB Statement No. 157*" ("FSP 157-2"), which delayed the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except for those items that are recognized or disclosed at fair value in the financial statements on a recurring basis, until fiscal years beginning after November 15, 2008. The Company's adoption of SFAS 157, as it applies to those non-financial assets and liabilities affected by the one-year delay, did not have a material impact on the Company's consolidated financial statements. See Note 8 for further information.

In December 2007, the FASB ratified the consensus reached by the Emerging Issues Task Force ("EITF") in EITF Issue No. 07-1, "*Accounting for Collaborative Arrangements*" ("EITF 07-1"). EITF 07-1 defines collaborative arrangements and establishes reporting requirements for transactions between participants in a collaborative arrangement and between participants in the arrangement and third parties. EITF 07-1 also establishes the appropriate income statement presentation and classification for joint operating activities and payments between participants, as well as the sufficiency of the disclosures related to these arrangements. EITF 07-1 was effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Retrospective application to all prior periods presented is required for all collaborative arrangements existing as of the effective date. The Company's adoption of EITF 07-1 did not have a material impact on its consolidated financial statements. See Note 16 for further information.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "*Business Combinations*" ("SFAS 141R"). SFAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS 141R also provides guidance for recognizing and measuring goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Among other requirements, SFAS 141R expands the definition of a business combination, requires acquisitions to be accounted for at fair value, and requires transaction

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costs and restructuring charges to be expensed. SFAS 141R was effective for fiscal years beginning on or after December 15, 2008. SFAS 141R will impact the Company if it is involved in a business combination.

In March 2008, the FASB issued SFAS No. 161, "*Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133*" ("SFAS 161"). SFAS 161 requires enhanced disclosures about an entity's derivative instruments and hedging activities, including (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 was effective for fiscal years and interim periods beginning after November 15, 2008. The adoption of this standard did not have a material impact on the Company's consolidated financial statements. See Note 9 for further information.

In April 2008, the FASB issued FSP No. FAS 142-3, "*Determination of the Useful Life of Intangible Assets*" ("FSP 142-3"). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "*Goodwill and Other Intangible Assets.*" FSP 142-3 applies to intangible assets that are acquired individually or with a group of other assets acquired in business combinations and asset acquisitions. FSP 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives. FSP 142-3 was effective for fiscal years beginning after December 15, 2008. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In November 2008, the FASB ratified the consensus reached by the EITF in EITF Issue No. 08-6, "*Equity Method Investment Accounting Considerations*" ("EITF 08-6"). EITF 08-6 clarifies the accounting for certain transactions and impairment considerations involving equity method investments. EITF 08-6 was effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In November 2008, the FASB ratified the consensus reached by the EITF in EITF Issue No. 08-7, "*Accounting for Defensive Intangible Assets*" ("EITF 08-7"). EITF 08-7 clarifies the accounting for certain separately identifiable intangible assets which an acquirer does not intend to actively use but intends to hold to prevent its competitors from obtaining access to them. EITF 08-7 requires an acquirer in a business combination to account for a defensive intangible asset as a separate unit of accounting which should be amortized to expense over a period the asset diminishes in value. EITF 08-7 was effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 141 (R)-1, "*Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*" ("FSP 141R-1"). FSP 141R-1 amends the guidance in SFAS 141R to require that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably determined. If the fair value cannot be reasonably determined, then the assets and liabilities should be recognized at the amount that would be recognized in accordance with SFAS No. 5, "*Accounting for Contingencies,*" and FASB Interpretation No. 14, "*Reasonable Estimation of the Amount of a Loss.*" The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 157-4, "*Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*" ("FSP 157-4"). FSP 157-4 provides additional guidance for estimating fair value in

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accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased. FSP 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP 157-4 was effective for interim and annual reporting periods ending after June 15, 2009. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "*Recognition and Presentation of Other-Than-Temporary Impairments*" ("FSP 115-2 and 124-2"). FSP 115-2 and 124-2 amends the other-than-temporary impairment guidance related to debt securities and expands and increases the frequency of existing disclosures about other-than-temporary impairments for debt and equity securities. In addition, FSP 115-2 and 124-2 requires that the annual disclosures in SFAS No. 115, "*Accounting for Certain Investments in Debt and Equity Securities*," and FSP No. FAS 115-1 and FAS 124-1, "*The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,*" be made for interim periods. FSP 115-2 and 124-2 was effective for interim and annual reporting periods ending after June 15, 2009. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In April 2009, the SEC issued Staff Accounting Bulletin ("SAB") No. 111, "*Other Than Temporary Impairment of Certain Investments in Debt and Equity Securities*" ("SAB 111"). SAB 111 amends SAB Topic 5M to reflect the guidance in FSP 115-2 and 124-2. SAB 111 maintains the prior staff views related to equity securities but amends SAB Topic 5M to exclude debt securities from its scope. The adoption of SAB 111 did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "*Interim Disclosures about Fair Value of Financial Instruments*" ("FSP 107-1 and 28-1"). FSP 107-1 and 28-1 requires disclosures about the fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. FSP 107-1 and 28-1 was effective for interim reporting periods ending after June 15, 2009. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, "*Subsequent Events*" ("SFAS 165"). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 requires the disclosure of the date through which an entity has evaluated subsequent events and whether that date represents the date the financial statements were issued or were available to be issued. SFAS 165 was effective for interim or annual financial periods ending after June 15, 2009. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In June 2009, the SEC issued SAB No. 112, "*Update of Codification of Staff Accounting Bulletins*" ("SAB 112"). SAB 112 amends or rescinds portions of the SEC staff's interpretive guidance included in the Staff Accounting Bulletin Series in order to make the relevant interpretive guidance consistent with SFAS 141R and SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statements*." The adoption of SAB 112 did not have a material impact on the Company's consolidated financial statements.

New Accounting Standards Not Yet Adopted

In June 2009, the FASB issued SFAS No. 167, "*Amendments to FASB Interpretation No. 46(R)*" ("SFAS 167"). SFAS 167 eliminates the exemption for qualifying special purpose entities and establishes a new approach for determining the primary beneficiary of a variable interest entity ("VIE") based on whether the entity (1) has the power to direct the activities of the VIE that most significantly impact the entity's economic performance and (2) has the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. SFAS 167

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requires an ongoing reconsideration of the primary beneficiary, and amends the events that trigger a reassessment of whether an entity is a VIE. Enhanced disclosures are also required to provide information about an enterprise's involvement in a VIE. SFAS 167 is effective for the first annual reporting period beginning after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company does not expect the adoption of SFAS 167 will have a material impact on its consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, "*The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*" ("SFAS 168"). SFAS 168 establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in preparation of financial statements in conformity with generally accepted accounting principles ("GAAP"). Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS 168 replaces SFAS No. 162, "*The Hierarchy of Generally Accepted Accounting Principles.*" SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company does not expect the adoption of SFAS 168 will have a material impact on its consolidated financial statements.

2. SPECIAL CHARGES (GAINS), NET

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2009	**2008**	**2009**	**2008**
	(in millions)			
Loss (gain) on sale of product lines	$ 1.5	$	$ (25.5)	$ 8.1
Sale of distribution rights			(2.8)	
Reserve reversal			(1.0)	
Litigation settlement				2.1
Realignment expenses, net		(0.8)		(0.9)
Special charges (gains), net	$ 1.5	$ (0.8)	$ (29.3)	$ 9.3

Loss (Gain) on Sale of Product Lines

In June 2009, the Company entered into a definitive agreement to sell certain assets related to its hemofiltration product line. Under the terms of the agreement, the Company will receive a cash payment of approximately $55.9 million, and may receive up to an additional $9.0 million upon the buyer's achievement of certain revenue objectives over the next two years. The Company will provide transition services to the buyer. This transaction allows the Company to better focus on its global strategic priorities. The Company expects this transaction to close in the third quarter of 2009, pending regulatory approvals. In June 2009, the Company recorded a $1.5 million charge for transaction costs and employee severance related to the pending sale.

In January 2008, the Company completed the sale of certain assets related to the Edwards *LifeStent* peripheral vascular product line. Under the terms of the sale agreement, the Company received an initial cash payment of $74.0 million at closing, and was entitled to receive up to an additional $65.0 million in cash upon the achievement of certain milestones. In addition, the Company agreed to provide transition services until the earlier of mid-2010 or the transfer of manufacturing to the buyer. In December 2008, the Company received a $23.0 million *LifeStent* milestone payment in connection with the transfer of its pre-market approval to the buyer. In February 2009, the Company received an additional $27.0 million milestone payment associated with the *LifeStent* pre-market

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approval. The remaining $15.0 million milestone payment will be recorded upon the transfer of *LifeStent* device manufacturing to the buyer.

In connection with the *LifeStent* transaction, the Company recorded in January 2008 a pre-tax loss of $8.1 million consisting of the cash proceeds of $74.0 million, offset by a $34.6 million write-off of goodwill associated with this product line, $36.9 million related to the net book value of inventory, fixed assets, and intangible assets that were sold, $6.9 million of deferred revenue related to the transition services the Company has agreed to provide, and $3.7 million of transaction and other costs related to the sale.

Sale of Distribution Rights

In March 2009, the Company recorded a $2.8 million gain related to the sale of its distribution rights in Europe for a specialty vascular graft.

Reserve Reversal

In 2004, the Company discontinued its *Lifepath* AAA endovascular graft program. In March 2009, upon completion of its remaining clinical obligations related to this program, the Company reversed its remaining $1.0 million clinical reserve.

Litigation Settlement

In March 2008, the Company recorded a $2.1 million charge for the settlement of litigation related to its divested United States perfusion services business. Under the terms of the divestiture, this was the Company's last outstanding case.

Realignment Expenses, net

In June 2008, the Company recorded a $0.8 million reversal of previously accrued severance costs from the fourth quarter of 2007 related to the global reduction in workforce.

In March 2008, the Company recorded a $1.3 million charge for executive severance associated with the Company's business realignment, offset by a $1.4 million reversal of the December 2007 accrued severance related to the sale of the *LifeStent* product line. As of June 30, 2009, all payments related to the executive severance charge were substantially complete.

In December 2007, the Company recorded realignment expenses of $13.9 million primarily related to (1) severance expenses associated with the sale of the Company's *LifeStent* product line and a global reduction in workforce, primarily in the United States, Europe, and Japan (impacting approximately 180 employees), and (2) the termination of the Company's intra-aortic balloon pump distribution agreement in Japan. As of June 30, 2009, remaining payments of approximately $1.7 million are expected to be paid through the end of 2009.

3. INVESTMENTS

The Company holds an investment in the Bank of America Columbia Strategic Cash fund, a private placement money market mutual fund, which was closed to new subscriptions or redemptions in December 2007, resulting in the Company's inability to immediately redeem its investments for cash. During the three and six months ended June 30, 2009, the Company recognized unrealized gains of $0.3 million and $0.4 million, respectively, included in "*Accumulated Other Comprehensive Loss*." During the three and six months ended June 30, 2008, the Company recognized realized losses and unrealized losses considered other-than-temporary of $0.2 million and 0.8 million, respectively, included in "*Other (Income) Expense, net.*" Additionally, during the three months ended June 30, 2008, the Company recognized an unrealized gain of $0.2 million, included in "*Accumulated Other Comprehensive*

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Loss," related to an increase in the net asset value of the fund since March 31, 2008. Since December 31, 2007, the Company has received cash redemptions of $39.7 million. The fair value of the Company's remaining investment in this fund as of June 30, 2009 and December 31, 2008 was estimated to be $7.1 million and $10.9 million, respectively, based on the net asset value of the fund. Based on information received from the fund manager regarding the timing of the expected redemptions, the Company expects to receive cash redemptions of approximately $5.2 million through the second quarter of 2010, which has been classified as "*Short-term Investments*" on the accompanying consolidated condensed balance sheet as of June 30, 2009. The remaining $1.9 million of the investment is expected to be received after the second quarter of 2010, and has been classified as "*Other Assets*." As of December 31, 2008, $8.1 million of the investment was classified as "*Short-term Investments*" and $2.8 million was classified as "*Other Assets*" based on the redemption schedule communicated to the Company at that time.

4. ACCOUNTS RECEIVABLE SECURITIZATION

The Company terminated its securitization program in Japan in February 2009. Previously, under the Japan Receivables Facility, the Company sold eligible accounts receivable directly to a financial institution, and the transactions were accounted for as sales of accounts receivable. Upon termination of the program, the Company paid the financial institution $39.0 million for the outstanding accounts receivable and February collections.

5. INVENTORIES

Inventories consisted of the following (in millions):

	June 30, 2009	December 31, 2008
Raw materials	$ 35.3	$ 36.5
Work in process	28.4	19.5
Finished products	97.2	95.8
	$ 160.9	$ 151.8

6. OTHER INTANGIBLE ASSETS

Other intangible assets subject to amortization consisted of the following (in millions):

June 30, 2009	Patents	Unpatented Technology	Other	Total
Cost	$ 209.3	$ 35.0	$ 13.5	$ 257.8
Accumulated amortization	(136.1)	(25.9)	(4.5)	(166.5)
Net carrying value	$ 73.2	$ 9.1	$ 9.0	$ 91.3

December 31, 2008	Patents	Unpatented Technology	Other	Total
Cost	$ 204.1	$ 35.0	$ 13.4	$ 252.5
Accumulated amortization	(127.3)	(24.6)	(3.7)	(155.6)
Net carrying value	$ 76.8	$ 10.4	$ 9.7	$ 96.9

Patents include $11.1 million of capitalized legal costs related to the defense and enforcement of issued patents and trademarks for which success is deemed probable as of June 30, 2009.

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Amortization expense related to other intangible assets was $5.4 million and $4.6 million for the three months ended June 30, 2009 and 2008, respectively, and $10.7 million and $9.2 million for the six months ended June 30, 2009 and 2008, respectively. Estimated amortization expense for each of the years ending December 31 is as follows (in millions):

2009	$20.8
2010	20.6
2011	18.1
2012	14.7
2013	14.5

The Company expenses costs incurred to renew or extend the term of acquired intangible assets. No such costs were incurred during the three months ended June 30, 2009.

7. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

The Company has entered into a number of strategic alliances with privately and publicly held companies. Investments in these unconsolidated affiliates are as follows:

	June 30, 2009	December 31, 2008
	(in millions)	
Available-for-sale investments		
Cost	$ 10.9	$ 10.9
Unrealized losses	(2.6)	(5.8)
Fair value of available-for-sale investments	8.3	5.1
Equity method investments		
Cost	10.4	9.7
Equity in losses	(1.7)	(1.1)
Carrying value of equity method investments	8.7	8.6
Cost method investments		
Carrying value of cost method investments	3.3	1.0
Total investments in unconsolidated affiliates	$ 20.3	$ 14.7

There were no sales of available-for-sale investments during the six months ended June 30, 2009. Proceeds from sales of available-for-sale investments were $1.1 million and $2.3 million for the three and six months ended June 30, 2008, respectively. The Company realized pre-tax gains from these sales of $0.6 million and $1.3 million for the three and six months ended June 30, 2008, respectively.

8. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

The consolidated condensed financial statements include financial instruments for which the fair market value of such instruments may differ from amounts reflected on an historical cost basis. Financial instruments of the Company consist of cash deposits, short-term investments, accounts and other receivables, investments in unconsolidated affiliates, accounts payable, certain accrued liabilities, and debt.

The Company adopted SFAS 157 as of January 1, 2008 with respect to its financial assets and liabilities, and as of January 1, 2009 with respect to its non-financial assets and liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 establishes a fair value hierarchy that prioritizes the inputs used to

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determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1	Quoted market prices in active markets for identical assets or liabilities.
Level 2	Inputs, other than quoted prices in active markets, that are observable, either directly or indirectly.
Level 3	Unobservable inputs that are not corroborated by market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes the Company's assets and liabilities which are measured at fair value on a recurring basis (in millions):

June 30, 2009	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Investment in the Bank of America Columbia Strategic Cash fund	$	$	$ 7.1	$ 7.1
Investments held for executive deferred compensation plan	11.7			11.7
Investments in unconsolidated affiliates	8.3			8.3
	$ 20.0	$	$ 7.1	$ 27.1
Liabilities				
Derivatives	$	$ 4.3	$	$ 4.3
	$	$ 4.3	$	$ 4.3

December 31, 2008	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Investment in the Bank of America Columbia Strategic Cash fund	$	$	$ 10.9	$ 10.9
Investments held for executive deferred compensation plan	10.2			10.2
Investments in unconsolidated affiliates	5.1			5.1
Residual interest in accounts receivable securitizations			6.6	6.6
	$ 15.3	$	$ 17.5	$ 32.8
Liabilities				
Derivatives	$	$ 1.3	$	$ 1.3
	$	$ 1.3	$	$ 1.3

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The following table summarizes the changes in fair value of the Company's financial assets and liabilities that have been classified as Level 3 (in millions):

	Six Months Ended June 30, 2009		
	Investment in the Columbia Strategic Cash Fund	Residual Interest in Accounts Receivable Securitizations	Total
Balance at December 31, 2008	$ 10.9	$ 6.6	$ 17.5
Total gains realized and unrealized:			
Included in other comprehensive loss	0.4		0.4
Purchases, sales, issuances, and settlements	(4.2)	(6.6)	(10.8)
Balance at June 30, 2009	$ 7.1	$	$ 7.1

	Six Months Ended June 30, 2008		
	Investment in the Columbia Strategic Cash Fund	Residual Interest in Accounts Receivable Securitizations	Total
Balance at December 31, 2007	$ 49.4	$ 8.8	$ 58.2
Total losses realized and unrealized:			
Included in earnings (a)	(0.8)		(0.8)
Included in other comprehensive loss	0.2		0.2
Purchases, sales, issuances, and settlements	(23.4)	1.6	(21.8)
Balance at June 30, 2008	$ 25.4	$ 10.4	$ 35.8

(a) Recorded as a component of "*Other (Income) Expense, net*" in the consolidated condensed statement of operations.

The Company's investment in the Bank of America Columbia Strategic Cash fund, a private placement money market mutual fund, was closed to new subscriptions or redemptions in December 2007, resulting in the Company's inability to immediately redeem its investment for cash. The fair value of the Company's remaining investment in this fund was estimated based on the net asset value of the fund. The fair value of the underlying securities held by the fund was determined based on quoted market prices or broker quotes, when possible. In the absence of observable market quotations, the underlying securities were valued based on alternative valuation techniques using inputs that may not be observable. In these cases, the fair value was based on available information believed to be reliable, which may be affected by conditions in the financial markets. Different market participants may reach different opinions as to the value of any particular security based on their varying market outlooks, the market information available to them, and the particular circumstances of their portfolios. The Company has procedures to independently verify and test valuations received from third parties.

The Company estimates the fair value of the residual interest in accounts receivable securitizations using the net carrying amount of the accounts receivables less the discount paid on the sale of the receivables. This amount is calculated using future expected credit losses and calculated contractual rebates to distributors to determine the future expected cash flows, which generally approximate fair value given the securitized portfolio's short-term weighted-average life. The Company terminated its securitization program in the United States in August 2008 and in Japan in February 2009.

The Company's other financial instruments generally approximate their fair values based on the short-term nature of these instruments.

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Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The Company has assets that are subject to measurement at fair value on a non-recurring basis, including assets acquired in a business combination, such as goodwill and intangible assets, and other long-lived assets. The Company reviews the carrying value of these assets whenever events and circumstances indicate that the carrying amounts of the assets may not be recoverable. If it is determined that the assets are impaired, the carrying value would be reduced to estimated fair market value. During the six months ended June 30, 2009, the Company had no impairments related to these assets.

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Edwards Lifesciences maintains an overall risk management strategy that may incorporate the use of a variety of derivative financial instruments, as summarized below, to mitigate its exposure to significant unplanned fluctuations in earnings and cash flow caused by volatility in interest rates and currency exchange rates. Derivative instruments that are used as part of the Company's interest and foreign exchange rate management strategy can include interest rate swaps, option-based products, and forward exchange contracts. As of June 30, 2009, all derivative instruments owned were designated as hedges of underlying exposures. Edwards Lifesciences does not use any of these instruments for trading or speculative purposes.

	June 30, 2009	
	Notional Amount	Fair Value Asset (Liability)
	(in millions)	
Forward currency agreements	$222.4	$ (3.9)
Currency option contracts	141.7	(0.4)

The Company utilizes forward currency agreements and option contracts to hedge a portion of its exposure to forecasted intercompany and third-party foreign currency transactions. These contracts provide for the purchase or sale of foreign currencies at specified future dates at specified exchange rates. These contracts are entered into to reduce the risk that the Company's earnings and cash flows resulting from certain forecasted transactions will be adversely affected by changes in foreign currency exchange rates. These agreements have a maximum duration of one year.

Derivative instruments used by the Company involve, to varying degrees, elements of credit risk, in the event a counterparty should default, and market risk, as the instruments are subject to rate and price fluctuations. Credit risk is managed through the use of credit standard guidelines, counterparty diversification, monitoring of counterparty financial condition, and International Swap Dealers Association master-netting agreements in place with all derivative counterparties. The master-netting agreements reduce our counterparty payment settlement risk on any given maturity date to the net amount of any receipts or payments due between us and the counterparty financial institution. Although these protections do not eliminate concentrations of credit, the Company does not consider the risk of counterparty default to be significant. All derivative financial instruments are with a diversified group of major financial institutions assigned investment grade ratings with national rating agencies. None of the Company's outstanding derivative instruments contain credit-risk related contingent features that may require the Company to post or permit the Company to call collateral from any counterparty.

All derivatives are recognized on the balance sheet at their fair value. On the date that the Company enters into a derivative contract, it designates the derivative as either (a) a hedge of a forecasted transaction or the variability of cash flows that are to be received or paid in connection with a recognized asset or liability (a "cash flow" hedge), or (b) a hedge of an exposure to changes in the

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fair value of an asset, liability, or an unrecognized firm commitment (a "fair value" hedge). Changes in the fair value of a derivative that is highly effective, and that is designated and qualifies as a cash flow hedge to the extent that the hedge is effective, are recorded in "*Accumulated Other Comprehensive Loss*" until earnings are affected by the variability of cash flows of the hedged transaction (e.g., until periodic settlements of a variable asset or liability are recorded in earnings). Any hedge ineffectiveness (which represents the amount by which the changes in the fair value of the derivative exceed the variability in the cash flows of the forecasted transaction) is recorded in current-period earnings. Changes in the fair value of a derivative that is highly effective, and that is designated and qualifies as a fair value hedge, are recorded in current-period earnings.

The following table presents the location and fair value amounts of derivative instruments reported in the consolidated condensed balance sheet as of June 30, 2009 (in millions):

	June 30, 2009			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under SFAS 133				
Foreign exchange contracts	Prepaid expenses	$	Accrued liabilities	$ 4.3

The following tables present the effect of derivative instruments on the consolidated statement of operations for the three and six months ended June 30, 2009 (in millions):

	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
		Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Derivatives in SFAS 133 fair value hedging relationships			
Foreign exchange contracts	Other (income) expense, net	$ (1.2)	$ (0.4)

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income	
	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009		Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Derivatives in SFAS 133 cash flow hedging relationships					
Foreign exchange contracts	$ (7.1)	$ 5.0	Cost of goods sold	$ 4.8	$ 6.1

The Company expects that during the next twelve months it will reclassify to earnings a $2.8 million gain currently recorded in "*Accumulated Other Comprehensive Loss*." For both the three and six months ended June 30, 2009, the Company expensed $0.5 million related to the time value of option-based products and did not record any gains or losses due to hedge ineffectiveness.

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10. DEFINED BENEFIT PLANS

The components of net periodic benefit costs for the three and six months ended June 30, 2009 and 2008 were as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Service cost	$ 1.3	$ 0.9	$ 2.7	$ 1.9
Employee contributions				
Interest cost	0.5	0.4	0.9	0.7
Expected return on plan assets	(0.2)	(0.2)	(0.4)	(0.4)
Amortization of prior service cost and other	0.2		0.3	
Net periodic pension benefit cost	$ 1.8	$ 1.1	$ 3.5	$ 2.2

11. STOCK-BASED COMPENSATION

Stock-based compensation expense related to awards issued under the Company's incentive compensation plans for the three and six months ended June 30, 2009 and 2008 was as follows (in millions):

	Three Months Ended June 30		Six Months Ended June 30,	
	2009	2008	2009	2008
Cost of goods sold	$ 0.5	$ 0.6	$ 1.1	$ 1.2
Selling, general and administrative expenses	4.3	4.6	9.5	9.2
Research and development expenses	0.9	1.0	2.0	2.4
Total stock-based compensation expense	$ 5.7	$ 6.2	$12.6	$12.8

At June 30, 2009, the total remaining compensation cost related to unvested stock options, restricted stock units, and employee stock purchase subscription awards amounted to $55.7 million and will be amortized on a straight-line basis over a weighted-average vesting period of approximately 32 months.

During the six months ended June 30, 2009, the Company granted 0.9 million stock options at a weighted-average exercise price of $62.93 and 0.2 million shares of restricted stock units at a weighted-average grant-date fair value of $62.59.

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Fair Value Disclosures

The Black-Scholes option pricing model was used with the following weighted-average assumptions for options granted during the following periods:

Option Awards

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Risk-free interest rate	1.9%	3.0%	1.9%	3.0%
Expected dividend yield	None	None	None	None
Expected volatility	28.2%	23.5%	28.1%	23.3%
Expected term (years)	4.6	4.4	4.6	4.4
Fair value, per share	$17.00	$14.43	$16.98	$14.31

The Black-Scholes option pricing model was used with the following weighted-average assumptions for employee stock purchase plan ("ESPP") subscriptions granted during the following periods:

ESPP

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Risk-free interest rate	0.5%	1.5%	0.4%	3.3%
Expected dividend yield	None	None	None	None
Expected volatility	37.3%	25.6%	36.7%	23.8%
Expected term (years)	0.7	0.6	0.7	0.6
Fair value, per share	$16.56	$10.22	$16.36	$10.58

12. COMMITMENTS AND CONTINGENCIES

In August 2003, Edwards Lifesciences filed a lawsuit against Medtronic, Inc. and its affiliate, Medtronic Vascular, Inc. (collectively, "Medtronic"); Cook, Inc. ("Cook"); and W.L. Gore & Associates ("Gore") alleging infringement of a patent exclusively licensed to the Company. The lawsuit was filed in the United States District Court for the Northern District of California, seeking monetary damages and injunctive relief. In September 2003, a second patent exclusively licensed to the Company was added to the lawsuit. As announced in January 2006, Edwards Lifesciences settled this litigation with Medtronic. Edwards Lifesciences remains in litigation with Cook and Gore. In March 2008, the District Court granted summary judgment of non-infringement in favor of Cook and subsequently in favor of Gore. In 2008, Edwards Lifesciences appealed these judgments to the Federal Circuit Court of Appeals; the appeal was heard in July 2009.

In May 2007, Edwards Lifesciences filed a lawsuit against CoreValve, Inc. ("CoreValve"), alleging that CoreValve's ReValving System infringes on a European patent, one of the Andersen family of patents. The lawsuit was filed in the District Patent Court in Dusseldorf, Germany, seeking injunctive and declaratory relief. As announced in October 2008, the Court rejected this assertion and dismissed the infringement lawsuit. The Company has appealed this decision. In May 2007, and June 2007, CoreValve filed separate lawsuits in London, United Kingdom, and Munich, Germany, respectively, against the three inventors of this patent alleging that the patent is invalid. The Company then asserted that CoreValve's ReValving System infringes the Andersen patent in the United Kingdom. In January 2009, the United Kingdom Court determined that the Andersen patent was valid but not infringed by

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CoreValve. The parties have filed cross-appeals on the validity and infringement decisions. In February 2008, the Company filed a lawsuit against CoreValve in the United States alleging infringement of three of the U.S. Andersen patents. This lawsuit is ongoing.

In February 2008, Cook filed a lawsuit in the District Patent Court in Dusseldorf, Germany, against Edwards Lifesciences alleging that the *Edwards SAPIEN* transcatheter heart valve infringes on a Cook patent. Edwards Lifesciences subsequently filed lawsuits in London, United Kingdom, and in Munich, Germany, against Cook alleging that the patents in each country are invalid. In the United Kingdom lawsuit, Cook counterclaimed, alleging infringement by Edwards. As announced, the German Court ruled in March 2009 that the Company does not infringe the Cook patent. In June 2009, the United Kingdom Court also ruled that the Company does not infringe the Cook patent and, further, that the Cook patent is invalid. Cook is appealing the judgments in Germany and the United Kingdom.

In addition, Edwards Lifesciences is or may be a party to, or may otherwise be responsible for, pending or threatened lawsuits related primarily to products and services currently or formerly manufactured or performed, as applicable, by Edwards Lifesciences. Such cases and claims raise difficult and complex factual and legal issues and are subject to many uncertainties, including, but not limited to, the facts and circumstances of each particular case or claim, the jurisdiction in which each suit is brought, and differences in applicable law. Upon resolution of any such legal matter or other claim, Edwards Lifesciences may incur charges in excess of established reserves. While any such charge could have a material adverse impact on Edwards Lifesciences' net income or cash flows in the period in which it is recorded or paid, management does not believe that any such charge relating to any currently pending lawsuit would have a material adverse effect on Edwards Lifesciences' financial position, results of operations, or liquidity.

Edwards Lifesciences is subject to various environmental laws and regulations both within and outside of the United States. The operations of Edwards Lifesciences, like those of other medical device companies, involve the use of substances regulated under environmental laws, primarily in manufacturing and sterilization processes. While it is difficult to quantify the potential impact of continuing compliance with environmental protection laws, management believes that such compliance will not have a material impact on Edwards Lifesciences' financial position, results of operations, or liquidity.

13. COMPREHENSIVE INCOME

Reconciliation of net income to comprehensive income is as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Net income	$47.5	$39.7	$108.0	$57.9
Other comprehensive income:				
Currency translation adjustments	15.1	(0.8)	9.0	17.2
Unrealized net gain (loss) on investments in unconsolidated affiliates, net of tax	2.2	(0.4)	3.3	(4.1)
Unrealized net (loss) gain on cash flow hedges, net of tax	(7.2)	3.1	(0.6)	(1.5)
Comprehensive income	$49.1	$41.6	$119.7	$69.5

14. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted-average common shares outstanding during a period. Employee equity share options, nonvested shares, and similar

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equity instruments granted by the Company are treated as potential common shares in computing diluted earnings per share. Diluted shares outstanding include the dilutive effect of the conversion of convertible debt, restricted stock units, and in-the-money options. The dilutive impact of the restricted stock units and in-the-money options is calculated based on the average share price for each fiscal period using the treasury stock method. Under the treasury stock method, the amount that the employee must pay for exercising stock options, the amount of compensation expense for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are assumed to be used to repurchase shares. Potential common share equivalents have been excluded where their inclusion would be anti-dilutive.

The table below presents the computation of basic and diluted earnings per share (in millions, except per share information):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Basic:				
Net income	$47.5	$39.7	$108.0	$57.9
Weighted-average shares outstanding	56.2	55.4	56.1	55.8
Basic earnings per share	$0.85	$0.72	$ 1.93	$1.04
Diluted:				
Net income	$47.5	$39.7	$108.0	$57.9
Interest expense related to convertible debt, net of tax		0.7		1.7
Net income applicable to diluted shares	$47.5	$40.4	$108.0	$59.6
Weighted-average shares outstanding	56.2	55.4	56.1	55.8
Dilutive effect of convertible debt		2.0		2.4
Dilutive effect of stock plans	2.3	2.8	2.4	2.5
Dilutive weighted-average shares outstanding	58.5	60.2	58.5	60.7
Diluted earnings per share	$0.81	$0.67	$ 1.85	$0.98

Stock options and restricted stock units to purchase 1.8 million and 1.4 million shares for the three months ended June 30, 2009 and 2008, respectively, and 1.4 million and 2.4 million for the six months ended June 30, 2009 and 2008, respectively, were outstanding, but were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive. Diluted shares included shares issuable pursuant to the Company's $150 million convertible debentures until they were redeemed on June 9, 2008.

15. INCOME TAXES

The effective income tax rates were 24.4% and 26.9% for the three and six months ended June 30, 2009, respectively, and 23.8% and 33.3% for the three and six months ended June 30, 2008, respectively. The income tax rate for the six months ended June 30, 2009 included the tax effect on a *LifeStent* milestone receipt. The income tax rate for the six months ended June 30, 2008 included the tax effect on the sale of the *LifeStent* product line. See Note 2 for further information.

As of June 30, 2009, March 31, 2009, and December 31, 2008, the liability for income taxes associated with uncertain tax positions was $43.0 million, $38.0 million, and $35.9 million, respectively. These liabilities could be reduced by $3.8 million, $1.9 million, and $2.3 million, respectively, from

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offsetting tax benefits associated with the correlative effects of potential transfer pricing adjustments, state income taxes, and timing adjustments. The net amounts of $39.2 million, $36.1 million, and $33.6 million, respectively, if recognized, would favorably affect the Company's effective tax rate. Changes to potential interest expense upon settlement during the period were immaterial.

As a result of on-going audits, the total liability for unrecognized tax benefits may change within the next 12 months due to either settlements of audits or expiration of statutes of limitations. Quantification of those potential changes cannot be estimated at this time. At June 30, 2009, the Company has concluded all United States federal income tax matters for years through 2006. All material state, local, and foreign income tax matters have been concluded for years through 2003.

In February 2009, California enacted tax legislation which will be effective beginning 2011. The impact of the new legislation has been considered in determining the Company's tax provision for the three and six months ended June 30, 2009, including the realizability of its California research and development credit carryforward.

16. COLLABORATIVE AGREEMENT

The Company has a collaboration agreement with DexCom, Inc. ("DexCom") to develop products for continuously monitoring blood glucose levels in patients hospitalized for a variety of conditions. The agreement provides Edwards Lifesciences with an exclusive license to all of DexCom's applicable intellectual property. In December 2008, at the inception of the agreement, the Company recorded a charge of $13.4 million related to the upfront licensing and collaboration fee. The Company will also pay up to $24 million over the next three years in product development costs and regulatory approval milestones. The product development costs are expensed to "*Research and Development Expenses*" as incurred, and the regulatory approval milestones are recorded as "*Other Intangible Assets*" and amortized over the useful life of the product. In addition, DexCom will receive either a profit-sharing payment or a royalty based upon commercial sales. Edwards Lifesciences will be responsible for global sales and marketing, which is expected to begin in 2010, and DexCom will be responsible for initial manufacturing. The Company recorded $1.1 million and $3.2 million of product development costs for the three and six months ended June 30, 2009.

17. SEGMENT INFORMATION

Edwards Lifesciences conducts operations worldwide and is managed in four geographical regions: United States, Europe, Japan, and Rest of World. All regions sell products that are used to treat advanced cardiovascular disease.

The Company evaluates the performance of its segments based on net sales and income before provision for income taxes ("pre-tax income"). The accounting policies of the segments are substantially the same as those described in Note 2, "*Summary of Significant Accounting Policies,*" in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. Net sales and pre-tax income of reportable segments are based on internally derived standard foreign exchange rates, which may differ from year to year, and do not include inter-segment profits. Because of the interdependence of the reportable segments, the operating profit as presented may not be representative of the geographical distribution that would occur if the segments were not interdependent.

Certain items are maintained at the corporate level and are not allocated to the segments. The non-allocated items include net interest expense, global marketing expenses, corporate research and development expenses, United States manufacturing variances, corporate headquarters costs, in-process research and development, special gains and charges, stock-based compensation, foreign currency hedging activities, certain litigation costs, and most of the Company's amortization expense. Although most of the Company's depreciation expense is included in segment pre-tax income, due to the Company's methodology for cost build-up, it is impractical to determine the amount of depreciation

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expense included in each segment. The Company neither discretely allocates assets to its operating segments, nor evaluates the operating segments using discrete asset information.

The table below presents information about Edwards Lifesciences' reportable segments (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net Sales				
United States	$143.5	$138.1	$278.4	$273.6
Europe	102.2	95.3	203.1	180.6
Japan	46.0	42.3	87.3	79.7
Rest of world	39.5	33.2	73.5	63.5
Total segment net sales	$331.2	$308.9	$642.3	$597.4
Pre-Tax Income				
United States	$ 77.7	$ 71.3	$150.1	$142.3
Europe	33.9	31.2	68.5	57.1
Japan	21.6	18.5	41.0	34.2
Rest of world	11.3	9.3	19.3	16.5
Total segment pre-tax income	$144.5	$130.3	$278.9	$250.1

The table below presents reconciliations of segment net sales to consolidated net sales and segment pre-tax income to consolidated pre-tax income (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net Sales Reconciliation				
Segment net sales	$331.2	$308.9	$ 642.3	$ 597.4
Foreign currency	4.3	18.7	6.7	27.0
Consolidated net sales	$335.5	$327.6	$ 649.0	$ 624.4
Pre-Tax Income Reconciliation				
Segment pre-tax income	$144.5	$130.3	$ 278.9	$ 250.1
Unallocated amounts:				
Corporate items	(88.0)	(77.7)	(173.3)	(148.0)
Special (charges) gains, net	(1.5)	0.8	29.3	(9.3)
Interest expense, net	(0.2)	(0.4)	(0.3)	(0.8)
Foreign currency	8.0	(0.9)	13.2	(5.2)
Consolidated pre-tax income	$ 62.8	$ 52.1	$ 147.8	$ 86.8

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Enterprise-Wide Information

Enterprise-wide information is based on foreign exchange rates used in the Company's consolidated financial statements.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(in millions)			
Net Sales by Geographic Area				
United States	$143.5	$139.7	$278.4	$275.2
Other countries	192.0	187.9	370.6	349.2
	$335.5	$327.6	$649.0	$624.4
Net Sales by Major Product and Service Area				
Heart Valve Therapy	$182.1	$162.6	$352.5	$309.3
Critical Care	113.0	116.6	217.5	223.3
Cardiac Surgery Systems	24.1	23.5	46.6	44.9
Vascular	16.3	24.9	32.4	46.9
	$335.5	$327.6	$649.0	$624.4

	June 30, 2009	December 31, 2008
	(in millions)	
Long-Lived Tangible Assets by Geographic Area		
United States	$176.5	$ 171.4
Other countries	99.6	86.6
	$276.1	$ 258.0

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Company intends the forward-looking statements contained in this report to be covered by the safe harbor provisions of such Acts. All statements other than statements of historical fact in this report or referred to or incorporated by reference into this report are "forward-looking statements" for purposes of these sections. These statements include, among other things, any predictions of earnings, revenues, expenses or other financial items, plans or expectations with respect to development activities, clinical trials, or regulatory approvals, any statements of plans, strategies, and objectives of management for future operations, any statements concerning the Company's future operations, financial conditions and prospects, and any statement of assumptions underlying any of the foregoing. These statements can sometimes be identified by the use of the forward-looking words such as "may," "believe," "will," "expect," "project," "estimate," "should," "anticipate," "plan," "continue," "seek," "pro forma," "forecast," "intend" or other similar words or expressions or the negative thereof. Investors are cautioned not to unduly rely on such forward-looking statements. These forward-looking statements are subject to substantial risks and uncertainties that could cause the Company's future business, financial condition, results of operations, or performance to differ materially from the Company's historical results or those expressed in any forward-looking statements contained in this report. Investors should carefully review the information contained in, or incorporated by reference into, the Company's annual report on Form 10-K for the year ended December 31, 2008 for a description of certain of these risks and uncertainties.

Overview

Edwards Lifesciences Corporation ("Edwards Lifesciences" or the "Company") is a global leader in products and technologies designed to treat advanced cardiovascular disease. The Company is focused specifically on technologies that treat structural heart disease and critically ill patients.

The products and technologies provided by Edwards Lifesciences are categorized into four main areas: Heart Valve Therapy; Critical Care; Cardiac Surgery Systems; and Vascular.

Edwards Lifesciences' **Heart Valve Therapy** portfolio is comprised of tissue heart valves and heart valve repair products. A pioneer in the development and commercialization of heart valve products, Edwards Lifesciences is the world's leading manufacturer of tissue heart valves and repair products used to replace or repair a patient's diseased or defective heart valve. In the **Critical Care** area, Edwards Lifesciences is a world leader in hemodynamic monitoring equipment used to measure a patient's cardiovascular function and in disposable pressure transducers, and also provides central venous access products for fluid and drug delivery. The Company's **Cardiac Surgery Systems** portfolio comprises a diverse line of products for use during cardiac surgery including cannula, *EMBOL-X* technologies, and other disposable products used during cardiopulmonary bypass procedures. Cardiac Surgery Systems also includes the Company's minimally invasive surgery ("MIS") product line. Edwards Lifesciences' **Vascular** portfolio includes a line of balloon catheter-based products, surgical clips and inserts, and artificial implantable grafts. Through early 2008, Edwards manufactured and sold *LifeStent* balloon-expandable and self-expanding non-coronary stents. The Company sold the *LifeStent* product line in January 2008, but will continue to manufacture these products for the buyer until the earlier of mid-2010 or the transfer of manufacturing to the buyer.

The healthcare marketplace continues to be competitive with strong global and local competitors. The Company competes with many companies, ranging from small start-up enterprises to companies that are larger and more established than Edwards Lifesciences with access to significant financial resources. Furthermore, rapid product development and technological change characterize the market in which the Company competes. Global demand for healthcare is increasing as the population ages. There is mounting pressure to contain healthcare costs in the face of this increasing demand, which has

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resulted in pricing and market share pressures. The cardiovascular segment of the medical device industry is dynamic, and technology, cost-of-care considerations, regulatory reform, industry and customer consolidation, and evolving patient needs are expected to continue to drive change.

Recently Adopted Accounting Standards

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "*Fair Value Measurements*" ("SFAS 157"), which defined fair value, established a framework for measuring fair value, and expanded disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position ("FSP") No. 157-2, "*Effective Date of FASB Statement No. 157*" ("FSP 157-2"), which delayed the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except for those items that are recognized or disclosed at fair value in the financial statements on a recurring basis, until fiscal years beginning after November 15, 2008. The Company's adoption of SFAS 157, as it applies to those non-financial assets and liabilities affected by the one-year delay, did not have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB ratified the consensus reached by the Emerging Issues Task Force ("EITF") in EITF Issue No. 07-1, "*Accounting for Collaborative Arrangements*" ("EITF 07-1"). EITF 07-1 defines collaborative arrangements and establishes reporting requirements for transactions between participants in a collaborative arrangement and between participants in the arrangement and third parties. EITF 07-1 also establishes the appropriate income statement presentation and classification for joint operating activities and payments between participants, as well as the sufficiency of the disclosures related to these arrangements. EITF 07-1 was effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Retrospective application to all prior periods presented is required for all collaborative arrangements existing as of the effective date. The Company's adoption of EITF 07-1 did not have a material impact on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "*Business Combinations*" ("SFAS 141R"). SFAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS 141R also provides guidance for recognizing and measuring goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Among other requirements, SFAS 141R expands the definition of a business combination, requires acquisitions to be accounted for at fair value, and requires transaction costs and restructuring charges to be expensed. SFAS 141R was effective for fiscal years beginning on or after December 15, 2008. SFAS 141R will impact the Company if it is involved in a business combination.

In March 2008, the FASB issued SFAS No. 161, "*Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133*" ("SFAS 161"). SFAS 161 requires enhanced disclosures about an entity's derivative instruments and hedging activities, including (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 was effective for fiscal years and interim periods beginning after November 15, 2008. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In April 2008, the FASB issued FSP No. FAS 142-3, "*Determination of the Useful Life of Intangible Assets*" ("FSP 142-3"). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS

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No. 142, "*Goodwill and Other Intangible Assets.*" FSP 142-3 applies to intangible assets that are acquired individually or with a group of other assets acquired in business combinations and asset acquisitions. FSP 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives. FSP 142-3 was effective for fiscal years beginning after December 15, 2008. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In November 2008, the FASB ratified the consensus reached by the EITF in EITF Issue No. 08-6, "*Equity Method Investment Accounting Considerations*" ("EITF 08-6"). EITF 08-6 clarifies the accounting for certain transactions and impairment considerations involving equity method investments. EITF 08-6 was effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In November 2008, the FASB ratified the consensus reached by the EITF in EITF Issue No. 08-7, "*Accounting for Defensive Intangible Assets*" ("EITF 08-7"). EITF 08-7 clarifies the accounting for certain separately identifiable intangible assets which an acquirer does not intend to actively use but intends to hold to prevent its competitors from obtaining access to them. EITF 08-7 requires an acquirer in a business combination to account for a defensive intangible asset as a separate unit of accounting which should be amortized to expense over a period the asset diminishes in value. EITF 08-7 was effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 141 (R)-1, "*Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*" ("FSP 141R-1"). FSP 141R-1 amends the guidance in SFAS 141R to require that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably determined. If the fair value cannot be reasonably determined, then the assets and liabilities should be recognized at the amount that would be recognized in accordance with SFAS No. 5, "*Accounting for Contingencies,*" and FASB Interpretation No. 14, "*Reasonable Estimation of the Amount of a Loss.*" The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 157-4, "*Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*" ("FSP 157-4"). FSP 157-4 provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased. FSP 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP 157-4 was effective for interim and annual reporting periods ending after June 15, 2009. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "*Recognition and Presentation of Other-Than-Temporary Impairments*" ("FSP 115-2 and 124-2"). FSP 115-2 and 124-2 amends the other-than-temporary impairment guidance related to debt securities and expands and increases the frequency of existing disclosures about other-than-temporary impairments for debt and equity securities. In addition, FSP 115-2 and 124-2 requires that the annual disclosures in SFAS No. 115, "*Accounting for Certain Investments in Debt and Equity Securities*," and FSP No. FAS 115-1 and FAS 124-1, "*The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,*" be made for interim periods. FSP 115-2 and 124-2 was effective for interim and annual reporting periods ending after June 15, 2009. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

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In April 2009, the SEC issued Staff Accounting Bulletin ("SAB") No. 111, "*Other Than Temporary Impairment of Certain Investments in Debt and Equity Securities*" ("SAB 111"). SAB 111 amends SAB Topic 5M to reflect the guidance in FSP 115-2 and 124-2. SAB 111 maintains the prior staff views related to equity securities but amends SAB Topic 5M to exclude debt securities from its scope. The adoption of SAB 111 did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "*Interim Disclosures about Fair Value of Financial Instruments*" ("FSP 107-1 and 28-1"). FSP 107-1 and 28-1 requires disclosures about the fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. FSP 107-1 and 28-1 was effective for interim reporting periods ending after June 15, 2009. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, "*Subsequent Events*" ("SFAS 165"). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 requires the disclosure of the date through which an entity has evaluated subsequent events and whether that date represents the date the financial statements were issued or were available to be issued. SFAS 165 was effective for interim or annual financial periods ending after June 15, 2009. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In June 2009, the SEC issued SAB No. 112, "*Update of Codification of Staff Accounting Bulletins*" ("SAB 112"). SAB 112 amends or rescinds portions of the SEC staff's interpretive guidance included in the Staff Accounting Bulletin Series in order to make the relevant interpretive guidance consistent with SFAS 141R and SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statements*." The adoption of SAB 112 did not have a material impact on the Company's consolidated financial statements.

New Accounting Standards Not Yet Adopted

In June 2009, the FASB issued SFAS No. 167, "*Amendments to FASB Interpretation No. 46(R)*" ("SFAS 167"). SFAS 167 eliminates the exemption for qualifying special purpose entities and establishes a new approach for determining the primary beneficiary of a variable interest entity ("VIE") based on whether the entity (1) has the power to direct the activities of the VIE that most significantly impact the entity's economic performance and (2) has the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. SFAS 167 requires an ongoing reconsideration of the primary beneficiary, and amends the events that trigger a reassessment of whether an entity is a VIE. Enhanced disclosures are also required to provide information about an enterprise's involvement in a VIE. SFAS 167 is effective for the first annual reporting period beginning after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company does not expect the adoption of SFAS 167 will have a material impact on its consolidated financial statements.

In June 2009, the FASB issued SFAS No. 168, "*The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*" ("SFAS 168"). SFAS 168 establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in preparation of financial statements in conformity with generally accepted accounting principles ("GAAP"). Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS 168 replaces SFAS No. 162, "*The Hierarchy of Generally Accepted Accounting Principles.*" SFAS 168 is effective for financial statements issued for interim and

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annual periods ending after September 15, 2009. The Company does not expect the adoption of SFAS 168 will have a material impact on its consolidated financial statements.

Results of Operations

Net Sales Trends

The following is a summary of United States and international net sales (dollars in millions):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	Change	Percent Change	2009	2008	Change	Percent Change
United States	$143.5	$139.7	$ 3.8	2.7%	$278.4	$275.2	$ 3.2	1.2%
International	192.0	187.9	4.1	2.2%	370.6	349.2	21.4	6.1%
Total net sales	$335.5	$327.6	$ 7.9	2.4%	$649.0	$624.4	$ 24.6	3.9%

In the United States, the $3.8 million and $3.2 million increases in net sales for the three and six months ended June 30, 2009, respectively, were due primarily to:

Heart Valve Therapy products, which increased net sales by $10.2 million and $13.4 million, respectively, driven primarily by the *Magna* mitral valve and the *Carpentier-Edwards PERIMOUNT Magna* with *ThermaFix* valve;

partially offset by:

Vascular products, which decreased net sales by $6.3 million and $10.4 million, respectively, primarily due to the divestiture of the *LifeStent* product line in mid-January 2008. Sales after the divestiture result from the on-going manufacturing requirements of the sale agreement, which will continue until the earlier of mid-2010 or the transfer of manufacturing to the buyer.

International net sales increased $4.1 million and $21.4 million for the three and six months ended June 30, 2009, respectively, due primarily to:

Heart Valve Therapy products, which increased net sales by $9.4 million and $29.9 million, respectively. The increase was driven primarily by the *Edwards SAPIEN* transcatheter heart valve, the *Carpentier-Edwards PERIMOUNT Magna Ease* valve, and the *Magna* aortic valve in Japan, offset by foreign exchange fluctuations of $10.2 million and $15.3 million, respectively;

partially offset by:

Critical Care products, which decreased net sales by $2.7 million and $3.9 million, respectively, due primarily to foreign exchange fluctuations of $6.2 million and $9.5 million, respectively, offset by increased sales of *FloTrac* systems of $2.4 million and $4.7 million, respectively; and

Vascular products, which decreased net sales by $2.3 million and $4.0 million, respectively, due primarily to the divestiture of the *LifeStent* product line and the termination of distributed sales in Europe of a specialty vascular graft.

Foreign currency exchange rate fluctuations are due primarily to the weakening of the Euro against the United States dollar. The impact of foreign currency exchange rate fluctuations on net sales would not necessarily be indicative of the impact on net income due to the corresponding effect of foreign currency exchange rate fluctuations on international manufacturing and operating costs and the Company's hedging activities. For more information see Item 3, "*Quantitative and Qualitative Disclosures About Market Risk*."

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Net Sales by Product Line

The following table is a summary of net sales by product line (dollars in millions):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	Change	Percent Change	2009	2008	Change	Percent Change
Heart Valve Therapy	$182.1	$162.6	$ 19.5	12.0%	$352.5	$309.3	$ 43.2	14.0%
Critical Care	113.0	116.6	(3.6)	(3.1)%	217.5	223.3	(5.8)	(2.6)%
Cardiac Surgery Systems	24.1	23.5	0.6	2.6%	46.6	44.9	1.7	3.8%
Vascular	16.3	24.9	(8.6)	(34.5)%	32.4	46.9	(14.5)	(30.9)%
Total net sales	$335.5	$327.6	$ 7.9	2.4%	$649.0	$624.4	$ 24.6	3.9%

Heart Valve Therapy

Net sales of Heart Valve Therapy products for the three and six months ended June 30, 2009 increased by $19.5 million and $43.2 million, respectively, including the negative impact from foreign currency exchange of $10.2 million and $15.3 million, respectively. The increases were due primarily to:

- the *Edwards SAPIEN* transcatheter heart valve, which increased net sales by $12.8 million and $29.3 million, respectively; and

- pericardial tissue valves, which increased net sales by $3.9 million and $12.6 million, respectively, primarily as a result of the *Carpentier-Edwards PERIMOUNT Magna Ease* valve, the *Magna* with *ThermaFix* aortic and mitral valves, and the launch of the *Magna* aortic valve in Japan in the second quarter of 2008.

The Company expects that its *SAPIEN* transcatheter heart valve will continue to be a strong contributor to 2009 sales, and anticipates introducing new products across the aortic, mitral, and valve repair categories. The Company received Food and Drug Administration ("FDA") approval for its *Magna Ease* aortic valve in May 2009. The *Magna Ease* valve is designed for easier implantation and has the potential for leadership in the largest segment of surgical valve replacement. In July 2009, the Company received United States regulatory approval for its newest *Magna Mitral* valve, called the *Magna Mitral Ease*, and expects a limited launch of the product in the fourth quarter of 2009. The *Magna Mitral Ease* will extend the *Magna* platform by providing improved MIS capabilities and ease of implantation. The Company launched the *Carpentier-Edwards Physio II* ring in the United States and Europe during the first quarter of 2009, and expects this product to lift its growth in the repair segment. *Physio II* is the next generation repair product for the degenerative segment of mitral repair. In Japan, the Company received regulatory approval for its *IMR ETlogix* ring during the first quarter of 2009, and expects to launch this product in Japan pending reimbursement approval.

Critical Care

The $3.6 million and $5.8 million decreases in net sales of Critical Care products for the three and six months ended June 30, 2009, respectively, were due primarily to:

- foreign exchange fluctuations, which decreased net sales by $6.2 million and $9.5 million, respectively; and

- decreased sales of advanced hemodynamic monitoring products;

partially offset by:

FloTrac systems, which increased net sales by $3.0 million and $6.0 million, respectively.

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The Company expects worldwide *FloTrac* system sales to continue to be a significant contributor to Critical Care sales growth in 2009, and that it will continue to expand the market for minimally invasive hemodynamic monitoring. During the first quarter of 2009, the Company launched a third generation algorithm enhancement for the *FloTrac* system that enhances its accuracy when used in patients with sepsis and other critical illnesses. At the end of the third quarter of 2009, the Company expects to launch a substantial upgrade that will strengthen the *FloTrac* system's applicability in the medical intensive care unit. In addition, the Company anticipates launching a new hardware platform in the third quarter of 2009 with a simpler, more intuitive informational display, and expects to ultimately consolidate all parameters into one platform.

During the fourth quarter of 2008, the Company entered into a collaboration agreement with DexCom, Inc. to develop products for continuously monitoring blood glucose levels in patients hospitalized for a variety of conditions. During 2009, the Company expects to complete clinical studies to support regulatory approval and, if the clinical studies are successful, anticipates introducing a first generation product in Europe by year end.

During the second quarter of 2009, the Company entered into a definitive agreement to sell certain assets related to its hemofiltration product line. The Company expects this transaction to close in the third quarter of 2009, pending regulatory approvals. For more information see "*Special Charges (Gains), net*."

Cardiac Surgery Systems

The $0.6 million and $1.7 million increases in net sales of Cardiac Surgery Systems products for the three and six months ended June 30, 2009, respectively, were due primarily to MIS products, which increased net sales by $1.5 million and $2.7 million, respectively.

Vascular

The $8.6 million and $14.5 million decreases in net sales of Vascular products for the three and six months ended June 30, 2009, respectively, were due primarily to the reduced sales of the *LifeStent* product line which was divested in January 2008. The Company agreed to provide transition services, including manufacturing, to the buyer until the earlier of mid-2010 or the transfer of manufacturing to the buyer. *LifeStent* sales after the divestiture result from the on-going manufacturing requirements of the sale agreement.

Gross Profit

	Three Months Ended June 30,			Six Months Ended June 30,		
	2009	**2008**	**Change**	**2009**	**2008**	**Change**
Gross profit as a percentage of net sales	69.6%	65.5%	4.1 pts.	69.4%	65.4%	4.0 pts.

The 4.1 and 4.0 percentage point increases in gross profit as a percentage of net sales for the three and six months ended June 30, 2009, respectively, were driven by:

- the impact from the expiration of foreign currency hedging contracts;
- a 1.6 percentage point and a 1.4 percentage point increase in the United States gross profit as a percentage of net sales for the three and six months ended June 30, 2009, respectively, due primarily to a more profitable product mix, primarily from reduced sales of *LifeStent* products under the on-going manufacturing requirements of the *LifeStent* sale agreement; and

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a 0.8 percentage point and a 1.3 percentage point increase in international gross profit as a percentage of net sales for the three and six months ended June 30, 2009, respectively, due to a more profitable product mix, primarily higher sales of Heart Valve Therapy products and *FloTrac* systems;

partially offset by:

the unfavorable impact of Critical Care manufacturing variations.

Selling, General and Administrative (SG&A) Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2009	2008	Change	2009	2008	Change
			(dollars in millions)			
SG&A expenses	$128.5	$126.5	$2.0	$250.4	$241.1	$ 9.3
SG&A expenses as a percentage of net sales	38.3%	38.6%	(0.3) pts.	38.6%	38.6%	

The $2.0 million and $9.3 million increases in SG&A expenses for the three and six months ended June 30, 2009, respectively, were due primarily to (1) investments for the transcatheter heart valve program in Europe and (2) higher sales-related spending in the Heart Valve Therapy product line. The increases were partially offset by the favorable impact of foreign currency (primarily the weakening of the Euro against the United States dollar) in the amounts of $7.0 million and 10.9 million, respectively.

Research and Development Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2009	2008	Change	2009	2008	Change
			(dollars in millions)			
Research and development expenses	$42.6	$35.4	$7.2	$82.5	$68.3	$14.2
Research and development expenses as a percentage of net sales	12.7%	10.8%	1.9 pts.	12.7%	10.9%	1.8 pts.

The increases in research and development expenses for the three and six months ended June 30, 2009 were due primarily to additional investments in the transcatheter heart valve, *FloTrac,* and glucose programs.

The following are the developments related to the Company's transcatheter aortic valve replacement program (formerly Percutaneous Valve Technologies, Inc.'s percutaneous aortic valve program):

the Company received conditional Investigational Device Exemption ("IDE") approval from the FDA in March 2007 to initiate its PARTNER trial, a pivotal clinical trial of the Company's *Edwards SAPIEN* transcatheter heart valve technology. The PARTNER trial, which has two study arms, began enrollment during the second quarter of 2007 and will evaluate the *Edwards SAPIEN* transcatheter heart valve in patients who are considered at high risk for conventional open-heart valve surgery. In the first study arm ("Cohort A"), patients are randomized on a 1:1 basis to either high risk surgery or the *Edwards SAPIEN* transcatheter heart valve. Cohort A will have 690 patients (enrollment completion is anticipated by the end of August 2009) and is a non-inferiority analysis. In the second study arm ("Cohort B"), patients who are deemed non-operable are randomized 1:1 to medical management or the *Edwards SAPIEN* transcatheter heart valve. Enrollment of 350 patients in Cohort B, which is a superiority analysis, was completed in the first quarter of 2009. In addition, the Company received FDA approval for

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continued access to Cohort B for all of its existing PARTNER sites, and is working with the FDA to achieve continued access to Cohort A once enrollment is complete to ensure this technology remains available for patients;

the Company received CE Mark approval in the fourth quarter of 2008 for European commercial sales of its *RetroFlex III* transfemoral delivery system, which simplifies the delivery of its *SAPIEN* valve. In addition, in the first quarter of 2009, the Company received IDE approval to use its *RetroFlex III* delivery system in its United States PARTNER trial;

the Company began its United States feasibility trial of the *SAPIEN* valve in the pulmonic position in April 2008. The goal of this clinical study is to enable physicians to offer a minimally invasive alternative to patients with a failing pulmonic valve, using the Company's transcatheter valve platform and *RetroFlex* delivery system. The Company expects to complete enrollment by the end of the third quarter of 2009 and then transition to a larger humanitarian device exemption trial; and

first-in-man cases using the Company's next generation transcatheter heart valve, the *Edwards SAPIEN XT*, were performed during the first quarter of 2008. In December 2008, the first three implants were performed in the CE Mark trial. In the second quarter of 2009, the first implants were performed with *SAPIEN XT* and *NovaFlex*, the Company's next generation valve and transfemoral delivery system. The Company believes that this next generation valve's features will help reduce its delivery profile without compromising strength, enabling it to better address the requirements of transfemoral delivery. In Europe, the Company believes the patients enrolled in its CE Mark PREVAIL trial will fulfill the requirements for a CE mark approval and support a European launch in the first quarter of 2010. In the United States, the Company anticipates submitting an IDE in the third quarter of 2009, which could result in approval for a clinical trial before the end of 2009.

The following are the developments related to the Company's transcatheter mitral valve program (formerly ev3, Inc.'s percutaneous mitral valve repair program):

in October 2008, the Company announced the continuation of the EVOLUTION II clinical trial of the *Edwards MONARC* system which is deployed into the coronary sinus. The Company has expanded the trial to include specialty heart failure centers in order to increase the pace of enrollment.

Special Charges (Gains), net

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
	(in millions)			
Loss (gain) on sale of product lines	$1.5	$	$(25.5)	$ 8.1
Sale of distribution rights			(2.8)	
Reserve reversal			(1.0)	
Litigation settlement				2.1
Realignment expenses, net		(0.8)		(0.9)
Special charges (gains), net	$1.5	$(0.8)	$(29.3)	$ 9.3

Loss (Gain) on Sale of Product Lines

In June 2009, the Company entered into a definitive agreement to sell certain assets related to its hemofiltration product line. Under the terms of the agreement, the Company will receive a cash

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payment of approximately $55.9 million, and may receive up to an additional $9.0 million upon the buyer's achievement of certain revenue objectives over the next two years. The Company will provide transition services to the buyer. This transaction allows the Company to better focus on its global strategic priorities. The Company expects this transaction to close in the third quarter of 2009, pending regulatory approvals. In June 2009, the Company recorded a $1.5 million charge for transaction costs and employee severance related to the pending sale.

In January 2008, the Company completed the sale of certain assets related to the Edwards *LifeStent* peripheral vascular product line. Under the terms of the sale agreement, the Company received an initial cash payment of $74.0 million at closing, and was entitled to receive up to an additional $65.0 million in cash upon the achievement of certain milestones. In addition, the Company agreed to provide transition services until the earlier of mid-2010 or the transfer of manufacturing to the buyer. In December 2008, the Company received a $23.0 million *LifeStent* milestone payment in connection with the transfer of its pre-market approval to the buyer. In February 2009, the Company received an additional $27.0 million milestone payment associated with the *LifeStent* pre-market approval. The remaining $15.0 million milestone payment will be recorded upon the transfer of *LifeStent* device manufacturing to the buyer.

In connection with the *LifeStent* transaction, the Company recorded in January 2008 a pre-tax loss of $8.1 million consisting of the cash proceeds of $74.0 million, offset by a $34.6 million write-off of goodwill associated with this product line, $36.9 million related to the net book value of inventory, fixed assets, and intangible assets that were sold, $6.9 million of deferred revenue related to the transition services the Company has agreed to provide, and $3.7 million of transaction and other costs related to the sale.

Sale of Distribution Rights

In March 2009, the Company recorded a $2.8 million gain related to the sale of its distribution rights in Europe for a specialty vascular graft.

Reserve Reversal

In 2004, the Company discontinued its *Lifepath* AAA endovascular graft program. In March 2009, upon completion of its remaining clinical obligations related to this program, the Company reversed its remaining $1.0 million clinical reserve.

Litigation Settlement

In March 2008, the Company recorded a $2.1 million charge for the settlement of litigation related to its divested United States perfusion services business. Under the terms of the divestiture, this was the Company's last outstanding case.

Realignment Expenses, net

In June 2008, the Company recorded a $0.8 million reversal of previously accrued severance costs from the fourth quarter of 2007 related to the global reduction in workforce.

In March 2008, the Company recorded a $1.3 million charge for executive severance associated with the Company's business realignment, offset by a $1.4 million reversal of the December 2007 accrued severance related to the sale of the *LifeStent* product line. As of June 30, 2009, all payments related to the executive severance charge were substantially complete.

In December 2007, the Company recorded realignment expenses of $13.9 million primarily related to (1) severance expenses associated with the sale of the Company's *LifeStent* product line and a global reduction in workforce, primarily in the United States, Europe, and Japan (impacting approximately

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180 employees), and (2) the termination of the Company's intra-aortic balloon pump distribution agreement in Japan. As of June 30, 2009, remaining payments of approximately $1.7 million are expected to be paid through the end of 2009.

Interest Expense, net

	Three Months Ended June 30,			Six Months Ended June 30,		
	2009	2008	Change	2009	2008	Change
			(in millions)			
Interest expense	$ 0.5	$ 1.9	$ (1.4)	$ 1.3	$ 4.0	$ (2.7)
Interest income	(0.3)	(1.5)	1.2	(1.0)	(3.2)	2.2
Interest expense, net	$ 0.2	$ 0.4	$ (0.2)	$ 0.3	$ 0.8	$ (0.5)

The decrease in interest expense for the three and six months ended June 30, 2009 resulted primarily from lower interest rates and a lower average debt balance as compared to the prior year period. The decrease in interest income resulted primarily from lower average interest rates and lower cash and short-term investment balances as compared to the prior year period.

Other (Income) Expense, net

The following is a summary of other (income) expense, net (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Foreign exchange (gains) losses, net	$(2.0)	$ 1.2	$(2.5)	$ 2.3
Accounts receivable securitization costs		0.5		1.1
Investment impairment and realized losses		0.2		0.8
Loss (gain) on investments in unconsolidated affiliates	0.1	(0.6)	1.0	(1.3)
Other	(0.1)	(0.3)	(0.1)	(0.7)
Other (income) expense, net	$(2.0)	$ 1.0	$(1.6)	$ 2.2

The foreign exchange (gains) losses for the three and six months ended June 30, 2009 relate to the foreign currency fluctuations on the Company's global trade and intercompany receivable and payable balances. Foreign exchange resulted in a net gain in 2009 compared to a net loss in 2008 due primarily to fluctuations in the Euro.

The decrease in securitization costs in 2009 was due to the Company's termination of its securitization programs in the United States in August 2008 and in Japan in February 2009.

The investment impairment and realized losses represent the realized losses and estimated impairment in the value of the Company's investment in the Bank of America Columbia Strategic Cash fund. See the "*Liquidity and Capital Resources*" section for further information.

The loss (gain) on investments in unconsolidated affiliates primarily represents the Company's share of gains and losses in investments accounted for under the equity method, and realized gains and losses on the Company's available-for-sale investments.

Provision for Income Taxes

The provision for income taxes consists of provisions for federal, state, and foreign income taxes. The Company operates in an international environment with significant operations in various locations outside the United States, which have statutory tax rates lower than the United States tax rate. Accordingly, the consolidated income tax rate is a composite rate reflecting the earnings in the various locations and the applicable rates. The effective income tax rates were 24.4% and 26.9% for the three and six months ended June 30, 2009, respectively, and 23.8% and 33.3% for the three and six months ended June 30, 2008, respectively. The income tax rate for the six months ended June 30, 2009 included the tax effect on a *LifeStent* milestone receipt (see the "*Special Charges (Gains), net*" section for further information). The income tax rate for the six months ended June 30, 2008 included the tax effect on the sale of the *LifeStent* product line.

As of June 30, 2009, March 31, 2009, and December 31, 2008, the liability for income taxes associated with uncertain tax positions was $43.0 million, $38.0 million, and $35.9 million, respectively. These liabilities could be reduced by $3.8 million, $1.9 million, and $2.3 million, respectively, from offsetting tax benefits associated with the correlative effects of potential transfer pricing adjustments, state income taxes, and timing adjustments. The net amounts of $39.2 million, $36.1 million, and $33.6 million, respectively, if recognized, would favorably affect the Company's effective tax rate. Changes to potential interest expense upon settlement during the period were immaterial.

In February 2009, California enacted tax legislation which will be effective beginning 2011. The impact of the new legislation has been considered in determining the Company's tax provision for the three and six months ended June 30, 2009, including the realizability of its California research and development credit carryforward.

Liquidity and Capital Resources

The Company's sources of cash liquidity include cash on hand and cash equivalents, amounts available under credit facilities, and cash from operations. The Company believes that these sources are sufficient to fund the current requirements of working capital, capital expenditures, and other financial commitments. The Company is not currently experiencing any limitation on access to its credit facility as a result of the recent turmoil in global financial markets. The Company further believes that it has the financial flexibility to attract long-term capital to fund short-term and long-term growth objectives. However, no assurances can be given that such long-term capital will be available to Edwards Lifesciences on favorable terms, or at all.

The Company has a Five-Year Unsecured Revolving Credit Agreement ("the Credit Agreement"), which matures on September 29, 2011. The Credit Agreement provides up to an aggregate of $500.0 million in one- to six-month borrowings in multiple currencies. Borrowings currently bear interest at the London interbank offering rate ("LIBOR") plus 0.40%, which includes a facility fee subject to adjustment for leverage ratio changes as defined in the Credit Agreement. The Company pays a facility fee regardless of available or outstanding borrowings, currently at an annual rate of 0.075%. All amounts outstanding under the Credit Agreement have been classified as long-term obligations, as these borrowings are expected to be refinanced pursuant to the Credit Agreement. As of June 30, 2009, borrowings of $113.9 million were outstanding under the Credit Agreement. The Credit Agreement contains various financial and other covenants, all of which the Company was in compliance with at June 30, 2009.

The Company previously securitized, on a continuous basis, an undivided interest in certain eligible pools of trade accounts receivable in the United States and Japan. In August 2008, the Company terminated its securitization program in the United States, and repurchased $50.0 million of accounts receivable. In February 2009, the Company terminated its securitization program in Japan and paid $39.0 million for the outstanding accounts receivable and February collections. The securitization programs no longer offered an attractive financing alternative.

In December 2007, the Company received notification that the Bank of America Columbia Strategic Cash fund, a private placement money market mutual fund in which the Company had invested $50.1 million as of December 31, 2007, was being closed to new subscriptions or redemptions, resulting in the Company's inability to immediately redeem its investments for cash. During the three and six months ended June 30, 2009, the Company recognized unrealized gains of $0.3 million and $0.4 million, respectively, included in "*Accumulated Other Comprehensive Loss*." The fair value of the Company's remaining investment in this fund as of June 30, 2009 and December 31, 2008 was estimated to be $7.1 million and $10.9 million, respectively, based on the net asset value of the fund. Based on information received from the fund manager regarding the timing of the expected redemptions, the Company expects to receive cash redemptions of approximately $5.2 million through the second quarter of 2010, which has been classified as "*Short-term Investments*" on the accompanying consolidated condensed balance sheet as of June 30, 2009. The remaining $1.9 million of the investment is expected to be received after the second quarter of 2010, and has been classified as "*Other Assets*."

In June 2009, the Company entered into a definitive agreement to sell certain assets related to its hemofiltration product line. Under the terms of the agreement, the Company will receive a cash payment of approximately $55.9 million, and may receive up to an additional $9.0 million upon the buyer's achievement of certain revenue objectives over the next two years. The Company will provide transition services to the buyer. The Company expects this transaction to close in the third quarter of 2009, pending regulatory approvals.

In January 2008, the Company completed the sale of certain assets related to the Edwards *LifeStent* peripheral vascular product line. Under the terms of the sale agreement, the Company received an initial cash payment of $74.0 million at closing, and was entitled to receive up to an additional $65.0 million in cash upon the achievement of certain milestones. In addition, the Company agreed to provide transition services until the earlier of mid-2010 or the transfer of manufacturing to the buyer. In December 2008, the Company recorded a gain of $23.0 million for the receipt of a *LifeStent* milestone payment in connection with the transfer of its pre-market approval to the buyer. In February 2009, the Company received an additional $27.0 million milestone payment associated with the *LifeStent* pre-market approval, and the remaining $15.0 million milestone payment will be recorded upon the transfer of *LifeStent* device manufacturing to the buyer.

In July 2008, the Board of Directors approved a stock repurchase program authorizing the Company to purchase on the open market and in privately negotiated transactions up to $250.0 million of the Company's common stock. During the six months ended June 30, 2009, the Company repurchased 0.9 million shares at an aggregate cost of $54.5 million and as of June 30, 2009 had remaining authority to purchase $139.0 million of common stock.

At June 30, 2009, there had been no material changes in the Company's significant contractual obligations and commercial commitments as disclosed in its Annual Report on Form 10-K for the year ended December 31, 2008.

Net cash flows provided by **operating activities** of $27.9 million for the six months ended June 30, 2009 decreased $31.0 million from the same period a year ago. This decrease was due primarily to a $39.0 million cash payment during the first quarter of 2009 to terminate the Company's accounts receivable securitization program in Japan.

Net cash provided by **investing activities** of $2.7 million for the six months ended June 30, 2009 consisted primarily of $27.0 million of cash received for a milestone achievement associated with the *LifeStent* pre-market approval and a $3.5 million cash advance related to the sale of the hemofiltration product line which is expected to close in the third quarter of 2009, partially offset by capital expenditures of $28.2 million.

Net cash provided by investing activities of $77.8 million for the six months ended June 30, 2008 consisted primarily of $74.0 million of cash received from the sale of the *LifeStent* product line and

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$23.4 million in cash redemptions associated with the Bank of America Columbia Strategic Cash fund, partially offset by capital expenditures of $20.7 million.

Net cash used in **financing activities** of $69.4 million for the six months ended June 30, 2009 consisted primarily of net payments on long-term debt of $58.4 million and purchases of treasury stock of $54.5 million, partially offset by the proceeds from stock plans of $33.2 million.

Net cash used in financing activities of $95.7 million for the six months ended June 30, 2008 consisted primarily of purchases of treasury stock of $214.8 million, partially offset by net proceeds from long-term debt of $74.5 million and the proceeds from stock plans of $35.3 million.

Critical Accounting Policies

The consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States which require the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the periods reported. Actual results could differ from those estimates. Information with respect to the Company's critical accounting policies which the Company believes could have the most significant effect on the Company's reported results and require subjective or complex judgments by management is contained on pages 38-43 in Item 7, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", of the Company's Annual Report on Form 10-K for the year ended December 31, 2008. Management believes that at June 30, 2009, there had been no material changes to this information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

For a complete discussion of the Company's exposure to interest rate risk, refer to Item 7A "*Quantitative and Qualitative Disclosures About Market Risk*" on pages 46-48 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008. There have been no significant changes from the information discussed therein.

Currency Risk

For a complete discussion of the Company's exposure to foreign currency risk, refer to Item 7A "*Quantitative and Qualitative Disclosures About Market Risk*" on pages 46-48 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008. There have been no significant changes from the information discussed therein.

Credit Risk

For a complete discussion of the Company's exposure to credit risk, refer to Item 7A "*Quantitative and Qualitative Disclosures About Market Risk*" on pages 46-48 of the Company's Annual Report on Form 10-K for the year ended December 31, 2008. There have been no significant changes from the information discussed therein.

Concentrations of Credit Risk

In the normal course of business, Edwards Lifesciences provides credit to customers in the healthcare industry, performs credit evaluations of these customers and maintains allowances for potential credit losses which have historically been adequate compared to actual losses.

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Investment Risk

Edwards Lifesciences is exposed to investment risks related to changes in the fair values of its investments. The Company invests in equity instruments of public and private companies. These investments are classified in "*Investments in Unconsolidated Affiliates*" on the consolidated condensed balance sheets.

As of June 30, 2009, Edwards Lifesciences had $20.3 million of investments in equity instruments of other companies and had recorded unrealized losses of $2.4 million on these investments in "*Accumulated Other Comprehensive Loss*," net of tax. Should these companies experience a decline in financial condition or fail to meet certain development milestones, the decline in the investments' value may be considered other-than-temporary and impairment charges may be necessary.

The Company holds an investment in the Bank of America Columbia Strategic Cash fund, a private placement money market mutual fund, which was closed to new subscriptions or redemptions in December 2007, resulting in the Company's inability to immediately redeem its investments for cash. During the three and six months ended June 30, 2009, the Company recognized unrealized gains of $0.3 million and $0.4 million, respectively, included in "*Accumulated Other Comprehensive Loss*." The fair value of the Company's remaining investment in this fund as of June 30, 2009 was estimated to be $7.1 million based on the net asset value of the fund. Based on information received from the fund manager regarding the timing of the expected redemptions, the Company expects to receive cash redemptions of approximately $5.2 million through the second quarter of 2010, which has been classified as "*Short-term Investments*" on the accompanying consolidated condensed balance sheet as of June 30, 2009. The remaining $1.9 million of the investment is expected to be received after the second quarter of 2010, and has been classified as "*Other Assets*." The markets relating to these investments are subject to ongoing illiquidity and remain uncertain. There may be further decreases in the value of these investments until the fund is fully liquidated.

Item 4. Controls and Procedures

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures as of June 30, 2009. Based on their evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that such controls and procedures are designed at a reasonable assurance level and are effective in providing reasonable assurance that the information required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. There have been no changes in the Company's internal controls over financial reporting that were identified during this evaluation that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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Part II. Other Information

Item 1. Legal Proceedings

In August 2003, Edwards Lifesciences filed a lawsuit against Medtronic, Inc. and its affiliate, Medtronic Vascular, Inc. (collectively, "Medtronic"); Cook, Inc. ("Cook"); and W.L. Gore & Associates ("Gore") alleging infringement of a patent exclusively licensed to the Company. The lawsuit was filed in the United States District Court for the Northern District of California, seeking monetary damages and injunctive relief. In September 2003, a second patent exclusively licensed to the Company was added to the lawsuit. As announced in January 2006, Edwards Lifesciences settled this litigation with Medtronic. Edwards Lifesciences remains in litigation with Cook and Gore. In March 2008, the District Court granted summary judgment of non-infringement in favor of Cook and subsequently in favor of Gore. In 2008, Edwards Lifesciences appealed these judgments to the Federal Circuit Court of Appeals; the appeal was heard in July 2009.

In May 2007, Edwards Lifesciences filed a lawsuit against CoreValve, Inc. ("CoreValve"), alleging that CoreValve's ReValving System infringes on a European patent, one of the Andersen family of patents. The lawsuit was filed in the District Patent Court in Dusseldorf, Germany, seeking injunctive and declaratory relief. As announced in October 2008, the Court rejected this assertion and dismissed the infringement lawsuit. The Company has appealed this decision. In May 2007, and June 2007, CoreValve filed separate lawsuits in London, United Kingdom, and Munich, Germany, respectively, against the three inventors of this patent alleging that the patent is invalid. The Company then asserted that CoreValve's ReValving System infringes the Andersen patent in the United Kingdom. In January 2009, the United Kingdom Court determined that the Andersen patent was valid but not infringed by CoreValve. The parties have filed cross-appeals on the validity and infringement decisions. In February 2008, the Company filed a lawsuit against CoreValve in the United States alleging infringement of three of the U.S. Andersen patents. This lawsuit is ongoing.

In February 2008, Cook filed a lawsuit in the District Patent Court in Dusseldorf, Germany, against Edwards Lifesciences alleging that the *Edwards SAPIEN* transcatheter heart valve infringes on a Cook patent. Edwards Lifesciences subsequently filed lawsuits in London, United Kingdom, and in Munich, Germany, against Cook alleging that the patents in each country are invalid. In the United Kingdom lawsuit, Cook counterclaimed, alleging infringement by Edwards. As announced, the German Court ruled in March 2009 that the Company does not infringe the Cook patent. In June 2009, the United Kingdom Court also ruled that the Company does not infringe the Cook patent and, further, that the Cook patent is invalid. Cook is appealing the judgments in Germany and the United Kingdom.

In addition, Edwards Lifesciences is or may be a party to, or may otherwise be responsible for, pending or threatened lawsuits related primarily to products and services currently or formerly manufactured or performed, as applicable, by Edwards Lifesciences. Such cases and claims raise difficult and complex factual and legal issues and are subject to many uncertainties, including, but not limited to, the facts and circumstances of each particular case or claim, the jurisdiction in which each suit is brought, and differences in applicable law. Upon resolution of any such legal matter or other claim, Edwards Lifesciences may incur charges in excess of established reserves. While any such charge could have a material adverse impact on Edwards Lifesciences' net income or cash flows in the period in which it is recorded or paid, management does not believe that any such charge relating to any currently pending lawsuit would have a material adverse effect on Edwards Lifesciences' financial position, results of operations, or liquidity.

Edwards Lifesciences is subject to various environmental laws and regulations both within and outside of the United States. The operations of Edwards Lifesciences, like those of other medical device companies, involve the use of substances regulated under environmental laws, primarily in manufacturing and sterilization processes. While it is difficult to quantify the potential impact of continuing compliance with environmental protection laws, management believes that such compliance

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will not have a material impact on Edwards Lifesciences' financial position, results of operations, or liquidity.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) (a)
April 1, 2009 through April 30, 2009	157,500	$ 58.97	157,500	$ 157.4
May 1, 2009 through May 31, 2009	150,000	63.20	150,000	147.9
June 1, 2009 through June 30, 2009	137,500	65.01	137,500	139.0
Total	445,000	62.26	445,000	

(a) On July 11, 2008, the Company announced that the Board of Directors approved a stock repurchase program authorizing the Company to purchase on the open market and in privately negotiated transactions up to $250.0 million of the Company's common stock.

Item 4. Submission of Matters to a Vote of Security Holders

The Company's annual meeting of stockholders was held on May 7, 2009. Each of the nominees for directors, as listed in the proxy statement, was elected with the number of votes set forth below:

	In Favor	Against	Abstain
Mike R. Bowlin	42,309,022	8,538,109	58,856
William J. Link, Ph.D	50,535,212	312,524	58,251
Barbara J. McNeil, M.D., Ph.D	42,323,663	8,521,041	61,283
Michael A. Mussallem	41,895,125	8,954,048	56,814

In addition, as of May 7, 2009, the following directors' terms of office are continuing:

John T. Cardis
Robert A. Ingram
David E.I. Pyott

The results of the other matters voted upon at the annual meeting are as follows:

	In Favor	Against	Abstain
Amendment and restatement of the Company's Long-Term Stock Incentive Compensation Program	33,571,149	13,689,335	113,746
Ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for fiscal year 2009	49,864,651	1,001,409	39,926

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Item 6. Exhibits

Exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index hereto and include the following:

10.14	2001 Employee Stock Purchase Plan for United States Employees (as amended and restated on July 9, 2009)
10.15	2001 Employee Stock Purchase Plan for International Employees (as amended and restated on July 9, 2009)
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURE

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.

	EDWARDS LIFESCIENCES CORPORATION (Registrant)
Date: August 7, 2009	By: /s/ THOMAS M. ABATE
	Thomas M. Abate *Corporate Vice President,* *Chief Financial Officer and Treasurer* *(Chief Accounting Officer)*

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EXHIBITS FILED WITH SECURITIES AND EXCHANGE COMMISSION

Exhibit No.	Description
10.14	2001 Employee Stock Purchase Plan for United States Employees (as amended and restated on July 9, 2009)
10.15	2001 Employee Stock Purchase Plan for International Employees (as amended and restated on July 9, 2009)
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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Ardentech Court

55,588

100.0
%
Ardenwood Venture (1)

72,500

83.2
%
Bayshore Boulevard

183,344

100.0
%
Bridgeview Technology Park I

201,567

87.6
%
Bridgeview Technology Park II

50,400

57.0
%
550 Broadway Street

71,239

100.0
%
Dumbarton Circle

44,000

100.0
%
Gateway Business Park

284,013

94.4
%
Industrial Road

175,144

100.0
%
Kaiser Drive

87,953

56.8
%
Pacific Industrial Center

305,026

71.9
%
Pacific Research Center North

661,245

66.1
%
Pacific Research Center South

423,246

62.3
%
Science Center at Oyster Point

204,887

100.0
%
Maryland

Beckley Street

77,225

100.0
%
9900 Belward Campus Drive

49,317

83.8
%
9901 Belward Campus Drive

57,152

99.9
%
9911 Belward Campus Drive

289,912

100.0
%
9920 Belward Campus Drive

51,181

100.0
%
9704 Medical Center Drive

122,600

100.0
%
9708-9714 Medical Center Drive (2)

92,124

17.4
%
1701 / 1711 Research Blvd (2)

104,743

100.0
%
Shady Grove Road

635,058

100.0
%
Tributary Street

91,592

100.0
%
50 West Watkins Mill Road

57,410

34.8
%
55 / 65 West Watkins Mill Road

82,405

100.0
%
San Diego

Balboa Avenue

35,344

100.0

%

32

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Bernardo Center Drive	61,286	100.0	%
Coast 9	164,074	75.3	%
4570 Executive Drive	125,219	85.3	%
Faraday Avenue	28,704	100.0	%
Gazelle Court	176,000	100.0	%
3525 John Hopkins Court	48,306	100.0	%
3545-3575 John Hopkins Court	72,192	84.6	%
6114-6154 Nancy Ridge Drive	196,557	100.0	%
6122-6126 Nancy Ridge Drive	68,000	100.0	%
6828 Nancy Ridge Drive	42,138	100.0	%
Pacific Center Boulevard	66,745	100.0	%
Road to the Cure	67,998	54.7	%
San Diego Science Center	105,364	72.9	%
10240 Science Center Drive	49,347	100.0	%
10255 Science Center Drive	53,740	100.0	%
Sorrento Plaza	31,184	100.0	%
Sorrento Valley Boulevard	54,924	100.0	%
11388 Sorrento Valley Road	35,940	100.0	%
Summers Ridge	—	100.0	%
Torreyana Road	81,204	100.0	%
9865 Towne Centre Drive	94,866	100.0	%
9885 Towne Centre Drive	104,870	100.0	%
Waples Street	50,055	100.0	%
Wateridge Circle	106,490	77.5	%
New York / New Jersey			
Ardsley Park	160,500	100.0	%
Graphics Drive	72,300	64.2	%
Landmark at Eastview	783,269	79.2	%
Landmark at Eastview II	360,520	100.0	%
One Research Way	49,421	—	
Pennsylvania			
Eisenhower Road	27,750	100.0	%
George Patterson Boulevard	71,500	100.0	%
King of Prussia	374,387	100.0	%
Phoenixville Pike	104,400	86.7	%
Spring Mill Drive	76,561	100.0	%
900 Uniqema Boulevard (3)	11,293	100.0	%
1000 Uniqema Boulevard (3)	59,821	—	
Seattle			
Elliott Avenue	151,194	59.7	%
530 Fairview Avenue	96,305	100.0	%
Monte Villa Parkway	51,000	37.5	%
217th Place	67,799	62.9	%
University Related - Other			
Granta Park (4)	472,234	99.5	%
Paramount Parkway (5)	61,603	100.0	%

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Patriot Drive (6)	48,394	82.0	%
Trade Centre Avenue (7)	78,023	100.0	%
Walnut Street (8)	149,984	100.0	%
Weston Parkway (9)	30,589	100.0	%
Total Consolidated Portfolio / Weighted-Average	12,719,565	89.2	%
Unconsolidated Portfolio:			
McKellar Court (10)	72,863	100.0	%
650 E. Kendall Street (Kendall B) (11)	280,000	45.0	%
350 E. Kendall Street Garage (Kendall F) (11)	1,409 Stalls	100.0	%
Total Portfolio / Weighted-Average	13,072,428	88.4	%

(1) We own an 87.5% membership interest in the limited liability company that owns this property.
(2) The property was under redevelopment at December 31, 2012.
(3) Located in New Castle, Delaware.
(4) Located in Cambridge, United Kingdom.
(5) Located in Morrisville, North Carolina.
(6) Located in Durham, North Carolina.
(7) Located in Longmont, Colorado.
(8) Located in Boulder, Colorado.
(9) Located in Cary, North Carolina.
(10) We own the general partnership interest in the limited partnership that owns the McKellar Court property, which entitles us to 75% of the extraordinary cash flows after repayment of the partners' capital contributions and 22% of the operating cash flows. The property is located in San Diego, California.
(11) We are a member of the limited liability companies that own a portfolio of properties in Cambridge, Massachusetts, which entitles us to approximately 20% of the operating cash flows.

Tenant Information

As of December 31, 2012, our consolidated and unconsolidated properties were leased to 214 tenants, and we estimate that 84% of our annualized base rent was derived from tenants that were research institutions or public companies or their subsidiaries. The following is a summary of our ten largest tenants based on percentage of our annualized base rent as of December 31, 2012:

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Tenant	Leased Square Feet	Annualized Base Rent Current (1) (In thousands)	Annualized Base Rent per Leased Sq Ft Current	Percent of Annualized Base Rent Current Total Portfolio		Lease Expiration
GlaxoSmithKline plc (2)	924,970	$44,483	$48.09	10.1	%	June 2026
Vertex Pharmaceuticals Incorporated (3)	685,286	34,260	49.99	7.8	%	Multiple
Beth Israel Deaconess Medical Center, Inc.	362,364	25,543	70.49	5.8	%	July 2023
Regeneron Pharmaceuticals, Inc.	632,550	25,528	40.36	5.8	%	July 2024
Elan Pharmaceuticals, Inc. (4)	382,977	24,807	64.77	5.6	%	Multiple
Sanofi (5)	418,003	19,470	46.58	4.4	%	Multiple
Ironwood Pharmaceuticals, Inc.	303,259	15,291	50.42	3.5	%	February 2018
Children’s Hospital Corporation (6)	200,081	13,853	69.24	3.2	%	May 2023
Merck & Co., Inc. (7)	175,893	9,343	53.12	2.1	%	Multiple
Janssen Biotech, Inc. (Johnson & Johnson)	374,387	9,002	24.04	2.0	%	April 2014
Total / weighted-average (8)	4,459,770	$221,580	$49.68	50.3	%	

(1) Based on current annualized base rent. Current annualized base rent is the monthly contractual rent as of the current period end, or if rent has not yet commenced, the first monthly rent payment due at each rent commencement date, multiplied by 12 months.

(2) The company’s tenant is Human Genome Sciences, a wholly-owned subsidiary of GlaxoSmithKline plc.

(3) 81,204 square feet are leased to a subsidiary of Vertex Pharmaceuticals Incorporated. 292,758 square feet expire January 2016, 20,608 square feet expire May 2017, 290,716 square feet expire May 2018, and 81,204 square feet expire January 2019.

(4) 122,992 square feet expire January 2013, 55,098 square feet expire December 2014, 115,888 square feet expire April 2024, and 88,999 square feet expire February 2025.

(5) 343,000 square feet expire August 2018 and 75,003 square feet expire October 2018.

(6) This tenant guarantees rent on 49,866 square feet leased at the Center for Life Science Boston.

(7) This tenant guarantees rent on 30,589 square feet leased at Weston Parkway. 145,304 square feet expire September 2013 and 30,589 square feet expire January 2014.

(8) Without regard to any early lease terminations and/or renewal options.

Lease Terms

Our leases are typically structured for terms of five to 15 years, with extension options, and include a fixed rental rate with scheduled annual escalations. From time to time, we offer rent concessions to new tenants, including periods of free rent or contractual rent discounted from prevailing market rates. Any decision to offer a rent concession, however, is made on a case-by-case basis after taking into account factors such as anticipated lease terms, general and local market conditions, local practices and tenant characteristics. Approximately 98.7% of current annualized base rent at December 31, 2012 was earned from triple-net leases. Triple-net leases are those in which tenants pay not only base rent, but also some or all real estate taxes and operating expenses of the leased property. Current annualized base rent is the monthly contractual rent as of the current quarter ended, or if rent has not yet commenced, the first monthly rent payment due at each rent commencement date, multiplied by twelve months. Tenants typically reimburse us for the full direct cost, without regard to a base year or expense stop, for use of lighting, heating and air conditioning, and certain capital improvements necessary to maintain the property in its original condition. We are generally responsible for structural repairs.

ITEM 3. LEGAL PROCEEDINGS

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Although we are involved in legal proceedings arising in the ordinary course of business, we are not currently a party to any legal proceedings nor is any legal proceeding threatened against us that we believe would have a material adverse effect on our financial position, results of operations or liquidity.

ITEM 4. MINE SAFETY DISCLOSURES
Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES (BIOMED REALTY TRUST, INC.)
BioMed Realty Trust, Inc.'s common stock has been listed on the New York Stock Exchange, or NYSE, under the symbol "BMR" since August 6, 2004. On February 5, 2013, the reported closing sale price per share for BioMed Realty Trust, Inc.'s common stock on the NYSE was $20.24 and there were approximately 305 holders of record. The following table sets forth, for the periods indicated, the high, low and last sale prices in dollars on the NYSE for our common stock and the distributions we declared per share.

Period	High	Low	Last	Cash Dividend per Common Share
First Quarter 2011	$19.19	$16.72	$19.02	$0.20
Second Quarter 2011	$20.86	$18.14	$19.24	$0.20
Third Quarter 2011	$21.03	$14.94	$16.57	$0.20
Fourth Quarter 2011	$18.95	$15.44	$18.08	$0.20
First Quarter 2012	$19.65	$17.72	$18.98	$0.215
Second Quarter 2012	$20.30	$17.52	$18.68	$0.215
Third Quarter 2012	$19.94	$18.10	$18.72	$0.215
Fourth Quarter 2012	$19.68	$18.19	$19.33	$0.235

Information about our equity compensation plans is incorporated by reference in Item 12 of Part III of this annual report on Form 10-K.
Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities (BioMed Realty, L.P.)
There is no established public trading market for BioMed Realty, L.P.'s OP units. As of February 5, 2013, there were 19 holders of record of BioMed Realty, L.P.'s OP units, including BioMed Realty Trust, Inc. The following table sets forth, for the periods indicated, the distributions we declared with respect to BioMed Realty, L.P.'s OP units for the periods indicated.

Period	Cash Distribution per Unit
First Quarter 2011	$0.20
Second Quarter 2011	$0.20
Third Quarter 2011	$0.20
Fourth Quarter 2011	$0.20
First Quarter 2012	$0.215
Second Quarter 2012	$0.215
Third Quarter 2012	$0.215
Fourth Quarter 2012	$0.235

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As of December 31, 2012, there were 156,907,606 operating partnership units and 352,970 LTIP units outstanding, and (1) there were no operating partnership units subject to outstanding options or warrants to purchase, (2) there were no securities convertible into BioMed Realty, L.P.'s operating partnership units and (3) there were no operating partnership units that have been, or are proposed to be, publicly offered by us. As of December 31, 2012, there were 156,728,491 operating partnership units which could be sold pursuant to Rule 144 under the Securities Act, subject to other restrictions on transfer in the securities laws or in BioMed Realty, L.P.'s partnership agreement. Currently, pursuant to the terms of BioMed Realty, L.P.'s partnership agreement, any transfer of OP units by the limited partners, except to us, as general partner, to an affiliate of the transferring limited partner, to other original limited partners, to immediate family members of the transferring limited partner, to a trust for the benefit of a charitable beneficiary, or to a lending institution as collateral for a bona fide loan, subject to specified limitations, will be subject to a right of first refusal by us and must be made only to "accredited investors" as defined under Rule 501 of the Securities Act.

We intend to continue to declare quarterly distributions on BioMed Realty, L.P.'s OP units and BioMed Realty Trust, Inc.'s common stock. The actual amount and timing of future distributions will be at the discretion of BioMed Realty Trust, Inc.'s board of directors and will depend upon our financial condition in addition to the requirements of the Code, and no assurance can be given as to the amounts or timing of future distributions. In addition, our credit facility and the indentures governing the Notes due 2016, the Notes due 2020 and the Notes due 2022 contain financial covenants which may limit our ability to pay distributions to BioMed Realty, L.P.'s unitholders and BioMed Realty Trust, Inc.'s common stockholders. We do not anticipate that our ability to pay distributions will be impaired by the terms of our credit facility, or the indentures governing the Notes due 2016, the Notes due 2020 and the Notes due 2022. However, there can be no assurances in that regard.

Sales of Unregistered Equity Securities

During 2012, BioMed Realty, L.P. issued operating partnership units in private placements in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, in the amounts and for the consideration set forth below.

During the year ended December 31, 2012, BioMed Realty Trust, Inc. issued, net of forfeitures, an aggregate of 179,115 shares of its common stock in connection with restricted stock awards under its incentive award plan for no cash consideration. For each share of common stock issued by BioMed Realty Trust, Inc. in connection with such an award, BioMed Realty, L.P. issued a restricted operating partnership unit to BioMed Realty Trust, Inc. During the year ended December 31, 2012, BioMed Realty, L.P. issued, net of forfeitures, an aggregate of 179,115 restricted operating partnership units to BioMed Realty Trust, Inc., as required by BioMed Realty, L.P.'s partnership agreement.

Stock Performance Graph

The following graph shows a comparison from December 31, 2007 to December 31, 2012 of cumulative total shareholder return, calculated on a dividend reinvested basis, for BioMed Realty Trust, Inc., the S&P 500 Stock Index, or the S&P 500, and the National Association of Real Estate Investment Trusts, Inc. Equity REIT Total Return Index, or the Industry Index, which includes all tax-qualified equity REITs listed on the NYSE. The graph assumes $100 was invested in each of BioMed Realty Trust, Inc.'s common stock, the S&P 500 and the Industry Index on December 31, 2007. Data points on the graph are annual. Note that historic stock price performance is not necessarily indicative of future stock price performance.

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ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth selected consolidated financial and operating data on an historical basis for BioMed Realty Trust, Inc. and BioMed Realty, L.P. The following data should be read in conjunction with our financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included below in this report. Certain prior year amounts have been reclassified to conform to the current year presentation.

BIOMED REALTY TRUST, INC.
(Dollars in thousands, except share data)

	Years Ended December 31,				
	2012	2011	2010	2009	2008
Statements of Operations:					
Revenues:					
Total revenues	$518,167	$438,200	$383,629	$358,193	$299,014
Expenses:					
Rental operations	152,219	128,146	111,900	104,246	84,151
Depreciation and amortization	196,844	142,319	114,788	109,007	83,614
General and administrative	38,025	30,966	25,901	22,455	22,659
Acquisition-related expenses	13,077	1,099	3,053	464	175
Total expenses	400,165	302,530	255,642	236,172	190,599
Income from operations	118,002	135,670	127,987	122,021	108,415
Equity in net loss of unconsolidated partnerships	(1,389)	(2,489)	(1,645)	(2,390)	(1,200)

Interest expense, net	(99,608)	(89,181)	(86,073)	(64,690)	(40,687)
Other (expense) / income	(872)	(1,760)	(2,658)	3,467	(5,165)
Income from continuing operations	16,133	42,240	37,611	58,408	61,363
(Loss) / income from discontinued operations	(4,370)	474	1,703	1,782	1,768
Net income	11,763	42,714	39,314	60,190	63,131
Net loss / (income) attributable to noncontrolling interests	62	(525)	(498)	(1,468)	(2,077)
Net income attributable to the Company	11,825	42,189	38,816	58,722	61,054
Preferred stock dividends	(14,603)	(16,033)	(16,963)	(16,963)	(16,963)
Cost on redemption of preferred stock	—	(165)	—	—	—
Net (loss) / income available to common stockholders	$(2,778)	$25,991	$21,853	$41,759	$44,091
Income from continuing operations per share available to stockholders:					
Basic and diluted earnings per share	$—	$0.19	$0.17	$0.43	$0.59
Net (loss) / income per share available to common stockholders:					
Basic and diluted earnings per share	$(0.03)	$0.19	$0.19	$0.45	$0.61
Weighted-average shares outstanding:					
Basic	152,752,086	132,625,915	112,698,704	91,011,123	71,684,244
Diluted	155,700,387	135,609,843	115,718,199	91,851,002	75,408,153
Cash dividends declared per common share	$0.88	$0.80	$0.63	$0.70	$1.34
Cash dividends declared per preferred share	$1.84	$1.84	$1.84	$1.84	$1.84
Balance Sheet Data (at period end):					
Investments in real estate, net	$4,319,716	$3,950,246	$3,536,114	$2,971,767	$2,960,429
Total assets	4,834,479	4,428,545	3,959,754	3,283,274	3,229,314
Total indebtedness	2,169,285	1,681,425	1,497,465	1,361,805	1,341,099
Total liabilities	2,349,938	1,816,349	1,646,858	1,459,342	1,591,365
Total equity	2,484,541	2,612,196	2,312,896	1,823,932	1,637,949
Other Data:					
Cash flows from / (used in):					
Operating activities	238,235	175,031	161,895	144,128	115,046
Investing activities	(537,982)	(604,331)	(710,986)	(156,666)	(218,661)
Financing activities	303,285	424,244	550,636	11,038	111,558

BIOMED REALTY, L.P.
(Dollars in thousands, except unit data)

	Years Ended December 31,				
	2012	2011	2010	2009	2008
Statements of Operations:					
Revenues:					
Total revenues	$518,167	$438,200	$383,629	$358,193	$299,014
Expenses:					
Rental operations	152,219	128,146	111,900	104,246	84,151
Depreciation and amortization	196,844	142,319	114,788	109,007	83,614
General and administrative	38,025	30,966	25,901	22,455	22,659

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Acquisition-related expenses	13,077	1,099	3,053	464	175
Total expenses	400,165	302,530	255,642	236,172	190,599
Income from operations	118,002	135,670	127,987	122,021	108,415
Equity in net loss of unconsolidated partnerships	(1,389)	(2,489)	(1,645)	(2,390)	(1,200)
Interest expense, net	(99,608)	(89,181)	(86,073)	(64,690)	(40,687)
Other (expense) / income	(872)	(1,760)	(2,658)	3,467	(5,165)
Income from continuing operations	16,133	42,240	37,611	58,408	61,363
(Loss) / income from discontinued operations	(4,370)	474	1,703	1,782	1,768
Net income	11,763	42,714	39,314	60,190	63,131
Net loss attributable to noncontrolling interests	8	44	48	64	9
Net income attributable to the operating partnership	11,771	42,758	39,362	60,254	63,140
Preferred unit dividends	(14,603)	(16,033)	(16,963)	(16,963)	(16,963)
Cost on redemption of preferred units	—	(165)	—	—	—
Net (loss) / income available to the operating partnership	$(2,832)	$26,560	$22,399	$43,291	$46,177
Income from continuing operations per unit available to unitholders:					
Basic and diluted earnings per unit	$—	$0.19	$0.17	$0.43	$0.59
Net (loss) / income per unit available to unitholders:					
Basic and diluted earnings per unit	$(0.03)	$0.19	$0.19	$0.45	$0.61
Weighted-average units outstanding:					
Basic	155,670,931	135,549,934	115,572,569	94,005,382	74,753,230
Diluted	155,670,931	135,549,934	115,572,569	94,005,382	75,408,153
Cash distributions declared per unit	$0.88	$0.80	$0.63	$0.70	$1.34
Cash distributions declared per preferred unit	$1.84	$1.84	$1.84	$1.84	$1.84
Balance Sheet Data (at period end):					
Investments in real estate, net	$4,319,716	$3,950,246	$3,536,114	$2,971,767	$2,960,429
Total assets	4,834,479	4,428,545	3,959,754	3,283,274	3,229,314
Total indebtedness	2,169,285	1,681,425	1,497,465	1,361,805	1,341,099
Total liabilities	2,349,938	1,816,349	1,646,858	1,459,342	1,591,365
Total capital	2,484,541	2,612,196	2,312,896	1,823,932	1,637,949
Other Data:					
Cash flows from / (used in):					
Operating activities	238,235	175,031	161,895	144,128	115,046
Investing activities	(537,982)	(604,331)	(710,986)	(156,666)	(218,661)
Financing activities	303,285	424,244	550,636	11,038	111,558

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. We make statements in this section that are forward-looking statements within the meaning of the federal securities laws. For a complete discussion of forward-looking statements, see the section above entitled

"Item 1. Business — Forward-Looking Statements." Certain risk factors may cause our actual results, performance or achievements to

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differ materially from those expressed or implied by the following discussion. For a discussion of such risk factors, see the section above entitled “Item 1A. Risk Factors.”

Overview

As used herein, the terms “we,” “us,” “our” or the “Company” refer to BioMed Realty Trust, Inc., a Maryland corporation, and any of our subsidiaries, including BioMed Realty, L.P., a Maryland limited partnership of which BioMed Realty Trust, Inc. is the parent company and general partner, which may be referred to herein as the “operating partnership.” BioMed Realty Trust, Inc. conducts its business and owns its assets through the operating partnership and operates as a fully integrated, self-administered and self-managed REIT. The operating partnership is 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 properties are generally located in markets with well-established reputations as centers for scientific research, including Boston, San Francisco, Maryland, San Diego, New York/New Jersey, Pennsylvania and Seattle.

We were formed on April 30, 2004 and completed BioMed Realty Trust, Inc.’s initial public offering on August 11, 2004.

At December 31, 2012, we owned or had interests in a portfolio of properties with an aggregate of approximately 13.1 million rentable square feet.

Factors Which May Influence Future Operations

Our long-term 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 December 31, 2012, our total operating portfolio was 92.1%, leased on a weighted-average basis, to 209 tenants. As of December 31, 2011, our total operating portfolio was 90.2%, leased on a weighted-average basis, to 170 tenants. The increase in the leased percentage was due to an increase in leased square feet related to increased leasing activity, a fully leased property placed into service from redevelopment and acquisitions of highly-leased properties.

Our leasing strategy for 2013 focuses on leasing vacant space, negotiating renewals for leases scheduled to expire during the year, and identifying new tenants or existing tenants seeking additional space to occupy the spaces for which we are unable to negotiate such renewals. We may proceed with additional new developments and acquisitions, as real estate and capital market conditions permit. As of December 31, 2012, leases representing 728,000 of our leased square feet are scheduled to expire during 2013. The success of our leasing and development strategy depends on, among other things, the general economic conditions, real estate market conditions and life science industry trends in our target markets in the United States and United Kingdom.

As a result of changing market conditions and the recent economic recession, we believe that the fair-values of some of our properties may have declined below their respective carrying values. However, to the extent that a property has a substantial remaining estimated useful life and management does not believe that the property will be disposed of prior to the end of its useful life, it would be unusual for undiscounted cash flows to be insufficient to recover the property’s carrying value. During the year ended December 31, 2012, we disposed of one property in an exchange with a third party for another operating property. As the carrying value of the property disposed of was less than the consideration received in exchange, an impairment loss was recorded. We presently have the ability and intent to continue to own and operate our existing portfolio of properties and estimated undiscounted future cash flows from the operation of the properties are expected to be sufficient to recover the carrying value of each property. Accordingly, we do not believe that the carrying value of any of our other properties is impaired. If our ability and/or our intent with regard to the operation of our properties otherwise dictate an earlier sale date, an additional impairment loss may be recognized to reduce the property to fair-value and such loss could be material.

Lease Expirations

The following is a summary of lease expirations over the next ten calendar years for leases in place at December 31, 2012. This table assumes that none of the tenants exercise renewal options or early termination rights, if any, at or prior to the scheduled expirations:

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Year of Lease Expiration	Leased Square Feet	Percent of Leased Square Feet		Current Annualized Base Rent (In thousands)	Percent of Current Annualized Base Rent		Current Annualized Base Rent per Leased Square Feet
Month-to-month	5,667	—		$148	—		$26.12
2013	727,878	6.3	%	29,077	6.6	%	39.95
2014	742,266	6.4	%	21,584	4.9	%	29.08
2015	488,424	4.2	%	16,224	3.7	%	33.22
2016	1,005,967	8.7	%	37,246	8.5	%	37.03
2017	459,935	4.0	%	13,535	3.1	%	29.43
2018	1,714,946	14.8	%	71,716	16.3	%	41.82
2019	600,955	5.2	%	18,625	4.2	%	30.99
2020	797,026	6.9	%	31,498	7.2	%	39.52
2021	679,533	5.9	%	18,906	4.3	%	27.82
2022	587,791	5.1	%	14,135	3.2	%	24.05
Thereafter	3,739,219	32.5	%	166,441	38.0	%	44.51
Total Portfolio / Weighted-Average	11,549,607	100.0	%	$439,135	100.0	%	$38.02

The success of our leasing and development strategy will be dependent upon the general economic conditions and more specifically real estate market conditions and life science industry trends in the United States and in our target markets of Boston, San Francisco, Maryland, San Diego, New York/New Jersey, Pennsylvania and Seattle and research parks near or adjacent to universities. We cannot give any assurance that leases will be renewed or that available space will be released at rental rates equal to or above the current contractual rental rates or at all.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to use judgment in the application of accounting policies, including making estimates and assumptions. We base our estimates on historical experience and on various other assumptions believed to be reasonable under the circumstances. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied resulting in a different presentation of our financial statements. On an ongoing basis, we evaluate our estimates and assumptions. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current information. Below is a discussion of accounting policies that we consider critical in that they address the most material parts of our financial statements, require complex judgment in their application or require estimates about matters that are inherently uncertain.

Investments in Real Estate

Investments in real estate are carried at depreciated cost. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	Remaining useful life, not to exceed 40 years
Tenant improvements	Shorter of the useful lives or the terms of the related leases
Furniture, fixtures, and equipment	3 to 5 years
Acquired in-place leases	Non-cancelable term of the related lease
Acquired management agreements	Non-cancelable term of the related agreement

Our estimates of useful lives have a direct impact on our net income. If expected useful lives of our investments in real estate were shortened, we would depreciate the assets over a shorter time period, resulting in an increase to depreciation expense and a corresponding decrease to net income on an annual basis.

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Management must make significant assumptions in determining the value of assets and liabilities acquired. The use of different assumptions in the allocation of the purchase cost of the acquired properties could affect the timing of recognition of the related revenue and expenses. The fair-value of tangible assets of an acquired property (which includes land, buildings and improvements) is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land, buildings and improvements based on management's determination of the relative fair-value of these assets. Factors considered by us in performing these analyses include an estimate of the carrying costs during the expected lease-up periods, current market conditions, and costs to execute similar leases. In estimating carrying costs, we include real estate taxes, insurance and other operating expenses, and estimates of lost rental revenue during the expected lease-up periods based on current market demand.

The aggregate value of other acquired intangible assets consisting of acquired in-place leases and acquired management agreements are recorded based on a variety of considerations including, but not necessarily limited to: (1) the value associated with avoiding the cost of originating the acquired in-place leases (i.e. the market cost to execute a lease, including leasing commissions and legal fees, if any); (2) the value associated with lost revenue related to tenant reimbursable operating costs estimated to be incurred during the assumed lease-up period (i.e. real estate taxes and insurance); and (3) the value associated with lost rental revenue from existing leases during the assumed lease-up period (see discussion of the recognition of acquired above-market and below-market leases in the section entitled "Revenue Recognition, Operating Expenses and Lease Terminations" below). The fair-value assigned to the acquired management agreements are recorded at the present value (using a discount rate which reflects the risks associated with the management agreements acquired) of the acquired management agreements with certain tenants of the acquired properties. The values of in-place leases and management agreements are amortized to expense over the remaining non-cancelable period of the respective leases or agreements. If a lease were to be terminated or if termination is determined to be likely (e.g., in the case of a tenant bankruptcy) prior to its contractual expiration, amortization of all unamortized amounts related to that lease would be accelerated and such amounts written off.

Costs incurred in connection with the development or construction of properties and improvements are capitalized. Capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other direct costs incurred during the period of development. We capitalize costs on land and buildings under development until construction is substantially complete and the property is held available for occupancy. The determination of when a development project is substantially complete and when capitalization must cease involves a degree of judgment. We consider a construction project as substantially complete and held available for occupancy upon the completion of landlord-owned tenant improvements or when the lessee takes possession of the unimproved space for construction of its own improvements, but no later than one year from cessation of major construction activity. We cease capitalization on the portion substantially completed and occupied or held available for occupancy, and capitalize only those costs associated with any remaining portion under construction. Costs associated with acquisitions are charged to expense as incurred.

Repair and maintenance costs are charged to expense as incurred and significant replacements and betterments are capitalized. Repairs and maintenance costs include all costs that do not extend the useful life of an asset or increase its operating efficiency. Significant replacement and betterments represent costs that extend an asset's useful life or increase its operating efficiency.

When circumstances such as adverse market conditions indicate a possible impairment of the value of a property, we review the recoverability of the property's carrying value. 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. We are required to make subjective assessments as to whether there are impairments in the values of our investments in long-lived assets. These assessments have a direct impact on our 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 our strategy is to hold our properties over the long-term, if our strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized to reduce the property to fair-value and such loss could be material. If we determine that impairment has occurred, the affected assets must be reduced to their fair-value.

Revenue Recognition, Operating Expenses and Lease Terminations

We commence revenue recognition on our leases based on a number of factors. In most cases, revenue recognition under a lease begins when the lessee takes possession of or controls the physical use of the leased asset. Generally, this occurs on the lease commencement date. In determining what constitutes the leased asset, we evaluate whether we or the lessee is the owner, for accounting purposes, of the tenant improvements. If we are the owner, for accounting purposes, of the tenant improvements, then the leased asset is the finished space and revenue recognition begins when the lessee takes possession of the finished space, typically when the improvements are substantially complete. If we conclude that we are not the owner, for accounting purposes,

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of the tenant improvements (the lessee is the owner), then the leased asset is the unimproved space and any tenant improvement allowances funded under the lease are treated as lease incentives, which reduce revenue recognized on a straight-line basis over the remaining non-cancelable term of the respective lease. In these circumstances, we begin revenue recognition when the lessee takes possession of the unimproved space for the lessee to construct improvements. The determination of who is the owner, for accounting purposes, of the tenant improvements determines the nature of the leased asset and when revenue recognition under a lease begins. We consider a number of different factors to evaluate whether we or the lessee is the owner of the tenant improvements for accounting purposes. These factors include:

- whether the lease stipulates how and on what a tenant improvement allowance may be spent;
- whether the tenant or landlord retain legal title to the improvements;
- the uniqueness of the improvements;
- the expected economic life of the tenant improvements relative to the length of the lease;
- the responsible party for construction cost overruns; and
- who constructs or directs the construction of the improvements.

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

All leases are classified as operating leases and minimum rents are recognized on a straight-line basis over the term of the related lease. The excess of rents recognized over amounts contractually due pursuant to the underlying leases is included in accrued straight-line rents on the accompanying consolidated balance sheets and contractually due but unpaid rents are included in accounts receivable. Existing leases at acquired properties are reviewed at the time of acquisition to determine if contractual rents are above or below current market rents for the acquired property. An identifiable lease intangible asset or liability is recorded based on the present value (using a discount rate that reflects the risks associated with the acquired leases) of the difference between (1) the contractual amounts to be paid pursuant to the in-place leases and (2) our estimate of the fair market lease rates for the corresponding in-place leases at acquisition, measured over a period equal to the remaining non-cancelable term of the leases and any fixed rate renewal periods. The capitalized above-market lease values are amortized as a reduction of rental income over the remaining non-cancelable terms of the respective leases. The capitalized below-market lease values are amortized as an increase to rental income over the remaining non-cancelable terms of the respective leases. If a lease were to be terminated or if termination were determined to be likely (e.g., in the case of a tenant bankruptcy) prior to its contractual expiration, amortization of the related unamortized above or below market lease intangible would be accelerated and such amounts written off.

Rental operations expenses, consisting of real estate taxes, insurance and common area maintenance costs, are subject to recovery from tenants under the terms of our lease agreements. Amounts recovered are dependent on several factors, including occupancy and lease terms. Revenues are recognized in the period the expenses are incurred. The reimbursements are recorded in revenues as tenant recoveries, and the expenses are recorded in rental operations expenses, as the Company is generally the primary obligor with respect to purchasing goods and services from third-party suppliers, has discretion in selecting the supplier and bears the credit risk.

On an ongoing basis, we evaluate the recoverability of tenant balances, including rents receivable, straight-line rents receivable, tenant improvements, deferred leasing costs and any acquisition intangibles. When it is determined that the recoverability of tenant balances is not probable, an allowance for expected losses related to tenant receivables, including straight-line rents receivable is recorded as a charge to earnings. Upon the termination of a lease, the amortization of tenant improvements, deferred leasing costs and acquisition intangible assets and liabilities is accelerated to the expected termination date as a charge to their respective line items and tenant receivables are written off as a reduction of the allowance in the period in which the balance is deemed to be no longer collectible. For financial reporting purposes, a lease is treated as terminated upon a tenant filing for bankruptcy, when a space is abandoned and a tenant ceases rent payments, or when other circumstances indicate that termination of a tenant's lease is probable (e.g., eviction). Lease termination fees are recognized in other revenue when the related leases are canceled, the amounts to be received are fixed and determinable and collectability is assured, and when we have no continuing obligation to provide services to such former tenants.

Investments in Partnerships and Limited Liability Companies

We evaluate our investments in limited liability companies and partnerships to determine whether such entities may be a variable interest entity, or VIE, and, if a VIE, whether we are the primary beneficiary. Generally, an entity is determined to be a VIE when either (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest, (2) the

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equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The primary beneficiary is the entity that has both (1) the power to direct matters that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. We consider a variety of factors in identifying the entity that holds the power to direct matters that most significantly impact the VIE's economic performance including, but not limited to, the ability to direct financing, leasing, construction and other operating decisions and activities. In addition, we consider the rights of other investors to participate in policy making decisions, to replace or remove the manager of the entity and to liquidate or sell the entity. The obligation to absorb losses and the right to receive benefits when a reporting entity is affiliated with a VIE must be based on ownership, contractual, and/or other pecuniary interests in that VIE. We have determined that we are 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.

If the above conditions do not apply, we consider whether a general partner or managing member controls a limited partnership or limited liability company, respectively. The general partner in a limited partnership or managing member in a limited liability company is presumed to control that limited partnership or limited liability company, as applicable. The presumption may be overcome if the limited partners or members have either (1) the substantive ability to dissolve the limited partnership or limited liability company, as applicable, or otherwise remove the general partner or managing member, as applicable, without cause or (2) substantive participating rights, which provide the limited partners or members with the ability to effectively participate in significant decisions that would be expected to be made in the ordinary course of the limited partnership's or limited liability company's business, as applicable, and thereby preclude the general partner or managing member from exercising unilateral control over the partnership or limited liability company, as applicable. If these criteria are met and we are the general partner or the managing member, as applicable, the consolidation of the partnership or limited liability company is required.

Except for investments that are consolidated, we account for investments in entities over which we exercise significant influence, but do not control, under the equity method of accounting. These investments are recorded initially at cost and subsequently adjusted for equity in earnings and cash contributions and distributions. Under the equity method of accounting, our net equity in the investment is reflected in the consolidated balance sheets and its share of net income or loss is included in our consolidated statements of income.

On a periodic basis, management assesses whether there are any indicators that the carrying value of our investments in unconsolidated partnerships or limited liability companies may be impaired on a more than temporary basis. An investment is impaired only if management's estimate of the fair-value of the investment is less than the carrying value of the investment on a more than temporary basis. To the extent impairment has occurred, the loss is measured as the excess of the carrying value of the investment over the fair-value of the investment. Management does not believe that the value of any of our unconsolidated investments in partnerships or limited liability companies was impaired as of December 31, 2012.

Assets and Liabilities Measured at Fair-Value

We measure financial instruments and other items at fair-value where required under GAAP, but have elected not to measure any additional financial instruments and other items at fair-value as permitted under fair-value option accounting guidance.

Fair-value measurement is determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair-value measurements, there is a fair-value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair-value measurement is based on inputs from different levels of the fair-value hierarchy, the level in the fair-value hierarchy within which the entire fair-value measurement falls is based on the lowest level input that is significant to the fair-value measurement in its entirety. Our assessment of the significance of a particular input to the fair-value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

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

Derivative Instruments

We record all derivatives on the consolidated balance sheets at fair-value. In determining the fair-value of our derivatives, we consider our credit risk and that of our counterparties. These counterparties are generally larger financial institutions engaged in providing a variety of financial services. These institutions generally face similar risks regarding adverse changes in market and economic conditions, including, but not limited to, fluctuations in interest rates, exchange rates, equity and commodity prices and credit spreads. The ongoing disruptions in the financial markets have heightened the risks to these institutions. While management believes that our counterparties will meet their obligations under the derivative contracts, it is possible that defaults may occur.

The accounting for changes in the fair-value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair-value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair-value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair-value of the hedged asset or liability that are attributable to the hedged risk in a fair-value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain of our risks, even though hedge accounting does not apply or we elect not to apply hedge accounting.

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 transaction affects earnings. If charges relating to the hedged transaction are being deferred pursuant to redevelopment or development activities, the effective portion of changes in the fair-value of the derivative are also deferred in other comprehensive income, and are amortized to the income statement once the deferred charges from the hedged transaction begin again to affect earnings. The ineffective portion of changes in the fair-value of the derivative is recognized directly in earnings. We assess the effectiveness of each hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged item or transaction. For derivatives that are not classified as hedges, changes in the fair-value of the derivative are recognized directly in earnings in the period in which the change occurs.

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

Our primary objective in using derivatives is to add stability to interest expense and to manage our exposure to interest rate movements or other identified risks. To accomplish this objective, we primarily use interest rate swaps as part of our 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 principal amount. During the years ended December 31, 2012, 2011 and 2010, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt and future variability in the interest-related cash flows from forecasted issuances of debt (see Note 9 of the Notes to Consolidated Financial Statements included elsewhere herein). We formally document the hedging relationships for all derivative instruments, have historically accounted for our interest rate swap agreements as cash flow hedges, and do not use derivatives for trading or speculative purposes.

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Results of Operations
Leasing Activity

During the year ended December 31, 2012, we executed 97 leasing transactions representing approximately 1.8 million square feet, including 61 new leases totaling approximately 1.1 million square feet and 36 leases were amended to extend their terms totaling 703,000 square feet. The following table summarizes our leasing activity, including leasing activity in our unconsolidated portfolio, during the year ended December 31, 2012:

	Leased Square Feet	Current annualized base rent per leased square foot (1)	Current annualized base rent per leased square foot - GAAP basis (2)
Leased square feet as of December 31, 2011	10,075,859		
Acquisitions	937,523	$32.67	$33.82
Dispositions	(121,008)	9.48	9.54
Expirations	(1,145,305)	35.81	32.21
Terminations	(66,545)	27.50	25.81
Pre-leased delivery	109,127	26.08	26.15
Renewals, amendments, and extensions	703,231	33.44	31.78
New leases - first generation (3)	781,766	30.61	30.67
New leases - second generation (4)	274,959	31.24	32.54
Leased square feet as of December 31, 2012	11,549,607		
Pre-leased square feet as of December 31, 2011	143,707		
Pre-leased new leases - first generation (3)	8,712	$—	$—
Pre-leased new leases - second generation (4)	40,641	25.22	0.22
Pre-leased delivery	(109,127)	26.08	26.15
Pre-leased cancellations	(12,922)	28.50	28.50
Pre-leased square feet as of December 31, 2012	71,011		

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(1) Current annualized base rent per leased square foot is the monthly contractual rent per leased square foot as of the period end, or if rent has not yet commenced, the first monthly rent payment per leased square foot due at each rent commencement date, multiplied by 12 months.

(2) Current annualized base rent per leased square foot - GAAP basis is the monthly contractual rent per square foot as of the period end, or if rent has not yet commenced, the first monthly rent payment per square foot due at each rent commencement date, multiplied by 12 months (as adjusted for straight line rent, fair-value lease revenue, and lease incentive revenue).

(3) Leases on space which, in management’s evaluation, require significant improvements to prepare or condition the premises for its intended purpose or enhance the value of the property. This generally includes capital expenditures for development, redevelopment or repositioning a property.

(4) Leases which are not considered by management to be first generation leases.

The following table summarizes our leasing activity and associated leasing costs for the year ended December 31, 2012:

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	Number of leases	Square feet	Tenant improvement costs per square foot	Lease commission costs per square foot	Tenant concession costs per square foot (1)
Renewals, amendments, and extensions (2)	36	703,231	$7.15	$3.86	$10.40
New leases - first generation	29	790,478	52.47	10.32	17.82
New leases - second generation	32	315,600	26.84	6.62	5.81
Total / weighted-average	97	1,809,309	$30.38	$7.16	$12.83

(1) Includes both rent concessions due to free or discounted rent periods and lease incentives paid to tenants.

(2) Renewals, amendments and extensions were leased at a weighted-average current annualized base rent of $32.62 per square foot, representing an increase of 4.2% over the previously expiring rents on a GAAP basis, excluding renewals of leases with tenants experiencing financial difficulties for which we were not previously recognizing revenue, or tenants that have been given concessions on a temporary basis as they are relocated into new leases at other properties.

Redevelopment/Development Activity

We are actively engaged in the redevelopment and development of certain properties in our portfolio. We believe that these activities will ultimately result in a return on our additional investment once the redevelopment and development activities have been completed and the properties are leased. However, redevelopment and development activities involve inherent risks and assumptions relating to our ability to fully lease the properties. Our objective is to have these properties fully leased upon completion of the construction activities. However, our ability to fully lease the properties may be adversely affected by changing market conditions, including periods of economic slowdown or recession, rising interest rates, declining demand for life science office and laboratory space, local oversupply of real estate assets, or competition from others, any of which may diminish our opportunities for leasing the property on favorable terms or at all. In addition, we may fail to retain tenants that have leased our properties, or may face significant monetary penalties, if we do not complete the construction of these properties in a timely manner or to the tenants' specifications. Further, our competitors with greater resources may have more flexibility than we do in their ability to offer rental concessions to attract tenants to their properties, which could put pressure on our ability to attract tenants at rental rates that will provide an expected return on our additional investment in these properties. As a result, we may be unable to fully lease some of our redevelopment/development properties in a timely manner upon the completion of major construction activities.

We also rely on external sources of debt and equity funding to provide capital for our redevelopment and development projects. Although we believe that we currently have sufficient borrowing capacity and will be able to obtain additional funding as necessary, we may be unable to obtain financing on reasonable terms (or at all) or we may be forced to seek alternative sources of potentially less attractive financing, which may require us to adjust our business and construction plans accordingly. Further, we may spend more time or money than anticipated to redevelop or develop our properties due to delays or refusals in obtaining all necessary zoning, land use, building, occupancy and other required governmental permits and authorizations or other unanticipated delays in the construction.

The following summarizes our consolidated properties under redevelopment, pre-development or other construction activities at December 31, 2012 (dollars in thousands):

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Property	Rentable Square Feet	Percent Leased	Investment to Date (1)	Estimated Total Investment (2)	Estimated In-Service Date (3)
Redevelopment					
9708-9714 Medical Center Drive	92,124	17.4 %	$29,400	$29,400	Q1 2013
1701 / 1711 Research Blvd	104,743	100.0 %	13,300	28,200	Q4 2013
Total / weighted-average	196,867	61.4 %	$42,700	$57,600	
Other capital improvements (4)			$71,800		
Pre-development					
Eccles Avenue	260,000	—	$29,100		
4775 / 4785 Executive Drive	275,000	—	29,600		
500 Fairview Avenue	108,000	—	1,600		
450 Kendall Street (Kendall G)	53,000	—	10,100		
Total / weighted-average	696,000	—	$70,400		
Total			$184,900		

(1) Includes amounts paid for acquiring the property, landlord improvements and tenant improvement allowances, but for redevelopment properties excludes any amounts accrued, and payroll, interest or operating expenses capitalized, through December 31, 2012.

(2) Excludes costs associated with speculative leasing. Pre-development only includes amounts related to basis, planning, entitlement, or other preparations for future construction and excludes amounts for total estimated future construction costs.

(3) Management's estimate of the time in which construction will be substantially completed. A project is considered substantially complete and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity.

(4) Includes improvements on operating properties, including major tenant improvement projects on properties which are not considered to be in redevelopment or pre-development as of December 31, 2012.

The following summarizes our capital expenditures during the years ended December 31, 2012 and 2011 (dollars in thousands):

	Year Ended December 31, 2012	2011	Change	Percent Change
Development / Pre-development	$5,397	$34,416	$(29,019)	(84.3)%
Redevelopment	22,963	13,471	9,492	70.5 %
Tenant improvements - first generation	63,825	31,074	32,751	105.4 %
Recurring capital expenditures and second generation tenant improvements (1)	14,822	10,362	4,460	43.0 %
Other capital	31,863	54,031	(22,168)	(41.0)%

Total capital expenditures	$138,870	$143,354	$(4,484)	(3.1)%

(1) Recurring capital expenditures exclude (a) items associated with the expansion of a building or its improvements, (b) renovations to a building which change the underlying classification of the building, incurred to prepare or condition the

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premises for its intended purpose (for example, from office to laboratory) or (c) capital improvements that represent an addition to the property rather than the replacement of property, plant or equipment. Includes revenue enhancing and non-revenue enhancing recurring capital expenditures.

Total capital expenditures decreased $4.5 million to $138.9 million for the year ended December 31, 2012 from $143.4 million for the year ended December 31, 2011. The change was primarily the result of the placement into service of a development property that was under development in 2011 totaling 176,000 square feet and less small scale capital expenditures throughout our portfolio, partially offset by increased tenant improvement requirements related to increased leasing activity. See the section entitled "Liquidity and Capital Resources of BioMed Realty, L.P." below for further information on obligations for capital expenditures expected to be incurred in the future.

Acquisition Activity

During the year ended December 31, 2012, we acquired 1.0 million rentable square feet of laboratory and office space, which was 93.3% leased at acquisition on a weighted-average basis, and approximately 138,000 square feet of development potential for approximately $436.4 million:

Property	Market	Closing Date	Rentable Square Feet(1)	Investment	Percent Leased at Acquisition	
				(In thousands)		
Cambridge Place (2)	Boston	February 9, 2012	286,878	$119,000	80.2	%
6122-6126 Nancy Ridge Drive	San Diego	April 25, 2012	68,000	20,000	100.0	%
550 Broadway Street	San Francisco	April 27, 2012	71,239	28,000	100.0	%
Summers Ridge (3)	San Diego	June 8, 2012	—	47,184	100.0	%
Granta Park (4)	University Related - Other	June 12, 2012	472,234	196,044	99.5	%
Belward Campus (5)	Maryland	July 18, 2012	106,469	26,170	92.5	%
Total / weighted-average			1,004,820	$436,398	93.3	%

(1) Rentable square feet at time of acquisition.
(2) Includes 210 Broadway, 50 Hampshire Street and 60 Hampshire Street properties.
(3) Includes vacant land subject to a 20 year ground lease signed concurrent with acquisition.
(4) Located in the United Kingdom, the property was acquired for £126.8 million. U.S. dollar amounts are based on the exchange rate of $1.55 to £1.00 in effect on the date of acquisition.
(5) Includes 9900 Belward Campus Drive and 9901 Belward Campus Drive properties.

Comparison of the Year Ended December 31, 2012 to the Year Ended December 31, 2011

The following table sets forth historical financial information of the continuing operations for same properties (all properties except properties held for sale, redevelopment/development properties, new properties and corporate entities), redevelopment/development properties (properties that were entirely or primarily under redevelopment or development during either of the years ended December 31, 2012 or 2011), new properties (properties that were not owned for each of the years ended December 31, 2012 and 2011 and were not under redevelopment/development) and corporate entities (legal entities performing general and administrative and other corporate level functions) (dollars in thousands, except on a per square foot basis):

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	Same Properties		Redevelopment/Development Properties		New Properties		Corporate		Total	
	December 31,									
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Rentable square feet	10,462,400	10,462,400	533,367	533,367	1,723,798	718,978	N/A	N/A	12,719,565	11,714,745
Percent of total portfolio	82.2 %	89.3 %	4.2 %	4.6 %	13.6 %	6.1 %	N/A	N/A	100.0 %	100.0 %
Percent leased	88.4 %	84.6 %	85.7 %	86.9 %	95.1 %	78.2 %	N/A	N/A	88.2 %	84.8 %
Current annualized base rent per square foot - GAAP basis (1)	$37.89	$38.20	$34.57	$33.88	$42.77	$50.05	N/A	N/A	$38.46	$43.57
	Year Ended December 31,									
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Rental revenue	$329,059	$321,763	$11,060	$5,868	$52,499	$1,816	$10	$7	$392,628	$329,454
Tenant recoveries	103,011	99,405	2,413	731	15,243	656	126	1,173	120,793	101,965
Other income	480	6,696	—	—	3,222	—	1,044	85	4,746	6,781
Total revenues	432,550	427,864	13,473	6,599	70,964	2,472	1,180	1,265	518,167	438,200
Rental operations	115,727	119,246	4,442	2,748	25,315	1,016	6,735	5,136	152,219	128,146
Net operating income	316,823	308,618	9,031	3,851	45,649	1,456	(5,555)	(3,871)	365,948	310,054
Adjustments to cash basis (2)	(9,033)	(15,935)	(1,381)	(2,710)	499	308	(1,042)	(85)	(10,957)	(18,422)
Net operating income - cash basis	$307,790	$292,683	$7,650	$1,141	$46,148	$1,764	$(6,597)	$(3,956)	$354,991	$291,632

(1) Current annualized base rent per square foot - GAAP basis is the monthly contractual rent per square foot as of the period end, or if rent has not yet commenced, the first monthly rent payment per square foot due at each rent commencement date, multiplied by 12 months (as adjusted for straight line rent, fair-value lease revenue and lease incentive revenue).

(2) Adjustments to cash basis exclude adjustments to expenses accrued in rental operations, but include straight line rents, fair-value lease revenue, lease incentive revenue, bad debt expense and other revenue (including lease

termination revenue).

The following table provides a reconciliation of net operating income - cash basis to net income for the years ended December 31, 2012 and 2011 (dollars in thousands):

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	Year Ended December 31, 2012	2011	Change	Percent Change
Net operating income - cash basis	$354,991	$291,632	$63,359	21.7 %
Adjustments to cash basis	10,957	18,422	(7,465)	(40.5)%
Net operating income	365,948	310,054	55,894	18.0 %
Unallocated income / (expense) :				
Depreciation and amortization expense	196,844	142,319	54,525	38.3 %
General and administrative expense	38,025	30,966	7,059	22.8 %
Acquisition-related expenses	13,077	1,099	11,978	1,089.9 %
Income from operations	118,002	135,670	(17,668)	(13.0)%
Equity in net loss of unconsolidated partnerships	(1,389)	(2,489)	1,100	(44.2)%
Interest expense, net	(99,608)	(89,181)	(10,427)	11.7 %
Other expense	(872)	(1,760)	888	(50.5)%
Income from continuing operations	16,133	42,240	(26,107)	(61.8)%
(Loss) / Income from discontinued operations	(4,370)	474	(4,844)	(1,021.9)%
Net income	$11,763	$42,714	$(30,951)	(72.5)%

Net Operating Income. Net operating income increased $55.9 million to $365.9 million for the year ended December 31, 2012 compared to $310.1 million for the year ended December 31, 2011. This increase was primarily due to the following:

- The acquisition of properties totaling 718,978 square feet in 2011 and properties totaling approximately 1.0 million square feet in the year ended December 31, 2012 contributed an additional $44.2 million in net operating income for the year ended December 31, 2012 compared to the year ended December 31, 2011.

- The placement into service in 2012 of a property that was under development during 2011 and a property that was placed into service in 2011 that was operating throughout 2012, partially offset by properties that were operating in 2011 and began redevelopment in 2012, resulted in an increase of $5.2 million in net operating income for the year ended December 31, 2012 compared to the year ended December 31, 2011.

- Same property net operating income increased $8.2 million to $316.8 million for the year ended December 31, 2012 compared to $308.6 million for the year ended December 31, 2011. This increase was primarily due to increased leasing activity in our same property portfolio during 2011 and 2012, which increased the leased percentage from 84.6% at December 31, 2011 to 88.4% at December 31, 2012, and resulted in the following:

- An increase in the percentage of recoverable expenses in our same property portfolio to 89.0% for the year ended December 31, 2012 compared to 83.4% for the year ended December 31, 2011, which contributed an additional $7.1 million in net operating income for the year ended December 31, 2012.

- An increase in rental revenue of $7.3 million directly attributable to the commencement of leases in our same property portfolio. On a GAAP basis, the current annualized base rent per square foot decreased to $37.89 at December 31, 2012 from $38.20 at December 31, 2011 due to lease up of previously vacant space at a lower average rent than our total overall portfolio on a per square foot basis.

- These increases were partially offset by a decrease of $6.2 million in other revenue which resulted from higher termination payments received for terminated leases for the year ended December 31, 2011. See below for more details regarding lease terminations.

Depreciation and Amortization Expense. Depreciation and amortization expense increased $54.5 million to $196.8 million for the year ended December 31, 2012 compared to $142.3 million for the year ended December 31, 2011. The increase was primarily due to the acquisition of properties totaling 718,978 square feet with an acquisition date fair-value of $431.5 million in 2011 and properties totaling approximately 1.0 million square feet with an acquisition date fair-value of $436.4 million in the year ended December 31, 2012.

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General and Administrative Expenses. General and administrative expenses increased $7.1 million to $38.0 million for the year ended December 31, 2012 compared to $31.0 million for the year ended December 31, 2011. The increase was primarily due to higher staffing levels reflecting the company's continuing growth and compensation associated with the company’s above-plan leasing and financial performance as compared to the prior year.

Acquisition-Related Expenses. Acquisition-related expenses increased to $13.1 million for the year ended December 31, 2012 compared to $1.1 million for the year ended December 31, 2011. The increase was primarily due to a United Kingdom transfer tax assessed in connection with our purchase of Granta Park in 2012.

Equity in Net Loss of Unconsolidated Partnerships. Equity in net loss of unconsolidated partnerships decreased $1.1 million to $1.4 million for the year ended December 31, 2012 compared to $2.5 million for the year ended December 31, 2011. The decreased loss primarily reflects our acquisition of PREI’s interest in certain assets held by PREI I LLC in December 2011. Up to the date of the acquisition, our interest in the related assets was accounted for using the equity method of accounting. Since our acquisition of PREI’s interest in December 2011, the related assets have been wholly-owned by us and consolidated within our financial statements.

Interest Expense, Net. Interest cost incurred for the year ended December 31, 2012 totaled $108.3 million compared to $96.7 million for the year ended December 31, 2011. Total interest cost incurred increased primarily as a result of higher average debt balances outstanding during 2012 and increases in the average interest rate on our outstanding borrowings due to the issuance of new indebtedness, partially offset by the repayment of certain higher coupon mortgage notes payable. Interest expense, net increased $10.4 million to $99.6 million for the year ended December 31, 2012 compared to $89.2 million for the year ended December 31, 2011, primarily as a result of the increase in interest cost incurred.

Interest expense, net consisted of the following (in thousands):

	Year Ended December 31, 2012	2011
Mortgage notes payable	$40,336	$43,803
Amortization of debt premium on mortgage notes payable	(698)	(1,678)
Amortization of deferred interest costs	6,933	7,027
Derivative instruments	1,578	3,385
Unsecured senior term loan	6,015	—
Exchangeable senior notes	6,750	7,429
Unsecured senior notes	36,114	26,905
Amortization of debt discount on notes	781	829
Unsecured line of credit	2,806	3,075
Unsecured line of credit fees	2,768	1,619
Amortization of deferred loan fees	4,869	4,355
Interest cost incurred	108,252	96,749
Capitalized interest	(8,644)	(7,568)
Total interest expense, net	$99,608	$89,181

Other Expense. Other expense consisted of the following (in thousands):

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	Year Ended December 31, 2012	2011
Gain / (loss) on early extinguishment of debt	$116	$(763)
Gain on revaluation of acquired unconsolidated partnerships	—	4,679
Other-than-temporary impairment of marketable securities	(545)	(5,132)
Loss on derivative instruments	(9)	(544)
Gain on foreign currency transactions	58	—
Foreign income tax expense	(492)	—
Total other expense	$(872)	$(1,760)

During the year ended December 31, 2012, we repaid in full outstanding mortgages notes totaling approximately $33.1 million pertaining to Sidney Street, 6828 Nancy Ridge Drive and 900 Uniqema Boulevard properties. This resulted in the recognition of a gain on early extinguishment of debt from the write-off of unamortized debt premium, partially offset by the write-off of deferred loan fees and prepayment penalties. During the year ended December 31, 2011, we repaid in full outstanding mortgage notes totaling $60.2 million pertaining to the Ardentech Court, Road to the Cure, 10255 Science Center Drive, Sorrento West and 9865 Towne Centre Drive properties. This resulted in the recognition of a loss on early extinguishment of debt from prepayment penalties and the write-off of deferred loan fees, partially offset by the write-off of unamortized debt premium.

The gain on revaluation of acquired unconsolidated partnerships resulted from our acquisition of the remaining 80% ownership of the Rogers Street assets from our PREI joint venture in December 2011. For the years ended December 31, 2012 and 2011, significant declines in the value of investments in available-for-sale securities in a publicly traded company we considered other-than-temporary resulted in the reclassification through net income of an unrealized loss from accumulated other comprehensive income. See the lease termination discussion below for further discussion of the 2011 impairment of marketable securities. The gain on derivative instruments for the year ended December 31, 2011 reflects hedging ineffectiveness associated with certain interest rate derivative contracts. Foreign income tax expense relates to entity level income taxes on our Granta Park investment.

Lease Terminations. During the year ended December 31, 2012, lease termination revenue of $3.5 million primarily related to a payment we received from a tenant of $8.7 million related to a lease termination effective August 2013. This cash payment was deferred and is amortized to other revenue through the effective date of the termination. During the year ended December 31, 2011, lease termination revenue of $6.2 million, primarily related to an early lease termination at one of our properties. Consideration paid for this lease termination was in the form of marketable equity securities received from the former tenant and the recognition of previously deferred rental income related to the property and is recorded in other revenue. The net impact of this lease termination for the year ended December 31, 2011 increased net income by approximately $2.4 million, after taking into account the recording of bad debt expense and accelerated amortization of certain lease-related assets. In addition, as described above, other expense for the year ended December 31, 2011 includes an unrealized loss, considered to be other-than-temporary, related to investments in marketable securities, of which approximately $3.6 million relates to an investment in the former tenant received in connection with a restructuring of the now-terminated lease in a prior quarter. The net effect of all these transactions for the year ended December 31, 2011 reduced net income by $1.7 million.

Income from Discontinued Operations. In April 2012, we completed the exchange of our Forbes Boulevard property and have reclassified the income and expense attributable to the Forbes Boulevard property to discontinued operations. Loss from discontinued operations was approximately $4.4 million for the year ended December 31, 2012 due to an impairment loss that was recorded, as the carrying value of the property exceeded the value of the consideration we received when the property was disposed. Income from discontinued operations was approximately $474,000 for the year ended December 31, 2011.

Comparison of the Year Ended December 31, 2011 to the Year Ended December 31, 2010

The following table sets forth historical financial information of the continuing operations for same properties (all properties except properties held for sale, redevelopment/development properties, new properties and corporate entities), redevelopment/development properties (properties that were entirely or primarily under redevelopment or development during either of the years ended December 31, 2011 or 2010), new properties (properties that were not owned for each of the years ended December 31, 2011 and 2010 and were not under redevelopment/development) and corporate entities (legal entities performing general and administrative functions and fees received from our PREI joint ventures) (dollars in thousands, except on a per square foot basis):

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	Same Properties		Redevelopment/Development Properties		New Properties		Corporate		Total	
	December 31,									
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Rentable square feet	8,965,235	8,965,235	684,561	419,318	2,064,949	1,345,971	N/A	N/A	11,714,745	10,730,524
Percent of total portfolio	76.6 %	83.6 %	5.8 %	3.9 %	17.6 %	12.5 %	N/A	N/A	100.0 %	100.0 %
Percent leased	84.1 %	79.8 %	64.5 %	63.9 %	91.9 %	98.2 %	N/A	N/A	84.4 %	81.5 %
Current annualized base rent per square foot - GAAP basis (1)	$38.81	$39.59	$34.26	$33.55	$39.14	$34.46	N/A	N/A	$38.67	$38.63
	Year Ended December 31,									
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Rental revenue	$278,168	$279,715	$5,281	$1,023	$45,998	$12,054	$7	$7	$329,454	$292,799
Tenant recoveries	88,907	83,401	705	246	11,180	2,351	1,173	905	101,965	86,903
Other income	6,692	2,470	2	2	2	—	85	1,455	6,781	3,927
Total revenues	373,767	365,586	5,988	1,271	57,180	14,405	1,265	2,367	438,200	383,629
Rental operations	108,141	103,472	1,877	691	12,992	2,734	5,136	5,003	128,146	111,900
Net operating income	265,626	262,114	4,111	580	44,188	11,671	(3,871)	(2,636)	310,054	271,729
Adjustments to cash basis (2)	(19,899)	(25,355)	(3,353)	(122)	4,915	487	(85)	(1,455)	(18,422)	(26,445)
Net operating income - cash basis	$245,727	$236,759	$758	$458	$49,103	$12,158	$(3,956)	$(4,091)	$291,632	$245,284

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(1) Current annualized base rent per square foot - GAAP basis is the monthly contractual rent per square foot as of the period end, or if rent has not yet commenced, the first monthly rent payment per square foot due at each rent commencement date, multiplied by 12 months (as adjusted for straight line rent, fair-value lease revenue and lease incentive revenue).

(2) Adjustments to cash basis exclude adjustments to expenses accrued in rental operations, but include straight line rents, fair-value lease revenue, lease incentive revenue, bad debt expense and other revenue (including lease

termination revenue).

The following table provides a reconciliation of net operating income - cash basis to net income for the years ended December 31, 2011 and 2010 (dollars in thousands):

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	Year Ended December 31, 2011	2010	Change	Percent Change
Net operating income - cash basis	$291,632	$245,284	$46,348	18.9 %
Adjustments to cash basis	18,422	26,445	(8,023)	(30.3)%
Net operating income	310,054	271,729	38,325	14.1 %
Unallocated income / (expense):				
Depreciation and amortization expense	142,319	114,788	27,531	24.0 %
General and administrative expense	30,966	25,901	5,065	19.6 %
Acquisition-related expenses	1,099	3,053	(1,954)	(64.0)%
Income from operations	135,670	127,987	7,683	6.0 %
Equity in net loss of unconsolidated partnerships	(2,489)	(1,645)	(844)	51.3 %
Interest expense, net	(89,181)	(86,073)	(3,108)	3.6 %
Other expense	(1,760)	(2,658)	898	(33.8)%
Income from continuing operations	42,240	37,611	4,629	12.3 %
Income from discontinued operations	474	1,703	(1,229)	(72.2)%
Net income	$42,714	$39,314	$3,400	8.6 %

Net Operating Income. Net operating income increased $38.3 million to $310.1 million for the year ended December 31, 2011 compared to $271.7 million for the year ended December 31, 2010. This increase was primarily due to the following:

- The acquisition of properties totaling 1.3 million square feet in 2010 and properties totaling approximately 718,978 square feet in the 2011 contributed an additional $32.5 million in net operating income for the year ended December 31, 2011 compared to the year ended December 31, 2010.

- The placement into service of a property that was under development in 2010 totaling 176,000 square feet resulted in an increase of $3.5 million in net operating income for the year ended December 31, 2011 compared to the year ended December 31, 2010.

- Same property net operating income increased $3.5 million to $265.6 million for the year ended December 31, 2011 compared to $262.1 million for the year ended December 31, 2010. This increase was primarily due to increased leasing activity in our same property portfolio during 2011 and 2012, which increased the leased percentage from 79.8% at December 31, 2010 to 84.1% at December 31, 2011, and resulted in the following:

- An increase in the percentage of recoverable expenses in our same property portfolio to 82.2% for the year ended December 31, 2011 compared to 80.6% for the year ended December 31, 2010, which contributed an additional $900,000 in net operating income for the year ended December 31, 2011.

- A decrease in rental revenue of $1.5 million primarily attributable to market adjustments on certain renewals at properties, as well as the cessation of revenue recognition for certain tenants where rent was determined to be uncollectible. On a GAAP basis, the current annualized base rent per square foot decreased to $38.81 at December 31, 2011 from $39.59 at December 31, 2010 due to lease up of previously vacant space at a lower average rent than our total overall portfolio on a per square foot basis and renewals of leases at lower rates than expiring rents.

- An increase in other revenue of $4.2 million. During the year ended December 31, 2011, we recorded approximately $4.1 million in lease termination income related to an early lease termination at one of our properties as described in more detail below in the section “Lease Termination.” Other income for the year ended December 31, 2010 was primarily comprised of proceeds related to a tenant bankruptcy of approximately $1.4 million, consideration received related to an early lease termination of approximately $790,000, realized gains from the sale of equity investments in the amount of $865,000 and development fees earned from our PREI joint ventures. Termination payments received for terminated leases for the years ended December 31, 2011 and 2010 were approximately $6.2 million and $2.3 million in the aggregate, respectively.

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Depreciation and Amortization Expense. Depreciation and amortization expense increased $27.5 million to $142.3 million for the year ended December 31, 2011 compared to $114.8 million for the year ended December 31, 2010. The increase was primarily due to properties acquired in 2010.

General and Administrative Expenses. General and administrative expenses increased $5.1 million to $31.0 million for the year ended December 31, 2011 compared to $25.9 million for the year ended December 31, 2010. The increase was primarily due to an increase in aggregate compensation costs due to higher headcount as compared to the prior year.

Acquisition-Related Expenses. Acquisition-related expenses decreased to $1.1 million for the year ended December 31, 2011 compared to $3.1 million for the year ended December 31, 2010. The decrease was primarily due to a decrease in acquisition activities in 2011 as compared to the prior year.

Equity in Net Loss of Unconsolidated Partnerships. Equity in net loss of unconsolidated partnerships decreased $844,000 to $2.5 million for the year ended December 31, 2011 compared to $1.6 million for the year ended December 31, 2010. The increased loss primarily reflects the commencement of depreciation and cessation of interest capitalization on a vacant property that was under development in 2010 and subsequently placed into service.

Interest Expense, Net. Interest cost incurred for the year ended December 31, 2011 totaled $96.7 million compared to $91.5 million for the year ended December 31, 2010. Total interest cost incurred increased primarily as a result of higher average debt balances outstanding during 2011 and increases in the average interest rate on our outstanding borrowings due to the issuance of new fixed-rate indebtedness with a higher interest rate than the variable-rate indebtedness it replaced, partially offset by the expiration of derivative instruments and repayment of certain higher coupon mortgage notes payable. Interest expense, net increased $3.1 million to $89.2 million for the year ended December 31, 2011 compared to $86.1 million for the year ended December 31, 2010. Interest expense, net increased primarily as a result of the increase in interest cost incurred partially offset by an increase in capitalized interest.

Interest expense, net consisted of the following (in thousands):

	Year Ended December 31,	
	2011	2010
Mortgage notes payable	$43,803	$47,371
Amortization of debt premium on mortgage notes payable	(1,678)	(1,939)
Amortization of deferred interest costs	7,027	7,114
Derivative instruments	3,385	10,343
Secured term loan	—	1,391
Exchangeable senior notes	7,429	7,921
Unsecured senior notes	26,905	10,293
Amortization of debt discount on notes	829	701
Unsecured line of credit	3,075	3,323
Unsecured line of credit fees	1,619	695
Amortization of deferred loan fees	4,355	4,302
Interest cost incurred	96,749	91,515
Capitalized interest	(7,568)	(5,442)
Total interest expense, net	$89,181	$86,073

Other Expense. Other expense consisted of the following (in thousands):

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	Year Ended December 31, 2011	2010
Loss on early extinguishment of debt	$(763)	$(2,205)
Gain on revaluation of acquired unconsolidated partnerships	4,679	—
Other-than-temporary impairment of marketable securities	(5,132)	—
Loss on derivative instruments	(544)	(453)
Total other expense	$(1,760)	$(2,658)

During the year ended December 31, 2011, we repaid in full outstanding mortgage notes totaling approximately $60.2 million pertaining to the Ardentech Court, Road to the Cure, 10255 Science Center Drive, Sorrento West and 9865 Towne Centre Drive properties. This resulted in the recognition of a loss on early extinguishment of debt from prepayment penalties and the write-off of deferred loan fees, partially offset by the write-off of unamortized debt premium. During the year ended December 31, 2010, we repurchased $26.4 million face value of our exchangeable senior notes due 2026. This repurchase resulted in the recognition of a loss on early extinguishment of debt of approximately $863,000 (representing the write-off of deferred loan fees and unamortized debt discount). In addition, we recognized a loss on early extinguishment of debt related to the write-off of approximately $1.4 million of deferred loan fees and legal expenses as a result of the voluntary prepayment in full of $250.0 million in outstanding borrowings under our secured term loan.

The gain on revaluation of acquired unconsolidated partnerships resulted from our acquisition of the remaining 80% ownership of the Rogers Street assets from our PREI joint venture in December 2011. Significant declines in the value of investments in available-for-sale securities in two publicly traded companies we considered other-than-temporary resulted in the reclassification of an unrealized loss from other comprehensive income. The loss on derivative instruments in both 2011 and 2010 reflects hedging ineffectiveness associated with certain interest rate derivative contracts.

Lease Termination. During the year ended December 31, 2011, we recorded approximately $4.1 million in lease termination income, which had been recorded as other revenue, related to an early lease termination at one of our properties. Consideration was in the form of marketable equity securities received from the former tenant and the recognition of previously deferred rental income related to the property. As a result of this lease termination, bad debt expense of approximately $1.0 million was recorded and the amortization of certain intangibles was accelerated resulting in an additional depreciation and amortization expense of approximately $712,000. The net impact of this lease termination for the year ended December 31, 2011 increased net income approximately $2.4 million. In addition, as described above, other expense for the year ended December 31, 2011 includes an unrealized loss, considered to be other-than-temporary, related to investments in marketable securities, of which approximately $4.1 million relates to an investment in the former tenant received in connection with a restructuring of the now terminated lease in a prior quarter. The net effect of all these transactions for the year ended December 31, 2011 reduced net income by $1.7 million.

Income from Discontinued Operations. In April 2012, we completed the exchange of our Forbes Boulevard property and have reclassified the income and expense attributable to the Forbes Boulevard property to discontinued operations. Income from discontinued operations was approximately $474,000 and $1.7 million for the years ended December 31, 2011 and 2010, respectively.

Cash Flows

The following summary discussion of our cash flows is based on the consolidated statements of cash flows in “Item 8. Financial Statements and Supplementary Data” and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below (in thousands):

	2012	2011	2010
	(In thousands)		
Net cash provided by operating activities	$238,235	$175,031	$161,895
Net cash used in investing activities	(537,982)	(604,331)	(710,986)
Net cash provided by financing activities	303,285	424,244	550,636

Ending cash and cash equivalents balance	19,976	16,411	21,467

Comparison of the Year Ended December 31, 2012 to the Year Ended December 31, 2011

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Net cash provided by operating activities increased $63.2 million to $238.2 million for the year ended December 31, 2012 compared to $175.0 million for the year ended December 31, 2011. The increase was primarily due to cash flow generated by acquisitions and cash rent starts on new leases.

Net cash used in investing activities decreased $66.3 million to $538.0 million for the year ended December 31, 2012 compared to $604.3 million for the year ended December 31, 2011. The decrease reflects a cash contribution to one of our joint ventures with PREI in 2011 to repay a portion of the joint venture's outstanding debt in connection with our Rogers Street acquisition, and decreased acquisition and construction activity during the year ended December 31, 2012 compared to the year ended December 31, 2011, partially offset by funding of the Construction Loan.

Net cash provided by financing activities decreased $120.9 million to $303.3 million for the year ended December 31, 2012 compared to $424.2 million for the year ended December 31, 2011. The decrease primarily reflects decreased financing requirements due to decreased acquisition and construction activity during the year ended December 31, 2012 compared to the year ended December 31, 2011. The proceeds from the issuances of our Unsecured Senior Term Loan in March 2012 and Notes due 2022 in June 2012 were primarily used to repay balances due under our unsecured line of credit and mortgage notes payable.

Comparison of the Year Ended December 31, 2011 to the Year Ended December 31, 2010

Net cash provided by operating activities increased $13.1 million to $175.0 million for the year ended December 31, 2011 compared to $161.9 million for the year ended December 31, 2010. The increase was primarily due to cash flow generated by acquisitions and cash rent starts on new leases.

Net cash used in investing activities decreased $106.7 million to $604.3 million for the year ended December 31, 2011 compared to $711.0 million for the year ended December 31, 2010. The decrease reflects reduced acquisition activity during the year ended December 31, 2011 compared to the year ended December 31, 2010.

Net cash provided by financing activities decreased $126.4 million to $424.2 million for the year ended December 31, 2011 compared to $550.6 million for the year ended December 31, 2010. The decrease primarily reflects reduced financing requirements due to reduced acquisition activity during the year ended December 31, 2011 compared to the year ended December 31, 2010. The proceeds from the issuances of our Notes due 2016 in March 2011 and follow-on public offering of common stock in November 2011 were primarily used to repay balances due under our unsecured line of credit and mortgage notes payable.

Funds from Operations

We present funds from operations, or FFO, and FFO excluding acquisition-related expenses, or CFFO, available to common shares and OP units because we consider them to be important supplemental measures of our operating performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO and CFFO when reporting their results. FFO and CFFO are 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 and CFFO exclude depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, and, in the case of CFFO, acquisition-related expenses, they provide performance measures that, when compared year over year, reflect 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. As defined by NAREIT, FFO represents net income (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable property, impairment charges on depreciable real estate, real estate related depreciation and amortization (excluding amortization of loan origination costs) and after adjustments for unconsolidated partnerships and joint ventures. Our computations may differ from the methodologies for calculating FFO and CFFO utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. Further, FFO and CFFO do 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 and CFFO should not be considered alternatives to net income / (loss) (computed in accordance with GAAP) as indicators of our financial performance or to cash flow from operating activities (computed in accordance with GAAP) as indicators of our liquidity, nor are they indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions.

Our FFO and CFFO available to common shares and OP units and a reconciliation to net income for the years ended December 31, 2012, 2011 and 2010 (in thousands, except per share and share data) were as follows:

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	Year Ended December 31, 2012	2011	2010
Net (loss) / income available to the common stockholders	$(2,778)	$25,991	$21,853
Adjustments:			
Impairment loss	4,552	—	—
Gain on revaluation of acquired unconsolidated partnership	—	(4,679)	—
Noncontrolling interests in operating partnership(1)	(54)	569	546
Depreciation and amortization - unconsolidated partnerships	1,291	3,636	3,206
Depreciation and amortization - consolidated entities	196,844	142,319	114,788
Depreciation and amortization - discontinued operations	92	362	567
Depreciation and amortization - allocable to noncontrolling interest of consolidated joint ventures	(112)	(104)	(93)
FFO available to common shares and units - basic	199,835	168,094	140,867
Interest expense on Exchangeable Senior Notes(2)	6,750	6,750	6,563
FFO available to common shares and units - diluted	206,585	174,844	147,430
Acquisition-related expenses	13,077	1,099	3,053
CFFO available to common shares and units - diluted	$219,662	$175,943	$150,483
FFO per share - diluted	$1.23	$1.19	$1.16
CFFO per share - diluted	$1.31	$1.20	$1.19
Weighted-average common shares and units outstanding - diluted(2)(3)	167,437,187	147,061,166	126,895,309

(1) Net income allocable to noncontrolling interests in the operating partnership is included in net income available to unitholders of the operating partnership as reflected in the consolidated financial statements of BioMed Realty, L.P., included elsewhere herein.

(2) Reflects interest expense adjustment of the Exchangeable Senior Notes based on the "if converted" method. The years ended December 31, 2012, 2011, and 2010 include 10,259,496, 10,017,858 and 9,914,076 shares of common stock potentially issuable pursuant to the exchange feature of the Exchangeable Senior Notes based on the "if converted" method, respectively.

(3) The years ended December 31, 2012, 2011, and 2010 include 1,477,304, 1,433,465, and 1,263,034 shares of unvested restricted stock, respectively, which are considered anti-dilutive for purposes of calculating diluted earnings per share.

Liquidity and Capital Resources of BioMed Realty Trust, Inc.

In this "Liquidity and Capital Resources of BioMed Realty Trust, Inc." section, the term the "Company" refers only to BioMed Realty Trust, Inc. on an unconsolidated basis, and excludes the operating partnership and all other subsidiaries. For further discussion of the liquidity and capital resources of the Company on a consolidated basis, see the section entitled "Liquidity and Capital Resources of BioMed Realty, L.P." below.

The Company's business is operated primarily through the operating partnership. The Company issues public equity from time to time, but does not otherwise generate any capital itself or conduct any business itself, other than incurring certain expenses in operating as a public company which are fully reimbursed by the operating partnership. The Company itself does not hold any indebtedness, and its only material asset is its ownership of partnership interests of the operating partnership. The Company's principal funding requirement is the payment of dividends on its common and preferred shares. The Company's principal source of funding for its dividend payments is distributions it receives from the operating partnership.

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As of December 31, 2012, the Company owned an approximate 98.1% partnership interest and other limited partners, including some of our directors, executive officers and their affiliates, owned the remaining 1.9% partnership interest (including LTIP units) in the operating partnership. As the sole general partner of the operating partnership, BioMed Realty Trust, Inc. has the full, exclusive and complete responsibility for the operating partnership's day-to-day management and control.

The liquidity of the Company is dependent on the operating partnership's ability to make sufficient distributions to the Company. The primary cash requirement of the Company is its payment of dividends to its stockholders. The Company also guarantees some of the operating partnership's debt, as discussed further in Note 5 of the Notes to Consolidated Financial Statements included elsewhere herein. If the operating partnership fails to fulfill certain of its debt requirements, which trigger the Company's guarantee obligations, then the Company will be required to fulfill its cash payment commitments under such guarantees. However, the Company's only significant asset is its investment in the operating partnership.

We believe the operating partnership's sources of working capital, specifically its cash flow from operations, and borrowings available under its unsecured line of credit, are adequate for it to make its distribution payments to the Company and, in turn, for the Company to make its dividend payments to its stockholders. However, we cannot assure you that the operating partnership's sources of capital will continue to be available at all or in amounts sufficient to meet its needs, including its ability to make distribution payments to the Company. The unavailability of capital could adversely affect the operating partnership's ability to pay its distributions to the Company, which would in turn, adversely affect the Company's ability to pay cash dividends to its stockholders.

Our short-term liquidity requirements consist primarily of funds to pay for future dividends expected to be paid to the Company's stockholders, operating expenses and other expenditures directly associated with our properties, interest expense and scheduled principal payments on outstanding indebtedness, general and administrative expenses, construction projects, capital expenditures, tenant improvements and leasing commissions.

The Company may from time to time seek to repurchase or redeem the operating partnership's outstanding debt, the Company's shares of common stock or preferred stock or other securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases or redemptions, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

For the Company to maintain its qualification as a REIT, it must pay dividends to its stockholders aggregating annually at least 90% of its ordinary taxable income. While historically the Company has satisfied this distribution requirement by making cash distributions to its stockholders, it may choose to satisfy this requirement by making distributions of cash or other property, including, in limited circumstances, the Company's own stock. As a result of this distribution requirement, the operating partnership cannot rely on retained earnings to fund its ongoing operations to the same extent that other companies whose parent companies are not REITs can. The Company may need to continue to raise capital in the equity markets to fund the operating partnership's working capital needs, acquisitions and developments.

The Company is a well-known seasoned issuer with an effective shelf registration statement that allows the Company to register an unspecified amount of various classes of equity securities and the operating partnership to register an unspecified amount of various classes of debt securities. As circumstances warrant, the Company may issue equity from time to time on an opportunistic basis, dependent upon market conditions and available pricing. When the Company receives proceeds from preferred or common equity issuances, it is required by the operating partnership's partnership agreement to contribute the proceeds from its equity issuances to the operating partnership in exchange for preferred or partnership units of the operating partnership. The operating partnership may use the proceeds to repay debt, including borrowings under its unsecured line of credit, to develop new or existing properties, to acquire properties or for general corporate purposes.

Liquidity and Capital Resources of BioMed Realty, L.P.

In this "Liquidity and Capital Resources of BioMed Realty, L.P." section, the terms "we," "our" and "us" refer to the operating partnership together with its consolidated subsidiaries or our operating partnership and BioMed Realty Trust, Inc.

together with their consolidated subsidiaries, as the context requires. BioMed Realty Trust, Inc., or our Parent Company, is our sole general partner and consolidates our results of operations for financial reporting purposes. Because we operate on a consolidated basis with our Parent Company, the section entitled “Liquidity and Capital Resources of BioMed Realty Trust, Inc.” should be read in conjunction with this section to understand our liquidity and capital resources on a consolidated basis.

Our short-term liquidity requirements consist primarily of funds to pay for future dividends expected to be paid to our Parent Company’s stockholders, operating expenses and other expenditures directly associated with our properties, interest expense and scheduled principal payments on outstanding indebtedness, general and administrative expenses, construction projects, capital expenditures, tenant improvements and leasing commissions.

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The remaining principal payments due for our consolidated and our proportionate share of unconsolidated indebtedness (excluding debt premiums and discounts) as of December 31, 2012 were as follows (in thousands):

	2013	2014	2015	2016	2017	Thereafter	Total
Consolidated indebtedness:							
Fixed-rate mortgages	$8,364	$339,088	$6,482	$143,784	$27,338	$42,471	$567,527
Unsecured line of credit	—	—	118,000	—	—	—	118,000
Unsecured Senior Term Loan - U.S. dollars	—	—	—	—	243,596	—	243,596
Unsecured Senior Term Loan - GBP (1)	—	—	—	—	161,860	—	161,860
Exchangeable Senior Notes	—	—	—	—	—	180,000	180,000
Notes due 2016	—	—	—	400,000	—	—	400,000
Notes due 2020	—	—	—	—	—	250,000	250,000
Notes due 2022	—	—	—	—	—	250,000	250,000
Total consolidated indebtedness	8,364	339,088	124,482	543,784	432,794	722,471	2,170,983
Share of unconsolidated indebtedness:							
Secured construction loan	27,795	—	—	—	—	—	27,795
Total share of unconsolidated indebtedness	27,795	—	—	—	—	—	27,795
Total indebtedness	$36,159	$339,088	$124,482	$543,784	$432,794	$722,471	$2,198,778

(1) During the year ended December 31, 2012, we converted approximately $156.4 million of outstanding borrowings of our Unsecured Senior Term Loan into GBP equal to £100.0 million. The principal balance represents the U.S. dollar amount based on the exchange rate of $1.62 to £1.00 at December 31, 2012.

Our $338.4 million mortgage loan secured by our Center for Life Science | Boston property matures in 2014, and includes a financial covenant relating to a minimum amount of net worth. Management believes that it was in compliance with this covenant as of December 31, 2012.

On March 30, 2012, we entered into the Unsecured Senior Term Loan with KeyBank National Association, as administrative agent, and certain other lenders, providing for borrowings to us of $400.0 million. On August 2, 2012, we converted approximately $156.4 million of outstanding borrowings of our Unsecured Senior Term Loan into GBP equal to £100.0 million.

On June 28, 2012, we issued $250.0 million principal amount of our Notes due 2022, which are governed by a base indenture and supplemental indenture, dated March 30, 2011 and June 28, 2012, respectively, among us, as issuer, our Parent Company, as guarantor, and U.S. Bank National Association, as trustee.

The terms of the indentures governing the Notes due 2016, the Notes due 2020 and the Notes due 2022 require compliance with various financial covenants, including limits on the amount of total leverage and secured debt maintained by us and which require us to maintain minimum levels of debt service coverage. Management believes that it was in compliance with these covenants as of December 31, 2012.

The Unsecured Senior Term Loan and the credit agreement governing our unsecured line of credit include certain restrictions and covenants which require compliance with financial covenants relating to the minimum amounts of net worth, fixed charge coverage, unsecured debt service coverage, overall leverage and unsecured leverage ratios, the maximum amount of secured indebtedness and certain investment limitations. Management believes that it was in compliance with these covenants as of December 31, 2012.

Our long-term liquidity requirements consist primarily of funds to pay for scheduled debt maturities, construction obligations, renovations, expansions, capital commitments and other non-recurring capital expenditures that need to be made periodically, and

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the costs associated with acquisitions of properties that we pursue. At December 31, 2012, we had acquired a participating interest in the Construction Loan and entered into construction contracts and lease agreements, with a remaining commitment totaling approximately $325.2 million related to the Construction Loan funding, tenant improvements, leasing commissions and construction-related capital expenditures.

We expect to satisfy our short-term liquidity requirements through our existing working capital and cash provided by our operations, the issuance of 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. Our rental revenues, provided by our leases, generally provide cash inflows to meet our debt service obligations, pay general and administrative expenses, and fund regular distributions. We expect to satisfy our long-term liquidity requirements through our existing working capital, cash provided by operations, long-term secured and unsecured indebtedness and the issuance of additional equity or debt securities. We also expect to use funds available under our unsecured line of credit to finance acquisition and development activities and capital expenditures on an interim basis. In addition, we have an investment grade rating, which we believe will provide us with continued access to the unsecured debt markets, providing us with an additional source of long term financing.

BioMed Realty Trust, Inc.'s total capitalization at December 31, 2012 was approximately $5.4 billion and was comprised of the following (dollars in thousands):

	Shares/Units at December 31, 2012	Aggregate Principal Amount or Dollar Value Equivalent	Percent of Total Capitalization	
Debt:				
Mortgage notes payable (1)		$567,527	10.5	%
Exchangeable Senior Notes		180,000	3.3	%
Notes due 2016 (1)		400,000	7.4	%
Notes due 2020 (1)		250,000	4.6	%
Notes due 2022 (1)		250,000	4.6	%
Unsecured Senior Term Loan (2)		405,456	7.5	%
Unsecured line of credit		118,000	2.2	%
Total debt		2,170,983	40.1	%
Equity:				
Common shares, operating partnership and LTIP units outstanding (3)	157,260,576	3,039,847	56.2	%
7.375% Series A Preferred shares outstanding (4)	7,920,000	198,000	3.7	%
Total capital		3,237,847	59.9	%
Total capitalization		$5,408,830	100.0	%

(1) Amounts exclude unamortized debt premiums and unamortized debt discounts.

(2) During the year ended December 31, 2012, we converted approximately $156.4 million of outstanding borrowings of our Unsecured Senior Term Loan into GBP equal to £100.0 million. The principal balance represents the U.S. dollar amount based on the exchange rate of $1.62 to £1.00 at December 31, 2012.

(3) Aggregate amount based on the market closing price of the common stock of our Parent Company of $19.33 per share on the last trading day of the quarter. Limited partners who have been issued OP units have the right to require the operating partnership to redeem part or all of their OP units, which right with respect to LTIP units is subject to vesting and the satisfaction of other conditions. We may elect to acquire those OP units in exchange for shares of our Parent Company's common stock on a one-for-one basis, subject to adjustment. At December 31, 2012, 154,327,818 of the outstanding OP units had been issued to our Parent Company upon receipt of the net proceeds from the issuance of an equal number of shares of our Parent Company's common stock.

(4)

Based on the liquidation preference of $25.00 per share of our Parent Company's 7.375% Series A preferred stock (we have issued a corresponding number of 7.375% Series A preferred units).

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Although our organizational documents do not limit the amount of indebtedness that we may incur, our Parent Company's board of directors has adopted a policy of targeting our indebtedness at approximately 50% of our total asset book value. At December 31, 2012, the ratio of debt to total asset book value was approximately 44.9%. However, our Parent Company's 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 Parent Company's common stock. Accordingly, we may increase or decrease our debt to total asset book value ratio beyond the limit described above. In addition, the terms of the indentures governing our Notes due 2016, Notes due 2020 and Notes due 2022, the Unsecured Senior Term Loan credit facility and the credit agreement governing our unsecured line of credit require compliance with various financial covenants and ratios, which are discussed in detail above and in Note 5 in the Notes to Consolidated Financial Statements contained elsewhere herein.

We may from time to time seek to repurchase or redeem our outstanding debt, OP units or preferred units (subject to the repurchase or redemption of an equivalent number of shares of common stock or preferred stock by our Parent Company) or other securities, and our Parent Company may seek to repurchase or redeem its outstanding shares of common stock or preferred stock or other securities, in each case in open market purchases, privately negotiated transactions or otherwise. Such repurchases or redemptions, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

Our unsecured credit agreement provides for borrowing capacity on our unsecured line of credit of $750.0 million with a maturity date of July 13, 2015. Subject to the administrative agent's reasonable discretion, we may increase the borrowing capacity of the unsecured line of credit to $1.25 billion upon satisfying certain conditions. In addition, we may, in our sole discretion, extend the maturity date of the unsecured line of credit to July 13, 2016 after satisfying certain conditions and paying an extension fee. At maturity, we may refinance the unsecured line of credit, depending on market conditions and the availability of credit, or we may execute the extension option. The unsecured line of credit bears interest at a floating rate equal to, at our option, either (1) reserve adjusted LIBOR plus a spread which ranges from 100 to 205 basis points, depending on our credit ratings, or (2) the highest of (a) the prime rate then in effect plus a spread which ranges from 0 to 125 basis points, (b) the federal funds rate then in effect plus a spread which ranges from 50 to 175 basis points or (c) one-month LIBOR plus a spread which ranges from 100 to 205 basis points, in each case, depending on our credit ratings. At December 31, 2012, we had $118.0 million in outstanding borrowings on our unsecured line of credit, with a weighted-average interest rate of 1.76%. At December 31, 2012, we had additional borrowing capacity under the unsecured line of credit of up to approximately $632.0 million.

A summary of our outstanding consolidated mortgage notes payable as of December 31, 2012 and 2011 is as follows (in thousands):

	Stated Interest Rate	Effective Interest Rate	Principal Balance December 31, 2012	Principal Balance December 31, 2011	Maturity Date
Mortgage Notes Payable					
9900 Belward Campus Drive	5.64 %	3.99 %	$ 10,767	$—	July 1, 2017
9901 Belward Campus Drive	5.64 %	3.99 %	13,260	—	July 1, 2017
Center for Life Science	Boston	7.75 %	7.75 %	338,447	342,149	June 30, 2014
500 Kendall Street (Kendall D)	6.38 %	5.45 %	60,164	62,261	December 1, 2018
6828 Nancy Ridge Drive (1)	7.15 %	5.38 %	—	6,373	September 1, 2012
Shady Grove Road	5.97 %	5.97 %	144,889	146,581	September 1, 2016
Sidney Street (1)	7.23 %	5.11 %	—	26,400	June 1, 2012
900 Uniqema Boulevard (1)	8.61 %	5.61 %	—	814	May 1, 2015
			567,527	584,578	
Unamortized premiums			4,125	3,266	
Mortgage notes payable, net			571,652	587,844	

(1)

During the year ended December 31, 2012, we repaid in full the outstanding mortgage notes totaling approximately $33.1 million pertaining to the 6828 Nancy Ridge Drive, Sidney Street and 900 Uniqema Boulevard properties, resulting in a gain on extinguishment representing the write-off of unamortized debt premium, partially offset by the write-off of deferred loan fees, which is included in other expense.

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

As of December 31, 2012, principal payments due for our indebtedness (excluding debt premiums and discounts, and our proportionate share of the indebtedness of our unconsolidated partnerships) were as follows (in thousands):

2013	$8,364
2014	339,088
2015	124,482
2016	543,784
2017	432,794
Thereafter (1)	722,471
	$2,170,983

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

The following table provides information with respect to our contractual obligations at December 31, 2012, including maturities and scheduled principal repayments, but excluding related unamortized debt premiums. We were not subject to any material capital lease obligations or unconditional purchase obligations as of December 31, 2012.

Obligation	2013	2014-2015	2016-2017	Thereafter	Total
	(In thousands)				
Mortgage notes payable (1)	$8,364	$345,570	$171,122	$42,471	$567,527
Exchangeable Senior Notes	—	—	—	180,000	180,000
Notes due 2016 (2)	—	—	400,000	—	400,000
Notes due 2020 (2)	—	—	—	250,000	250,000
Notes due 2022 (2)	—	—	—	250,000	250,000
Unsecured Senior Term Loan - US Dollar	—	—	243,596	—	243,596
Unsecured Senior Term Loan - GBP	—	—	161,860	—	161,860
Unsecured line of credit	—	118,000	—	—	118,000
Share of debt of unconsolidated partnerships	27,795	—	—	—	27,795
Interest payments on debt obligations (3)	98,697	157,318	94,308	168,109	518,432
Ground lease obligations	3,206	6,687	7,073	364,865	381,831
Construction loan receivable	186,624	29,957	—	—	216,581
Construction projects	17,206	—	—	—	17,206
Tenant obligations, lease commissions and other commitments	88,262	2,728	435	—	91,425
Total	$430,154	$660,260	$1,078,394	$1,255,445	$3,424,253

(1) Balance excludes unamortized debt premium.

(2) Balance excludes unamortized debt discount.

(3) Interest payments reflect cash payments that are based on the interest rates in effect and debt balances outstanding on December 31, 2012.

Off-Balance Sheet Arrangements

As of December 31, 2012, we had investments in the following unconsolidated partnerships: (1) McKellar Court limited partnership, which owns a single tenant occupied property located in San Diego; and (2) two limited liability companies with

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PREI, which own a portfolio of properties located in Cambridge, Massachusetts (see Note 8 of the Notes to Consolidated Financial Statements included elsewhere herein for more information).

The McKellar Court partnership is a VIE; however, we are not the primary beneficiary. The limited partner at McKellar Court is the only tenant in the property and will bear a disproportionate amount of any losses. We, as the general partner, will receive 22% 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. The assets of the McKellar Court partnership were $14.1 million and $14.4 million and the liabilities were $10.5 million and $10.5 million at December 31, 2012 and December 31, 2011, respectively. Our equity in net income of the McKellar Court partnership was $915,000, $914,000 and $970,000 for the years ended December 31, 2012, 2011 and 2010, respectively. In December 2009, we provided funding in the form of a promissory note to the McKellar Court partnership in the amount of $10.3 million, which matures at the earlier of (1) January 1, 2020, or (2) the day that the limited partner exercises an option to purchase our ownership interest. Interest-only payments on the promissory note are due monthly at a fixed rate of 8.15% (the rate may adjust higher after January 1, 2015), with the principal balance outstanding due at maturity.

PREI II LLC is a VIE; however, we are not the primary beneficiary. PREI will bear the majority of any losses incurred. PREI I LLC does not qualify as a VIE. In addition, consolidation is not required as we do not control the limited liability companies. In connection with the formation of the PREI joint ventures in April 2007, we contributed 20% of the initial capital. However, the amount of cash flow distributions that we receive may be more or less based on the nature of the circumstances underlying the cash distributions due to provisions in the operating agreements governing the distribution of funds to each member and the occurrence of extraordinary cash flow events. We account for our member interests using the equity method for both limited liability companies. The assets of the PREI joint ventures were $249.9 million and $249.7 million at December 31, 2012 and December 31, 2011, respectively, and the liabilities were $144.7 million and $140.2 million at December 31, 2012 and December 31, 2011, respectively. Our equity in net loss of the PREI joint ventures was $2.3 million, $3.4 million and $2.6 million for the years ended December 31, 2012, 2011 and 2010, respectively.

We are the primary beneficiary in six other VIEs, consisting of single-tenant properties in which the tenant has a fixed-price purchase option, which are consolidated and reflected in our consolidated financial statements.

Our proportionate share of outstanding debt related to our unconsolidated partnerships is summarized below (dollars in thousands):

Name	Ownership Percentage	Interest Rate(2)	Principal Amount(1) December 31, 2012	Principal Amount(1) December 31, 2011	Maturity Date (3)
PREI I LLC (4)	20 %	3.2 %	$27,795	$ 27,795	August 13, 2013
Total			$27,795	$ 27,795	

(1) Amount represents our proportionate share of the total outstanding indebtedness for each of the unconsolidated partnerships.

(2) Effective or weighted-average interest rate of the outstanding indebtedness as of December 31, 2012.

(3) The wholly-owned subsidiary of PREI I LLC has an option to extend the maturity date of this loan for one year.

(4) Amount represents our proportionate share of a secured loan, which bears interest at a LIBOR-indexed variable rate with a borrowing capacity of up to $139.0 million. The secured loan was executed by a wholly-owned subsidiary of PREI I LLC in connection with the construction of the 650 East Kendall Street property. In accordance with the loan agreement, Prudential Insurance Corporation of America has guaranteed repayment of the secured loan.

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.

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Our unsecured line of credit, a portion of our Unsecured Senior Term Loan and our proportionate share of the outstanding balance of the PREI joint ventures' secured construction loan bear interest at variable rates, which will be influenced by changes in short-term interest rates, and will be sensitive to inflation.

ITEM 7A. 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. 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, equity price risk, and foreign currency exchange rate risk.

Interest Rate Risk

As of December 31, 2012, our consolidated debt consisted of the following (dollars in thousands):

	Principal Balance (1)	Percent of Total Debt		Effective Interest Rate at December 31, 2012	
Fixed interest rate (2)	$1,645,829	75.9	%	5.37	%
Variable interest rate (3)	523,456	24.1	%	1.93	%
Total/weighted-average effective interest rate	$2,169,285	100.0	%	4.54	%

(1) Principal balance includes only consolidated indebtedness.

(2) Includes five mortgage notes payable secured by certain of our properties (including unamortized premiums), our Exchangeable Senior Notes, our Notes due 2016 (including unamortized debt discount), our Notes due 2020 (including unamortized debt discount) and our Notes due 2022 (including unamortized debt discount).

(3) Includes our Unsecured Senior Term Loan and our unsecured line of credit, which bear interest at LIBOR-indexed variable interest rates, plus a credit spread. On August 2, 2012, we converted approximately $156.4 million of outstanding borrowings of the Unsecured Senior Term Loan into GBP equal to £100.0 million. The principal balance represents the U.S. dollar amount based on the exchange rate of $1.62 to £1.00 at December 31, 2012. The stated effective rate for the variable interest debt excludes the impact of any interest rate swap agreements. We have entered into four U.S. dollar interest rate swaps, which are intended to have the effect of initially fixing the interest rate on $200.0 million of the outstanding amount under our Unsecured Senior Term Loan at a weighted-average interest rate of approximately 2.81% for a five-year term (including applicable credit spreads for the underlying debt), subject to adjustment based on our credit ratings. We have entered into two GBP interest rate swaps, which are intended to have the effect of initially fixing the interest rate on £100.0 million of the outstanding amount under our Unsecured Senior Term Loan at approximately 2.39% for the remaining term of the Unsecured Senior Term Loan (including applicable credit spreads for the underlying debt), subject to adjustment based on our credit ratings.

To determine the fair-value of our outstanding consolidated indebtedness, we utilize quoted market prices to estimate the fair-value, when available. If quoted market prices are not available, we calculate the fair-value of our mortgage notes payable and other fixed-rate debt based on an estimate of current lending rates, assuming the debt is outstanding through maturity and considering the notes' collateral. In determining the current market rate for fixed-rate debt, a market credit spread is added to the quoted yields on federal government treasury securities with similar terms to debt. In determining the current market rate for variable-rate debt, a market credit spread is added to the current effective interest rate. At December 31, 2012, the fair-value of the fixed-rate debt was estimated to be $1.8 billion compared to the net carrying value of $1.6 billion (including debt premiums and discounts). At December 31, 2012, the fair-value of the variable-rate debt was estimated to be equal to the net carrying value of $523.5 million. We do not believe that the interest rate risk represented by our fixed-rate debt or the risk of changes in the credit spread related to our variable-rate debt was material as of December 31, 2012 in relation to total assets of $4.8 billion and equity market capitalization of $3.2 billion of BioMed Realty Trust, Inc.'s common stock and preferred stock, and BioMed Realty, L.P.'s OP units.

Based on the unhedged outstanding balances of our unsecured line of credit, our Unsecured Senior Term Loan and our proportionate share of the outstanding balance for the PREI joint ventures' secured construction loan at December 31, 2012, a 1% change in interest rates would change our interest costs by approximately $1.9 million 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

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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 assumes 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.

Equity Price Risk

We have exposure to equity price market risk because of our equity investments in certain publicly traded companies and privately held entities. We classify investments in publicly traded companies as "available for sale" and, consequently, record them on our condensed consolidated balance sheets at fair-value, with unrealized gains or losses reported as a component of accumulated other comprehensive income or loss. Investments in privately held entities are generally accounted for under the cost method because we do not influence any of the operating or financial policies of the entities in which we invest. For all investments, we recognize other-than-temporary declines in value against earnings in the same period during which the decline in value was deemed to have occurred. There is no assurance that future declines in value will not have a material adverse impact on our future results of operations. A 10% decrease in the fair-value of our equity investments as of December 31, 2012, would equal approximately $1.3 million.

Foreign Currency Exchange Rate Risk

We have exposure to foreign currency exchange rate risk related to our subsidiary operating in the United Kingdom. The functional currency of our foreign subsidiary is GBP. Gains or losses resulting from the translation of our foreign subsidiary's balance sheet and statement of income are included in other comprehensive income. Gains or losses will be reflected in our statements of income when there is a sale of our investment in these operations or upon a complete or substantially complete liquidation of the investment. For the year ended December 31, 2012, total revenues from our foreign subsidiary were $10.3 million, which represented 2.0% of our total revenues. Our net investment in properties outside the United States was $188.8 million as of December 31, 2012. On August 2, 2012, we converted a portion of the outstanding borrowings of our Unsecured Senior Term Loan into GBP, which we designated as a net investment hedge to mitigate our risk to fluctuations in foreign currency exchange rates. As a result, our unhedged net investment in properties outside the United States was $26.9 million as of December 31, 2012.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
BioMed Realty Trust, Inc.:

We have audited the accompanying consolidated balance sheets of BioMed Realty Trust, Inc. and subsidiaries (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the years in the three year period ended December 31, 2012. In connection with our audits of the consolidated financial statements, we also have audited the accompanying financial statement schedule III. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BioMed Realty Trust, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 6, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

San Diego, California
February 6, 2013

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
BioMed Realty Trust, Inc.:
We have audited BioMed Realty Trust, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, BioMed Realty Trust, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of BioMed Realty Trust Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2012, and our report dated February 6, 2013 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

San Diego, California

February 6, 2013

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Report of Independent Registered Public Accounting Firm

The Board of Directors of the General Partner
BioMed Realty, L.P.:

We have audited the accompanying consolidated balance sheets of BioMed Realty, L.P. and subsidiaries (the Operating Partnership) as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, capital, and cash flows for each of the years in the three year period ended December 31, 2012. In connection with our audits of the consolidated financial statements, we also have audited the accompanying financial statement schedule III. These consolidated financial statements and financial statement schedule are the responsibility of the Operating Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BioMed Realty, L.P., and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

San Diego, California
February 6, 2013

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BIOMED REALTY TRUST, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31, 2012	2011
ASSETS		
Investments in real estate, net	$4,319,716	$3,950,246
Investments in unconsolidated partnerships	32,367	33,389
Cash and cash equivalents	19,976	16,411
Accounts receivable, net	4,507	5,141
Accrued straight-line rents, net	152,096	130,582
Deferred leasing costs, net	172,363	157,255
Other assets	133,454	135,521
Total assets	$4,834,479	$4,428,545
LIABILITIES AND EQUITY		
Mortgage notes payable, net	$571,652	$587,844
Exchangeable senior notes	180,000	180,000
Unsecured senior notes, net	894,177	645,581
Unsecured senior term loan	405,456	—
Unsecured line of credit	118,000	268,000
Accounts payable, accrued expenses and other liabilities	180,653	134,924
Total liabilities	2,349,938	1,816,349
Equity:		
Stockholders' equity:		
Preferred stock, $.01 par value, 15,000,000 shares authorized: 7.375% Series A cumulative redeemable preferred stock, $198,000 liquidation preference ($25.00 per share), 7,920,000 shares issued and outstanding at December 31, 2012 and December 31, 2011	191,469	191,469
Common stock, $.01 par value, 200,000,000 shares authorized, 154,327,818 and 154,101,482 shares issued and outstanding at December 31, 2012 and December 31, 2011, respectively	1,543	1,541
Additional paid-in capital	2,781,849	2,773,994
Accumulated other comprehensive loss, net	(54,725)	(60,138)
Dividends in excess of earnings	(443,280)	(304,759)
Total stockholders' equity	2,476,856	2,602,107
Noncontrolling interests	7,685	10,089
Total equity	2,484,541	2,612,196
Total liabilities and equity	$4,834,479	$4,428,545

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.

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

	For the Year Ended December 31, 2012	2011	2010
Revenues:			
Rental	$392,628	$329,454	$292,799
Tenant recoveries	120,793	101,965	86,903
Other revenue	4,746	6,781	3,927
Total revenues	518,167	438,200	383,629
Expenses:			
Rental operations	152,219	128,146	111,900
Depreciation and amortization	196,844	142,319	114,788
General and administrative	38,025	30,966	25,901
Acquisition-related expenses	13,077	1,099	3,053
Total expenses	400,165	302,530	255,642
Income from operations	118,002	135,670	127,987
Equity in net loss of unconsolidated partnerships	(1,389)	(2,489)	(1,645)
Interest expense, net	(99,608)	(89,181)	(86,073)
Other expense	(872)	(1,760)	(2,658)
Income from continuing operations	16,133	42,240	37,611
(Loss) / income from discontinued operations	(4,370)	474	1,703
Net income	11,763	42,714	39,314
Net loss / (income) attributable to noncontrolling interests	62	(525)	(498)
Net income attributable to the Company	11,825	42,189	38,816
Preferred stock dividends	(14,603)	(16,033)	(16,963)
Cost on redemption of preferred stock	—	(165)	—
Net (loss) / income available to common stockholders	$(2,778)	$25,991	$21,853
Income from continuing operations per share available to common stockholders:			
Basic and diluted earnings per share	$—	$0.19	$0.17
(Loss) / income from discontinued operations per share available to common stockholders:			
Basic and diluted earnings per share	$(0.03)	$—	$0.02
Net (loss) / income per share available to common stockholders:			
Basic and diluted earnings per share	$(0.03)	$0.19	$0.19
Weighted-average common shares outstanding:			
Basic	152,752,086	132,625,915	112,698,704
Diluted	155,700,387	135,609,843	115,718,199

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,		
	2012	2011	2010
Net income	$11,763	$42,714	$39,314
Other comprehensive income:			
Foreign currency translation adjustments	3,611	—	—
Unrealized (loss) / gain on derivative instruments, net	(5,144)	3,857	8,182
Amortization of deferred interest costs	6,933	7,027	7,114
Reclassification on unrealized loss on equity securities	545	5,132	—
Reclassification on sale of equity securities	(38)	70	(537)
Unrealized loss on equity securities	(390)	(5,131)	(74)
Total other comprehensive income	5,517	10,955	14,685
Comprehensive income	17,280	53,669	53,999
Comprehensive income attributable to noncontrolling interests	(42)	(760)	(857)
Comprehensive income attributable to the Company	$17,238	$52,909	$53,142

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except share data)

	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, 2009	$222,413	99,000,269	$990	$1,843,551	$(85,183)	$(167,429)	$1,814,342	$9,590	$1,823,932
Net proceeds from sale of common stock	—	31,426,000	314	523,358	—	—	523,672	—	523,672
Net issuances of unvested restricted common stock	—	544,930	5	(1,243)	—	—	(1,238)	—	(1,238)
Conversion of OP units to common stock	—	75,310	1	(30)	—	—	(29)	29	—
Vesting of share-based awards	—	—	—	6,989	—	—	6,989	—	6,989
Reallocation of equity to noncontrolling interests	—	—	—	(1,137)	—	—	(1,137)	1,137	—
Common stock dividends	—	—	—	—	—	(75,600)	(75,600)	—	(75,600)
OP unit distributions	—	—	—	—	—	—	—	(1,895)	(1,895)
Net income	—	—	—	—	—	38,816	38,816	498	39,314
Preferred stock dividends	—	—	—	—	—	(16,963)	(16,963)	—	(16,963)
Reclassification on sale of equity securities	—	—	—	—	(522)	—	(522)	(15)	(537)
Unrealized loss on equity securities	—	—	—	—	(72)	—	(72)	(2)	(74)
Amortization of deferred interest costs	—	—	—	—	6,943	—	6,943	171	7,114
Unrealized gain on derivative	—	—	—	—	7,977	—	7,977	205	8,182

instruments, net									
Balance at December 31, 2010	222,413	131,046,509	1,310	2,371,488	(70,857)	(221,176)	2,303,178	9,718	2,312,896
Net proceeds from sale of common stock	—	22,562,922	225	399,346	—	—	399,571	—	399,571
Net issuances of unvested restricted common stock	—	470,780	5	(2,425)	—	—	(2,420)	—	(2,420)
Conversion of OP units to common stock	—	21,271	1	(50)	—	—	(49)	49	—
Redemption of preferred stock	(30,944)	—	—	—	—	(165)	(31,109)	—	(31,109)
Vesting of share-based awards	—	—	—	7,582	—	—	7,582	—	7,582
Reallocation of equity to noncontrolling interests	—	—	—	(1,947)	—	—	(1,947)	1,947	—
Common stock dividends	—	—	—	—	—	(109,574)	(109,574)	—	(109,574)
OP unit distributions	—	—	—	—	—	—	—	(2,386)	(2,386)
Net income	—	—	—	—	—	42,189	42,189	525	42,714

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	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
Preferred stock dividends	—	—	—	—	—	(16,033)	(16,033)	—	(16,033)
Reclassification on unrealized loss on equity securities	—	—	—	—	5,021	—	5,021	111	5,132
Reclassification on sale of equity securities	—	—	—	—	69	—	69	1	70
Unrealized loss on equity securities	—	—	—	—	(5,021)	—	(5,021)	(110)	(5,131)
Amortization of deferred interest costs	—	—	—	—	6,877	—	6,877	150	7,027
Unrealized gain on derivative instruments, net	—	—	—	—	3,773	—	3,773	84	3,857
Balance at December 31, 2011	191,469	154,101,482	1,541	2,773,994	(60,138)	(304,759)	2,602,107	10,089	2,612,196
Net issuances of unvested restricted common stock	—	179,115	1	(3,529)	—	—	(3,528)	—	(3,528)
Conversion of OP units to common stock	—	47,221	1	—	—	—	1	(1)	—
Vesting of share-based awards	—	—	—	11,530	—	—	11,530	—	11,530
Reallocation of equity to noncontrolling interests	—	—	—	(146)	—	—	(146)	146	—
Common stock dividends	—	—	—	—	—	(135,743)	(135,743)	—	(135,743)
OP unit distributions	—	—	—	—	—	—	—	(2,591)	(2,591)
Net income / (loss)	—	—	—	—	—	11,825	11,825	(62)	11,763
Preferred stock dividends	—	—	—	—	—	(14,603)	(14,603)	—	(14,603)

Foreign currency translation adjustment	—	—	—	—	3,543	—	3,543	68	3,611
Reclassification on unrealized loss on equity securities	—	—	—	—	535	—	535	10	545
Reclassification on sale of equity securities	—	—	—	—	(38)	—	(38)	—	(38)
Unrealized loss on equity securities	—	—	—	—	(382)	—	(382)	(8)	(390)
Amortization of deferred interest costs	—	—	—	—	6,803	—	6,803	130	6,933
Unrealized loss on derivative instruments, net	—	—	—	—	(5,048)	—	(5,048)	(96)	(5,144)
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

See accompanying notes to consolidated financial statements.

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BIOMED REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2012	2011	2010
Operating activities:			
Net income	$11,763	$42,714	$39,314
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	196,927	142,681	115,355
Allowance for doubtful accounts	1,656	2,277	1,759
Non-cash revenue adjustments	11,261	10,400	1,107
Other non-cash adjustments	19,027	9,130	14,660
Compensation expense related to restricted common stock and LTIP units	11,530	7,582	6,989
Distributions representing a return on capital from unconsolidated partnerships	1,202	2,428	1,374
Changes in operating assets and liabilities:			
Accounts receivable	282	(1,308)	(2,052)
Accrued straight-line rents	(23,044)	(24,925)	(26,285)
Deferred leasing costs	(13,993)	(12,583)	(5,631)
Other assets	2,748	2,640	(11,592)
Accounts payable, accrued expenses and other liabilities	18,876	(6,005)	26,897
Net cash provided by operating activities	238,235	175,031	161,895
Investing activities:			
Purchases of investments in real estate and related intangible assets	(366,492)	(393,481)	(608,549)
Capital expenditures	(138,870)	(143,354)	(97,467)
Draws on construction loan receivable	(21,697)	—	
Contributions to unconsolidated partnerships, net	(2,410)	(54,436)	(4,397)
Purchases of debt and equity securities	(8,645)	(5,245)	—
Proceeds from the sale of equity securities	132	125	1,227
Deposits to escrow for acquisitions	—	(7,940)	(1,800)
Net cash used in investing activities	(537,982)	(604,331)	(710,986)
Financing activities:			
Proceeds from common stock offering	—	404,328	545,804
Payment of offering costs	—	(4,757)	(22,132)
Redemption of Series A preferred stock	—	(31,109)	—
Payment of deferred loan costs	(5,937)	(9,733)	(9,431)
Unsecured line of credit proceeds	596,000	771,575	745,392
Unsecured line of credit payments	(746,000)	(896,025)	(750,608)
Principal payments on mortgage notes payable	(41,196)	(67,741)	(23,463)
Proceeds from unsecured senior term loan	556,404	—	—
Unsecured senior term loan payments	(156,404)	—	—
Secured term loan payments	—	—	(250,000)
Repurchases of exchangeable senior notes due 2026	—	(19,800)	(26,410)
Proceeds from exchangeable senior notes due 2030	—	—	180,000
Proceeds from unsecured senior notes	247,815	397,460	247,443

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	Year Ended December 31,		
	2012	2011	2010
Distributions to operating partnership unit and LTIP unit holders	(2,498)	(2,299)	(1,816)
Dividends paid to common stockholders	(130,298)	(101,032)	(67,180)
Dividends paid to preferred stockholders	(14,601)	(16,623)	(16,963)
Net cash provided by financing activities	303,285	424,244	550,636
Effect of exchange rate changes on cash and cash equivalents	27	—	—
Net increase / (decrease) in cash and cash equivalents	3,565	(5,056)	1,545
Cash and cash equivalents at beginning of period	16,411	21,467	19,922
Cash and cash equivalents at end of period	$19,976	$16,411	$21,467
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest (net of amounts capitalized of $8,644, $7,568 and $5,442, respectively)	$81,868	$76,005	$74,620
Supplemental disclosure of non-cash investing and financing activities:			
Accrual for preferred stock dividends declared	$3,651	$3,651	$4,241
Accrual for common stock dividends declared	36,268	30,821	22,279
Accrual for distributions declared for operating partnership unit and LTIP unit holders	689	596	509
Accrued additions to real estate and related intangible assets	33,153	24,317	37,415
Mortgage note assumed (includes premium of $1,802 and $660 in 2012 and 2010, respectively)	25,947	—	13,951
Deposits applied for acquisitions	18,649	1,800	—

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.

CONSOLIDATED BALANCE SHEETS
(In thousands, except unit data)

	December 31, 2012	2011
ASSETS		
Investments in real estate, net	$4,319,716	$3,950,246
Investments in unconsolidated partnerships	32,367	33,389
Cash and cash equivalents	19,976	16,411
Accounts receivable, net	4,507	5,141
Accrued straight-line rents, net	152,096	130,582
Deferred leasing costs, net	172,363	157,255
Other assets	133,454	135,521
Total assets	$4,834,479	$4,428,545
LIABILITIES AND CAPITAL		
Mortgage notes payable, net	$571,652	$587,844
Exchangeable senior notes	180,000	180,000
Unsecured senior notes, net	894,177	645,581
Unsecured senior term loan	405,456	—
Unsecured line of credit	118,000	268,000
Accounts payable, accrued expenses and other liabilities	180,653	134,924
Total liabilities	2,349,938	1,816,349
Capital:		
Partners’ capital:		
Preferred units, 7.375% Series A cumulative redeemable preferred units, $198,000 liquidation preference ($25.00 per unit), 7,920,000 units issued and outstanding at December 31, 2012 and December 31, 2011	191,469	191,469
Limited partners' capital, 2,932,758 and 2,979,979 units issued and outstanding at December 31, 2012 and December 31, 2011, respectively	7,937	10,332
General partner's capital, 154,327,818 and 154,101,482 units issued and outstanding at December 31, 2012 and December 31, 2011, respectively	2,338,464	2,469,233
Accumulated other comprehensive loss, net	(53,077)	(58,594)
Total partners’ capital	2,484,793	2,612,440
Noncontrolling interests deficit	(252)	(244)
Total capital	2,484,541	2,612,196
Total liabilities and capital	$4,834,479	$4,428,545

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.

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

	For the Year Ended December 31, 2012	2011	2010
Revenues:			
Rental	$392,628	$329,454	$292,799
Tenant recoveries	120,793	101,965	86,903
Other revenue	4,746	6,781	3,927
Total revenues	518,167	438,200	383,629
Expenses:			
Rental operations	152,219	128,146	111,900
Depreciation and amortization	196,844	142,319	114,788
General and administrative	38,025	30,966	25,901
Acquisition-related expenses	13,077	1,099	3,053
Total expenses	400,165	302,530	255,642
Income from operations	118,002	135,670	127,987
Equity in net loss of unconsolidated partnerships	(1,389)	(2,489)	(1,645)
Interest expense, net	(99,608)	(89,181)	(86,073)
Other expense	(872)	(1,760)	(2,658)
Income from continuing operations	16,133	42,240	37,611
(Loss)/income from discontinued operations	(4,370)	474	1,703
Net income	11,763	42,714	39,314
Net loss attributable to noncontrolling interests	8	44	48
Net income attributable to the Operating Partnership	11,771	42,758	39,362
Preferred unit distributions	(14,603)	(16,033)	(16,963)
Cost on redemption of preferred units	—	(165)	—
Net (loss)/income available to unitholders	$(2,832)	$26,560	$22,399
Income from continuing operations per unit available to unitholders:			
Basic and diluted earnings per unit	$—	$0.19	$0.17
(Loss)/income from discontinued operations per unit available to unitholders:			
Basic and diluted earnings per unit	$(0.03)	$—	$0.02
Net (loss)/income per unit available to unitholders:			
Basic and diluted earnings per unit	$(0.03)	$0.19	$0.19
Weighted-average units outstanding:			
Basic	155,670,931	135,549,934	115,572,569
Diluted	155,670,931	135,549,934	115,572,569

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,		
	2012	2011	2010
Net income	$11,763	$42,714	$39,314
Other comprehensive income:			
Foreign currency translation adjustments	3,611	—	—
Unrealized (loss)/gain on derivative instruments, net	(5,144)	3,857	8,182
Amortization of deferred interest costs	6,933	7,027	7,114
Reclassification on unrealized loss on equity securities	545	5,132	—
Reclassification on sale of equity securities	(38)	70	(537)
Unrealized loss on equity securities	(390)	(5,131)	(74)
Total other comprehensive income	5,517	10,955	14,685
Comprehensive income	17,280	53,669	53,999
Comprehensive loss attributable to noncontrolling interests	8	44	48
Comprehensive income attributable to the Operating Partnership	$17,288	$53,713	$54,047

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.

CONSOLIDATED STATEMENTS OF CAPITAL
(In thousands, except unit data)

	Preferred Series A		Limited Partners' Capital		General Partner's Capital		Accumulated Other Comprehensive (Loss)/Income	Total Partners' Equity	Noncontrolli	Tota
	Units	Amount	Units	Amount	Units	Amount			Interests	
Balance at December 31, 2009	9,200,000	$222,413	3,076,560	$9,724	99,000,269	$1,676,181	$(84,234)	$1,824,084	$(152)	$1,8
Proceeds from issuance of OP units	—	—	—	—	31,426,000	523,672	—	523,672	—	523,
Net issuances of unvested restricted OP units	—	—	—	—	544,930	(1,238)	—	(1,238)	—	(1,23
Conversion of OP units	—	—	(75,310)	29	75,310	(29)	—	—	—	—
Vesting of share-based awards	—	—	—	—	—	6,989	—	6,989	—	6,98
Reallocation of equity to limited partners	—	—	—	1,514	—	(1,514)	—	—	—	—
Distributions	—	(16,963)	—	(1,895)	—	(75,600)	—	(94,458)	—	(94,4
Net income	—	16,963	—	546	—	21,853	—	39,362	(48)	39,3
Reclassification on sale of equity securities	—	—	—	—	—	—	(537)	(537)	—	(537
Unrealized loss on equity securities	—	—	—	—	—	—	(74)	(74)	—	(74
Amortization of deferred interest costs	—	—	—	—	—	—	7,114	7,114	—	7,11
Unrealized gain on derivative instruments, net	—	—	—	—	—	—	8,182	8,182	—	8,18
Balance at December 31, 2010	9,200,000	222,413	3,001,250	9,918	131,046,509	2,150,314	$(69,549)	2,313,096	(200)	2,31
Proceeds from issuance of OP units	—	—	—	—	22,562,922	399,571	—	399,571	—	399,

Net issuances of unvested restricted OP units	—	—	—	—	470,780	(2,420)	—	(2,420)	—	(2,42
Conversion of OP units	—	—	(21,271)	49	21,271	(49)	—	—	—	—
Redemption of preferred units	(1,280,000)	(31,109)	—	—	—	—	—	(31,109)	—	(31,1
Vesting of share-based awards	—	—	—	—	—	7,582	—	7,582	—	7,58
Reallocation of equity to limited partners	—	—	—	2,182	—	(2,182)	—	—	—	—
Distributions	—	(16,033)	—	(2,386)	—	(109,574)	—	(127,993)	—	(127
Net income	—	16,198	—	569	—	25,991	—	42,758	(44)	42,7

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	Preferred Series A		Limited Partners' Capital		General Partner's Capital		Accumulated Other Comprehensive (Loss)/Income	Total Partners' Equity	Noncontrolling Interests	Total
	Units	Amount	Units	Amount	Units	Amount				
Reclassification on unrealized loss on equity securities	—	—	—	—	—	—	5,132	5,132	—	5,132
Reclassification on sale of equity securities	—	—	—	—	—	—	70	70	—	70
Unrealized loss on equity securities	—	—	—	—	—	—	(5,131)	(5,131)	—	(5,131
Amortization of deferred interest costs	—	—	—	—	—	—	7,027	7,027	—	7,027
Unrealized gain on derivative instruments, net		—	—	—	—	—	3,857	3,857	—	3,857
Balance at December 31, 2011	7,920,000	191,469	2,979,979	10,332	154,101,482	2,469,233	$(58,594)	2,612,440	(244)	2,612,
Net issuances of unvested restricted OP units	—	—	—	—	179,115	(3,528)	—	(3,528)	—	(3,528
Conversion of OP units	—	—	(47,221)	(1)	47,221	1	—	—	—	—
Vesting of share-based awards	—	—	—	—	—	11,530	—	11,530	—	11,530
Reallocation of equity to limited partners	—	—	—	251	—	(251)	—	—	—	—
Distributions	—	(14,603)	—	(2,591)	—	(135,743)	—	(152,937)	—	(152,9
Net income / (loss)	—	14,603	—	(54)	—	(2,778)	—	11,771	(8)	11,763
Foreign currency translation adjustment	—	—	—	—	—	—	3,611	3,611	—	3,611
Reclassification on unrealized loss on equity securities	—	—	—	—	—	—	545	545	—	545

Reclassification on sale of equity securities	—	—	—	—	—	—	(38)	(38)	—	(38
Unrealized loss on equity securities	—	—	—	—	—	—	(390)	(390)	—	(390
Amortization of deferred interest costs	—	—	—	—	—	—	6,933	6,933	—	6,933
Unrealized loss on derivative instruments, net	—	—	—	—	—	—	(5,144)	(5,144)	—	(5,144
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)	$2,484

See accompanying notes to consolidated financial statements.

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BIOMED REALTY, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31, 2012	2011	2010
Operating activities:			
Net income	$11,763	$42,714	$39,314
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	196,927	142,681	115,355
Allowance for doubtful accounts	1,656	2,277	1,759
Non-cash revenue adjustments	11,261	10,400	1,107
Other non-cash adjustments	19,027	9,130	14,660
Compensation expense related to share-based payments	11,530	7,582	6,989
Distributions representing a return on capital from unconsolidated partnerships	1,202	2,428	1,374
Changes in operating assets and liabilities:			
Accounts receivable	282	(1,308)	(2,052)
Accrued straight-line rents	(23,044)	(24,925)	(26,285)
Deferred leasing costs	(13,993)	(12,583)	(5,631)
Other assets	2,748	2,640	(11,592)
Accounts payable, accrued expenses and other liabilities	18,876	(6,005)	26,897
Net cash provided by operating activities	238,235	175,031	161,895
Investing activities:			
Purchases of investments in real estate and related intangible assets	(366,492)	(393,481)	(608,549)
Capital expenditures	(138,870)	(143,354)	(97,467)
Draws on construction loan receivable	(21,697)	—	—
Contributions to unconsolidated partnerships, net	(2,410)	(54,436)	(4,397)
Purchases of debt and equity securities	(8,645)	(5,245)	—
Proceeds from the sale of equity securities	132	125	1,227
Deposits to escrow for acquisitions	—	(7,940)	(1,800)
Net cash used in investing activities	(537,982)	(604,331)	(710,986)
Financing activities:			
Proceeds from issuance of OP units	—	368,462	523,672
Payment of deferred loan costs	(5,937)	(9,733)	(9,431)
Unsecured line of credit proceeds	596,000	771,575	745,392
Unsecured line of credit payments	(746,000)	(896,025)	(750,608)
Principal payments on mortgage notes payable	(41,196)	(67,741)	(23,463)
Proceeds from unsecured senior term loan	556,404	—	—
Unsecured senior term loan repayments	(156,404)	—	—
Secured term loan repayments	—	—	(250,000)
Repurchases of exchangeable senior notes due 2026	—	(19,800)	(26,410)
Proceeds from exchangeable senior notes due 2030	—	—	180,000
Proceeds from unsecured senior notes	247,815	397,460	247,443

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	Year Ended December 31,		
	2012	2011	2010
Distributions paid to unitholders	(132,796)	(103,331)	(68,996)
Distributions paid to preferred unitholders	(14,601)	(16,623)	(16,963)
Net cash provided by financing activities	303,285	424,244	550,636
Effect of exchange rate changes on cash and cash equivalents	27	—	—
Net increase / (decrease) in cash and cash equivalents	3,565	(5,056)	1,545
Cash and cash equivalents at beginning of period	16,411	21,467	19,922
Cash and cash equivalents at end of period	$19,976	$16,411	$21,467
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest (net of amounts capitalized of $8,644, $7,568 and $5,442, respectively)	$81,868	$76,005	$74,620
Supplemental disclosure of non-cash investing and financing activities:			
Accrual for unit distributions declared	$36,957	$31,417	$22,788
Accrual for preferred unit distributions declared	3,651	3,651	4,241
Accrued additions to real estate and related intangible assets	33,153	24,317	37,415
Mortgage notes assumed (includes premiums of $1,802 and $660 in 2012 and 2010, respectively)	25,947	—	13,951
Deposits applied for acquisitions	18,649	1,800	—

See accompanying notes to consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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, New York/New Jersey, Pennsylvania and Seattle.

The Parent Company is the sole general partner of the Operating Partnership and, as of December 31, 2012, owned a 98.1% interest in the Operating Partnership. The remaining 1.9% 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.

Information with respect to the square footage and the percent of rentable square feet leased to tenants is unaudited.

2. Basis of Presentation and Summary of Significant Accounting Policies

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

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 year ended December 31, 2012, total revenues from properties outside the United States were $10.3 million, which represented 2.0% of the Company’s total revenues during the same period. The Company’s net investment in properties outside the United States was $188.8 million as of December 31, 2012.

Investments in Partnerships and Limited Liability Companies

The Company evaluates its investments in limited liability companies and partnerships to determine whether such entities may be a variable interest entity, or VIE, and, if a VIE, whether the Company is the primary beneficiary.

Generally, an entity is determined to be a VIE when either (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest, (2) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The primary beneficiary is the entity that has both (1) the power to direct matters that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company considers a variety of factors in identifying the entity that holds the power to direct matters that most significantly impact the VIE's economic performance including, but not limited to, the ability to direct financing, leasing, construction and other operating decisions and activities. In addition, the Company considers the rights of other investors to participate in policy making decisions, to replace or remove the manager and to liquidate or sell the entity. The obligation to absorb losses and the right to receive benefits when a reporting entity is affiliated with a VIE must be based on ownership, contractual, and/or other pecuniary interests in that VIE. 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 December 31, 2012 and 2011 consist of the following (in thousands):

	December 31, 2012	December 31, 2011
Investment in real estate, net	$397,542	$409,327
Total assets	434,105	454,208
Total debt	144,889	146,581
Total liabilities	150,330	151,893

If the foregoing conditions do not apply, the Company considers whether a general partner or managing member controls a limited partnership or limited liability company. The general partner in a limited partnership or managing member in a limited liability company is presumed to control that limited partnership or limited liability company. The presumption may be overcome if the limited partners or members have either (1) the substantive ability to dissolve the limited partnership or limited liability company or otherwise remove the general partner or managing member without cause or (2) substantive participating rights, which provide the limited partners or members with the ability to effectively participate in significant decisions that would be expected to be made in the ordinary course of the limited partnership's or limited liability company's business and thereby preclude the general partner or managing member from exercising unilateral control over the partnership or company. If these criteria are met and the Company is the general partner or the managing member, as applicable, the consolidation of the partnership or limited liability company is required.

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

On a periodic basis, management assesses whether there are any indicators that the carrying value of the Company's investments in unconsolidated partnerships or limited liability companies may be impaired on a more than temporary basis. An investment is impaired only if management's estimate of the fair-value of the investment is less than the carrying value of the investment on a more than temporary basis. To the extent impairment has occurred, the loss is measured as the excess of the carrying value of the investment over the fair-value of the investment. Management does not believe that the carrying value of any of the Company's unconsolidated investments in partnerships or limited liability companies was impaired as of December 31, 2012.

Investments in Real Estate, Net

Investments in real estate are carried at depreciated cost. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	Remaining useful life, not to exceed 40 years
Tenant improvements	Shorter of the useful lives or the terms of the related leases
Furniture, fixtures, and equipment (other assets)	Three to five years
Acquired in-place leases	Non-cancelable term of the related lease
Acquired management agreements	Non-cancelable term of the related agreement

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

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	December 31, 2012	December 31, 2011
Land	$702,993	$591,009
Land under development	48,744	56,008
Buildings and improvements	4,028,089	3,615,678
Construction in progress	143,340	140,025
	4,923,166	4,402,720
Accumulated depreciation	(603,450)	(452,474)
	$4,319,716	$3,950,246

Purchase accounting is applied to the assets and liabilities of real estate properties in which the Company acquires a controlling interest or a partial interest. The fair-value of tangible assets of an acquired property (which includes land, buildings, and improvements) is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land, buildings and improvements based on management's determination of the fair-value of these assets. Factors considered by the Company in performing these analyses include an estimate of the carrying costs during the expected lease-up periods, current market conditions and costs to execute similar leases. In estimating carrying costs, the Company includes real estate taxes, insurance and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. Upon the acquisition of a controlling interest of an investment in an unconsolidated partnership, such partnership is consolidated and a gain is recognized equal to the amount in which the fair-value of the noncontrolling interest in such partnership exceeded its carrying value at the time of obtaining control.

The aggregate value of other acquired intangible assets consisting of acquired in-place leases and acquired management agreements (see deferred leasing costs below) are recorded based on a variety of considerations including, but not necessarily limited to: (1) the value associated with avoiding the cost of originating the acquired in-place leases (i.e. the market cost to execute a lease, including leasing commissions and legal fees, if any); (2) the value associated with lost revenue related to tenant reimbursable operating costs estimated to be incurred during the assumed lease-up period (i.e. real estate taxes and insurance); and (3) the value associated with lost rental revenue from existing leases during the assumed lease-up period (see discussion of the recognition of acquired above-market and below-market leases in Revenue Recognition section below). The fair-value assigned to the acquired management agreements are recorded at the present value (using a discount rate which reflects the risks associated with the management agreements acquired) of the acquired management agreements with certain tenants of the acquired properties. The Company has also considered the existence of a tenant relationship intangible asset, but has not historically allocated any value to tenant relationships apart from acquired in-place leases. The values of in-place leases and management agreements are amortized to expense over the remaining non-cancelable period of the respective leases or agreements. If a lease were to be terminated or if termination is determined to be likely (e.g., in the case of a tenant bankruptcy) prior to its contractual expiration, amortization of all unamortized amounts related to that lease would be accelerated and such amounts written off.

Costs incurred in connection with the development or construction of properties and improvements are capitalized. Capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other direct costs incurred during the period of development. The Company capitalizes costs on land and buildings under development until construction is substantially complete and the property is held available for occupancy. Determination of when a development project is substantially complete and when capitalization must cease involves a degree of judgment. The Company considers a construction project as substantially complete and held available for occupancy upon the completion of landlord-owned tenant improvements or when the lessee takes possession of the unimproved space for construction of its own improvements, but no later than one year from cessation of major construction activity. The Company ceases capitalization on the portion substantially completed and occupied or held available for occupancy, and capitalizes only those costs associated with any remaining portion under construction. Interest costs capitalized for the years ended December 31, 2012, 2011 and 2010 were $8.6 million, $7.6 million and $5.4 million, respectively. Payroll costs capitalized for the years ended December 31, 2012, 2011 and 2010 were $2.0 million, $1.3 million and $832,000, respectively. Costs associated with acquisitions of businesses are charged to expense.

Repair and maintenance costs are charged to expense as incurred and significant replacements and betterments are capitalized. Repairs and maintenance costs include all costs that do not extend the useful life of an asset or increase its operating efficiency. Significant replacement and betterments represent costs that extend an asset’s useful life or increase its operating efficiency.

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

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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 year ended December 31, 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. We maintain our cash at insured financial institutions. The combined account balances at each institution periodically exceed FDIC insurance coverage, and, as a result, there is a concentration of credit risk related to amounts in excess of FDIC limits. The Company believes that the risk is not significant.

Deferred Leasing Costs, Net

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 December 31, 2012. Deferred leasing costs also include the net carrying value of acquired in-place leases and acquired management agreements.

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

Deferred leasing costs, net at December 31, 2011 consisted of the following (in thousands):

	Balance at	Accumulated Amortization	Net

	December 31, 2011		
Acquired in-place leases	$260,552	$(150,453)	$110,099
Acquired management agreements	22,696	(12,641)	10,055
Deferred leasing and other direct costs	54,461	(17,360)	37,101
	$337,709	$(180,454)	$157,255

The estimated amortization expense for deferred leasing costs at December 31, 2012 was as follows (in thousands):

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2013	$39,382
2014	27,902
2015	24,235
2016	18,350
2017	16,960
Thereafter	45,534
	$172,363

Revenue Recognition, Operating Expenses and Lease Terminations

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

- whether the lease stipulates how and on what a tenant improvement allowance may be spent;
- whether the tenant or landlord retain legal title to the improvements;
- the uniqueness of the improvements;
- the expected economic life of the tenant improvements relative to the length of the lease;
- the responsible party for construction cost overruns; and
- who constructs or directs the construction of the improvements.

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

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

The impact of the straight-line rent revenue, acquired above and below market lease revenue, and lease incentive revenue consisted of the following (in thousands):

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	Years Ended December 31,		
	2012	2011	2010
Straight-line rent revenue	$23,288	$25,243	$26,285
Acquired above-market lease revenue	(9,977)	(9,607)	(2,890)
Acquired below-market lease revenue	1,684	1,453	3,992
Lease incentive revenue	(2,969)	(2,246)	(2,209)
Net increase to revenue	$12,026	$14,843	$25,178

Total estimated minimum rents under non-cancelable operating tenant leases in effect at December 31, 2012 were as follows (in thousands):

2013	$382,440
2014	383,071
2015	370,941
2016	342,850
2017	327,188
Thereafter	1,626,642
	$3,433,132

The estimated amortization for acquired above- and below-market lease revenue and lease incentive revenue at December 31, 2012 was as follows (in thousands):

	2013	2014	2015	2016	2017	Thereafter	Total
Amortization of:							
Acquired above-market leases	$(5,109)	$(4,076)	$(1,638)	$(1,042)	$(925)	$(5,309)	$(18,099)
Acquired below-market leases	1,524	1,223	1,039	911	911	2,613	8,221
Lease incentive	(2,578)	(2,532)	(2,530)	(2,303)	(1,863)	(9,935)	(21,741)

Rental operations expenses, consisting of real estate taxes, insurance and common area maintenance costs, are subject to recovery from tenants under the terms of lease agreements. Amounts recovered are dependent on several factors, including occupancy and lease terms. Revenues are recognized in the period the expenses are incurred. The reimbursements are recorded in revenues as tenant recoveries, and the expenses are recorded in rental operations expenses, as the Company is generally the primary obligor with respect to purchasing goods and services from third-party suppliers, has discretion in selecting the supplier and bears the credit risk.

On an ongoing basis, the Company evaluates the recoverability of tenant balances, including rents receivable, straight-line rents receivable, tenant improvements, deferred leasing costs and any acquisition intangibles. Factors considered by the Company as part of this evaluation include, among other things, the financial strength of the tenant and any guarantors, a review of publicly filed documents and analyst research reports, a review of the tenant's cash balance and estimated cash "burn" rate if the tenant's cash flow from operations is negative, and the tenant's payment history. When it is determined that the recoverability of tenant balances is not probable, an allowance for expected losses related to tenant receivables, including straight-line rents receivable is recorded as a charge to earnings. Upon the termination of a lease, the amortization of tenant improvements, deferred leasing costs and acquisition intangible assets and liabilities is accelerated to the expected termination date as a charge to their respective line items and tenant receivables are written off as a reduction of the allowance in the period in which the balance is deemed to be no longer collectible. For financial reporting purposes, a lease is treated as terminated upon a tenant filing for bankruptcy, when a space is abandoned and a tenant ceases rent payments, or when other circumstances indicate that termination of a tenant’s lease is probable (e.g., eviction). Lease termination fees are recognized in other income when the related leases are canceled, the amounts to be received are fixed and determinable and collectability is assured, and when the

Company has no continuing obligation to provide services to such former tenants.

Allowance for Doubtful Accounts

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The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required rent and tenant recovery payments or defaults. The Company maintains an allowance for accrued straight-line rents. The determination of this allowance is based on the tenants' payment history and current credit status. Bad debt expense included in rental operations expenses was $1.7 million, $2.3 million and $1.8 million for the years ended December 31, 2012, 2011 and 2010 respectively. The Company's allowance for doubtful accounts included in accounts receivable, net and accrued straight line rent, net was $4.2 million and $2.9 million as of December 31, 2012 and 2011, respectively.

Investments

The Company, through its Operating Partnership, holds equity investments in certain publicly-traded companies and privately-held companies primarily involved in the life science industry. The Company may accept equity investments from tenants in lieu of cash rents, as prepaid rent pursuant to the execution of a lease, or as additional consideration for a lease termination. The Company does not acquire investments for trading purposes and, as a result, all of the Company's investments in publicly-traded companies are considered "available-for-sale" and are recorded at fair-value. Changes in the fair-value of investments classified as available-for-sale are recorded in comprehensive income. The fair-value of the Company's equity investments in publicly-traded companies is determined based upon the closing trading price of the equity security as of the balance sheet date, with unrealized gains and losses shown as a separate component of stockholders' equity. Investments in privately-held companies are generally accounted for under the cost method, because the Company does not influence any operating or financial policies of the companies in which it invests. The classification of investments is determined at the time each investment is made, and such determination is reevaluated at each balance sheet date. The cost of investments sold is determined by the specific identification method, with net realized gains and losses included in other income. For all investments, if a decline in the fair-value of an investment below its carrying value is determined to be other-than-temporary, such investment is written down to its estimated fair-value with a non-cash charge to earnings. The factors that the Company considers in making these assessments include, but are not limited to, market prices, market conditions, available financing, prospects for favorable or unfavorable clinical trial results, new product initiatives and new collaborative agreements.

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

	December 31, 2012	December 31, 2011
Available-for-sale securities, historical cost	$5,958	$5,585
Other-than-temporary unrealized loss	(5,683)	(4,595)
Unrealized gain / (loss)	115	(2)
Available-for-sale securities, fair-value (1)	390	988
Privately-held securities, cost basis	12,280	4,245
Total equity securities	$12,670	$5,233

(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 two publicly traded companies. During the year ended December 31, 2012, the Company reclassified to other expense from accumulated other comprehensive loss, an unrealized loss, considered to be other-than-temporary, of approximately $545,000, relating to its investment in securities of one of these companies. Management has the intent and ability to retain the investment in the other company for a period of time sufficient to allow for an anticipated recovery in its 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 six privately-held companies and two privately-held funds during the year ended December 31, 2012. 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 year ended December 31, 2012 on the Company’s cost basis investments.

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Share-Based Payments

All share-based payments to employees are recognized in the income statement based on their fair-value. Through December 31, 2012, the Company had awarded restricted stock of the Parent Company and LTIP unit grants of the Operating Partnership under its incentive award plan, both of which are valued based on the closing market price of the underlying common stock on the date of grant, and had not granted any stock options. During the year ended December 31, 2012, the Parent Company awarded performance units (the “Performance Units”) to certain of its executive officers. Each Performance Unit represents a contingent right to receive one share of the Parent Company’s common stock if vesting conditions are satisfied. The grant date fair-value of the Performance Units was estimated using a Monte Carlo simulation which considered the likelihood of achieving the vesting conditions (see Note 13 for further information on the fair-value of the Performance Units). The fair-value of all share-based payments is amortized to general and administrative expense and rental operations expense over the relevant service period, adjusted for anticipated forfeitures.

Assets and Liabilities Measured at Fair-Value

The Company measures financial instruments and other items at fair-value where required under GAAP, but has elected not to measure any additional financial instruments and other items at fair-value as permitted under fair-value option accounting guidance.

Fair-value measurement is determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair-value measurements, there is a fair-value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair-value measurement is based on inputs from different levels of the fair-value hierarchy, the level in the fair-value hierarchy within which the entire fair-value measurement falls is based on the lowest level input that is significant to the fair-value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair-value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

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

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair-value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2012, the Company has determined that the impact of the credit valuation adjustments on the overall valuation of its derivative positions is not significant. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair-value hierarchy (see Note 9).

The valuation of the Company's investments in publicly-traded companies utilizes observable market-based inputs, based on the closing trading price of securities as of the balance sheet date, therefore, the Company has determined that valuations of available-for-sale securities are classified in Level 1 of the fair-value hierarchy.

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No other assets or liabilities are measured at fair-value on a recurring basis, or have been measured at fair-value on a non-recurring basis subsequent to initial recognition, in the accompanying consolidated balance sheets as of December 31, 2012.

Derivative Instruments

The Company records all derivatives on the consolidated balance sheets at fair-value. In determining the fair-value of its derivatives, the Company considers the credit risk of its counterparties and the Company. These counterparties are generally larger financial institutions engaged in providing a variety of financial services. These institutions generally face similar risks regarding adverse changes in market and economic conditions, including, but not limited to, fluctuations in interest rates, exchange rates, equity and commodity prices and credit spreads. The ongoing disruptions in the financial markets have heightened the risks to these institutions. While management believes that its counterparties will meet their obligations under the derivative contracts, it is possible that defaults may occur.

The accounting for changes in the fair-value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair-value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair-value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair-value of the hedged asset or liability that are attributable to the hedged risk in a fair-value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risks, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

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 transaction affects earnings. If charges relating to the hedged transaction are being deferred pursuant to redevelopment or development activities, the effective portion of changes in the fair-value of the derivative are also deferred in accumulated other comprehensive income on the consolidated balance sheet, and are amortized to the income statement once the deferred charges from the hedged transaction begin again to affect earnings. The ineffective portion of changes in the fair-value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged item or transaction. For derivatives that are not classified as hedges, changes in the fair-value of the derivative are recognized directly in earnings in the period in which the change occurs.

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

The Company's primary objective in using derivatives is to add stability to interest expense and to manage its exposure to interest rate movements or other identified risks. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying principal amount. During the years ended December 31, 2012, 2011 and 2010, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt and future variability in the interest-related cash flows from forecasted issuances of debt (see Note 9). The Company formally documents the hedging relationships for all derivative instruments, has historically accounted for its interest rate swap agreements as cash flow hedges, and does not use derivatives for trading or speculative purposes.

Equity Offering Costs

Underwriting commissions and offering costs are reflected as a reduction of proceeds.

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Income Taxes of the Parent Company

The Parent Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. The Parent Company believes it has qualified and continues to qualify as a REIT. A REIT is generally not subject to federal income tax on that portion of its taxable income that is distributed to its stockholders. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements. REITs are subject to a number of organizational and operational requirements. If the Parent Company fails to qualify as a REIT in any taxable year, the Parent Company will be subject to federal income tax (including any applicable alternative minimum tax) and, in most of the states, state income tax on its taxable income at regular corporate tax rates. The Parent Company is subject to certain state and local taxes.

Income Taxes of the Operating Partnership

As a partnership, the allocated share of income of the Operating Partnership is included in the income tax returns of the general and limited partners. Accordingly, no accounting for income taxes is required in the accompanying consolidated financial statements. The Operating Partnership may be subject to certain state or local taxes on its income and property.

The Operating Partnership has formed a taxable REIT subsidiary (the “TRS”) on behalf of the Parent Company. In general, the TRS may perform non-customary services for tenants, hold assets that the Parent Company cannot hold directly and, except for the operation or management of health care facilities or lodging facilities or the providing of any person, under a franchise, license or otherwise, rights to any brand name under which any lodging facility or health care facility is operated, may engage in any real estate or non-real estate related business. The TRS is subject to corporate federal income taxes on its taxable income at regular corporate tax rates. There is no tax provision for the TRS for the periods presented in the accompanying consolidated statements of income due to net operating losses incurred. No tax benefits have been recorded since it is not considered more likely than not that the deferred tax asset related to the net operating loss carryforwards will be utilized.

Dividends and Distributions

Earnings and profits, which determine the taxability of dividends and distributions to stockholders, will differ from income reported for financial reporting purposes due to the difference for federal income tax purposes in the treatment of revenue recognition, compensation expense, and in the estimated useful lives of real estate assets used to compute depreciation.

The income tax treatment for dividends was as follows:

	For the Years Ended December 31,								
	2012			2011			2010		
	Per Share	%		Per Share	%		Per Share	%	
Common stock:									
Ordinary income	$0.63	74.12	%	$0.44	57.14	%	$0.39	64.66	%
Capital gain	—	0.00	%	—	0.00	%	—	0.00	%
Return of capital	0.22	25.88	%	0.33	42.86	%	0.21	35.34	%
Total	$0.85	100.00	%	$0.77	100.00	%	$0.60	100.00	%
Preferred stock:									
Ordinary income	$1.84	100.00	%	$1.84	100.00	%	$1.84	100.00	%
Capital gain	—	0.00	%	—	0.00	%	—	0.00	%

Return of capital	—	0.00	%	—	0.00	%	—	0.00	%
Total	$1.84	100.00	%	$1.84	100.00	%	$1.84	100.00	%

Construction Loan Receivable

During the year ended December 31, 2012, the Company entered into an agreement to purchase 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.

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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 December 31, 2012, the Company had invested approximately $21.7 million in the construction loan. The Company expects to have fully funded its obligation in early 2014.

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 year ended December 31, 2012, the Parent Company issued restricted stock awards to the Company’s employees and directors totaling 378,655 and 16,695 shares of common stock, respectively (180,594 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 35,641 shares were forfeited during the same period), which are included in the total of common stock outstanding as of the period end.

During the year ended December 31, 2012, the Parent Company awarded 408,888 Performance Units to certain of its executive officers, which represent the maximum number of Performance Units that may vest. Each Performance Unit represents a contingent right to receive one share of the Parent Company’s common stock if vesting conditions are satisfied.

The Parent Company also maintains a Dividend Reinvestment Program and a Cash Option Purchase Plan (collectively, the “DRIP Plan”) to provide existing stockholders of the Parent Company with an opportunity to invest automatically the cash dividends paid upon shares of the Parent Company’s common stock held by them, as well as permit existing and prospective stockholders to make voluntary cash purchases. Participants may elect to reinvest a portion of, or the full amount of cash dividends paid, whereas optional cash purchases are normally limited to a maximum amount of $10,000. In addition, the Parent Company may elect to establish a discount ranging from 0% to 5% from the market price applicable to newly issued shares of common stock purchased directly from the Parent Company. The Parent Company may change the discount, initially set at 0%, at its discretion, but may not change the discount more frequently than once in any three-month period. Shares purchased under the DRIP Plan shall be, at the Parent Company’s option, purchased from either (1) authorized, but previously unissued shares of common stock, (2) shares of common stock purchased in the open market or privately negotiated transactions, or (3) a combination of both. As of and through December 31, 2012, all shares issued to participants in the DRIP Plan have been acquired through purchases in the open market.

Common Stock, Operating Partnership Units and LTIP Units

As of December 31, 2012, the Company had outstanding 154,327,818 shares of the Parent Company's common stock and 2,579,788 and 352,970 operating partnership and LTIP units, respectively. 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

As of December 31, 2012, the Company had outstanding 7,920,000 shares of the Parent Company's 7.375% Series A Cumulative Redeemable Preferred Stock, or Series A preferred stock. During the year ended December 31, 2011, the Company completed the repurchase of 1,280,000 shares of the Parent Company's Series A preferred stock for approximately $31.1 million, or $24.30 per share, net of accrued dividends of approximately $250,000, or $0.20 per share. The repurchase of the Series A preferred stock resulted in the recognition of costs on redemption of preferred stock of approximately $165,000 for the year ended December 31, 2011 as a result of the difference between the carrying value and the price paid to repurchase the Series A preferred stock.

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

Dividends and Distributions

The following table lists the dividends and distributions declared by the Parent Company and the Operating Partnership during the year ended December 31, 2012:

Declaration Date	Securities Class	Amount Per Share/Unit	Period Covered	Dividend and Distribution Payable Date	Dividend and Distribution Amount (In thousands)
March 15, 2012	Common stock and OP units	$0.21500	January 1, 2012 to March 31, 2012	April 16, 2012	$33,780
March 15, 2012	Series A preferred stock/units	$0.46094	January 16, 2012 to April 15, 2012	April 16, 2012	$3,650
June 15, 2012	Common stock and OP units	$0.21500	April 1, 2012 to June 30, 2012	July 16, 2012	$33,782
June 15, 2012	Series A preferred stock/units	$0.46094	April 16, 2012 to July 15, 2012	July 16, 2012	$3,651
September 14, 2012	Common stock and OP units	$0.21500	July 1, 2012 to September 30, 2012	October 15, 2012	$33,815
September 14, 2012	Series A preferred stock/units	$0.46094	July 16, 2012 to October 15, 2012	October 15, 2012	$3,651
December 12, 2012	Common stock and OP units	$0.23500	October 1, 2012 to December 31, 2012	January 15, 2013	$36,957
December 12, 2012	Series A preferred stock/units	$0.46094	October 16, 2012 to January 15, 2013	January 15, 2013	$3,651

Total 2012 dividends and distributions declared through December 31, 2012 (in thousands):

Common stock and OP units	$138,334
Series A preferred stock/units	14,603
	$152,937

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.

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The redemption value of the OP units not owned by the Parent Company, had such units been redeemed at December 31, 2012, was approximately $56.6 million based on the average closing price of the Parent Company's common stock of $19.29 per share for the ten consecutive trading days immediately preceding December 31, 2012.

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

	December 31, 2012		December 31, 2011	
	Operating Partnership Units and LTIP Units	Percentage of Total	Operating Partnership Units and LTIP Units	Percentage of Total
BioMed Realty Trust	152,853,368	98.1 %	152,435,271	98.1 %
Noncontrolling interest consisting of:				
Operating partnership and LTIP units held by employees and related parties	2,339,314	1.5 %	2,332,318	1.5 %
Operating partnership and LTIP units held by third parties	565,051	0.4 %	588,801	0.4 %
Total	155,757,733	100.0 %	155,356,390	100.0 %

4. Capital of the Operating Partnership

Operating Partnership Units and LTIP Units

As of December 31, 2012, the Operating Partnership had outstanding 156,907,606 operating partnership units and 352,970 LTIP units. The Parent Company owned 98.1% of the partnership interests in the Operating Partnership at December 31, 2012, 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 general partner of the Operating Partnership has generally acquired OP units upon a limited partner's notice of redemption in exchange for shares of the Parent Company's common stock. The redemption provisions of OP units owned by limited partners that permit the issuer to settle in either cash or common stock at the option of the issuer 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.

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

The redemption value of the OP units owned by the limited partners, not including the Parent Company, had such units been redeemed at December 31, 2012, was approximately $56.6 million based on the average closing price of the Parent Company's common stock of $19.29 per share for the ten consecutive trading days immediately preceding December 31, 2012.

7.375% Series A Cumulative Redeemable Preferred Units

Pursuant to the Operating Partnership's partnership agreement, the Operating Partnership's Series A cumulative redeemable preferred units ("Series A preferred units") were issued to the Parent Company in exchange for contributed proceeds of approximately $222.4 million following the Parent Company's issuance of the Series A preferred stock. The Operating Partnership's Series A preferred units are only redeemable for cash equal to a redemption price of $25.00 per unit, plus all accrued and unpaid distributions on such Series A preferred units up to, but excluding the redemption date, if and when shares of the Series A preferred

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stock are redeemed by the Parent Company. Since January 2012, the Parent Company has had the option to redeem the Series A preferred stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus all accrued and unpaid distributions on such Series A preferred stock up to, but excluding the redemption date.

As of December 31, 2012, the Operating Partnership had outstanding 7,920,000 7.375% Series A preferred units. Distributions are cumulative on the Series A preferred units from the date of original issuance in the amount of $1.84375 per unit each year, which is equivalent to 7.375% of the $25.00 liquidation preference per unit. Distributions on the Series A preferred units are payable quarterly in arrears on or about the 15th day of January, April, July and October of each year. Following a change in control of the Parent Company, if the Series A preferred stock of the Parent Company is not listed on the New York Stock Exchange, NYSE MKT LLC (formerly the American Stock Exchange) or NASDAQ, holders of the Series A preferred stock would be entitled to receive (when and as authorized by the board of directors of the Parent Company and declared by the Parent Company), cumulative cash dividends from, but excluding, the first date on which both the change of control and the delisting occurs at an increased rate of 8.375% per annum of the $25.00 liquidation preference per share (equivalent to an annual rate of $2.09375 per share) for as long as the Series A preferred stock is not listed. The Series A preferred stock does not have a stated maturity date and is not subject to any sinking fund or mandatory redemption provisions. Upon liquidation, dissolution or winding up, the Series A preferred units will rank senior to the OP units with respect to the payment of distributions and other amounts. Holders of the Series A preferred stock generally have no voting rights except for limited voting rights if the Parent Company fails to pay dividends for six or more quarterly periods (whether or not consecutive) and in certain other circumstances. The Series A preferred stock is not convertible into or exchangeable for any other property or securities of the Parent Company.

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 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

A summary of the Operating Partnership’s outstanding consolidated debt as of December 31, 2012 and December 31, 2011 was as follows (dollars in thousands):

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	Stated Interest Rate	Effective Interest Rate	Principal Balance December 31, 2012	December 31, 2011	Maturity Date
Mortgage Notes Payable					
9900 Belward Campus Drive	5.64 %	3.99 %	$10,767	$—	July 1, 2017
9901 Belward Campus Drive	5.64 %	3.99 %	13,260	—	July 1, 2017
Center for Life Science | Boston	7.75 %	7.75 %	338,447	342,149	June 30, 2014
500 Kendall Street (Kendall D)	6.38 %	5.45 %	60,164	62,261	December 1, 2018
6828 Nancy Ridge Drive (1)	7.15 %	5.38 %	—	6,373	September 1, 2012
Shady Grove Road	5.97 %	5.97 %	144,889	146,581	September 1, 2016
Sidney Street (1)	7.23 %	5.11 %	—	26,400	June 1, 2012
900 Uniqema Boulevard (1)	8.61 %	5.61 %	—	814	May 1, 2015
			567,527	584,578	
Unamortized premiums			4,125	3,266	
Mortgage notes payable, net			571,652	587,844	
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	—	July 15, 2022
			900,000	650,000	
Unamortized discounts			(5,823)	(4,419)	
Unsecured senior notes, net			894,177	645,581	
Term Loan - U.S. dollar (2)	1.86 %	2.64 %	243,596	—	March 30, 2017
Term Loan - GBP (2)	2.15 %	2.39 %	161,860	—	March 30, 2017
Term Loan (3)			405,456	—	
Unsecured line of credit (3) (4)	1.76 %	1.76 %	118,000	268,000	July 13, 2015
Total consolidated debt			$2,169,285	$1,681,425	

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(1) During the year ended December 31, 2012, the Operating Partnership repaid in full the outstanding mortgage notes totaling approximately $33.1 million pertaining to the 6828 Nancy Ridge Drive, Sidney Street and 900 Uniqema Boulevard properties, resulting in a gain on extinguishment representing the write-off of unamortized debt premium, partially offset by the write-off of deferred loan fees, which is included in other expense.

(2) In August 2012, the Operating Partnership converted approximately $156.4 million of outstanding borrowings into British pounds sterling (“GBP”) equal to £100.0 million. The principal balance represents the U.S. dollar amount based on the exchange rate of $1.62 to £1.00 at December 31, 2012. The effective interest rate includes the impact of interest rate swap agreements (see Note 9 for further discussion of interest rate swap agreements).

(3) In August 2012, the Operating Partnership amended the Term Loan facility and the credit agreement governing the unsecured line of credit to include the Operating Partnership’s qualifying real property owned, leased or operated in certain foreign counties, including the United Kingdom, in the covenant calculations of the respective facilities.

(4) At December 31, 2012, the Operating Partnership had additional borrowing capacity under the unsecured line of credit of up to approximately $632.0 million.

Mortgage Notes Payable, net

The net carrying value of properties (investments in real estate) secured by the Operating Partnership’s mortgage notes payable was $1.0 billion at December 31, 2012 and 2011.

The Operating Partnership's $338.4 million mortgage loan, which is secured by the Company's Center for Life Science | Boston property in Boston, Massachusetts, includes a financial covenant relating to a minimum amount of net worth. Management believes

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that it was in compliance with this covenant as of December 31, 2012. Notwithstanding the financial covenant related to the Center for Life Science | Boston mortgage, no other financial covenants are required on the remaining mortgage notes payable.

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

Exchangeable Senior Notes

On January 11, 2010, the Operating Partnership issued $180.0 million aggregate principal amount of its Exchangeable Senior Notes. The Exchangeable Senior Notes are general senior unsecured obligations of the Operating Partnership and rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership. Interest at a rate of 3.75% per annum is payable on January 15 and July 15 of each year, beginning on July 15, 2010, until the stated maturity date of January 15, 2030. The terms of the Exchangeable Senior Notes are governed by an indenture, dated January 11, 2010, among the Operating Partnership, as issuer, the Parent Company, as guarantor, and U.S. Bank National Association, as trustee. The Exchangeable Senior Notes contain an exchange settlement feature, which provides that the Exchangeable Senior Notes may, at any time prior to the close of business on the second scheduled trading day preceding the maturity date, be exchangeable for shares of the Parent Company's common stock at the then applicable exchange rate. As the exchange feature for the Exchangeable Senior Notes must be settled in the common stock of the Parent Company, accounting guidance applicable to convertible debt instruments that permit the issuer to settle all or a portion of the exchange feature in cash upon conversion does not apply. The initial exchange rate was 55.0782 shares per $1,000 principal amount of Exchangeable Senior Notes, representing an exchange price of approximately $18.16 per share of the Parent Company's common stock. If certain designated events occur on or prior to January 15, 2015 and a holder elects to exchange Exchangeable Senior Notes in connection with any such transaction, the Company will increase the exchange rate by a number of additional shares of the Parent Company's common stock based on the date the transaction becomes effective and the price paid per share of the Parent Company's common stock in the transaction, as set forth in the indenture governing the Exchangeable Senior Notes. The exchange rate for the Exchangeable Senior Notes may also be adjusted under certain circumstances, including the payment of cash dividends in excess of $0.14 per share of common stock. The increase in the quarterly cash dividend through the fourth quarter of 2012 resulted in an increase in the exchange rate of the Exchangeable Senior Notes to 56.9972 shares per $1,000 principal amount of Exchangeable Senior Notes, effective as of December 27, 2012, the Company's ex-dividend date.

The Operating Partnership may redeem the Exchangeable Senior Notes, in whole or in part, at any time to preserve the Parent Company's status as a REIT or at any time on or after January 21, 2015 for cash at 100% of the principal amount plus accrued and unpaid interest. The holders of the Exchangeable Senior Notes have the right to require the Operating Partnership to repurchase the Exchangeable Senior Notes, in whole or in part, for cash on each of January 15, 2015, January 15, 2020 and January 15, 2025, or upon the occurrence of a designated event, in each case for a repurchase price equal to 100% of the principal amount of the Exchangeable Senior Notes plus accrued and unpaid interest. The terms of the indenture for the Exchangeable Senior Notes do not require compliance with any financial covenants.

Unsecured Senior Notes due 2016, net

On March 30, 2011, the Operating Partnership issued $400.0 million aggregate principal amount of its Notes due 2016. The purchase price paid by the underwriters was 99.365% of the principal amount and the Notes due 2016 have been recorded on the consolidated balance sheet net of the discount. The Notes due 2016 are senior unsecured obligations of the Operating Partnership and rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership. However, the Notes due 2016 are effectively subordinated to the Operating Partnership's existing and future mortgages and other secured indebtedness (to the extent of the value of the collateral securing such indebtedness) and to all existing and future preferred equity and liabilities, whether secured or unsecured, of the Operating Partnership's subsidiaries, including guarantees provided by the Operating Partnership's subsidiaries under the Operating Partnership's unsecured line of credit. Interest at a rate of 3.85% per year is payable on April 15 and October 15 of each year, beginning on October 15, 2011, until the stated maturity date of April 15, 2016. The terms of the Notes due 2016 are governed by a base indenture and supplemental indenture, each dated March 30, 2011, among the Operating Partnership, as issuer, the Parent Company, as guarantor, and U.S. Bank National Association, as trustee.

The Operating Partnership may redeem the Notes due 2016, in whole or in part, at any time for cash at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes due 2016 being redeemed; or (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 30 basis points, plus in each case, accrued and unpaid interest.

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The terms of the indenture for the Notes due 2016 require compliance with various financial covenants, including limits on the amount of total leverage and secured debt maintained by the Operating Partnership and which require the Operating Partnership to maintain minimum levels of debt service coverage. Management believes that it was in compliance with these covenants as of December 31, 2012.

Unsecured Senior Notes due 2020, net

On April 29, 2010, the Operating Partnership issued $250.0 million aggregate principal amount of its Notes due 2020. The purchase price paid by the initial purchasers was 98.977% of the principal amount and the Notes due 2020 have been recorded on the consolidated balance sheet net of the discount. The Notes due 2020 are senior unsecured obligations of the Operating Partnership and rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership. However, the Notes due 2020 are effectively subordinated to the Operating Partnership’s existing and future mortgages and other secured indebtedness (to the extent of the value of the collateral securing such indebtedness) and to all existing and future preferred equity and liabilities, whether secured or unsecured, of the Operating Partnership’s subsidiaries, including guarantees provided by the Operating Partnership’s subsidiaries under the Company’s unsecured line of credit. Interest at a rate of 6.125% per year is payable on April 15 and October 15 of each year, beginning on October 15, 2010, until the stated maturity date of April 15, 2020. The terms of the Notes due 2020 are governed by an indenture, dated April 29, 2010, among the Operating Partnership, as issuer, the Parent Company, as guarantor, and U.S. Bank National Association, as trustee.

The Operating Partnership may redeem the Notes due 2020, in whole or in part, at any time for cash at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes due 2020 being redeemed; or (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 40 basis points, plus in each case, accrued and unpaid interest.

The terms of the indenture for the Notes due 2020 require compliance with various financial covenants, including limits on the amount of total leverage and secured debt maintained by the Operating Partnership and which require the Operating Partnership to maintain minimum levels of debt service coverage. Management believes that it was in compliance with these covenants as of December 31, 2012.

On January 12, 2011, in accordance with the registration rights agreement entered into among the Company, the Operating Partnership and the initial purchasers of the Notes due 2020, the Operating Partnership completed its exchange offer to exchange all of the outstanding unregistered Notes due 2020 for an equal principal amount of a new issue of 6.125% Senior Notes due 2020 pursuant to an effective registration statement on Form S-4 filed with the Securities and Exchange Commission. A total of $250.0 million aggregate principal amount of the original Notes due 2020, representing 100% of the outstanding principal amount of the original Notes due 2020, was tendered and received prior to the expiration of the exchange offer. The terms of the Notes due 2020 are substantially identical to the original Notes due 2020, except for transfer restrictions and registration rights relating to the original Notes due 2020.

Unsecured Senior Notes due 2022, net

On June 28, 2012, the Operating Partnership issued $250.0 million aggregate principal amount of its Notes due 2022. The purchase price paid by the underwriters was 99.126% of the principal amount and the Notes due 2022 have been recorded on the consolidated balance sheet net of the discount. The Notes due 2022 are senior unsecured obligations of the Operating Partnership and rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership. However, the Notes due 2022 are effectively subordinated to the Operating Partnership’s existing and future mortgages and other secured indebtedness (to the extent of the value of the collateral securing such indebtedness) and to all existing and future preferred equity and liabilities, whether secured or unsecured, of the Operating Partnership's subsidiaries, including guarantees provided by the Operating Partnership's subsidiaries under the Operating Partnership's unsecured line of credit. Interest at a rate of 4.25% per year is payable on January 15 and July 15 of each year, beginning on January 15, 2013, until the stated maturity date of July 15, 2022. The terms of the Notes due 2022 are governed by a base indenture and supplemental indenture, dated March 30, 2011 and June 28, 2012, respectively, among the Operating Partnership, as issuer, the Parent Company, as guarantor, and U.S. Bank National Association, as trustee.

The Operating Partnership may redeem the Notes due 2022, in whole or in part, at any time for cash at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes due 2022 being redeemed; or (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 45 basis points, plus in each case, accrued and unpaid interest.

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The terms of the indenture for the Notes due 2022 require compliance with various financial covenants, including limits on the amount of total leverage and secured debt maintained by the Operating Partnership and which require the Operating Partnership to maintain minimum levels of debt service coverage. Management believes that it was in compliance with these covenants as of December 31, 2012.

Unsecured Senior Term Loan

Term Loan - U.S. dollar

On March 30, 2012, the Operating Partnership entered into a $400.0 million Term Loan with KeyBank National Association ("KeyBank") as administrative agent and co-lead arranger, Wells Fargo Securities, LLC as co-lead arranger and Wells Fargo Bank National Association as co-syndication agent, U.S. Bank National Association as co-syndication agent and co-lead arranger and other lenders. The Term Loan has a maturity date of March 30, 2017. Subject to the administrative agent's reasonable discretion, the Operating Partnership may increase the amount of the borrowings to $500.0 million under the Term Loan upon satisfying certain conditions. Borrowings under the Term Loan are guaranteed by the Parent Company.

Borrowings for the U.S. dollar-denominated debt under the Term Loan bear interest at a floating rate equal to, at the Operating Partnership's option, either (1) reserve adjusted U.S. dollar-LIBOR plus a spread which ranges from 115 to 205 basis points, depending on the Parent Company's credit ratings, or (2) the highest of (a) the prime rate then in effect plus a spread which ranges from 15 to 120 basis points, (b) the federal funds rate then in effect plus a spread which ranges from 65 to 170 basis points or (c) one-month U.S. dollar-LIBOR plus a spread which ranges from 115 to 205 basis points, in each case, depending on the Parent Company's credit ratings.

Concurrent with the closing of the Term Loan in March 2012, the Operating Partnership entered into interest rate swap agreements, which are intended to have the effect of fixing interest payments associated with $200.0 million of the outstanding balance under the Term Loan at approximately 2.81% for a five-year term, subject to change depending on the Parent Company's credit ratings.

Term Loan - GBP

On August 2, 2012, the Operating Partnership amended the Term Loan agreement to convert approximately $156.4 million of outstanding borrowings of the Term Loan into GBP equal to £100.0 million. Borrowings for the GBP-denominated debt under the Term Loan bear interest at a floating rate equal to reserve adjusted GBP-LIBOR plus a spread which ranges from 115 to 205 basis points, depending on the Parent Company's credit ratings.

The Operating Partnership designated the GBP-denominated debt under the Term Loan as a net investment hedge. The Operating Partnership intended to hedge the foreign currency exchange risk attributable to changes in the GBP/U.S. dollar exchange rate on a portion of its net investment in its GBP functional currency subsidiary during the period of investment during which the hedging instrument is outstanding. Variability in the GBP/U.S. dollar exchange rate impacts the Operating Partnership 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 as foreign currency translation gain or loss in other comprehensive income.

Concurrent with the conversion to GBP denominated debt, the Operating Partnership entered into interest rate swap agreements, which are intended to have the effect of fixing interest payments associated with £100.0 million of the outstanding balance under the Term Loan at approximately 2.39% for a five-year term of the Term Loan, subject to change depending on the Parent Company's credit ratings.

The Term Loan includes certain restrictions and covenants which require compliance with financial covenants relating to the minimum amounts of net worth, fixed charge coverage, unsecured debt service coverage, overall leverage and unsecured leverage ratios, the maximum amount of secured indebtedness and certain investment limitations. The Term Loan specifies a number of events of default (some of which are subject to applicable cure periods), including, among others, the failure to make payments when due, noncompliance with covenants and defaults under other agreements or instruments of indebtedness. Upon the occurrence of an event of default, the lenders may terminate the Term Loan and declare all amounts outstanding to be immediately due and payable. Management believes that it was in compliance with the covenants as of December 31, 2012.

Unsecured Line of Credit

On July 14, 2011, the Operating Partnership entered into an unsecured credit agreement with KeyBank, as administrative agent and co-lead arranger, Wells Fargo Securities, LLC as co-lead arranger, and certain other lenders. The unsecured credit agreement

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provides for available borrowings under a revolving line of credit of $750.0 million with a maturity date of July 13, 2015. Subject to the administrative agent's reasonable discretion, the Operating Partnership may increase the amount of the revolving credit commitments to $1.25 billion upon satisfying certain conditions. In addition, the Operating Partnership, at its sole discretion, may extend the maturity date of the revolving line of credit to July 13, 2016 after satisfying certain conditions and paying an extension fee. The revolving line of credit bears interest at a floating rate equal to, at the Operating Partnership's option, either (1) reserve adjusted LIBOR plus a spread which ranges from 100 to 205 basis points, depending on the Company's credit ratings, or (2) the highest of (a) the prime rate then in effect plus a spread which ranges from 0 to 125 basis points, (b) the federal funds rate then in effect plus a spread which ranges from 50 to 175 basis points or (c) one-month LIBOR plus a spread which ranges from 100 to 205 basis points, in each case, depending on the Company's credit ratings. In addition, a facility fee is payable on line capacity at an annual rate depending on the Company's credit rating, which is currently at 35 basis points.

The unsecured credit agreement includes certain restrictions and covenants which require compliance with financial covenants relating to the minimum amounts of net worth, fixed charge coverage, unsecured debt service coverage, overall leverage and unsecured leverage ratios, the maximum amount of secured indebtedness and certain investment limitations. Management believes that it was in compliance with these covenants as of December 31, 2012. The unsecured credit agreement specifies a number of events of default (some of which are subject to applicable cure periods), including, among others, the failure to make payments when due, noncompliance with covenants and defaults under other agreements or instruments of indebtedness. Upon the occurrence of an event of default, the lenders may terminate the revolving line of credit and declare all amounts outstanding to be immediately due and payable.

As of December 31, 2012, principal payments due for the Operating Partnership's consolidated indebtedness (excluding debt premiums and discounts) were as follows (in thousands):

2013	$8,364
2014	339,088
2015	124,482
2016	543,784
2017	432,794
Thereafter (1)	722,471
	$2,170,983

(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

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

Through December 31, 2012 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

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restricted stock outstanding for the years ended December 31, 2012, 2011 and 2010 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 years ended December 31, 2012, 2011 and 2010 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 year ended December 31, 2012, the Performance Units were anti-dilutive to the calculation of diluted earnings per share as calculated, assuming that December 31, 2012 is the end of the Performance Units' Performance Period. For the years ended December 31, 2012, 2011 and 2010 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. No shares were issuable upon settlement of the excess exchange value pursuant to the exchange settlement feature of the Operating Partnership's Exchangeable Senior Notes due 2026 (the "Notes due 2026") as the common stock price at December 31, 2010 did not exceed the exchange price then in effect. In addition, 10,259,496, 10,017,858 and 9,914,076 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 "if converted" method for the years ended December 31, 2012, 2011 and 2010, respectively. No other shares were considered anti-dilutive for the years ended December 31, 2012, 2011 and 2010.

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

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	Year Ended December 31, 2012	2011	2010
Basic earnings per share:			
Income from continuing operations	$16,133	$42,240	$37,611
Income from continuing operations attributable to noncontrolling interests	(20)	(515)	(455)
Preferred stock dividends	(14,603)	(16,198)	(16,963)
Net income allocable and distributions in excess of earnings to participating securities (continuing operations)	(1,300)	(1,172)	(838)
Income from continuing operations available to common stockholders - basic	210	24,355	19,355
(Loss) / income from discontinued operations	(4,370)	474	1,703
Loss / (income) from discontinued operations attributable to noncontrolling interests	82	(10)	(43)
(Loss) / income from discontinued operations available to common stockholders - basic	(4,288)	464	1,660
Net (loss) / income available to common stockholders - basic	$(4,078)	$24,819	$21,015
Diluted earnings per share:			
Income from continuing operations available to common stockholders - basic	210	24,355	19,355
Income from continuing operations attributable to noncontrolling interests in Operating Partnership	29	559	503
Income from continuing operations available to common stockholders - diluted	239	24,914	19,858
(Loss) / income from discontinued operations available to common stockholders - basic	(4,288)	464	1,660
(Loss) / income from discontinued operations attributable to noncontrolling interests in the Operating Partnership	(82)	10	43
(Loss) / income from discontinued operations available to common stockholders - diluted	(4,370)	474	1,703
Net (loss) / income available to common stockholders - diluted	$(4,131)	$25,388	$21,561
Weighted-average common shares outstanding:			
Basic	152,752,086	132,625,915	112,698,704
Incremental shares from assumed conversion:			
Operating partnership and LTIP units	2,948,301	2,983,928	3,019,495
Diluted	155,700,387	135,609,843	115,718,199
Basic and diluted earnings per share:			
Income from continuing operations per share available to common stockholders - basic and diluted	$—	$0.19	$0.17
(Loss) / income from discontinued operations per share available to common stockholders - basic and diluted	$(0.03)	$—	$0.02
Net (loss) / income per share available to common stockholders - basic and diluted	$(0.03)	$0.19	$0.19

7. Earnings Per Unit of the Operating Partnership

Restricted units granted in equity-based payment transactions are considered participating securities prior to vesting and, therefore, are considered in computing basic earnings per unit under the two-class method. The two-class method is an earnings allocation method for calculating earnings per unit when a company's capital structure includes either two or more classes of common equity or common equity and participating securities. Basic earnings per unit under the two-class method is calculated

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based on distributions declared on the OP units and other participating securities ("distributed earnings") and the rights of participating securities in any undistributed earnings, which represents net income remaining after deduction of distributions accruing during the period. The undistributed earnings are allocated to all outstanding OP units and participating securities based on the relative percentage of each security to the total number of outstanding participating securities. Basic earnings per unit represents the summation of the distributed and undistributed earnings per unit class divided by the total number of OP units.

Through December 31, 2012 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 years ended December 31, 2012, 2011 and 2010 has been deducted from net income available to unitholders to calculate basic earnings per unit. For the years ended December 31, 2012, 2011 and 2010 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 year ended December 31, 2012, the Performance Units were anti-dilutive to the calculation of diluted earnings per unit as calculated, assuming that December 31, 2012 is the end of the Performance Units' Performance Period. No shares of common stock of the Parent Company were contingently issuable upon settlement of the excess exchange value pursuant to the exchange settlement feature of the Notes due 2026 as the common stock price at December 31, 2010 did not exceed the exchange price then in effect. In addition, 10,259,496, 10,017,858 and 9,914,076 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 years ended December 31, 2012, 2011 and 2010, respectively. No other units were considered anti-dilutive for the years ended December 31, 2012, 2011 and 2010.

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

	Year Ended December 31,		
	2012	2011	2010
Basic and diluted earnings per unit:			
Income from continuing operations	$16,133	$42,240	$37,611
Loss from continuing operations attributable to noncontrolling interests	8	44	48
Preferred unit distributions	(14,603)	(16,198)	(16,963)
Net income allocable and distributions in excess of earnings to participating securities (continuing operations)	(1,326)	(1,220)	(933)
Income from continuing operations available to unitholders - basic and diluted	212	24,866	19,763
(Loss) / income from discontinued operations - basic and diluted	(4,370)	474	1,703
Net (loss) / income available to unitholders - basic and diluted	$(4,158)	$25,340	$21,466
Weighted-average units outstanding:			
Basic and diluted	155,670,931	135,549,934	115,572,569
Basic and diluted earnings per unit:			
Income from continuing operations per unit available to unitholders - basic and diluted	$—	$0.19	$0.17
(Loss) / income from discontinued operations per share available to unitholders - basic and diluted	$(0.03)	$—	$0.02
Net (loss) / income per unit available to unitholders, basic and diluted	$(0.03)	$0.19	$0.19

8. Investment in Unconsolidated Partnerships

The accompanying consolidated financial statements include investments in two limited liability companies with Prudential Real Estate Investors (“PREI”), and in 10165 McKellar Court, L.P. (“McKellar Court”), a limited partnership with Quidel Corporation, the tenant which occupies the McKellar Court property. General information on the PREI limited liability companies and the McKellar Court partnership (each referred to in this footnote individually as a “partnership” and collectively as the “partnerships”) as of December 31, 2012 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

(1) PREI I LLC owns two properties in Cambridge, Massachusetts. At December 31, 2012, 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 3.22% (including the applicable credit spread) and a maturity date of August 13, 2013, with an option to extend the loan for one year.

(2) The Company's investment in the McKellar Court partnership (maximum exposure to losses) was approximately $12.2 million at December 31, 2012. 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.

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

	December 31, 2012	December 31, 2011
Assets:		
Investments in real estate, net	$257,666	$257,297
Cash and cash equivalents (including restricted cash)	1,968	4,384
Other assets	4,370	2,392
Total assets	$264,004	$264,073
Liabilities and members' equity:		
Mortgage notes payable and secured loan	$149,255	$149,256
Other liabilities	5,988	1,408
Members' equity	108,761	113,409
Total liabilities and members equity	$264,004	$264,073
Company's net investment in unconsolidated partnerships	$32,367	$33,389

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

	Year Ended December 31,		
	2012	2011	2010
Total revenues	$8,823	$8,567	$8,390
Total expenses	(19,939)	(19,868)	(10,701)
Loss from continuing operations	(11,116)	(11,301)	(2,311)
Gain on sale of discontinued operations (1)	—	22,927	—
Loss from discontinued operations	—	(6,677)	(11,312)
Net (loss)/income	$(11,116)	$4,949	$(13,623)
Company's equity in net loss of unconsolidated partnerships	$(1,389)	$(2,489)	$(1,645)
Fees earned by the Company (1)	$90	$1,117	$1,400

(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 income.

9. Derivatives and Other Financial Instruments

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On March 30, 2012, the Company entered into four interest rate swaps with an aggregate notional amount of $200.0 million under which at each monthly settlement date the Company either (1) receives the difference between a fixed interest rate (the "USD Strike Rate") and one-month USD-LIBOR if the USD Strike Rate is less than one-month USD-LIBOR or (2) pays such difference if the USD Strike Rate is greater than one-month USD-LIBOR. The interest rate swaps hedge the Company's exposure to the variability on expected cash flows attributable to changes in interest rates on the first interest payments, due on the date that is on or closest after each swap's settlement date, associated with the amount of one-month USD-LIBOR-based debt equal to each swap's notional amount. These interest rate swaps, with a notional amount of $200.0 million, are currently intended to hedge interest payments associated with the Operating Partnership's Term Loan - U.S. Dollar. No initial investment was made to enter into the interest rate swap agreements.

On August 2, 2012, in connection with the conversion of a portion of the outstanding borrowings under the Term Loan into GBP (for further discussion, see Note 5 above), the Company entered into two interest rate swaps with an aggregate notional amount of £100.0 million under which at each monthly settlement date the Company either (1) receives the difference between a fixed interest rate (the "GBP Strike Rate") and one-month GBP-LIBOR if the GBP Strike Rate is less than one-month GBP-LIBOR or (2) pays such difference if the GBP Strike Rate is greater than one-month GBP-LIBOR. The interest rate swaps hedge the Company's exposure to the variability on expected cash flows attributable to changes in interest rates on the first interest payments, due on the date that is on or closest after each swap's settlement date, associated with the amount of one-month GBP-LIBOR-based debt equal to each swap's notional amount. These interest rate swaps, with a notional amount of £100.0 million, are currently intended to hedge interest payments associated with the Operating Partnership's Term Loan - GBP. No initial investment was made to enter into the interest rate swap agreements.

As of December 31, 2012, the Company had deferred interest costs of approximately $42.2 million in accumulated other comprehensive loss related to forward starting swaps, which were settled with the corresponding counterparties in March and April 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 stock purchase warrants and their respective fair-values, which are included in accounts payable, accrued expenses and other liabilities on the accompanying consolidated balance sheets (dollars in thousands):

	Notional Amount	Strike Rate	Effective Date	Expiration Date	Fair-Value(1) December 31, 2012	2011
Interest rate swaps	$200,000	1.1630 %	March 30, 2012	March 30, 2017	$(4,826)	$—
Interest rate swaps(2)	80,930	0.7310 %	August 2, 2012	March 30, 2017	(216)	—
Interest rate swaps(2)	80,930	0.7425 %	August 2, 2012	March 30, 2017	(243)	—
Total interest rate swaps	361,860				(5,285)	—
Other(3)	—				—	9
Total derivative instruments	$361,860				$(5,285)	$9

(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.

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

(3) Includes stock purchase warrants recorded as derivative instruments in other assets on the accompanying consolidated balance sheets. Changes in the fair-values of stock purchase warrants are included in earnings in the period in which they occur.

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 years ended December 31, 2012, 2011 and 2010, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt and future variability in the interest-related cash

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flows from forecasted issuances of debt. The ineffective portion of the change in fair-value of the derivatives is recognized directly in earnings.

The Company's use of proceeds from its March 2011 unsecured debt offering to repay a portion of the outstanding indebtedness on its unsecured line of credit caused the amount of variable-rate indebtedness to fall below the combined notional value of the outstanding interest rate swaps on March 30, 2011, causing the Company to be overhedged. As a result, the Company re-performed tests to assess the effectiveness of its interest rate swaps. Although the interest rate swaps with an aggregate notional amount of $150.0 million passed the assessment tests and the $115.0 million swap continued to qualify for hedge accounting, the $35.0 million swap no longer qualified for hedge accounting due to the lack of variable rate debt expected to be outstanding during the remaining term of the swap. As a result, the Company accelerated the reclassification of amounts deferred in accumulated other comprehensive loss to earnings related to the hedged forecasted transactions that became probable of not occurring during the period in which the Company was overhedged. This resulted in a cumulative charge to earnings for the year ended December 31, 2011 of approximately $1.0 million. From the date that hedge accounting was discontinued on the $35.0 million swap, changes in the fair-value associated with this interest rate swap were recorded directly to earnings, resulting in the recognition of a gain of approximately $12,000 for the year ended December 31, 2011, which is included as a component of other expense. These swaps expired in August 2011.

During the year ended December 31, 2012, the Company recorded a total loss on derivative instruments of $9,000, primarily related to changes in the fair-value of other derivative instruments. During the year ended December 31, 2011, the Company recorded total loss on derivative instruments of $544,000, primarily related to the reduction in the amount of the variable-rate indebtedness relating to the $150.0 million interest rate swaps, hedge ineffectiveness on cash flow hedges due to mismatches in maturity dates and interest rate reset dates between the interest rate swaps and corresponding debt and changes in the fair-value of other derivative instruments. For the year ended December 31, 2010, the Company recognized a loss of approximately $453,000 as a result of hedge ineffectiveness and changes in the fair-value of derivative instruments attributable to mismatches in the maturity date and the interest rate reset dates between the interest rate swap and corresponding debt, and changes in the fair-value of derivatives no longer considered highly effective. Gains and losses on derivative instruments are included in other expense within the income statement.

Amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to earnings during the period in which the hedged forecasted transaction affects earnings. The change in net unrealized (loss)/gain on derivative instruments includes reclassifications of net unrealized losses from accumulated other comprehensive loss as (1) an increase to interest expense of $8.5 million, $10.4 million and $17.5 million for the years ended December 31, 2012, 2011 and 2010, respectively, and (2) a loss on derivative instruments of $9,000, $544,000 and $453,000 for the years ended December 31, 2012, 2011 and 2010, respectively. During the next twelve months, the Company estimates that an additional $9.2 million will be reclassified from accumulated other comprehensive loss as an increase to interest expense. In addition, for the years ended December 31, 2012, 2011 and 2010, approximately $118,000, $236,000 and $723,000, respectively, of settlement payments on interest rate swaps have been deferred in accumulated other comprehensive loss and will be amortized over the useful lives of the related development or redevelopment projects.

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

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	Year Ended December 31,		
	2012	2011	2010
Amount of loss recognized in other comprehensive income (effective portion):			
Cash flow hedges			
Interest rate swaps	$(6,863)	$(104)	$(2,084)
Amount of loss reclassified from accumulated other comprehensive loss to income (effective portion):			
Cash flow hedges			
Interest rate swaps (1)	$(1,578)	$(3,385)	$(10,343)
Forward starting swaps (2)	(6,933)	(7,027)	(7,114)
Total interest rate swaps	$(8,511)	$(10,412)	$(17,457)
Amount of loss recognized in income (ineffective portion and amount excluded from effectiveness testing):			
Cash flow hedges			
Interest rate swaps	$—	$(544)	$(360)
Total interest rate swaps	—	(544)	(360)
Other derivative instruments	(9)	—	(93)
Total loss on derivative instruments	$(9)	$(544)	$(453)

(1) Amount represents payments made to swap counterparties for the effective portion of interest rate swaps that were recognized as an increase to interest expense for the periods presented (the amount was recorded as an increase and corresponding decrease to accumulated other comprehensive loss in the same accounting period).

(2) Amount represents reclassifications of deferred interest costs from accumulated other comprehensive loss to interest expense related to the Company's previously settled forward starting swaps.

10. Fair-Value of Financial Instruments

The Company's disclosures of estimated fair-value of financial instruments at December 31, 2012 and 2011 were determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair-value. The use of different market assumptions or estimation methods may have a material effect on the estimated fair-value amounts.

The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other liabilities approximate fair-value due to the short-term nature of these instruments.

The Company utilizes quoted market prices to estimate the fair-value of its fixed-rate and variable-rate debt, when available. If quoted market prices are not available, the Company calculates the fair-value of its mortgage notes payable and other fixed-rate debt based on a currently available market rate assuming the loans are outstanding through maturity and considering the collateral. In determining the current market rate for fixed-rate debt, a market credit spread is added to the quoted yields on federal government treasury securities with similar terms to debt. In determining the current market rate for variable-rate debt, a market credit spread is added to the current effective interest rate. The carrying values of interest rate swaps are reflected at their fair-values.

At December 31, 2012 and 2011, the aggregate fair-value and the carrying value of the Company's financial instruments were as follows (in thousands):

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	December 31, 2012		December 31, 2011	
	Fair-Value (1)	Carrying Value	Fair-Value (1)	Carrying Value
Mortgage notes payable, net	$605,948	$571,652	$670,931	$587,844
Exchangeable Senior Notes	209,484	180,000	206,775	180,000
Notes due 2016, net	421,400	398,289	396,880	397,810
Notes due 2020, net	292,725	247,984	266,775	247,771
Notes due 2022, net	261,750	247,904	—	—
Term Loan - U.S. dollars (2)	243,596	243,596	—	—
Term Loan - GBP (2)	161,860	161,860	—	—
Unsecured line of credit	118,000	118,000	268,000	268,000
Derivative instruments (3)	(5,285)	(5,285)	9	9
Available-for-sale securities	390	390	988	988

(1) Fair-values of debt and derivative instruments are classified in Level 2 of the fair-value hierarchy. Fair-value of available-for-sale securities are classified in Level 1 of the fair-value hierarchy.

(2) In August 2012, the Operating Partnership converted approximately $156.4 million of outstanding borrowings into GBP equal to £100.0 million. The principal balance represents the U.S. dollar amount based on the exchange rate of $1.62 to £1.00 at December 31, 2012.

(3) The Company’s derivative instruments are reflected in other assets and other liabilities on the accompanying consolidated balance sheets based on their respective balances (see Note 9).

11. Acquisitions

The Company acquired the following properties during the year ended December 31, 2012. The table below reflects the purchase price allocation for these acquisitions (in thousands):

Property	Acquisition Date	Investments in Real Estate	Above Market Lease	In-Place Lease	Management Agreement	Below Market Lease	Debt Premium	Acquisition Date Fair-Value
210 Broadway	February 9, 2012	$ 23,190	$—	$252	$ 10	$—	$—	$ 23,452
50 Hampshire Street	February 9, 2012	77,742	—	9,874	2,079	—	—	89,695
60 Hampshire Street	February 9, 2012	4,361	—	1,651	—	(159)	—	5,853
6122-6126 Nancy Ridge Drive	April 25, 2012	14,766	1,082	3,975	177	—	—	20,000
550 Broadway Street	April 27, 2012	28,000	—	—	—	—	—	28,000
Summers Ridge	June 8, 2012	47,184	—	—	—	—	—	47,184
Granta Park (1)	June 12, 2012	175,458	603	23,068	—	(3,085)	—	196,044
9900 Belward Campus Drive	July 18, 2012	10,312	5	1,321	—	(8)	(810)	10,820
9901 Belward Campus Drive	July 18, 2012	14,547	41	1,754	—	—	(992)	15,350

Total	$ 395,560	$ 1,731	$ 41,895	$ 2,266	$ (3,252)	$ (1,802)	$ 436,398
Weighted average intangible amortization life (in months)		144	100	101	92	60	

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(1) Located in the United Kingdom, this property was acquired for £126.8 million. U.S. dollar amounts are based on the exchange rate of $1.55 to £1.00 in effect on the date of acquisition.

Revenues of approximately $26.4 million and net loss of approximately $5.7 million associated with properties acquired in 2012 are included in the consolidated statements of operations for the year ended December 31, 2012 for both the Parent Company and the Operating Partnership.

Pro Forma Results of the Parent Company (unaudited)

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The unaudited pro forma revenues and operating income of the Parent Company, including the acquisitions that occurred in 2012 as if they had taken place on January 1, 2011, are as follows (in thousands, except per share amounts):

	Year Ended December 31,	
	2012	2011
Total revenues	$529,925	$474,921
Net income available to common stockholders	13,774	27,254
Net income per share available to common stockholders - basic and diluted	$0.09	$0.20

Pro forma data may not be indicative of the results that would have been reported had the acquisitions actually occurred as of January 1, 2011, nor does it intend to be a projection of future results.

Pro Forma Results of the Operating Partnership (unaudited)

The unaudited pro forma revenues and operating income of the Operating Partnership, including the acquisitions that occurred in 2012 as if they had taken place on January 1, 2011, are as follows (in thousands, except per unit amounts):

	Year Ended December 31,	
	2012	2011
Total revenues	$529,925	$474,921
Net income available to unitholders	13,720	27,823
Net income per unit available to unitholders - basic and diluted	$0.09	$0.20

Pro forma data may not be indicative of the results that would have been reported had the acquisitions actually occurred as of January 1, 2011, nor does it intend to be a projection of future results.

12. Discontinued Operations

In April 2012, the Company completed the exchange of an operating property on Forbes Boulevard in South San Francisco for an office property located in Redwood City, California. As a result, during the year ended December 31, 2012, the Company reclassified the Forbes Boulevard property as a discontinued operation. The table below reflects the details of the property and the exchange (in thousands):

Property	Date of Sale	Original Acquisition Date	Sales Price (1)	Impairment loss
Forbes Boulevard	April 27, 2012	September 5, 2007	$28,000	$(4,552)

(1) The sales price was equal to the fair-value of the office property received as consideration in the exchange with the independent third party.

The results of operations of the Forbes Boulevard property are reported as discontinued operations for all periods presented in the accompanying consolidated financial statements. The following table summarizes the revenue and expense components that comprise income / (loss) from discontinued operations (in thousands):

	Year Ended December 31,		
	2012	2011	2010
Total revenues	$454	$1,499	$2,808

Total expenses	272	1,025	1,105
Income from discontinued operations before impairment loss	182	474	1,703
Impairment loss	(4,552)	—	—
(Loss) / income from discontinued operations	$(4,370)	$474	$1,703

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Discontinued operations have not been segregated in the consolidated statements of cash flows. Therefore, amounts for certain captions will not agree with respective data in the consolidated statements of operations.

13. Incentive Award Plan

The Company has adopted the 2009 Amendment and Restatement of the BioMed Realty Trust, Inc. and BioMed Realty, L.P. 2004 Incentive Award Plan (the “Plan”). The Plan provides for grants to directors, employees and consultants of the Company and the Operating Partnership (and their respective subsidiaries) of stock options, restricted stock, LTIP units, stock appreciation rights, dividend equivalents, and other incentive awards. The Company has reserved 5,340,000 shares of common stock for issuance pursuant to the Plan, subject to adjustments as set forth in the Plan. As of December 31, 2012, 1,859,914 shares of common stock or awards convertible into or exchangeable for common stock remained available for future issuance under the Plan. Each LTIP unit issued will count as one share of common stock for purposes of calculating the limit on shares that may be issued. Compensation cost for these incentive awards is measured based on the fair-value of the award on the grant date (fair-value is calculated based on the closing price of the Company’s common stock on the date of grant) and is recognized as expense over the respective vesting period, which for restricted stock awards and LTIP units is generally four to five years. Fully vested incentive awards may be settled for either cash or stock depending on the Company’s election and the type of award granted. Participants are entitled to cash dividends and may vote such awarded shares, but the sale or transfer of such shares is limited during the restricted or vesting period. The restricted stock grants may only be settled for stock whereas the LTIP units may be redeemed for either cash or common stock, at the Company’s election.

During the year ended December 31, 2012, the Parent Company awarded 408,888 Performance Units to certain of its executive officers, which represent the maximum number of Performance Units that may vest. Each Performance Unit represents a contingent right to receive one share of the Parent Company’s common stock if vesting conditions are satisfied. Performance Units vest ratably over one, two and 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 Monte Carlo simulation uses a statistical formula underlying the Black-Scholes and binomial formulas, and such simulation was run approximately 100,000 times. For each simulation, the value of the payoff was calculated at the end of the respective Performance Period and was then discounted to the grant date at a risk-free interest rate. The expected value of the Performance Units on the grant date was determined by simulating the total shareholder return for the Company and the peer group considering the stock price variance for each of the peer group companies, compared to each other and the Company's stock estimating the rank of the Company's stock. The valuation was performed in a risk-neutral framework, so no assumption was made with respect to an equity risk premium. Other significant assumptions used in the valuation included an expected term of 12, 24, and 36 months, a risk-free interest rate of 0.33%, and a dividend yield of 4.37%. 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.

A summary of the Company’s unvested restricted stock and LTIP units is presented below:

	Unvested Restricted Shares/LTIP Units	Weighted Average Grant-Date Fair-Value
Balance at December 31, 2009	1,295,758	$14.77
Granted	658,859	16.55
Vested	(332,183)	16.90

Forfeited	(34,374)	11.19
Balance at December 31, 2010	1,588,060	15.15
Granted	630,337	18.38
Vested	(467,120)	16.03
Forfeited	(30,215)	16.17
Balance at December 31, 2011	1,721,062	16.09
Granted	395,350	18.46
Vested	(520,258)	15.17
Forfeited	(35,642)	15.97
Balance at December 31, 2012	1,560,512	$17.00

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Selected data of the Company’s incentive award plan is presented below (in thousands, except share and period amounts):

	Years Ended December 31,		
	2012	2011	2010
Aggregate value of restricted stock/LTIP Units granted	$7,300	$11,612	$10,901
Aggregate value of Performance Units granted	$3,329	$—	$—
Fair-value of stock/LTIP Units vested	$9,502	$8,547	$5,278
Stock-based compensation expense recognized in general and administrative expenses and rental operations expense - restricted stock/LTIP Units	$9,556	$7,582	$6,988
Stock-based compensation expense recognized in general and administrative expenses - Performance Units	$1,974	$—	$—
Shares surrendered to the Company and retired in lieu of cash payments for taxes due on the vesting of restricted stock	178,915	129,342	79,555
Data at period end:			
Total compensation to be expensed related to unvested awards in future periods - restricted stock/LTIP Units	$15,845		
Weighted-average expense period (in years) - restricted stock/LTIP Units	2.5		
Total compensation to be expensed related to unvested awards in future periods - Performance Units	$1,355		
Weighted-average expense period (in years) - Performance Units	1.6		

14. Commitments and Contingencies

Concentration of Credit Risk

Life science entities comprise the vast majority of the Company’s tenant base. Because of the dependence on a single industry, adverse conditions affecting that industry will more adversely affect our business. Two of the Company’s tenants, Human Genome Sciences, Inc., a wholly owned subsidiary of GlaxoSmithKline plc, and Vertex Pharmaceuticals Incorporated, comprised 12.2% and 8.5%, or $48.0 million and $33.4 million, respectively, of rental revenues for the year ended December 31, 2012; 14.5% and 10.0%, or $48.0 million and $33.2 million, respectively, of rental revenues for the year ended December 31, 2011; and 16.3% and 11.8%, or $48.0 million and $34.9 million, respectively, of rental revenues for the year ended December 31, 2010. These tenants are located in the Company’s Maryland, and Boston and San Diego markets, respectively. The inability of these tenants to make lease payments could materially adversely affect the Company’s business.

The Company generally does not require collateral or other security from our tenants, other than security deposits or letters of credit in select cases.

Construction and Other Related Commitments

As of December 31, 2012, the Company had approximately $325.2 million outstanding in commitments related to the funding of the construction loan, tenant improvements, leasing commissions, and construction-related capital expenditures, with approximately $292.1 million expected to be paid in 2013, approximately $32.7 million expected to be paid in 2014 and 2015, and approximately $435,000 expected to be paid in 2016 and 2017.

Insurance

The Company carries insurance coverage on its properties with policy specifications and insured limits that it believes are adequate given the relative risk of loss, cost of the coverage and standard industry practice. However, certain types of losses (such as from the perils of earthquakes, windstorms, terrorism and floods) may be either uninsurable or not economically insurable. Further, certain of the properties are located in areas that are subject to earthquake activity, windstorms and floods. Should a property sustain damage as a result of an earthquake, windstorm or flood, the Company may incur losses due to insurance deductibles, co-payments on insured losses or uninsured losses. Should an uninsured loss occur, the Company could lose some or all of its capital investment, cash flow and anticipated profits related to one or more properties.

Environmental Matters

The Company follows a policy of monitoring its properties for the presence of hazardous or toxic substances. The Company is not aware of any environmental liability with respect to the properties that would have a material adverse effect on the Company's

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business, assets or results of operations. There can be no assurance that such a material environmental liability does not exist. The existence of any such material environmental liability could have an adverse effect on the Company's results of operations and cash flow. The Company carries environmental remediation insurance for its properties. This insurance, subject to certain exclusions and deductibles, covers the cost to remediate environmental damage caused by future spills or the historic presence of previously undiscovered hazardous substances, as well as third-party bodily injury and property damage claims related to the release of hazardous substances.

Tax Indemnification Agreements and Minimum Debt Requirements

As a result of the contribution of properties to the Operating Partnership, the Company has indemnified the contributors of the properties against adverse tax consequences if it directly or indirectly sells, exchanges or otherwise disposes of the properties in a taxable transaction before the ten-year anniversary of the completion of the Company's initial public offering (the "Offering"). The Company also has agreed to use its reasonable best efforts to maintain at least $8.0 million of debt, some of which must be property specific, for a period of ten years following the date of the Offering to enable certain contributors to guarantee the debt in order to defer potential taxable gain they may incur if the Operating Partnership repays the existing debt.

Legal Proceedings

Although the Company is involved in legal proceedings arising in the ordinary course of business, as of December 31, 2012, the Company is not currently a party to any legal proceedings nor, to its knowledge, is any legal proceeding threatened against it that it believes would have a material adverse effect on its financial position, results of operations or liquidity.

15. Quarterly Financial Information of the Parent Company (unaudited)

The Company's selected quarterly information for the years ended December 31, 2012 and 2011 (in thousands, except per share data) was as follows.

	2012 Quarter Ended(1)			
	December 31	September 30	June 30	March 31
Total revenues	$138,771	$134,537	$124,848	$120,012
Income / (loss) from continuing operations	8,260	6,455	(5,283)	6,702
Income / (loss) from discontinued operations	—	—	49	(4,420)
Net income / (loss)	8,260	6,455	(5,234)	2,282
Net (income) / loss attributable to noncontrolling interests	(93)	(46)	172	30
Preferred dividends	(3,651)	(3,651)	(3,651)	(3,651)
Net income / (loss) available to common stockholders	$4,516	$2,758	$(8,713)	$(1,339)
Income / (loss) from continuing operations per share available to common stockholders - basic and diluted	$0.03	$0.02	$(0.06)	$0.02
Net income / (loss) per share available to common stockholders - basic and diluted	$0.03	$0.02	$(0.06)	$(0.01)

	2011 Quarter Ended(1)			
	December 31	September 30	June 30	March 31
Total revenues	$111,958	$114,639	$106,409	$105,193

Income from continuing operations	15,790	8,861	7,852	9,737
Income from discontinued operations	163	76	95	141
Net income	15,953	8,937	7,947	9,878
Net income attributable to noncontrolling interests	(244)	(106)	(68)	(107)
Preferred dividends	(3,651)	(3,901)	(4,241)	(4,241)
Net income available to common stockholders	$12,058	$4,765	$3,638	$5,530
Income from continuing operations per share available to common stockholders - basic and diluted	$0.08	$0.03	$0.03	$0.04
Net income per share available to common stockholders - basic and diluted	$0.08	$0.03	$0.03	$0.04

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(1) The sum of quarterly financial data may vary from the annual data due to rounding.

16. Quarterly Financial Information of the Operating Partnership (unaudited)

The Company's selected quarterly information for the years ended December 31, 2012 and 2011 (in thousands, except per share data) was as follows.

	2012 Quarter Ended(1)			
	December 31	September 30	June 30	March 31
Total revenues	$138,771	$134,537	$124,848	$120,012
Income / (loss) from continuing operations	8,260	6,455	(5,283)	6,702
Income / (loss) from discontinued operations	—	—	49	(4,420)
Net income / (loss)	8,260	6,455	(5,234)	2,282
Net (income) / loss attributable to noncontrolling interests	(7)	7	6	4
Preferred distributions	(3,651)	(3,651)	(3,651)	(3,651)
Net income / (loss) available to unitholders	$4,602	$2,811	$(8,879)	$(1,365)
Income / (loss) from continuing operations per unit available to unitholders - basic and diluted	$0.03	$0.02	$(0.06)	$0.02
Net income / (loss) per unit available to unitholders - basic and diluted	$0.03	$0.02	$(0.06)	$(0.01)

	2011 Quarter Ended(1)			
	December 31	September 30	June 30	March 31
Total revenues	$111,958	$114,639	$106,409	$105,193
Income from continuing operations	15,790	8,861	7,852	9,737
Income from discontinued operations	163	76	95	141
Net income	15,953	8,937	7,947	9,878
Net loss attributable to noncontrolling interests	8	5	14	18
Preferred distributions	(3,651)	(3,901)	(4,241)	(4,241)
Net income available to unitholders	$12,310	$4,876	$3,720	$5,655
Income from continuing operations per unit available to unitholders - basic and diluted	$0.08	$0.03	$0.03	$0.04
Net income per unit available to unitholders - basic and diluted	$0.08	$0.03	$0.03	$0.04

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(1) The sum of quarterly financial data may vary from the annual data due to rounding.

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BIOMED REALTY TRUST, INC. AND BIOMED REALTY, L.P.
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
As of December 31, 2012
(In thousands)

			Initial Cost			Costs	Gross amount carried at December 31, 2012				
Property	Year Built/ Renovated	Encumbrances	Land	Ground Lease	Buildings and Improvements	Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Total	Accumulated Depreciation	Net
		(1)							(2)	(3)	
Albany Street	1922/1998	—	$1,942	—	$ 31,293	$ 257	$1,942	$ 31,550	$33,492	$ (5,994)	$27,498
Ardentech Court	1997/2008	—	2,742	—	5,379	9,406	2,742	14,785	17,527	(4,623)	12,904
Ardenwood Venture	1985	—	3,550	—	10,603	4,841	3,550	15,444	18,994	(3,666)	15,328
Ardsley Park (4)	1956/2000	—	6,581	—	9,479	26,609	6,581	36,088	42,669	(1,301)	41,368
Balboa Avenue	1968/2000	—	1,316	—	9,493	603	1,316	10,096	11,412	(2,225)	9,187
Bayshore Boulevard	2000	—	3,667	—	22,593	7,486	3,667	30,079	33,746	(9,744)	24,002
Beckley Street	1999	—	1,480	—	17,590	—	1,480	17,590	19,070	(3,536)	15,534
Bernardo Center Drive	1974/2008	—	2,580	—	13,714	43	2,580	13,757	16,337	(2,734)	13,603
9900 Belward Campus	2001	10,767	2,038	—	8,274	—	2,038	8,274	10,312	(149)	10,163
9901 Belward Campus	2001	13,260	2,362	—	12,185	—	2,362	12,185	14,547	(194)	14,353
9911 Belward Campus Drive	2005	—	4,160	—	196,814	—	4,160	196,814	200,974	(33,770)	167,204
9920 Belward Campus Drive	2000	—	3,935	—	11,206	—	3,935	11,206	15,141	(1,996)	13,145
320 Bent Street	2003	—	—	—	70,953	19,172	—	90,125	90,125	(4,435)	85,690
301 Binney Street	2007	—	—	—	217,073	4,146	—	221,219	221,219	(12,722)	208,497
301 Binney Street Garage	2007	—	—	—	15,805	3	—	15,808	15,808	(436)	15,372
Center for Life Science Boston	2008	338,447	60,000	—	407,747	256,229	60,000	663,976	723,976	(91,828)	632,148
Bridgeview Technology Park I	1977/2002	—	2,494	—	14,716	19,356	2,494	34,072	36,566	(9,449)	27,117
Bridgeview Technology Park II	1977/2002	—	1,522	—	13,066	27	1,522	13,093	14,615	(2,547)	12,068
Broadway	2000	—	6,917	—	16,272	1,509	6,917	17,781	24,698	(481)	24,217

550 Broadway	1967/2006	—	3,700	—	24,300	—	3,700	24,300	28,000	(753)	27,247
Charles Street	1911/1986	—	5,000	—	7,033	47	5,000	7,080	12,080	(1,280)	10,800
Coolidge Avenue	1962/1999	—	2,760	—	7,102	3,775	2,760	10,877	13,637	(1,468)	12,169
Dumbarton Circle	1990	—	2,723	—	5,097	495	2,723	5,592	8,315	(3,098)	5,217
Eccles Avenue (5)	1965/1995	—	21,257	—	608	7,898	21,257	8,506	29,763	(608)	29,155
Eisenhower Road	1973/2000	—	416	—	2,614	1,081	416	3,695	4,111	(1,220)	2,891
Elliott Avenue	1925/2004	—	10,124	—	38,911	60,438	10,124	99,349	109,473	(9,128)	100,345
21 Erie Street	1925/2004	—	3,366	—	18,372	94	3,366	18,466	21,832	(3,523)	18,309
40 Erie Street	1996	—	7,593	—	33,765	3,865	7,593	37,630	45,223	(6,679)	38,544
4570 Executive Drive	1999	—	7,685	—	48,693	160	7,685	48,853	56,538	(5,777)	50,761
4775 / 4785 Executive Drive	2009	—	10,180	—	17,100	2,908	10,180	20,008	30,188	(570)	29,618
500 Fairview Avenue	1959/1991	—	—	—	3,285	611	—	3,896	3,896	(3,298)	598
530 Fairview Avenue	2008	—	2,703	—	694	46,073	2,703	46,767	49,470	(8,131)	41,339
Faraday Avenue	1986	—	1,370	—	7,201	—	1,370	7,201	8,571	(1,322)	7,249
Fresh Pond Research Park	1948/2002	—	3,500	—	18,322	16,146	3,500	34,468	37,968	(4,348)	33,620
Gateway Business Park	1991-1998	—	116,851	—	10,981	808	116,851	11,789	128,640	(6,460)	122,180
Gazelle Court	2011	—	10,100	—	1,769	55,893	10,100	57,662	67,762	(3,800)	63,962
George Patterson Boulevard	1996/2005	—	1,575	—	11,029	1,725	1,575	12,754	14,329	(2,219)	12,110
Granta Park	1999/2010	—	33,892	—	149,718	—	33,892	149,718	183,610	(2,364)	181,246
Graphics Drive	1992/2007	—	800	—	6,577	6,915	800	13,492	14,292	(5,177)	9,115

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50 Hampshire	1999	—	19,537	—	58,205	—	19,537	58,205	77,742	(1,621)	76,121
60 Hampshire	1900/2009	—	4,164	—	197	16	4,164	213	4,377	(53)	4,324
Industrial Road	2001/2005	—	12,000	—	41,718	16,150	12,000	57,868	69,868	(21,211)	48,657
3525 John Hopkins Court	1991	—	3,993	—	18,183	285	3,993	18,468	22,461	(1,216)	21,245
3545-3575 John Hopkins Court	1991/2008	—	3,560	—	19,495	18,351	3,560	37,846	41,406	(5,314)	36,092
Kaiser Drive	1990	—	3,430	—	6,093	10,391	3,430	16,484	19,914	(3,235)	16,679
450 Kendall Street (Kendall G) (5)	—	—	—	—	8,259	1,908	—	10,167	10,167	—	10,167
500 Kendall Street (Kendall D)	2002	60,164	3,572	—	166,308	623	3,572	166,931	170,503	(31,835)	138,668
Kendall Crossing Apartments	2003	—	—	—	6,665	583	—	7,248	7,248	(250)	6,998
King of Prussia Road	1954/2004	—	12,813	—	66,152	1,373	12,813	67,525	80,338	(17,128)	63,210
Landmark at Eastview (6)	1958/2008	—	—	14,210	55,688	221,417	16,944	260,161	277,105	(43,780)	233,325
Medical Center Drive	1995	—	9,620	—	43,561	13,232	9,620	56,793	66,413	(3,310)	63,103
Monte Villa Parkway	1996/2002	—	1,020	—	10,711	382	1,020	11,093	12,113	(2,587)	9,526
6114-6154 Nancy Ridge Drive	1994	—	10,100	—	28,611	16,378	10,100	44,989	55,089	(5,837)	49,252
6122 Nancy Ridge	1987/2003		2,344	—	9,611	1,763	2,344	11,374	13,718	(2,517)	11,201
6828 Nancy Ridge Drive	1983/2010	—	4,174	—	10,592	—	4,174	10,592	14,766	(263)	14,503
Science Center at Oyster Point	2008-2009	—	19,464	—	89,762	—	19,464	89,762	109,226	(6,624)	102,602
One Research Way	1980/2008	—	1,813	—	6,454	6,171	1,813	12,625	14,438	(1,491)	12,947
Pacific Center Boulevard	1991/2008	—	5,400	—	11,493	2,870	5,400	14,363	19,763	(2,950)	16,813
Pacific Research Center	2000/2008	—	74,147	—	142,437	146,840	74,147	289,277	363,424	(41,246)	322,178
3500 Paramount Parkway	1999	—	1,080	—	14,535	26	1,080	14,561	15,641	(1,291)	14,350
Patriot Drive	1984/2001	—	848	—	6,906	356	848	7,262	8,110	(699)	7,411
Phoenixville Pike	1989/2008	—	1,204	—	10,880	13,415	1,204	24,295	25,499	(6,047)	19,452
Research Boulevard (4)	1970/2004	—	7,492	—	8,834	2,444	7,492	11,278	18,770	(267)	18,503
Road to the Cure	1977/2007	—	4,430	—	12,986	12,183	4,430	25,169	29,599	(5,236)	24,363
	19732002	—	3,871	—	21,875	2,550	3,871	24,425	28,296	(5,350)	22,946

San Diego Science Center											
10240 Science Center Drive	2002	—	4,079	—	12,124	22	4,079	12,146	16,225	(998)	15,227
Science Center Drive	1995	—	2,630	—	16,029	26	2,630	16,055	18,685	(3,360)	15,325
Shady Grove Road	2003	144,889	28,895	—	197,548	3,339	28,895	200,887	229,782	(34,418)	195,364
Sidney Street	2000		7,579	—	50,459	134	7,579	50,593	58,172	(9,599)	48,573
Sorrento Plaza	1978/2003	—	2,364	—	5,946	418	2,364	6,364	8,728	(715)	8,013
11388 Sorrento Valley Road	2000	—	2,366	—	8,514	309	2,366	8,823	11,189	(842)	10,347
Sorrento Valley Boulevard	1982	—	4,140	—	15,036	47	4,140	15,083	19,223	(2,514)	16,709
Sorrento West	1974-1984	—	13,455	—	10,087	17,716	13,455	27,803	41,258	(2,413)	38,845
Spring Mill Drive	1988	—	1,074	—	7,948	907	1,074	8,855	9,929	(1,897)	8,032
Summers Ridge	—	—	47,185	—	—	—	47,185	—	47,185	—	47,185
Trade Centre Avenue	1997	—	3,275	—	15,404	—	3,275	15,404	18,679	(3,034)	15,645
Torreyana Road	1980/1997	—	7,660	—	24,468	284	7,660	24,752	32,412	(3,611)	28,801
9865 Towne Centre Drive	2008	—	5,738	—	2,991	20,206	5,738	23,197	28,935	(3,910)	25,025
9885 Towne Centre Drive	2001/2008	—	4,982	—	28,513	—	4,982	28,513	33,495	(5,970)	27,525
Tributary Street	1983/1998	—	2,060	—	10,597	—	2,060	10,597	12,657	(2,130)	10,527
900 Uniqema Boulevard	2000		404	—	3,692	72	404	3,764	4,168	(687)	3,481
1000 Uniqema Boulevard	1999	—	1,350	—	13,229	119	1,350	13,348	14,698	(2,398)	12,300
Vassar Street	1950/1998	—	2,040	—	13,841	12,942	2,040	26,783	28,823	(5,147)	23,676
Waples Street	1983/2005	—	2,470	—	2,907	11,440	2,470	14,347	16,817	(7,197)	9,620
Wateridge Circle	2001	—	6,536	—	34,470	11	6,536	34,481	41,017	(1,878)	39,139
Walnut Street	1972/2004	—	5,200	—	36,067	—	5,200	36,067	41,267	(6,958)	34,309

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Weston Parkway	1990	—	536	—	5,022	—	536	5,022	5,558	(345)
675 West Kendall Street (Kendall A)	2002	—	4,922	—	121,182	1,987	4,922	123,169	128,091	(23,144)
West Watkins Mill	1999	—	2,320	—	10,393	198	2,320	10,591	12,911	(1,245)
50 West Watkins Mill	1988/2005	—	1,451	—	11,611	—	1,451	11,611	13,062	(1,090)
217th Place	1987/2007	—	7,125	—	3,529	14,626	7,125	18,155	25,280	(3,539)
Total		$567,527	$734,793	$14,210	$3,055,244	$1,133,129	$751,737	$4,171,429	$4,923,166	$(603,450)

(1) Includes mortgage notes secured by various properties but excludes unamortized debt premium of $4.1 million.
(2) The aggregate gross cost of the Company's rental property for federal income tax purposes approximated $5.3 billion as of December 31, 2012 (unaudited).
(3) Depreciation of building and improvements is recorded on a straight-line basis over the estimated useful lives ranging from less than one year to 40 years.
(4) The property or a portion of the property was under development or pre-development as of December 31, 2012.
(5) This property represents the potential for ground up development
(6) During 2007, the Company acquired a fee simple interest in the land at its Landmark at Eastview property. The balance of $14.2 million was subsequently reclassified from ground lease to land.

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A reconciliation of historical cost and related accumulated depreciation is as follows (in thousands):

	Year Ended December 31,		
	2012	2011	2010
Investment in real estate:			
Balance at beginning of year	$4,402,720	$3,878,092	$3,216,541
Property acquisitions	395,560	409,425	525,886
Property sales	(33,048)	—	—
Improvements	157,934	115,203	135,665
Balance at end of year	$4,923,166	$4,402,720	$3,878,092
Accumulated Depreciation:			
Balance at beginning of year	$(452,474)	$(341,978)	$(244,774)
Depreciation expense	(152,506)	(110,496)	(97,204)
Property sales	1,530	—	—
Balance at end of year	$(603,450)	$(452,474)	$(341,978)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Controls and Procedures (BioMed Realty Trust, Inc.)

Evaluation of Disclosure Controls and Procedures

BioMed Realty Trust, Inc. maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its 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 its management, including BioMed Realty Trust, Inc.’s Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. As required by Rule 13a-15(b) under the Exchange Act, BioMed Realty Trust, Inc. carried out an evaluation, under the supervision and with the participation of its management, including BioMed Realty Trust, Inc.’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of BioMed Realty Trust, Inc.’s disclosure controls and procedures. Based on the foregoing, BioMed Realty Trust, Inc.’s Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, BioMed Realty Trust, Inc.’s disclosure controls and procedures were effective and were operating at a reasonable assurance level.

Management’s Report on Internal Control Over Financial Reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, BioMed Realty Trust, Inc.’s Chief Executive Officer and Chief Financial Officer, and effected by BioMed Realty Trust, Inc.’s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and

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is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the company, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including BioMed Realty Trust, Inc.'s Chief Executive Officer and Chief Financial Officer, BioMed Realty Trust, Inc. conducted an evaluation of the effectiveness of its internal control over financial reporting. Management has used the framework set forth in the report entitled "Internal Control — Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the company's internal control over financial reporting. Based on its evaluation, management has concluded that the company's internal control over financial reporting was effective as of December 31, 2012, the end of the company's most recent fiscal year. BioMed Realty Trust, Inc.'s independent registered public accounting firm, KPMG LLP, has issued an attestation report over BioMed Realty Trust, Inc.'s internal control over financial reporting, which report is contained elsewhere in this annual report on Form 10-K.

Changes in Internal Control over Financial Reporting

There has been no change in BioMed Realty Trust, Inc.'s internal control over financial reporting during the quarter ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, BioMed Realty Trust, Inc.'s internal control over financial reporting.

Controls and Procedures (BioMed Realty, L.P.)

Evaluation of Disclosure Controls and Procedures

The operating partnership maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its 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 management, including the Chief Executive Officer and Chief Financial Officer of the general partner, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. As required by Rule 13a-15(b) under the Exchange Act, the operating partnership carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of the general partner, of the effectiveness of the design and operation of the operating partnership's disclosure controls and procedures. Based on the foregoing, the Chief Executive Officer and Chief Financial Officer of the general partner concluded that, as of the end of the period covered by this report, the operating partnership's disclosure controls and procedures were effective and were operating at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, the Chief Executive Officer and Chief Financial Officer of the general partner, and effected by the general partner's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the operating partnership; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the operating partnership are being made only in accordance with authorizations of management and directors of the general partner of the operating partnership; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the operating partnership's assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these

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inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the operating partnership, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of the general partner, the operating partnership conducted an evaluation of the effectiveness of its internal control over financial reporting. Management has used the framework set forth in the report entitled “Internal Control — Integrated Framework” published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the operating partnership’s internal control over financial reporting. Based on its evaluation, management has concluded that the operating partnership’s internal control over financial reporting was effective as of December 31, 2012, the end of the operating partnership’s most recent fiscal year.

Changes in Internal Control over Financial Reporting

There has been no change in the operating partnership’s internal control over financial reporting during the quarter ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, the operating partnership’s internal control over financial reporting.

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ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information concerning our directors, executive officers and corporate governance required by Item 10 will be included in the Proxy Statement to be filed relating to BioMed Realty Trust, Inc.’s 2013 Annual Meeting of Stockholders and is incorporated herein by reference.

Pursuant to instruction G(3) to Form 10-K, information concerning audit committee financial expert disclosure set forth under the heading “Information Regarding the Board — Committees of the Board — Audit Committee” will be included in the Proxy Statement to be filed relating to BioMed Realty Trust, Inc.’s 2013 Annual Meeting of Stockholders and is incorporated herein by reference.

Pursuant to instruction G(3) to Form 10-K, information concerning compliance with Section 16(a) of the Exchange Act concerning our directors and executive officers set forth under the heading entitled “General — Section 16(a) Beneficial Ownership Reporting Compliance” will be included in the Proxy Statement to be filed relating to BioMed Realty Trust, Inc.’s 2013 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information concerning our executive compensation required by Item 11 will be included in the Proxy Statement to be filed relating to BioMed Realty Trust, Inc.’s 2013 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information concerning the security ownership of certain beneficial owners and management and related stockholder matters required by Item 12 will be included in the Proxy Statement to be filed relating to BioMed Realty Trust, Inc.’s 2013 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information concerning certain relationships and related transactions and director independence required by Item 13 will be included in the Proxy Statement to be filed relating to BioMed Realty Trust, Inc.’s 2013 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information concerning our principal accountant fees and services required by Item 14 will be included in the Proxy Statement to be filed relating to BioMed Realty Trust, Inc.’s 2013 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) and (2) Financial Statements and Schedules:
Please refer to the Index to Consolidated Financial Statements included under Part II, Item 8, Financial Statements and Supplementary Data.
(3) Exhibits

Exhibit Number	Description of Exhibit
3.1	Articles of Amendment and Restatement of BioMed Realty Trust, Inc.(1)
3.2	Articles of Amendment of BioMed Realty Trust, Inc.(2)
3.3	Articles of Amendment of BioMed Realty Trust, Inc.(3)
3.4	Second Amended and Restated Bylaws of BioMed Realty Trust, Inc.(4)
3.5	Articles Supplementary Classifying BioMed Realty Trust, Inc.'s 7.375% Series A Cumulative Redeemable Preferred Stock.(5)
3.6	Certificate of Limited Partnership of BioMed Realty, L.P.(6)
3.7	Certificate of Amendment of Certificate of Limited Partnership of BioMed Realty, L.P.(6)
4.1	Form of Certificate for Common Stock of BioMed Realty Trust, Inc.(7)
4.2	Form of Certificate for 7.375% Series A Cumulative Redeemable Preferred Stock of BioMed Realty Trust, Inc.(5)
4.3	Indenture, dated January 11, 2010, among BioMed Realty, L.P., BioMed Realty Trust, Inc. and U.S. Bank National Association, as trustee, including the form of 3.75% Exchangeable Senior Notes due 2030 and guarantee thereof.(8)
4.4	Indenture, dated April 29, 2010, among BioMed Realty, L.P., BioMed Realty Trust, Inc. and U.S. Bank National Association, as trustee, including the form of 6.125% Senior Notes due 2020 and guarantee thereof.(9)
4.5	Indenture, dated March 30, 2011, by and among BioMed Realty, L.P., BioMed Realty Trust, Inc. and U.S. Bank National Association, as trustee.(10)
4.6	Supplemental Indenture No. 1, dated March 30, 2011, by and among BioMed Realty, L.P., BioMed Realty Trust, Inc. and U.S. Bank National Association, as trustee, including the form of 3.85% Senior Notes due 2016 and guarantee thereof.(10)
4.7	Supplemental Indenture No. 2, dated June 28, 2012, by and among BioMed Realty, L.P., BioMed Realty Trust, Inc. and U.S. Bank National Association, as trustee, including the form of 4.25% Senior Notes due 2022 and guarantee thereof. (11)
10.1	Fourth Amended and Restated Agreement of Limited Partnership of BioMed Realty, L.P. dated as of January 18, 2007.(12)
10.2	Registration Rights Agreement dated as of August 13, 2004 among BioMed Realty Trust, Inc. and the persons named therein.(1)
10.3	2004 Incentive Award Plan of BioMed Realty Trust, Inc. and BioMed Realty, L.P. (as Amended and Restated Effective May 27, 2009).(13)
10.4	First Amendment to 2004 Incentive Award Plan of BioMed Realty Trust, Inc. and BioMed Realty, L.P. (as Amended and Restated Effective May 27, 2009).(14)
10.5	Second Amendment to 2004 Incentive Award Plan of BioMed Realty Trust, Inc. and BioMed Realty, L.P. (as Amended and Restated Effective May 27, 2009). (15)
10.6	Form of Restricted Stock Award Agreement under the 2004 Incentive Award Plan.(16)
10.7	Form of Restricted Stock Award Grant Notice and Restricted Stock Award Agreement under the 2004 Incentive Award Plan.(14)
10.8	Form of Long Term Incentive Plan Unit Award Agreement.(17)
10.9	Form of Performance Unit Award Grant Notice and Performance Unit Award Agreement under the 2004 Incentive Award Plan.(18)
10.10	Annual Incentive Bonus Plan.(19)
10.11	Change in Control and Severance Agreement dated as of January 25, 2012 among BioMed Realty Trust, Inc., BioMed Realty, L.P. and Alan D. Gold.(18)

10.12	Change in Control and Severance Agreement dated as of January 25, 2012 among BioMed Realty Trust, Inc., BioMed Realty, L.P. and R. Kent Griffin, Jr.(18)

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10.13	Change in Control and Severance Agreement dated as of January 25, 2012 among BioMed Realty Trust, Inc., BioMed Realty, L.P. and Gary A. Kreitzer.(18)
10.14	Change in Control and Severance Agreement dated as of January 25, 2012 among BioMed Realty Trust, Inc., BioMed Realty, L.P. and Matthew G. McDevitt.(18)
10.15	Change in Control and Severance Agreement dated as of January 25, 2012 among BioMed Realty Trust, Inc., BioMed Realty, L.P. and Greg N. Lubushkin.(18)
10.16	Form of Amended and Restated Indemnification Agreement between BioMed Realty Trust, Inc. and each of its directors and officers.(20)
10.17	BioMed Realty Trust, Inc. Severance Plan, effective August 25, 2010.(21)
10.18	Contribution Agreement between Alan D. Gold and BioMed Realty, L.P. dated as of May 4, 2004.(7)
10.19	Contribution Agreement between Gary A. Kreitzer and BioMed Realty, L.P. dated as of May 4, 2004.(7)
10.20	Contribution Agreement between John F. Wilson, II and BioMed Realty, L.P. dated as of May 4, 2004.(7)
10.21	Form of Contribution Agreement between the additional contributors and BioMed Realty, L.P. dated as of May 4, 2004.(7)
10.22	Unsecured Credit Agreement, dated as of July 14, 2011, by and among BioMed Realty, L.P., KeyBank National Association, as Administrative Agent, and certain lenders party thereto.(22)
10.23	First Amendment to Unsecured Credit Agreement, dated as of March 30, 2012, by and among BioMed Realty, L.P., KeyBank National Association, as Administrative Agent, and certain lenders party thereto.(23)
10.24	Second Amendment to Unsecured Credit Agreement, dated as of August 2, 2012, by and among BioMed Realty, L.P., KeyBank National Association, as Administrative Agent, and certain lenders party thereto.(24)
10.25	Form of Line Note under Unsecured Credit Agreement.(22)
10.26	Form of Competitive Bid Note under Unsecured Credit Agreement.(22)
10.27	Form of Swing Loan Note under Unsecured Credit Agreement.(22)
10.28	Unsecured Term Credit Agreement, dated as of March 30, 2012, by and among BioMed Realty, L.P., KeyBank National Association, as Administrative Agent, and certain lenders party thereto. (23)
10.29	First Amendment to Unsecured Term Credit Agreement, dated as of August 2, 2012, by and among BioMed Realty, L.P., KeyBank National Association, as Administrative Agent, and certain lenders party thereto. (24)
10.30	Form of Amended and Restated Term Note (Domestic Currency) under Unsecured Term Credit Agreement, as amended. (24)
10.31	Form of Term Note (Qualified Foreign Currency) under Unsecured Term Credit Agreement, as amended. (24)
10.32	Lease Agreement, dated as of May 24, 2006, between BMR-Shady Grove Road HQ LLC and Human Genome Sciences, Inc.(25)
10.33	Registration Rights Agreement, dated January 11, 2010, among BioMed Realty Trust, Inc., BioMed Realty, L.P., Deutsche Bank Securities Inc., Credit Suisse Securities (USA) LLC, Morgan Stanley & Co. Incorporated and UBS Securities LLC.(8)
10.34	Registration Rights Agreement, dated April 29, 2010, among BioMed Realty, L.P., BioMed Realty Trust, Inc., Wells Fargo Securities, LLC, Credit Suisse Securities (USA) LLC and Deutsche Bank Securities Inc.(9)
10.35	Director Compensation Policy. (15)
10.36	Dividend Reinvestment and Stock Purchase Plan.(26)
12.1*	Ratio of Earnings to Fixed Charges.
21.1*	List of Subsidiaries of BioMed Realty Trust, Inc. and BioMed Realty, L.P.
23.1*	Consent of KPMG LLP.
31.1*	Certifications of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certifications 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.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.

101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document.

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* Filed herewith.

(1) Incorporated herein by reference to BioMed Realty Trust, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on September 20, 2004.

(2) Incorporated herein by reference to BioMed Realty Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 12, 2009.

(3) Incorporated herein by reference to BioMed Realty Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 22, 2010.

(4) Incorporated herein by reference to BioMed Realty Trust, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on October 30, 2008.

(5) Incorporated herein by reference to BioMed Realty Trust, Inc.'s Registration Statement on Form 8-A filed with the Securities and Exchange Commission on January 17, 2007.

(6) Incorporated herein by reference to BioMed Realty Trust, Inc. and BioMed Realty, L.P.'s Registration Statement on Form S-4 (File No. 333-168968), filed with the Securities and Exchange Commission on August 20, 2010.

(7) Incorporated herein by reference to BioMed Realty Trust, Inc.'s Registration Statement on Form S-11, as amended (File No. 333-115204), filed with the Securities and Exchange Commission on May 5, 2004.

(8) Incorporated herein by reference to BioMed Realty Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 11, 2010.

(9) Incorporated herein by reference to BioMed Realty Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 30, 2010.

(10) Incorporated herein by reference to BioMed Realty Trust, Inc.'s and BioMed Realty, L.P.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 30, 2011.

(11) Incorporated herein by reference to BioMed Realty Trust, Inc.'s and BioMed Realty, L.P.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 28, 2012.

(12) Incorporated herein by reference to BioMed Realty Trust, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2007.

(13) Incorporated herein by reference to BioMed Realty Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2009.

(14) Incorporated herein by reference to BioMed Realty Trust, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 12, 2010.

(15) Incorporated herein by reference to BioMed Realty Trust, Inc.'s and BioMed Realty, L.P.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 2, 2012.

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

(17) Incorporated herein by reference to BioMed Realty Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 5, 2007.

(18) Incorporated herein by reference to BioMed Realty Trust, Inc.'s and BioMed Realty, L.P.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 31, 2012.

(19) Incorporated herein by reference to BioMed Realty Trust, Inc.'s and BioMed Realty, L.P.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 9, 2012.

(20) Incorporated herein by reference to BioMed Realty Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 2, 2010.

(21) Incorporated herein by reference to BioMed Realty Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 31, 2010.

(22) Incorporated herein by reference to BioMed Realty Trust, Inc.'s and BioMed Realty, L.P.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 19, 2011.

(23) Incorporated herein by reference to BioMed Realty Trust, Inc.'s and BioMed Realty, L.P.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 5, 2012.

(24) Incorporated herein by reference to BioMed Realty Trust, Inc.'s and BioMed Realty, L.P.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 2, 2012.

(25) Incorporated herein by reference to BioMed Realty Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 26, 2006.

(26) Incorporated herein by reference to BioMed Realty Trust, Inc.'s Registration Statement on Form S-3 (File No. 333-143658), filed with the Securities and Exchange Commission on June 11, 2007.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

BIOMED REALTY TRUST, INC.	BIOMED REALTY, L.P. By: BioMed Realty Trust, Inc. Its general partner
/s/ ALAN D. GOLD Alan D. Gold Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	/s/ ALAN D. GOLD Alan D. Gold Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ GREG N. LUBUSHKIN Greg N. Lubushkin Chief Financial Officer (Principal Financial Officer)	/s/ GREG N. LUBUSHKIN Greg N. Lubushkin Chief Financial Officer (Principal Financial Officer)
/s/ STEPHEN A. WILLEY Stephen A. Willey Vice President, Chief Accounting Officer (Principal Accounting Officer)	/s/ STEPHEN A. WILLEY Stephen A. Willey Vice President, Chief Accounting Officer (Principal Accounting Officer)
Dated: February 6, 2013	Dated: February 6, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrants and in the capacities and on the dates indicated.

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Signature	Title	Date
/s/ DANIEL M. BRADBURY Daniel M. Bradbury	Director	February 6, 2013
/s/ BARBARA R. CAMBON Barbara R. Cambon	Director	February 6, 2013
/s/ EDWARD A. DENNIS Edward A. Dennis	Director	February 6, 2013
/s/ RICHARD I. GILCHRIST Richard I. Gilchrist	Director	February 6, 2013
/s/ GARY A. KREITZER Gary A. Kreitzer	Executive Vice President and Director	February 6, 2013
/s/ THEODORE D. ROTH Theodore D. Roth	Director	February 6, 2013
/s/ M. FAYE WILSON M. Faye Wilson	Director	February 6, 2013