

Cogdell Spencer Inc.
Form 10-K
March 17, 2008

Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-K

- þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2007**
- 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 001-32649

COGDELL SPENCER INC.

(Exact name of registrant as specified in its charter)

Maryland
*(State or other jurisdiction of
incorporation or organization)*
4401 Barclay Downs Drive, Suite 300
Charlotte, North Carolina
(Address of principal executive offices)

20-3126457
*(I.R.S. Employer
Identification No.)*
28209
(Zip code)

**Registrant's telephone number, including area code:
(704) 940-2900**

Securities Registered Pursuant to Section 12(b) of the Act:

| Title of Each Class | Name of Exchange on Which Registered |
|---------------------------------------|---|
| Common Stock, \$0.01 par value | New York Stock Exchange, Inc. |

**Securities Registered Pursuant to Section 12(g) of the Act:
None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K.

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

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

Indicate by check mark whether the registrant is a Shell Company (as defined in rule 12b-2 of the Exchange Act). Yes No

Aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed fiscal quarter. \$190,693,990

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 15,396,052 shares of common stock, par value \$0.01 per share, outstanding as of March 11, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the registrant's 2008 Annual Meeting, to be filed within 120 days after the registrant's fiscal year, are incorporated by reference into Part III of this Annual Report on Form 10-K.

COGDELL SPENCER INC.

TABLE OF CONTENTS

Page

PART I

| | | |
|----------------|--|----|
| <u>Item 1</u> | <u>Business</u> | 1 |
| <u>Item 1A</u> | <u>Risk Factors</u> | 10 |
| <u>Item 1B</u> | <u>Unresolved Staff Comments</u> | 30 |
| <u>Item 2</u> | <u>Properties</u> | 30 |
| <u>Item 3</u> | <u>Legal Proceedings</u> | 33 |
| <u>Item 4</u> | <u>Submission of Matters to a Vote of Securities Holders</u> | 34 |

PART II

| | | |
|----------------|---|----|
| <u>Item 5</u> | <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> | 34 |
| <u>Item 6</u> | <u>Selected Financial Data</u> | 37 |
| <u>Item 7</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 41 |
| <u>Item 7A</u> | <u>Quantitative and Qualitative Disclosures about Market Risk</u> | 52 |
| <u>Item 8</u> | <u>Financial Statements and Supplementary Data</u> | 53 |
| <u>Item 9</u> | <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u> | 89 |
| <u>Item 9A</u> | <u>Controls and Procedures</u> | 89 |
| <u>Item 9B</u> | <u>Other Information</u> | 91 |

PART III

| | | |
|----------------|---|----|
| <u>Item 10</u> | <u>Directors, Executive Officers and Corporate Governance</u> | 91 |
| <u>Item 11</u> | <u>Executive Compensation</u> | 91 |
| <u>Item 12</u> | <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> | 91 |
| <u>Item 13</u> | <u>Certain Relationships, Related Transactions, and Director Independence</u> | 92 |
| <u>Item 14</u> | <u>Principal Accounting Fees and Services</u> | 92 |

PART IV

| | | |
|----------------|---|----|
| <u>Item 15</u> | <u>Exhibits and Financial Statement Schedules</u> | 92 |
|----------------|---|----|

SIGNATURES

Exhibit 10.26
Exhibit 23.1
Exhibit 31.1
Exhibit 31.2
Exhibit 32.1

Table of Contents

Explanatory Note

Note that the financial statements included in this report for the period from January 1, 2005 to October 31, 2005, contain the results of operations and financial condition of Cogdell Spencer Inc. Predecessor, which is not a legal entity, but represents a combination of certain real estate entities based on common management by Cogdell Spencer Advisors, Inc. In addition, the financial statements covered in this report contain the results of operations and financial condition of Cogdell Spencer Inc. for the years ended December 31, 2007 and 2006, and for the period from November 1, 2005 to December 31, 2005. Due to the timing of the initial public offering and the formation transactions, Cogdell Spencer Inc. (the Company) does not believe that the results of operations set forth in 2005 in this document are necessarily indicative of the Company s future operating results as a publicly-held company.

Statements Regarding Forward-Looking Information

When used in this discussion and elsewhere in this Annual Report on Form 10-K, the words believes, anticipates, projects, should, estimates, expects, and similar expressions are intended to identify forward-looking statements with the meaning of that term in Section 27A of the Securities Act of 1933, as amended, and in Section 21F of the Securities and Exchange Act of 1934, as amended. Actual results may differ materially due to uncertainties including:

- the Company s business strategy;
- the Company s ability to obtain future financing arrangements;
- estimates relating to the Company s future distributions;
- the Company s understanding of the Company s competition;
- the Company s ability to renew the Company s ground leases;
- changes in the reimbursement available to the Company s tenants by government or private payors;
- the Company s tenants ability to make rent payments;
- defaults by tenants;
- the Company s ability to integrate Marshall Erdman & Associates, Inc.;
- market trends; and
- projected capital expenditures.

Forward-looking statements are based on estimates as of the date of this report. The Company disclaims any obligation to publicly release the results of any revisions to these forward-looking statements reflecting new estimates, events or circumstances after the date of this report.

The risks included here are not exhaustive. Other sections of this report may include additional factors that could adversely affect the Company s business and financial performance. Moreover, the Company operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from

those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Table of Contents

PART I

Item 1. *Business*

The Company

Cogdell Spencer Inc. (the Company), incorporated in Maryland in 2005, is a fully-integrated, self-administered and self-managed real estate investment trust (REIT) that invests in specialty office buildings for the medical profession, including medical offices, rehabilitation facilities, ambulatory surgery and diagnostic centers. The Company focuses on the ownership, development, redevelopment, acquisition, and management of strategically located medical office buildings (commonly referred to as MOB) and other healthcare related facilities in the United States of America. The Company has been built around understanding and addressing the specialized real estate needs of the healthcare industry. The Company's management team has developed long-term and extensive relationships through developing and maintaining customized medical office buildings and healthcare related facilities. The Company has been able to secure strategic hospital campus locations. The Company operates its business through Cogdell Spencer LP, its operating partnership subsidiary (the Operating Partnership), and its subsidiaries.

The Company derives a significant portion of its revenues from rents received from tenants under existing leases in medical office buildings and other healthcare related facilities. The Company's portfolio is stable with an occupancy rate of 93.4% as of December 31, 2007, and favorable leases generally with consumer price index, or CPI, increases and cost pass throughs to the tenants. The Company derives a lesser portion of its revenues from fees that are paid for managing and developing medical office buildings and other healthcare related facilities for third parties. The Company's management believes a strong internal property management capability is a vital component of the Company's business, both for the properties the Company owns and for those that the Company manages. Strong internal property management allows the Company to control costs, increase tenant satisfaction, and reduce tenant turnover, which reduces capital costs.

The Company's management team has developed long-term and extensive relationships through developing and maintaining customized medical office buildings and healthcare related facilities. At December 31, 2007, approximately 80% of the net rentable square feet of the Company's wholly-owned properties are situated on hospital campuses. As such, the Company believes that its assets occupy a premier franchise location in relation to local hospitals, providing its properties with a distinct competitive advantage over alternative medical office space in an area. The Company believes that its property locations and relationships with hospitals will allow the Company to capitalize on the increasing healthcare trend of outpatient procedures.

The Company's growth strategy includes leveraging strategic relationships for new developments and off-market acquisitions. The Company will also continue to enter into development joint ventures with hospitals and physicians. The Company is active in seeking new client relationships in new markets. During 2007, the Company acquired five properties for approximately \$88.9 million and completed three developments totaling approximately \$32.0 million.

As of December 31, 2007, the Company's portfolio consisted of 115 medical office buildings and healthcare related facilities, serving 27 hospital systems in 13 states. The Company's aggregate portfolio at December 31, 2007, was comprised of 59 consolidated wholly-owned and joint venture properties, three unconsolidated joint venture properties, and 53 managed medical office buildings.

At December 31, 2007, the Company's aggregate portfolio contained approximately 5.6 million net rentable square feet, consisting of approximately 3.1 million net rentable square feet from consolidated wholly-owned and joint

venture properties, approximately 0.2 million net rentable square feet from unconsolidated joint venture properties, and approximately 2.3 million net rental square feet from properties owned by third parties and managed by the Company. As of December 31, 2007, the Company's in-service, consolidated wholly-owned and joint venture properties were approximately 93.4% occupied, with a weighted average remaining lease term of approximately 4.7 years.

Table of Contents

Subsequent Events

On March 10, 2008, the Company completed a merger transaction through which it acquired MEA Holdings, Inc. (MEA). The transaction was effected pursuant to an Agreement and Plan of Merger (the Merger Agreement) dated as of January 23, 2008, as amended, by and among the Company, the Operating Partnership, Goldenboy Acquisition Corp. (a wholly-owned subsidiary of the Operating Partnership), MEA, Marshall Erdman & Associates, Inc., Marshall Erdman Development, LLC, and David Pelisek, David Lubar and Scott Ransom, in their capacity as the Seller Representative.

The consideration payable in the merger transaction and in the contribution transactions described below consists of cash and limited partnership interests issued by the Operating Partnership (the OP Units). The Operating Partnership entered into contribution agreements with 40 of MEA 's stockholders (the Contributors) pursuant to which the Contributors agreed to roll over an aggregate of 1,265,393 shares of MEA (representing in the aggregate approximately 41% of MEA 's outstanding shares on a fully diluted basis) by exchanging those shares for OP Units. The exchange of those shares for OP Units was completed immediately before the completion of the merger provided for in the Merger Agreement (the Merger). In the Merger, all the shares of MEA (other than the shares acquired by the Operating Partnership) were converted into the right to receive an amount of cash to be calculated in accordance with the provisions of the Merger Agreement.

The cash consideration per share of MEA common shares payable in the Merger (the cash consideration) was calculated pursuant to a formula based on an enterprise value for 100% of MEA of \$247.0 million, subject to certain adjustments. The aggregate cash consideration payable is reduced in proportion to the percentage of shares acquired for OP Units rather than cash. The number of OP Units per share of MEA issuable pursuant to the contribution agreements is the same value per share payable in cash under the Merger Agreement, based on a value of \$17.01 per OP Unit. The OP Units issued in the transaction are of two types regular units and alternative units . The regular units are exchangeable, after a one-year lock-up period, on a one-for-one basis, for shares of the Company 's common stock. The alternative units are substantially the same as the regular units except that they will not be exchangeable for shares of the Company 's common stock until the exchange feature is approved by the Company 's stockholders. If the Company 's stockholders do not approve the issuance of common stock upon an exchange of alternative units by the time of the Company 's third annual stockholder meeting following the date of issuance (i.e., the 2010 annual meeting), distributions payable per alternative unit will increase to an amount 5% per annum higher than the distributions payable per regular unit.

The Merger Agreement provides that certain adjustments to the aggregate cash consideration paid will be made following the delivery of the final closing statement to the Seller Representative. A portion of the aggregate cash consideration has been deposited in an escrow account pending such adjustments. In the event that additional cash payments are owed to the former holders of MEA shares, the escrow agent shall pay to the former holders of MEA shares that were not exchanged for OP Units the pro rata cash amount owed to each such holder and the Operating Partnership will issue to the Contributors additional OP units in the same amount per share, based on \$17.01 per OP Unit. The Merger Agreement also provides that a portion of the aggregate cash consideration to be paid to the former holders of shares of MEA will be held in escrow as security for certain indemnification obligations owed by such holders to the Operating Partnership and Goldenboy Acquisition Corp. under the Merger Agreement. Releases from this escrow will be treated in the same way.

In connection with the Merger, one of the former MEA shareholders, Lubar Capital LLC (Lubar), received the right to nominate one individual for election to the Company 's Board of Directors. Accordingly, the Company 's Board of Directors increased the size of the board of directors and elected David Lubar as a director on January 22, 2008. Lubar will continue to retain its right to nominate one individual for so long as Lubar and its affiliates continue to maintain at least 75% of their aggregate initial ownership measured in number of equity securities of the Company and its

affiliates.

Revolving Credit Facility

On March 10, 2008, the Company amended and restated its existing revolving credit facility, dated November 1, 2005, among the Company, the Operating Partnership, Bank of America, N.A., Citicorp North America, Inc., Branch Banking and Trust Company, Banc of America Securities LLC, Citigroup Global

Table of Contents

Markets Inc. and other lenders (the amended and restated revolving credit facility hereinafter referred to as the Amended Revolving Facility). Banc of America Securities LLC is acting as sole lead arranger and sole book manager of the Amended Revolving Facility. KeyBank National Association is acting as syndication agent. Branch Banking and Trust Company and Wachovia Bank, N.A are acting as co-documentation agents. Bank of America, N.A., KeyBank National Association, Branch Banking and Trust Company, Wachovia Bank, National Association , M&I Marshall and Ilsley Bank, and Citicorp North America, Inc. are lenders thereunder. The Amended Revolving Facility is secured by certain of the Company s properties and is guaranteed by the Company and certain of its subsidiaries. The Amended Revolving Facility matures on the third anniversary of its closing, subject to a one-year extension at the Company s option conditioned upon the lenders being satisfied with the Company and its subsidiaries financial condition and liquidity, and taking into consideration any payment, extension or refinancing of the Term Loan (as described below). The Amended Revolving Facility is cross defaulted against the Term Loan. The Company is subject to customary covenants including, but not limited to, (1) affirmative covenants relating to the Company s corporate structure and ownership, maintenance of insurance, compliance with environmental laws and preparation of environmental reports, maintenance of the Company s REIT qualification and listing on the NYSE, (2) negative covenants relating to restrictions on liens, indebtedness, certain investments (including loans and certain advances), mergers and other fundamental changes, sales and other dispositions of property or assets and transactions with affiliates, and (3) financial covenants to be met by the Company at all times including a maximum total leverage ratio (70%), maximum real estate leverage ratio (70%), minimum fixed charge coverage ratio (1.50 to 1.00), maximum total debt to real estate value ratio (90%) and minimum consolidated tangible net worth (\$65 million plus 85% of the net proceeds of equity issuances issued after the closing date).

Term Loan

Goldenboy Acquisition Corp., as borrower, has \$100 million available under a new senior secured term facility (the Term Loan) to finance the cash portion of the MEA transaction. Keybank Capital Markets is acting as sole lead arranger and sole book manager of the Term Loan. Bank of America, N.A. is acting as syndication agent. Branch Banking and Trust Company and Wachovia Bank, N.A are acting as co-documentation agents. KeyBank National Association, Bank of America, N.A., Branch Banking and Trust Company, Wachovia Bank, National Association, M&I Marshall and Ilsley Bank, and Citicorp North America, Inc. are lenders thereunder. The Term Loan is secured by the stock and certain accounts receivables of MEA and its subsidiaries and is guaranteed by the Company. The Term Loan matures on the third anniversary of its closing and will be subject to a one-year extension at the Company s option. The Term Loan contains customary covenants including, but not limited to, (1) affirmative covenants relating to the Company s corporate structure and ownership, maintenance of insurance, compliance with environmental laws and preparation of environmental reports, maintenance of the Company s REIT status and listing on the NYSE, (2) negative covenants relating to restrictions on liens, indebtedness, certain investments (including loans and certain advances), mergers and other fundamental changes, sales and other dispositions of property or assets and transactions with affiliates, and (3) financial covenants to be met by the Company at all times under the guaranty including a maximum total leverage ratio (70%), maximum real estate leverage ratio (70%), minimum fixed charge coverage ratio (1.50 to 1.00), maximum total debt to real estate value ratio (90%) and minimum consolidated tangible net worth (\$65 million plus 85% of the net proceeds of equity issuances), as well as being cross defaulted to the Company s Revolving Facility. In addition, there will be financial covenants relating only to MEA and its subsidiaries.

The Company s Management Companies

The Company elected to be taxed as a REIT for United States of America federal income tax purposes. In order to qualify as a REIT, a specified percentage of the Company s gross income must be derived from real property sources, which would generally exclude the Company s income from providing development and management services to third parties. In order to avoid realizing such income in a manner that would adversely affect the Company s ability to qualify as a REIT, some services are provided through the Company s management company, Cogdell Spencer

Advisors, LLC (CSA, LLC), electing, together with the Company, to be treated as a taxable REIT subsidiary or TRS. CSA, LLC is wholly-owned and controlled by the Operating Partnership.

Table of Contents

During 2006, the Company acquired Consera Healthcare Real Estate, LLC (Consera). Consera provides property management services to third parties and, together with the Company, elected to be treated as a TRS.

Management

The Company's senior management team has an average of more than 15 years of healthcare real estate experience and has been involved in the development, redevelopment and acquisition of a broad array of medical office space. The Company's Chairman and founder, James W. Cogdell, has been in the healthcare real estate business for more than 36 years, and Frank C. Spencer, Chief Executive Officer, President and a member of the Board of Directors (the Board of Directors), has more than 12 years of experience in the industry. Four members of the senior management team have entered into employment agreements with the Company. At December 31, 2007, the Company's senior management team owned approximately 19.5% of the Operating Partnership units and Company common stock on a fully diluted basis.

Business and Growth Strategies

The Company's primary business objective is to develop and maintain client relationships in order to maximize total return to the Company's stockholders through growth in cash available for distribution and appreciation in the value of the Company's assets.

Operating Strategy

The Company's operating strategy consists of the following principal elements:

Strong Relationships with Physicians and Hospitals.

Healthcare is fundamentally a local business. The Company believes it has developed a reputation based on trust and reliability among physicians and hospitals and believes that these relationships position the Company to secure new development projects and new property acquisition opportunities with both new and existing parties. Many of the Company's healthcare system clients have collaborated with the Company on multiple projects, including the Company's five largest healthcare system clients, with whom the Company has an average relationship lasting more than 17 years. The Company's strategy is to continue to grow its portfolio by leveraging these relationships to acquire existing properties and to selectively develop new medical office buildings and healthcare related facilities in communities in need of additional facilities to support the delivery of medical services. The Company believes that physicians particularly value renting space from a trusted and reliable property owner that consistently delivers an office environment that meets their specialized needs.

Active Management of the Company's Properties.

The Company has developed a comprehensive approach to property and operational management to maximize the operating performance of its medical office buildings and healthcare related facilities, leading to high levels of tenant satisfaction. This fully-integrated property and operating management allows the Company to provide high quality seamless services to its tenants on a cost-effective basis. The Company believes that its operating efficiencies, which consistently exceed industry standards, will allow the Company to control costs for its tenants. The Company intends to maximize the Company's stockholders' return on their investment and to achieve long-term functionality and appreciation in its medical office buildings and healthcare related facilities through continuing its practice of active management of its properties. The Company manages its properties with a view toward creating an environment that supports successful medical practices. The properties are clean and kept in a condition that is conducive to the delivery of top-quality medical care to patients. The Company understands that in order to maximize the value of its

investments, its tenants must prosper as well. Therefore, the Company is committed to maintaining its properties at the highest possible level.

Key On-Campus Locations.

Table of Contents

At December 31, 2007, approximately 80% of the net rentable square feet of the Company's wholly-owned properties are situated on hospital campuses. On-campus properties provide the Company's physician-lessees and their patients with a convenient location so that they can move between medical offices and hospitals with ease, which drives revenues for the Company's physician-lessees. Many of these properties occupy a premier franchise location in relation to the local hospital, providing the Company's properties with a distinct competitive advantage over alternative medical office space in the area. The Company has found that the factors most important to physician-lessees when choosing a medical office building or healthcare related facility in which to locate their offices are convenience to a hospital campus, clean and attractive common areas, state-of-the-art amenities and tenant improvements tailored to each practice.

Loyal and Diverse Tenant Base.

The Company's focus on maintaining the Company's physician-lessees' loyalty is a key component of the Company's marketing and operating strategy. A focus on physician-lessee loyalty and the involvement of the physician-tenants and hospitals as investors in the Company's properties results in one of the more stable and diversified tenant bases of any medical office company in the United States. As of December 31, 2007, the Company's consolidated wholly-owned and joint venture properties had an average occupancy rate of approximately 93.4%. The Company's tenants are diversified by type of medical practice, medical specialty and sub-specialty. As of December 31, 2007, no single tenant accounted for more than 7.6% of the annualized rental revenue at the wholly-owned properties and no tenants were in default.

Unique Focus.

The Company focuses exclusively on the ownership, development, redevelopment, acquisition and management of medical office buildings and healthcare related facilities in the United States of America. The focus on medical office buildings and healthcare related facilities allows the Company to own, develop, redevelop, acquire and manage medical office buildings and healthcare related facilities more effectively and profitably than its competition. Unlike many other public companies that simply engage in sale/leaseback arrangements in the healthcare real estate sector, the Company also operates its properties. The Company believes that this focus may position the Company to achieve additional cash flow growth and appreciation in the value of its assets.

Acquisition and Development Strategy

The Company's acquisition and development strategy consists of the following principal elements:

Development Expertise.

The Company's development activities are focused on the design, construction and financing of medical office buildings and healthcare related facilities. The Company and Cogdell Spencer Inc. Predecessor (the "Predecessor") have completed the development of more than 70 medical office properties, many of which represent repeat business with clients. The Company has built strong relationships with leading for-profit and non-profit medical institutions who look to it to provide real estate solutions that will support the growth of a medical community built around their hospitals and regional medical centers. The Company focuses exclusively on medical office buildings and healthcare related facilities and believes that its understanding of real estate and healthcare gives it a competitive advantage over less specialized developers. Further, the Company's regional focus has provided extensive local industry knowledge and insight. The Company believes the network of relationships that have been developed in both the real estate and healthcare industries over the past 35 years provides access to a large volume of potential development and acquisition opportunities.

Selective Development and Acquisitions.

The Company intends to leverage its strong development and acquisition track record to continue to grow its portfolio of medical office buildings and healthcare related facilities by selectively acquiring existing medical office buildings and by developing new projects in communities in need of additional facilities to support the delivery of medical services.

Table of Contents

Develop and Maintain Strategic Relationships.

The Company intends to build upon its key strategic relationships with physicians, hospitals, not-for-profit agencies and religious entities that sponsor healthcare services to further enhance the Company's franchise. Historically, the Predecessor financed real property acquisitions through joint ventures in which the physician-lessees, and in some cases local hospitals or regional medical centers, provided the equity capital. The Company expects to continue entering into joint ventures with individual physicians, physician groups and hospitals. These joint ventures have been, and the Company believes will continue to be, a source of development and acquisition opportunities. Of the 62 healthcare properties the management team developed or acquired over the past 12 years, 36 of them represent repeat transactions with an existing client institution. The Company anticipates that it will also continue to offer potential physician-lessees the opportunity to invest in the Company in order that they may continue to feel a strong sense of attachment to the property in which they practice. The Company intends to continue to work closely with its tenants in order to cultivate long-term working relationships and to maximize new business opportunities. From time to time, the Company may make investments or agree to terms that support the objectives of clients without necessarily maximizing the Company's short-term financial return. The Company believes that this philosophy allows the Company to build long-term relationships and obtain franchise locations otherwise unavailable to the Company's competition.

Investment Criteria and Funding.

The Company intends to expand in its existing markets and enter into markets that research indicates will meet its investment strategy in the future. The Company generally will seek to select clients and assets in locations that the Company believes will complement its existing portfolio. The Company may also selectively pursue portfolio opportunities outside of its existing markets that will not only add incremental value, but will also add diversification and economies of scale to the existing portfolio.

In assessing a potential development or acquisition opportunity, the Company focuses on the economics of the medical community and the strength of local hospitals. The analysis focuses on trying to place the project on a hospital campus or in a strategic growth corridor based on demographics.

As an incentive for future development deals, the Company intends to establish a program whereby units of limited partnership interests or common stock can be offered to potential development partners to help finance a project. Historically, the Company has financed real property acquisitions through joint ventures in which the physicians who lease space at the properties, and in some cases, local hospitals or regional medical centers, provided the equity capital. The Company expects to continue this practice of entering into joint ventures with individual physicians, physician groups and hospitals.

On November 1, 2005, the Company, as guarantor, and the Operating Partnership entered into a \$100.0 million unsecured revolving credit facility (the Credit Facility). In August 2006, the Credit Facility's borrowing capability increased from \$100.0 million to \$130.0 million. As of December 31, 2007, the Credit Facility had approximately \$48.9 million of available borrowings, which the Company can use to finance development and acquisition opportunities. The Company plans to finance future acquisitions through a combination of borrowings under the Credit Facility, traditional secured mortgage financing, and equity offerings.

Business Segments

The Company defines business segments by their distinct customer base and service provided based on the financial information used by our chief operating decision maker to make resource allocation decisions and assess performance. There are two identified reportable segments: (1) property operations and (2) real estate services. Management

evaluates each segment's performance based on net operating income, which is defined as income before corporate general and administrative expenses, depreciation, amortization, interest expense, loss on early extinguishment of debt, gain on sale of real estate partnership interests, equity in earnings (loss) of unconsolidated real estate partnerships, and minority interests.

Table of Contents

Regulation

The following discussion describes certain material U.S. federal healthcare laws and regulations that may affect the Company's operations and those of the Company's tenants. However, the discussion does not address state healthcare laws and regulations, except as otherwise indicated. These state laws and regulations, like the U.S. federal healthcare laws and regulations, could affect the Company's operations and those of the Company's tenants.

The regulatory environment remains stringent for healthcare providers. Fraud and abuse statutes that regulate hospital and physician relationships continue to broaden the industry's awareness of the need for experienced real estate management.

New requirements for Medicare coding, physician recruitment and referrals, outlier charges to commercial and government payors, and corporate governance have created a difficult operating environment for some hospitals.

Generally, healthcare real estate properties are subject to various laws, ordinances and regulations. Changes in any of these laws or regulations, such as the Comprehensive Environmental Response and Compensation Liability Act, increase the potential liability for environmental conditions or circumstances existing or created by tenants or others on the properties. In addition, laws affecting development, construction, operation, upkeep, safety and taxation requirements may result in significant unanticipated expenditures, loss of healthcare real estate property sites or other impairments to operations, which would adversely affect the Company's cash flows from operating activities.

As the Company's properties and entities are not healthcare providers, the healthcare regulatory restrictions that apply to physician investment in healthcare providers are not applicable to the ownership interests held by physicians in the Company's properties except as discussed below. For example, the Stark II law, which, unless an exception applies, prohibits physicians from referring patients to any entity if they have a financial relationship with or ownership interest in the entity and the entity provides certain designated health services, does not apply to physician ownership in the Company's entities because these entities do not own or operate hospitals, nor do they provide any designated health services. In addition, the Federal Anti-Kickback Statute, which generally prohibits payment or solicitation of remuneration in exchange for referrals for items and services covered by federal health care programs to persons in a position to refer such business, also does not apply to ownership in the existing properties as these entities do not provide or bill for medical services of any kind. Similar state laws that prohibit physician self referrals or kickbacks also do not apply for the same reasons. Notwithstanding the foregoing, the Company cannot make any assurances that regulatory authorities will agree with the Company's interpretation of these laws.

Although the Company's properties and entities are not healthcare providers, certain federal healthcare regulatory restrictions could be implicated by ownership interests held by physicians in the Company's properties because the properties and entities may have both physician and hospital owners and such hospitals and physicians may have financial relationships apart from the Company's properties and entities which may create direct and indirect financial relationships subject to these laws and regulations. For example, under the Stark II law discussed above, an ownership in one of the Company's entities may serve as a link in a chain of financial relationships connecting a physician and a hospital which must be analyzed for compliance with the requirements of the Stark II law.

Under the Americans with Disabilities Act of 1990, or the ADA, all places of public accommodation are required to meet certain U.S. federal requirements related to access and use by disabled persons. A number of additional U.S. federal, state and local laws also exist that may require modifications to properties, or restrict certain further renovations thereof, with respect to access thereto by disabled persons. Noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature and in substantial capital expenditures. To the extent the Company's properties are not in compliance, the Company may incur additional costs to comply with the ADA.

Property management activities are often subject to state real estate brokerage laws and regulations as determined by the particular real estate commission for each state.

Table of Contents

In addition, state and local laws regulate expansion, including the addition of new beds or services or acquisition of medical equipment, and the construction of healthcare related facilities, by requiring a certificate of need, which is issued by the applicable state health planning agency only after that agency makes a determination that a need exists in a particular area for a particular service or facility, or other similar approval. New laws and regulations, changes in existing laws and regulations or changes in the interpretation of such laws or regulations could negatively affect the financial condition of the Company's lessees. These changes, in some cases, could apply retroactively. The enactment, timing or effect of legislative or regulatory changes cannot be predicted. In addition, certain of the Company's medical office buildings and healthcare related facilities and their lessees may require licenses or certificates of need to operate. Failure to obtain a license or certificate of need, or loss of a required license would prevent a facility from operating in the manner intended by the lessee.

Environmental Matters

Pursuant to U.S. federal, state and local environmental laws and regulations, a current or previous owner or operator of real property may be required to investigate, remove and/or remediate a release of hazardous substances or other regulated materials at or emanating from such property. Further, under certain circumstances, such owners or operators of real property may be held liable for property damage, personal injury and/or natural resource damage resulting from or arising in connection with such releases. Certain of these laws have been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. The failure to properly remediate the property may also adversely affect the owner's ability to lease, sell or rent the property or to borrow funds using the property as collateral.

In connection with the ownership, operation and management of the Company's current or past properties and any properties that the Company may acquire and/or manage in the future, the Company could be legally responsible for environmental liabilities or costs relating to a release of hazardous substances or other regulated materials at or emanating from such property. In order to assess the potential for such liability, the Company conducts an environmental assessment of each property prior to acquisition and manages the Company's properties in accordance with environmental laws while the Company owns or operates them. All of the Company's leases contain a comprehensive environmental provision that requires tenants to conduct all activities in compliance with environmental laws and to indemnify the owner for any harm caused by the failure to do so. In addition, the Company has engaged qualified, reputable and adequately insured environmental consulting firms to perform environmental site assessments of all of the Company's properties and is not aware of any environmental issues that are expected to have materially impacted the operations of any property.

Insurance

The Company believes that its properties are covered by adequate (as deemed necessary or as required by the Company's lenders) fire, flood, earthquake, wind and property insurance, as well as commercial liability insurance, provided by reputable companies and with commercially reasonable deductibles and limits. Furthermore, the Company believes that its businesses and assets are likewise adequately insured against casualty loss and third party liabilities. The Company engages a risk management consultant. Changes in the insurance market since September 11, 2001 have caused increases in insurance costs and deductibles, and have led to more active management of the insurance component of the Company's budget for each project; however, most of the Company's leases provide that insurance premiums are considered part of the operating expenses of the respective property, and the tenants are therefore responsible for any increases in the Company's premiums.

Competition

The Company competes in developing and acquiring medical office buildings and healthcare related facilities with financial institutions, institutional pension funds, real estate developers, other REITs, other public and private real estate companies and private real estate investors.

Depending on the characteristics of a specific market, the Company may also face competition in leasing available medical office buildings and healthcare related facilities to prospective tenants. However, the Company believes that it brings a depth of knowledge and experience in working with physicians, hospitals, not-for-profit

Table of Contents

agencies and religious entities that sponsor healthcare services that makes the Company an attractive real estate partner for both development projects and acquisitions.

Employees

As of December 31, 2007, the Company has 125 employees. The Company's employees perform various property management, maintenance, renovation, acquisition, development, and management functions. The Company believes that the Company's relationships with the Company's employees are good. None of the Company's employees are represented by a union.

Equity Offerings

In March 2007, the Company issued 3,949,700 shares of Common Stock at a price of \$21.00 per share resulting in net proceeds to the Company of approximately \$78.4 million. The net proceeds were used to reduce outstanding principal on the Company's Credit Facility and for working capital.

In January 2008, the Company issued approximately 3,448,278 shares of common stock in a private offering at a price of \$15.95 per share. The company received net proceeds of approximately \$53.5 million from the private offering. See Unregistered Sales of Equity Securities and Use of Proceeds.

Acquisitions

In June 2007, the Company acquired Central New York Medical Center in Syracuse, New York. The six-story, 111,634 square foot facility is located on the campus of the Crouse Hospital and includes a 469-space parking garage. The property was acquired for \$36.2 million, inclusive of transaction costs. The consideration consisted of cash and the issuance of 181,133 Operating Partnership units.

In August 2007, the Company acquired Summit Professional Plaza I and II in Brunswick, Georgia, for approximately \$24.3 million in cash, inclusive of transaction costs. The two-building complex totals 97,272 net rentable square feet. Southeast Georgia Health System, a 356-bed not-for-profit healthcare system, is the anchor tenant and currently leases approximately 38% of the complex.

In December 2007, the Company acquired Healthpark Medical Office Building in Chattanooga, Tennessee and Peerless Medical Center in Cleveland, Tennessee for approximately \$28.4 million, inclusive of transaction costs. The two buildings total 92,657 square feet. The acquisition was funded through a combination of cash and the assumption of approximately \$16.2 million of existing debt with a blended interest rate of 5.68%.

Offices

The Company's corporate headquarters are located at 4401 Barclay Downs Drive, Suite 300, Charlotte, North Carolina 28209-4670. The Company has 29 offices located in Florida, Georgia, Indiana, Kentucky, Louisiana, Mississippi, North Carolina, Pennsylvania, South Carolina, Tennessee, and Virginia. The Company believes that its current offices are adequate for its present and future operations, although it may add regional offices depending on the volume and nature of future acquisition and development projects.

Available Information

The Company files its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports with the Securities and Exchange Commission (the "SEC"). You may obtain copies of

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these documents by visiting the SEC's Public Reference Room at 100 F Street N.E., Washington, D.C. 20549, or by calling the SEC at 1-800-SEC-0330. The SEC also maintains a Website (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The Company's Web site is www.cogdellspencer.com. Its reports on Forms 10-K, 10-Q, and 8-K, and all amendments to those reports are posted on the Company's Web site as soon as reasonably practicable after the reports and amendments are electronically filed with or furnished to the SEC. The contents of the Company's Web site are not incorporated by reference.

Table of Contents

Item 1A. Risk Factors

Risks Related to the Company's Properties and Operations

The Company's real estate investments are concentrated in medical office buildings and healthcare related facilities, making the Company more vulnerable economically than if the Company's investments were diversified.

As a REIT, the Company invests primarily in real estate. Within the real estate industry, the Company selectively owns, develops, redevelops, acquires and manages medical office buildings and healthcare related facilities. The Company is subject to risks inherent in concentrating investments in real estate. The risks resulting from a lack of diversification become even greater as a result of the Company's business strategy to invest primarily in medical office buildings and healthcare related facilities. A downturn in the medical office building industry or in the commercial real estate industry generally, could significantly adversely affect the value of the Company's properties. A downturn in the healthcare industry could negatively affect the Company's tenants' ability to make rent payments to the Company, which may have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock. These adverse effects could be more pronounced than if the Company diversified the Company's investments outside of real estate or outside of medical office buildings and healthcare related properties.

Risks Related to the Acquisition of MEA and MEA's Business

The acquisition of MEA could prove difficult to integrate, disrupt the Company's business and strain the Company's resources.

The acquisition of MEA involves numerous risks, including:

difficulties in integrating operations, technologies, services, accounting and personnel;

challenges in managing new product lines, including planning, architecture, engineering, construction, materials management, manufacturing, capital and development services;

difficulties in supporting and transitioning customers of MEA to the Company's technology platforms and business processes;

diversion of financial and management resources from existing operations; and

inability to generate sufficient revenues to offset acquisition or investment costs.

The acquisition of MEA may turn out to be less compatible with the Company's growth strategy than originally anticipated, especially because MEA's operations are not currently part of the Company's core business strategy. Although the Company performed due diligence on MEA's business prior to acquiring MEA, an unavoidable level of risk remains regarding the actual condition of MEA's business. For example, certain unknown claims, unasserted claims or contingent liabilities not susceptible of discovery during the Company's due diligence investigation may not become known or manifest themselves until a later date.

Now that the Company has acquired MEA, the Company will be faced with risks, including the following:

the possibility that the Company has acquired substantial undisclosed liabilities;

the need for further approvals;

the risks of entering markets in which the Company has limited or no prior experience; and

the possibility that the Company may be unable to recruit additional personnel with the necessary skills to supplement the management of the acquired businesses.

If the Company is unsuccessful in overcoming these risks, the Company's business, financial condition or results of operations could be materially and adversely affected.

Table of Contents

MEA may experience reduced profits or, in some cases, losses under its guaranteed maximum price contracts if costs increase above its estimates.

Most of MEA's contracts are currently negotiated guaranteed maximum price or fixed price contracts, giving MEA's clients a clear understanding of the project's costs but also locking in MEA so that MEA bears a significant portion or all of the risk for cost overruns. Under these guaranteed maximum price or fixed price contracts, contract prices payable by customers are established in part on cost and scheduling estimates which are based on a number of assumptions, including assumptions about future economic conditions, prices and availability of labor, equipment and materials, and other exigencies. If these estimates prove inaccurate, or the Company encounters other unanticipated difficulties with respect to projects under guaranteed maximum price or fixed price contracts (such as errors, omissions or other deficiencies in the components of projects designed by or on behalf of MEA, problems with new technologies, difficulties in obtaining permits or approvals, adverse weather, unknown or unforeseen conditions, labor actions or disputes, changes in legal requirements, unanticipated decisions, interpretations or actions by governmental authorities having jurisdiction over the Company's projects, fire or other casualties, terrorist or similar acts, unanticipated difficulty or delay in obtaining materials or equipment, unanticipated increase in the cost of materials or equipment, failures or defaults of suppliers or subcontractors to perform, or other causes within or beyond the control of MEA which delay the performance or completion of a project or increase MEA's cost of performing the services and work to complete the project), cost overruns may occur, and MEA could experience reduced profits or, in some cases, a loss for that project. The existence or impact of these and other items may not be or become known until the end of a project.

The nature of MEA's engineering, architecture, construction and other businesses exposes it to potential liabilities and disputes which may reduce its profits.

MEA engages in engineering, architecture, construction and other services where design, construction or systems failures can result in substantial injury or damage to customers and/or third parties. In addition, the nature of MEA's business results in customers, subcontractors, vendors, suppliers and governmental authorities occasionally asserting claims against MEA for damages or losses for which they believe MEA is liable, including damages and/or losses (including consequential damages or losses) arising from allegations of: (i) defective, nonconforming, legally noncompliant or otherwise deficient design, materials, equipment or workmanship; (ii) late performance, completion or delivery of all or any portion of a project; (iii) bodily injury, sickness, disease or death; (iv) injury to or destruction of property; (v) failure to design or perform work in accordance with applicable laws, statutes, ordinances, and regulations of any governmental authority; (vi) violations of the Federal Occupational Safety and Health Act (OSHA), or any other laws, ordinances, rules regulations or orders of any Federal, State or local public authority having jurisdiction for the safety of persons or property, including but not limited to any Fire Department and Board of Health; (vii) violations or infringements of any trademark, copyright or patent, or any unfair competition, or infringement of any other tangible or intangible personal or property rights; and (viii) failure to pay parties providing services, labor, materials, equipment, supplies and similar items to projects.

Many of MEA's contracts with customers do not limit MEA's liability for damages or losses. These claims often arise in the normal course of MEA's business, and may be asserted with respect to projects completed and/or past occurrences. When it is determined that MEA has liability, such liability may not be covered by insurance or, if covered, the dollar amount of the liability may exceed MEA's policy limits. Any liability not covered by insurance, in excess of insurance limits or, if covered by insurance but subject to a high deductible, could result in significant loss, which could reduce profits and cash available for operations. Furthermore, claims asserting liability for these and other matters, whether for projects previously completed or projects to be completed in the future, may not be asserted or otherwise become known until a later date. Performance problems and/or liability claims for existing or future projects could adversely impact MEA's reputation within its industry and among its client base, making it more difficult to obtain future projects.

The Company's ability to invest in taxable REIT subsidiaries (TRSs) is limited by its qualification as a REIT, and accordingly may limit its ability to grow the business of MEA.

Overall no more than 20% of the value of a REIT's assets may consist of securities of one or more TRSs. The Company has jointly elected with MEA, and its parent, to treat such entities as TRSs. The Company has also jointly

Table of Contents

elected with each of CSA, LLC and Consera to treat such entity as a TRS. Immediately after the Merger, the Company expects that the fair value of its investments in its TRSs will be approximately 19% of its total gross assets, therefore limiting its ability to significantly grow such businesses absent a corresponding increase in the value of its total gross real estate assets. Accordingly, the Company's ability to grow and expand the business of MEA and the Company's other TRSs will be limited by the Company's need to continue to meet this 20% TRS limitation which could adversely affect returns to its shareholders.

The Company depends on significant tenants.

As of December 31, 2007, the Company's five largest tenants represented \$15.2 million, or 22.5%, of the annualized rent generated by the Company's properties. The Company's five largest tenants based on annualized rents are Carolinas HealthCare System, Palmetto Health Alliance, Bon Secours St. Francis Hospital, University Hospital (Augusta, GA), and Gaston Memorial Hospital. The Company's tenants may experience a downturn in their businesses, which may weaken their financial condition and result in their failure to make timely rental payments or their default under their leases. In the event of any tenant default, the Company may experience delays in enforcing the Company's rights as landlord and may incur substantial costs in protecting the Company's investment.

The bankruptcy or insolvency of the Company's tenants under the Company's leases could seriously harm the Company's operating results and financial condition.

The Company will receive substantially all of the Company's income as rent payments under leases of space in the Company's properties. The Company has no control over the success or failure of the Company's tenants' businesses and, at any time, any of the Company's tenants may experience a downturn in its business that may weaken its financial condition. As a result, the Company's tenants may delay lease commencement or renewal, fail to make rent payments when due, or declare bankruptcy. Any leasing delays, lessee failures to make rent payments when due, or tenant bankruptcies could result in the termination of the tenant's lease and, particularly in the case of a large tenant, may have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders, and the trading price of the Company's common stock.

If tenants are unable to comply with the terms of the Company's leases, the Company may be forced to modify lease terms in ways that are unfavorable to the Company. Alternatively, the failure of a tenant to perform under a lease or to extend a lease upon expiration of its term could require the Company to declare a default, repossess the property, find a suitable replacement tenant, operate the property, or sell the property. There is no assurance that the Company will be able to lease the property on substantially equivalent or better terms than the prior lease, or at all, find another tenant, successfully reposition the property for other uses, successfully operate the property, or sell the property on terms that are favorable to the Company.

If any lease expires or is terminated, the Company will be responsible for all of the operating expenses for that vacant space until it is re-let. If the Company experiences high levels of vacant space, the Company's operating expenses may increase significantly. Any significant increase in the Company's operating costs may have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

Any bankruptcy filings by or relating to one of the Company's tenants could bar all efforts by the Company to collect pre-bankruptcy debts from that lessee or seize its property, unless the Company receives an order permitting the Company to do so from the bankruptcy court, which the Company may be unable to obtain. A tenant bankruptcy could also delay the Company's efforts to collect past due balances under the relevant leases and could ultimately preclude full collection of these sums. If a tenant assumes the lease while in bankruptcy, all pre-bankruptcy balances

due under the lease must be paid to the Company in full. However, if a tenant rejects the lease while in bankruptcy, the Company would have only a general unsecured claim for pre-petition damages. Any unsecured claim the Company holds may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims. It is possible that the Company may recover substantially less than the full value of any unsecured claims the Company holds, if any, which may have a material adverse effect on the

Table of Contents

Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock. Furthermore, dealing with a tenant bankruptcy or other default may divert management's attention and cause the Company to incur substantial legal and other costs.

Adverse economic or other conditions in the markets in which the Company does business could negatively affect the Company's occupancy levels and rental rates and therefore the Company's operating results.

The Company's operating results are dependent upon its ability to maximize occupancy levels and rental rates in the Company's portfolio. Adverse economic or other conditions in the markets in which the Company operates may lower the Company's occupancy levels and limit the Company's ability to increase rents or require the Company to offer rental discounts. The following factors are primary among those which may adversely affect the operating performance of the Company's properties:

the national economic climate in which the Company operates, which may be adversely impacted by, among other factors, industry slowdowns, relocation of businesses and changing demographics;

periods of economic slowdown or recession, rising interest rates or declining demand for medical office buildings and healthcare related facilities, or the public perception that any of these events may occur, could result in a general decline in rental rates or an increase in tenant defaults;

local or regional real estate market conditions such as the oversupply of medical office buildings and healthcare related facilities or a reduction in demand for medical office buildings and healthcare related facilities in a particular area;

negative perceptions by prospective tenants of the safety, convenience and attractiveness of the Company's properties and the neighborhoods in which they are located;

earthquakes and other natural disasters, terrorist acts, civil disturbances or acts of war which may result in uninsured or underinsured losses; and changes in the tax, real estate and zoning laws.

The failure of the Company's properties to generate revenues sufficient to meet the Company's cash requirements, including operating and other expenses, debt service and capital expenditures, may have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

The majority of the Company's consolidated wholly-owned and joint venture properties are located in Georgia, North Carolina, and South Carolina, and changes in these markets may materially adversely affect the Company.

The Company's consolidated wholly-owned and joint venture properties located in Georgia, North Carolina, and South Carolina, provide approximately 11.9%, 25.4% and 29.4%, respectively, of the Company's total annualized rent as of December 31, 2007. As a result of the geographic concentration of properties in these markets, the Company is particularly exposed to downturns in these local economies or other changes in local real estate market conditions. In the event of negative economic changes in these markets, the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock may be materially and adversely affected.

The Company may not be successful in identifying and consummating suitable acquisitions or investment opportunities, which may impede the Company's growth and negatively affect the Company's results of

operations.

The Company's ability to expand through acquisitions is integral to its business strategy and requires the Company to identify suitable acquisition candidates or investment opportunities that meet its criteria and are compatible with its growth strategy. The Company may not be successful in identifying suitable properties or other assets that meet the Company's acquisition criteria or in consummating acquisitions or investments on satisfactory

Table of Contents

terms or at all. Failure to identify or consummate acquisitions or investment opportunities will slow the Company's growth, which could in turn adversely affect the Company's stock price.

The Company's ability to acquire properties on favorable terms and successfully integrate and operate them may be constrained by the following significant risks:

competition from other real estate investors with significant capital, including other publicly-traded REITs and institutional investment funds;

competition from other potential acquirers may significantly increase the purchase price for an acquisition property, which could reduce the Company's profitability;

unsatisfactory results of the Company's due diligence investigations or failure to meet other customary closing conditions;

failure to finance an acquisition on favorable terms or at all;

the Company may spend more than the time and amounts budgeted to make necessary improvements or renovations to acquired properties; and

the Company may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities such as liabilities for clean-up of undisclosed environmental contamination, claims by persons in respect of events transpiring or conditions existing before the Company acquired the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If any of these risks are realized, the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock may be materially and adversely affected.

If the Company is unable to promptly re-let its properties, if the rates upon such re-letting are significantly lower than expected or if the Company is required to undertake significant capital expenditures to attract new tenants, then the Company's business and results of operations would be adversely affected.

Virtually all of the Company's leases are on a multiple year basis. As of December 31, 2007, leases representing 11.7% of the Company's net rentable square feet will expire in 2008, 12.6% in 2009 and 14.0% in 2010. These expirations would account for 11.2%, 13.2% and 13.8% of the Company's annualized rent, respectively. Approximately 66% of the square feet of the Company's properties and 54% of the number of the Company's properties are subject to certain restrictions. These restrictions include limits on the Company's ability to re-let these properties to tenants not affiliated with the healthcare system that own the underlying property, rights of first offer on sales of the property and limits on the types of medical procedures that may be performed. In addition, lower than expected rental rates upon re-letting could impede the Company's growth. The Company cannot assure you that it will be able to re-let space on terms that are favorable to the Company or at all. Further, the Company may be required to make significant capital expenditures to renovate or reconfigure space to attract new tenants. If it is unable to promptly re-let its properties, if the rates upon such re-letting are significantly lower than expected or if the Company is required to undertake significant capital expenditures in connection with re-letting units, the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock may be materially and adversely affected.

Certain of the Company's properties may not have efficient alternative uses.

Some of the Company's properties, such as the Company's ambulatory surgery centers, are specialized medical facilities. If the Company or the Company's tenants terminate the leases for these properties or the Company's tenants lose their regulatory authority to operate such properties, the Company may not be able to locate suitable replacement tenants to lease the properties for their specialized uses. Alternatively, the Company may be required to spend substantial amounts to adapt the properties to other uses. Any loss of revenues and/or additional capital expenditures occurring as a result may have a material adverse effect on the Company's business, financial

Table of Contents

condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

The Company faces increasing competition for the acquisition of medical office buildings and healthcare related facilities, which may impede the Company's ability to make future acquisitions or may increase the cost of these acquisitions.

The Company competes with many other entities engaged in real estate investment activities for acquisitions of medical office buildings and healthcare related facilities, including national, regional and local operators, acquirers and developers of healthcare real estate properties. The competition for healthcare real estate properties may significantly increase the price the Company must pay for medical office buildings and healthcare related facilities or other assets the Company seeks to acquire and the Company's competitors may succeed in acquiring those properties or assets themselves. In addition, the Company's potential acquisition targets may find the Company's competitors to be more attractive because they may have greater resources, may be willing to pay more for the properties or may have a more compatible operating philosophy. In particular, larger healthcare REITs may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. In addition, the number of entities and the amount of funds competing for suitable investment properties may increase. This competition will result in increased demand for these assets and therefore increased prices paid for them. Because of an increased interest in single-property acquisitions among tax-motivated individual purchasers, the Company may pay higher prices if the Company purchases single properties in comparison with portfolio acquisitions. If the Company pays higher prices for medical office buildings and healthcare related facilities or other assets, the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock may be materially and adversely affected.

The Company may not be successful in integrating and operating acquired properties.

The Company expects to make future acquisitions of medical office buildings and healthcare related facilities. If the Company acquires medical office buildings and healthcare related facilities, the Company will be required to integrate them into the Company's existing portfolio. The acquired properties may turn out to be less compatible with the Company's growth strategy than originally anticipated, may cause disruptions in the Company's operations or may divert management's attention away from day-to-day operations, any or all of which may have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

The Company's medical office buildings and healthcare related facilities, their associated hospitals and the Company's tenants may be unable to compete successfully.

The Company's medical office buildings and healthcare related facilities, and their associated hospitals often face competition from nearby hospitals and other medical office buildings that provide comparable services. Some of those competing facilities are owned by governmental agencies and supported by tax revenues, and others are owned by nonprofit corporations and may be supported to a large extent by endowments and charitable contributions. These types of support are not available to the Company's buildings.

Similarly, the Company's tenants face competition from other medical practices in nearby hospitals and other medical facilities. The Company's tenants' failure to compete successfully with these other practices could adversely affect their ability to make rental payments, which could adversely affect the Company's rental revenues. Further, from time to time and for reasons beyond the Company's control, referral sources, including physicians and managed care organizations, may change their lists of hospitals or physicians to which they refer patients. This could adversely

affect the Company's tenants' ability to make rental payments, which could adversely affect the Company's rental revenues.

Any reduction in rental revenues resulting from the inability of the Company's medical office buildings and healthcare related facilities, their associated hospitals and the Company's tenants to compete successfully may have

Table of Contents

a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

The Company's investments in development and redevelopment projects may not yield anticipated returns, which would harm the Company's operating results and reduce the amount of funds available for distributions.

A key component of the Company's growth strategy is exploring new-asset development and redevelopment opportunities through strategic joint ventures. To the extent that the Company engages in these development and redevelopment activities, they will be subject to the following risks normally associated with these projects:

the Company may be unable to obtain financing for these projects on favorable terms or at all;

the Company may not complete development projects on schedule or within budgeted amounts;

the Company may encounter delays or refusals in obtaining all necessary zoning, land use, building, occupancy and other required governmental permits and authorizations;

occupancy rates and rents at newly developed or redeveloped properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in the Company's investment not being profitable; and start-up costs may be higher than anticipated.

In deciding whether to develop or redevelop a particular property, the Company makes certain assumptions regarding the expected future performance of that property. The Company may underestimate the costs necessary to bring the property up to the standards established for its intended market position or the Company may be unable to increase occupancy at a newly acquired property as quickly as expected or at all. Any substantial unanticipated delays or expenses could adversely affect the investment returns from these development or redevelopment projects and have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

The Company may in the future develop medical office buildings and healthcare related facilities in geographic regions where the Company does not currently have a significant presence and where the Company does not possess the same level of familiarity, which could adversely affect the Company's ability to develop such properties successfully or at all or to achieve expected performance.

The Company relies to a large extent on the investments of the Company's joint venture partners for the funding of the Company's development and redevelopment projects. If the Company's reputation in the healthcare real estate industry changes or the number of investors considering the Company as an attractive strategic partner is otherwise reduced, the Company's ability to develop or redevelop properties could be affected, which would limit the Company's growth.

If the Company's investments in development and redevelopment projects do not yield anticipated returns for any reason, including those set forth above, the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock may be materially and adversely affected.

Uninsured losses or losses in excess of the Company insurance coverage could adversely affect the Company's financial condition and the Company's cash flow.

The Company maintains comprehensive liability, fire, flood, earthquake, wind (as deemed necessary or as required by the Company's lenders), extended coverage and rental loss insurance with respect to the Company's properties with

policy specifications, limits and deductibles customarily carried for similar properties. Certain types of losses, however, may be either uninsurable or not economically insurable, such as losses due to earthquakes, riots, acts of war or terrorism. Should an uninsured loss occur, the Company could lose both the Company's investment in and anticipated profits and cash flow from a property. If any such loss is insured, the Company may be required to pay a significant deductible on any claim for recovery of such a loss prior to the Company's insurer being obligated to reimburse the Company for the loss, or the amount of the loss may exceed the Company's coverage for

Table of Contents

the loss. In addition, future lenders may require such insurance, and the Company's failure to obtain such insurance could constitute a default under loan agreements. As a result, the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock may be materially and adversely affected.

The Company's mortgage agreements and ground leases contain certain provisions that may limit the Company's ability to sell certain of the Company's medical office buildings and healthcare related facilities.

In order to assign or transfer the Company's rights and obligations under certain of the Company's mortgage agreements, the Company generally must:

obtain the consent of the lender;

pay a fee equal to a fixed percentage of the outstanding loan balance; and

pay any costs incurred by the lender in connection with any such assignment or transfer.

In addition, ground leases on certain of the Company's properties contain restrictions on transfer such as limiting the assignment or subleasing of the facility only to practicing physicians or physicians in good standing with an affiliated hospital. These provisions of the Company's mortgage agreements and ground leases may limit the Company's ability to sell certain of the Company's medical office buildings and healthcare related facilities which, in turn, could adversely impact the price realized from any such sale.

24 of the Company's consolidated wholly-owned and joint venture properties are subject to ground leases that expose the Company to the loss of such properties upon breach or termination of the ground leases.

The Company has 24 consolidated wholly-owned and joint venture properties that are subject to leasehold interests in the land underlying the buildings and the Company may acquire additional buildings in the future that are subject to similar ground leases. These 24 consolidated wholly-owned and joint venture properties represent 50% of the Company's total net rentable square feet. As lessee under a ground lease, the Company is exposed to the possibility of losing the property upon termination, or an earlier breach by the Company, of the ground lease, which may have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

Environmental compliance costs and liabilities associated with operating the Company's properties may affect the Company's results of operations.

Under various U.S. federal, state and local laws, ordinances and regulations, owners and operators of real estate may be liable for the costs of investigating and remediating certain hazardous substances or other regulated materials on or in such property. Such laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such substances or materials. The presence of such substances or materials, or the failure to properly remediate such substances, may adversely affect the owner's or operator's ability to lease, sell or rent such property or to borrow using such property as collateral. Persons who arrange for the disposal or treatment of hazardous substances or other regulated materials may be liable for the costs of removal or remediation of such substances at a disposal or treatment facility, whether or not such facility is owned or operated by such person. Certain environmental laws impose liability for release of asbestos-containing materials into the air and third parties may seek recovery from owners or operators of real properties for personal injury associated with asbestos-containing materials.

Certain environmental laws also impose liability, without regard to knowledge or fault, for removal or remediation of hazardous substances or other regulated materials upon owners and operators of contaminated property even after they no longer own or operate the property. Moreover, the past or present owner or operator from which a release emanates could be liable for any personal injuries or property damages that may result from such releases, as well as any damages to natural resources that may arise from such releases.

Table of Contents

Certain environmental laws impose compliance obligations on owners and operators of real property with respect to the management of hazardous materials and other regulated substances. For example, environmental laws govern the management of asbestos-containing materials and lead-based paint. Failure to comply with these laws can result in penalties or other sanctions.

No assurances can be given that existing environmental studies with respect to any of the Company's properties reveal all environmental liabilities, that any prior owner or operator of the Company's properties did not create any material environmental condition not known to the Company, or that a material environmental condition does not otherwise exist as to any one or more of the Company's properties. There also exists the risk that material environmental conditions, liabilities or compliance concerns may have arisen after the review was completed or may arise in the future. Finally, future laws, ordinances or regulations and future interpretations of existing laws, ordinances or regulations may impose additional material environmental liability.

The realization of any or all of these risks may have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

Costs associated with complying with the Americans with Disabilities Act of 1990 may result in unanticipated expenses.

Under the Americans with Disabilities Act of 1990, or the ADA, all places of public accommodation are required to meet certain U.S. federal requirements related to access and use by disabled persons. A number of additional U.S. federal, state and local laws may also require modifications to the Company's properties, or restrict certain further renovations of the properties, with respect to access thereto by disabled persons. Noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants and/or an order to correct any non-complying feature, which could result in substantial capital expenditures. The Company has not conducted an audit or investigation of all of the Company's properties to determine the Company's compliance and the Company cannot predict the ultimate cost of compliance with the ADA or other legislation. If one or more of the Company's properties is not in compliance with the ADA or other related legislation, then the Company would be required to incur additional costs to bring the facility into compliance. If the Company incurs substantial costs to comply with the ADA or other related legislation, the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock may be materially and adversely affected.

Risks Related to the Healthcare Industry

Adverse trends in healthcare provider operations may negatively affect the Company's lease revenues and the Company's ability to make distributions to the Company's stockholders.

The healthcare industry is currently experiencing:

changes in the demand for and methods of delivering healthcare services;

changes in third party reimbursement policies;

substantial competition for patients among healthcare providers;

continued pressure by private and governmental payors to reduce payments to providers of services; and

increased scrutiny of billing, referral and other practices by U.S. federal and state authorities.

These factors may adversely affect the economic performance of some or all of the Company's tenants and, in turn, the Company's lease revenues, which may have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

Table of Contents

Reductions in reimbursement from third party payors, including Medicare and Medicaid, could adversely affect the profitability of the Company's tenants and hinder their ability to make rent payments to the Company.

Sources of revenue for the Company's tenants may include the U.S. federal Medicare program, state Medicaid programs, private insurance carriers and health maintenance organizations, among others. Healthcare providers continue to face increased government and private payor pressure to control or reduce costs. Efforts by such payors to reduce healthcare costs will likely continue, which may result in reductions or slower growth in reimbursement for certain services provided by some of the Company's tenants. In addition, the failure of any of the Company's tenants to comply with various laws and regulations could jeopardize their ability to continue participating in Medicare, Medicaid and other government sponsored payment programs. A reduction in reimbursements to the Company's tenants from third party payors for any reason could adversely affect the Company's tenants' ability to make rent payments to the Company, which may have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

The healthcare industry is heavily regulated, and new laws or regulations, changes to existing laws or regulations, loss of licensure or failure to obtain licensure could result in the inability of the Company's tenants to make rent payments to the Company.

The healthcare industry is heavily regulated by U.S. federal, state and local governmental bodies. The Company's tenants generally will be subject to laws and regulations covering, among other things, licensure, certification for participation in government programs and relationships with physicians and other referral sources.

In addition, state and local laws regulate expansion, including the addition of new beds or services or acquisition of medical equipment, and the construction of healthcare related facilities, by requiring a certificate of need, which is issued by the applicable state health planning agency only after that agency makes a determination that a need exists in a particular area for a particular service or facility, or other similar approval. New laws and regulations, changes in existing laws and regulations or changes in the interpretation of such laws or regulations could negatively affect the financial condition of the Company's tenants. These changes, in some cases, could apply retroactively. The enactment, timing or effect of legislative or regulatory changes cannot be predicted. In addition, certain of the Company's medical office buildings and healthcare related facilities and their tenants may require licenses or certificates of need to operate. Failure to obtain a license or certificate of need, or loss of a required license would prevent a facility from operating in the manner intended by the tenant.

These events could adversely affect the Company's tenants' ability to make rent payments to the Company, which may have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

The Company's tenants are subject to fraud and abuse laws, the violation of which by a tenant may jeopardize the tenant's ability to make rent payments to the Company.

There are various federal and state laws prohibiting fraudulent and abusive business practices by healthcare providers who participate in, receive payments from or are in a position to make referrals in connection with government-sponsored healthcare programs, including the Medicare and Medicaid programs. The Company's lease arrangements with certain tenants may also be subject to these fraud and abuse laws.

These laws include:

the Federal Anti-Kickback Statute, which prohibits, among other things, the offer, payment, solicitation or receipt of any form of remuneration in return for, or to induce, the referral of Medicare and Medicaid patients;

the Federal Physician Self-Referral Prohibition, which, subject to specific exceptions, restricts physicians who have financial relationships with healthcare providers from making referrals for specifically designated

Table of Contents

health services for which payment may be made under Medicare or Medicaid programs to an entity with which the physician, or an immediate family member, has a financial relationship;

the False Claims Act, which prohibits any person from knowingly presenting false or fraudulent claims for payment to the federal government, including under the Medicare and Medicaid programs; and

the Civil Monetary Penalties Law, which authorizes the Department of Health and Human Services to impose monetary penalties for certain fraudulent acts.

Each of these laws includes criminal and/or civil penalties for violations that range from punitive sanctions, damage assessments, penalties, imprisonment, denial of Medicare and Medicaid payments and/or exclusion from the Medicare and Medicaid programs. Additionally, certain laws, such as the False Claims Act, allow for individuals to bring whistleblower actions on behalf of the government for violations thereof. Imposition of any of these penalties upon one of the Company's tenants or associated hospitals could jeopardize that tenant's ability to operate or to make rent payments or affect the level of occupancy in the Company's medical office buildings or healthcare related facilities associated with that hospital, which may have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

Risks Related to the Real Estate Industry

Illiquidity of real estate investments could significantly impede the Company's ability to respond to adverse changes in the performance of the Company's properties.

Because real estate investments are relatively illiquid, the Company's ability to promptly sell one or more properties in the Company's portfolio in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond the Company's control. The Company cannot predict whether the Company will be able to sell any property for the price or on the terms set by the Company or whether any price or other terms offered by a prospective purchaser would be acceptable to the Company. The Company also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property.

The Company may be required to expend funds to correct defects or to make improvements before a property can be sold. The Company cannot assure you that it will have funds available to correct those defects or to make those improvements. In acquiring a property, the Company may agree to transfer restrictions that materially restrict it from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These transfer restrictions would impede the Company's ability to sell a property even if the Company deems it necessary or appropriate. These facts and any others that would impede the Company's ability to respond to adverse changes in the performance of its properties may have a material adverse effect on its business, financial condition, results of operations, or ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

Any investments in unimproved real property may take significantly longer to yield income-producing returns, if at all, and may result in additional costs to the Company to comply with re-zoning restrictions or environmental regulations.

The Company may invest in unimproved real property. Unimproved properties generally take longer to yield income-producing returns based on the typical time required for development. Any development of unimproved real property may also expose the Company to the risks and uncertainties associated with re-zoning the land for a higher

use or development and environmental concerns of governmental entities and/or community groups. Any unsuccessful investments or delays in realizing an income-producing return or increased costs to develop unimproved real property could restrict the Company's ability to earn its targeted rate of return on an investment or adversely affect the Company's ability to pay operating expenses, which may have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

Table of Contents

Risks Related to the Company's Debt Financings

Required payments of principal and interest on borrowings may leave the Company with insufficient cash to operate the Company's properties or to pay the distributions currently contemplated or necessary to qualify as a REIT and may expose the Company to the risk of default under the Company's debt obligations.

At December 31, 2007, the Company has approximately \$316.4 million of outstanding indebtedness, \$237.2 million of which is secured. Approximately \$127.3 million and \$47.2 million of the Company's outstanding indebtedness will mature in 2008 and 2009, respectively. The Company expects to incur additional debt in connection with future acquisitions. The Company may borrow under its Credit Facility, or borrow new funds to acquire these future properties. Additionally, the Company does not anticipate that the Company's internally generated cash flow will be adequate to repay the Company's existing indebtedness upon maturity and, therefore, the Company expects to repay the Company's indebtedness through refinancings and future offerings of equity and/or debt.

If the Company is required to utilize the Company's Credit Facility for purposes other than acquisition activity, this will reduce the amount available for acquisitions and could slow the Company's growth. Therefore, the Company's level of debt and the limitations imposed on the Company by the Company's debt agreements could have adverse consequences, including the following:

the Company's cash flow may be insufficient to meet the Company's required principal and interest payments;

the Company may be unable to borrow additional funds as needed or on favorable terms, including to make acquisitions;

the Company may be unable to refinance the Company's indebtedness at maturity or the refinancing terms may be less favorable than the terms of the Company's original indebtedness;

because a portion of the Company's debt bears interest at variable rates, an increase in interest rates could materially increase the Company's interest expense;

the Company may be forced to dispose of one or more of the Company's properties, possibly on disadvantageous terms;

after debt service, the amount available for distributions to the Company's stockholders is reduced;

the Company's debt level could place the Company at a competitive disadvantage compared to the Company's competitors with less debt;

the Company may experience increased vulnerability to economic and industry downturns, reducing the Company's ability to respond to changing business and economic conditions;

the Company may default on the Company's obligations and the lenders or mortgagees may foreclose on the Company's properties that secure their loans and receive an assignment of rents and leases;

the Company may violate financial covenants which would cause a default on the Company's obligations;

the Company may inadvertently violate non-financial restrictive covenants in the Company's loan documents, such as covenants that require the Company to maintain the existence of entities, maintain insurance policies and provide financial statements, which would entitle the lenders to accelerate the Company's debt

obligations; and

the Company may default under any one of the Company's mortgage loans with cross-default or cross-collateralization provisions that could result in default on other indebtedness or result in the foreclosures of other properties.

The realization of any or all of these risks may have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

Table of Contents

The Company's ability to pay distributions is dependent on a number of factors and is not assured.

The Company's ability to make distributions depends upon a variety of factors, including efficient management of the Company's properties and the successful implementation by the Company of a variety of the Company's growth initiatives, and may be adversely affected by the risks described elsewhere in this Annual Report of Form 10-K. All distributions will be made at the discretion of the Board of Directors and depend on the Company earnings, the Company's financial condition, the REIT distribution requirements and other factors that the Board of Directors may consider from time to time. The Company cannot assure you that the level of the Company's distributions will increase over time or that the Company will be able to maintain the Company's future distributions at levels that equal or exceed the Company's historical distributions. The Company may be required to fund future distributions either from borrowings under the Company's Credit Facility, with the proceeds from equity offerings, which could be dilutive, or from property sales, which could be at a loss, or reduce such distributions.

The Company could become highly leveraged in the future because the Company's organizational documents contain no limitations on the amount of debt the Company may incur.

The Company's organizational documents contain no limitations on the amount of indebtedness that the Company or the Operating Partnership may incur. The Company could alter the balance between the Company's total outstanding indebtedness and the value of the Company's wholly-owned properties at any time. If the Company becomes more highly leveraged, the resulting increase in debt service could adversely affect the Company's ability to make payments on the Company's outstanding indebtedness and to pay the Company's anticipated distributions and/or the distributions required to qualify as a REIT, and may materially and adversely affect the Company's business, financial condition, results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

Increases in interest rates may increase the Company's interest expense and adversely affect the Company's cash flow and the Company's ability to service the Company's indebtedness and make distributions to the Company's stockholders.

As of December 31, 2007, the Company has approximately \$316.4 million of outstanding indebtedness, of which approximately \$74.3 million, or 23.4%, is subject to variable interest rates (excluding debt subject to variable to fixed interest rate swap agreements). This variable rate debt had a weighted average interest rate of approximately 5.89% per year as of December 31, 2007. Increases in interest rates on this variable rate debt would increase the Company's interest expense, which could adversely affect the Company's cash flow and the Company's ability to pay distributions. For example, if market rates of interest on this variable rate debt increased by 100 basis points, the increase in interest expense would decrease future earnings and cash flows by approximately \$0.7 million annually.

Failure to hedge effectively against interest rate changes may adversely affect the Company's results of operations.

In certain cases, the Company may seek to manage the Company's exposure to interest rate volatility by using interest rate hedging arrangements. Hedging involves risks, such as the risk that the counterparty may fail to honor its obligations under an arrangement, that the arrangements may not be effective in reducing the Company's exposure to interest rate changes and that a court could rule that such an agreement is not legally enforceable. In addition, the Company may be limited in the type and amount of hedging transactions the Company may use in the future by the Company's need to satisfy the REIT income tests under the Code. Failure to hedge effectively against interest rate changes may have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

The Company's Credit Facility contains financial covenants that could limit the Company's operations and the Company's ability to make distributions to the Company's stockholders.

The Company's Credit Facility contains financial and operating covenants, including net worth requirements, fixed charge coverage and debt ratios and other limitations on the Company's ability to make distributions or other

Table of Contents

payments to the Company's stockholders (other than those required by the Code), sell all or substantially all of the Company's assets and engage in mergers, consolidations and certain acquisitions.

The Credit Facility contains customary terms and conditions for credit facilities of this type, including: (1) limitations on the Company's ability to (A) incur additional indebtedness, (B) make distributions to the Company's stockholders, subject to complying with REIT requirements, and (C) make certain investments; (2) maintenance of a pool of unencumbered assets subject to certain minimum valuations thereof; and (3) requirements for the Company to maintain certain financial coverage ratios. These customary financial coverage ratios and other conditions include a maximum leverage ratio (65%, with flexibility for one two quarter increase to not more than 75%), minimum fixed charge coverage ratio (150%), maximum combined secured indebtedness (50% as of December 31, 2007, 40% thereafter), maximum recourse indebtedness (15%), maximum unsecured indebtedness (60%, with flexibility for one two quarter increase to not more than 75%), minimum unencumbered interest coverage ratio (175%, with the flexibility for one two quarter decrease to 150%) and minimum combined tangible net worth (\$30 million plus 85% of net proceeds of equity issuances by the Company and its subsidiaries after November 1, 2005). Failure to meet the Company's financial covenants could result from, among other things, changes in the Company's results of operations, the incurrence of debt or changes in general economic conditions. Advances under the Company's Credit Facility may be subject to borrowing base requirements on the Company's unencumbered medical office buildings or healthcare related facilities. These covenants may restrict the Company's ability to engage in transactions that the Company believes would otherwise be in the best interests of the Company's stockholders. Failure to comply with any of the covenants in the Company's Credit Facility could result in a default under one or more of the Company's debt instruments. This could cause one or more of the Company's lenders to accelerate the timing of payments and may have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

Risks Related to the Company's Organization and Structure

The Company's management has limited experience operating a REIT or a public Company and therefore may have difficulty in successfully and profitably operating the Company's business, or complying with regulatory requirements, including the Sarbanes-Oxley Act of 2002.

Prior to November 1, 2005, the Company's management had limited experience operating a REIT or a public company, or complying with regulatory requirements, including the Sarbanes-Oxley Act of 2002. As a result, the Company cannot assure you that it will be able to successfully operate as a REIT, execute the Company's business strategies as a public Company, or comply with regulatory requirements applicable to public companies, and you should be especially cautious in drawing conclusions about the ability of the Company's management team to execute the Company's business plan.

Mr. Cogdell, the Company's Chairman, and Mr. Spencer, the Company's Chief Executive Officer, President and a member of the Board of Directors, and their respective affiliates owned 13.6% and 2.9%, respectively, as of December 31, 2007 of the Company's outstanding common stock and OP units on a fully-diluted basis and therefore have the ability to exercise significant influence over the Company and any matter presented to the Company's stockholders.

Mr. Cogdell, the Company's Chairman, and Mr. Spencer, the Company's Chief Executive Officer, President and a member of the Board of Directors, and their respective affiliates owned approximately 13.6%, and 2.9%, respectively, as of December 31, 2007 of the Company's outstanding common stock and OP units on a fully-diluted basis. Consequently, those stockholders, individually or, to the extent their interests are aligned, collectively, may be able to influence the outcome of matters submitted for stockholder action, including the election of the Board of Directors and approval of significant corporate transactions, including business combinations, consolidations and mergers and

the determination of the Company's day-to-day corporate and management policies. Therefore, these stockholders have substantial influence over the Company and could exercise their influence in a manner that is not in the best interests of the Company's other stockholders.

Table of Contents

The Company's business could be harmed if key personnel terminate their employment with the Company.

The Company's success depends, to a significant extent, on the continued services of Mr. Cogdell, the Company's Chairman, Mr. Spencer, the Company's Chief Executive Officer, President and a member of the Board of Directors, and the other members of the Company's senior management team. The Company's senior management team has an average of 15 years of experience in the healthcare real estate industry. In addition, the Company's ability to continue to acquire and develop properties depends on the significant relationships the Company's senior management team has developed. There is no guarantee that any of them will remain employed by the Company. The Company does not maintain key person life insurance on any of the Company's officers. The loss of services of one or more members of the Company's senior management team could harm the Company's business and the Company's prospects.

Tax indemnification obligations could limit the Company's operating flexibility by limiting the Company's ability to sell specified properties.

In connection with the formation transactions and certain other property acquisitions, the Company entered into a tax protection agreement with the former owners of each contributed medical office building or healthcare related facility who received OP units.

Pursuant to these agreements, the Company will not sell, transfer or otherwise dispose of any of the medical office buildings or healthcare related facilities (each a protected asset) or any interest in a protected asset prior to the eighth anniversary of the closing of the offering unless:

1. a majority-in-interest of the former holders of interests in the predecessor partnerships or contributing entities (or their successors, which may include the Company to the extent any OP units have been redeemed or exchanged) with respect to such protected asset consent to the sale, transfer or other disposition; provided, however, with respect to three of the predecessor entities, Cabarrus POB, LLC, Medical Investors I, LLC and Medical Investors III, LLC, the required consent shall be a majority-in-interest of the beneficial owners of interests in the predecessor entities other than Messrs. Cogdell and Spencer and their affiliates; or
2. the Operating Partnership delivers to each such holder of interests, a cash payment intended to approximate the holder's tax liability related to the recognition of such holder's built-in gain resulting from the sale of such protected asset; or
3. the sale, transfer or other disposition would not result in the recognition of any built-in gain by any such holder of interests.

Protected assets represent approximately 78% of the Company's total net rentable square feet. If the Company were to sell all of these protected assets and the Company undertook such sale without obtaining the requisite consent of the contributing holders, then the Company would be required to make material payments to these holders. The prospect of making payments under the tax protection agreements could impede the Company's ability to respond to changing economic, financial and investment conditions. For example, it may not be economical for the Company to raise cash quickly through a sale of one or more of the Company's protected assets or dispose of a poorly performing protected asset until the expiration of the eight-year protection period.

Tax indemnification obligations may require the Operating Partnership to maintain certain debt levels.

The Company's tax protection agreements also provide that during the period from the closing of the initial public offering in 2005 through the twelfth anniversary thereof, the Operating Partnership will offer each holder who continues to hold at least 50% of the OP units received in respect of the consolidation transaction the opportunity to:

(1) guarantee debt or (2) enter into a deficit restoration obligation. If the Company fails to offer such opportunities, the Company will be required to deliver to each holder a cash payment intended to approximate the holder's tax liability resulting from the Company's failure to make such opportunities available to that holder. The Company agreed to these provisions in order to assist such holders in deferring the recognition of taxable gain as a result of and after the consolidation transaction. These obligations may require the Company to maintain more or different indebtedness than the Company would otherwise require for the Company's business.

Table of Contents

The Company may pursue less vigorous enforcement of terms of contribution and other agreements because of conflicts of interest with certain of the Company's officers.

Mr. Cogdell, the Company's Chairman, Mr. Spencer, the Company's Chief Executive Officer, President and a member of the Board of Directors, Charles M. Handy, the Company's Chief Financial Officer, Senior Vice President and Secretary, and other members of the Company's management team, have direct or indirect ownership interests in certain properties contributed to the Operating Partnership in the Formation Transactions. The Company, under the agreements relating to the contribution of such interests, is entitled to indemnification and damages in the event of breaches of representations or warranties made by the contributors. The Company may choose not to enforce, or to enforce less vigorously, the Company's rights under these agreements because of the Company's desire to maintain the Company's ongoing relationships with the individual party to these agreements. In addition, the Company is party to employment agreements with Messrs. Cogdell, Spencer and Handy, which provide for additional severance following termination of employment if the Company elects to subject the executive officer to certain non-competition, confidentiality and non-solicitation provisions. Although their employment agreements require that they devote substantially all of their full business time and attention to the Company, if the executive officer forgoes the additional severance, he will not be subject to such non-competition provisions, which would allow him to compete with the Company. None of these agreements were negotiated on an arm's-length basis.

Conflicts of interest could arise as a result of the Company UPREIT structure.

Conflicts of interest could arise in the future as a result of the relationships between the Company and the Company's affiliates, on the one hand, and the Operating Partnership or any partner thereof, on the other. The Company's directors and officers have duties to the Company under applicable Maryland law in connection with their management of the Company. At the same time, the Company, through the Company's wholly-owned subsidiary, has fiduciary duties, as a general partner, to the Operating Partnership and to the limited partners under Delaware law in connection with the management of the Operating Partnership. The Company's duties, through the Company's wholly-owned subsidiary, as a general partner to the Operating Partnership and its partners may come into conflict with the duties of the Company's directors and officers. The partnership agreement of the Operating Partnership does not require the Company to resolve such conflicts in favor of either the Company's stockholders or the limited partners in the Operating Partnership.

Unless otherwise provided for in the relevant partnership agreement, Delaware law generally requires a general partner of a Delaware limited partnership to adhere to fiduciary duty standards under which it owes its limited partners the highest duties of good faith, fairness and loyalty and which generally prohibit such general partner from taking any action or engaging in any transaction as to which it has a conflict of interest.

Additionally, the partnership agreement expressly limits the Company's liability by providing that neither the Company, nor the Company's wholly-owned Maryland business trust subsidiary, as the general partner of the Operating Partnership, nor any of the Company or its trustees, directors or officers, will be liable or accountable in damages to the Operating Partnership, the limited partners or assignees for errors in judgment, mistakes of fact or law or for any act or omission if the general partner or such trustee, director or officer, acted in good faith. In addition, the Operating Partnership is required to indemnify the Company, the Company's affiliates and each of the Company's respective trustees, officers, directors, employees and agents to the fullest extent permitted by applicable law against any and all losses, claims, damages, liabilities (whether joint or several), expenses (including, without limitation, attorneys' fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Operating Partnership, provided that the Operating Partnership will not indemnify any such person for (1) willful misconduct or a knowing violation of the law, (2) any transaction for which such person received an improper personal benefit in violation or breach of any provision of the partnership agreement, or (3) in the case of a

criminal proceeding, the person had reasonable cause to believe the act or omission was unlawful.

The provisions of Delaware law that allow the common law fiduciary duties of a general partner to be modified by a partnership agreement have not been resolved in a court of law, and the Company has not obtained an opinion of

Table of Contents

counsel covering the provisions set forth in the partnership agreement that purport to waive or restrict the Company's fiduciary duties that would be in effect under common law were it not for the partnership agreement.

Certain provisions of the Company's organizational documents, including the stock ownership limit imposed by the Company's charter, could prevent or delay a change in control transaction.

The Company's charter, subject to certain exceptions, authorizes the Company's directors to take such actions as are necessary and desirable to preserve the Company's qualification as a REIT and to limit any person to actual or constructive ownership of 7.75% (by value or by number of shares, whichever is more restrictive) of the Company's outstanding common stock or 7.75% (by value or by number of shares, whichever is more restrictive) of the Company's outstanding capital stock. The Board of Directors, in its sole discretion, may exempt additional persons from the ownership limit. However, the Board of Directors may not grant an exemption from the ownership limit to any proposed transferee whose ownership could jeopardize the Company's qualification as a REIT. These restrictions on ownership will not apply if the Board of Directors determines that it is no longer in the Company's best interests to attempt to qualify, or to continue to qualify, as a REIT. The ownership limit may delay or impede a transaction or a change of control that might involve a premium price for the Company's common stock or otherwise be in the best interests of the Company's stockholders. Different ownership limits apply to Mr. Cogdell, certain of his affiliates, family members and estates and trusts formed for the benefit of the foregoing, and Mr. Spencer, certain of his affiliates, family members and estates and trusts formed for the benefit of the foregoing. These ownership limits, which the Board of Directors has determined will not jeopardize the Company REIT qualification, allow Mr. Cogdell, certain of his affiliates, family members and estates and trusts formed for the benefit of the foregoing, as an excepted holder, to hold up to 18.0% (by value or by number of shares, whichever is more restrictive) of the Company's common stock or up to 18.0% (by value or by number of shares, whichever is more restrictive) of the Company's outstanding capital stock.

Certain provisions of Maryland law may limit the ability of a third party to acquire control of the Company.

Certain provisions of the Maryland General Corporation Law, or the MGCL, may have the effect of delaying, deferring or preventing a transaction or a change in control of the Company that might involve a premium price for holders of the Company's common stock or otherwise be in their best interests, including:

business combination provisions that, subject to certain limitations, prohibit certain business combinations between the Company and an interested stockholder (defined generally as any person who beneficially owns 10% or more of the voting power of the Company's shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose special minimum price provisions and special stockholder voting requirements on these combinations; and

control share provisions that provide that control shares of the Company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a control share acquisition (defined as the direct or indirect acquisition of ownership or control of control shares) have no voting rights except to the extent approved by the Company's stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

These provisions of the MGCL relating to business combinations do not apply, however, to business combinations that are approved or exempted by a board of directors prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, the Board of Directors has by resolution exempted Mr. Cogdell, his affiliates and associates and all persons acting in concert with the foregoing, and Mr. Spencer, his affiliates and associates and all persons acting in concert with the foregoing, from these provisions of the MGCL and, consequently,

the five-year prohibition and the supermajority vote requirements will not apply to business combinations between the Company and these persons. As a result, these persons may be able to enter into business combinations with the Company that may not be in the best interests of the Company's stockholders without compliance by the Company with the supermajority vote requirements and the other provisions of the statute. In

Table of Contents

addition, the Company's by-laws contain a provision exempting from the provisions of the MGCL relating to control share acquisitions any and all acquisitions by any person of the Company's common stock. There can be no assurance that such provision will not be amended or eliminated at any time in the future.

Additionally, Title 3, Subtitle 8 of the MGCL permits the Board of Directors, without stockholder approval and regardless of what is currently provided in the Company's charter or bylaws, to take certain actions that may have the effect of delaying, deferring or preventing a transaction or a change in control of the Company that might involve a premium to the market price of the Company's common stock or otherwise be in the Company's stockholders' best interests.

The Board of Directors has the power to cause the Company to issue additional shares of the Company's stock and the general partner has the power to issue additional OP units without stockholder approval.

The Company's charter authorizes the Board of Directors to cause the Company to issue additional authorized but unissued shares of common stock, or preferred stock and to amend the Company's charter to increase the aggregate number of authorized shares or the authorized number of shares of any class or series without stockholder approval. The general partner will be given the authority to issue additional OP units. In addition, the Board of Directors may classify or reclassify any unissued shares of common stock or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. The Board of Directors could cause the Company to issue additional shares of the Company's common stock or establish a series of preferred stock that could have the effect of delaying, deferring or preventing a change in control or other transaction that might involve a premium price for the Company's common stock or otherwise be in the best interests of the Company's stockholders.

The Company's rights and the rights of the Company's stockholders to take action to recover money damages from the Company's directors and officers are limited.

The Company's charter eliminates the Company's directors' and officers' liability to the Company and the Company's stockholders for money damages, except for liability resulting from actual receipt of an improper benefit in money, property or services or active and deliberate dishonesty established by a final judgment and which is material to the cause of action. The Company's charter authorizes the Company, and the Company's bylaws require the Company, to indemnify the Company's directors and officers for liability resulting from actions taken by them in those capacities to the maximum extent permitted by Maryland law. In addition, the Company may be obligated to fund the defense costs incurred by the Company's directors and officers.

You will have limited ability as a stockholder to prevent the Company from making any changes to the Company's policies that you believe could harm the Company's business, prospects, operating results or share price.

The Board of Directors will adopt policies with respect to certain activities, such as investments, dispositions, financing, lending, the Company's equity capital, conflicts of interest and reporting. These policies may be amended or revised from time to time at the discretion of the Board of Directors without a vote of the Company's stockholders. This means that the Company's stockholders will have limited control over changes in the Company's policies. Such changes in the Company's policies intended to improve, expand or diversify the Company's business may not have the anticipated effects and consequently may have a material adverse effect on the Company's business, financial condition and results of operations, the Company's ability to make distributions to the Company's stockholders and the trading price of the Company's common stock.

To the extent the Company's distributions represent a return of capital for tax purposes you could recognize an increased capital gain upon a subsequent sale by you of the Company's common stock.

Distributions in excess of the Company's current and accumulated earnings and profits and not treated by the Company as a dividend will not be taxable to a U.S. stockholder to the extent those distributions do not exceed the stockholder's adjusted tax basis in its common stock, but instead will constitute a return of capital and will reduce the stockholder's adjusted tax basis in its common stock. If distributions result in a reduction of a stockholder's

Table of Contents

adjusted basis in such holder's common stock, subsequent sales of such holder's common stock potentially will result in recognition of an increased capital gain or reduced capital loss due to the reduction in such adjusted basis.

Risks Related to Qualification and Operation as a REIT

The Company's failure to qualify or remain qualified as a REIT would have significant adverse consequences to the Company and the value of the Company's common stock.

The Company intends to operate in a manner that will allow the Company to qualify as a REIT for U.S. federal income tax purposes under the Code. The Company has not requested and does not plan to request a ruling from the IRS that the Company qualifies as a REIT, and the statements in the Company's prospectus and other filings are not binding on the IRS or any court. If the Company fails to qualify or loses the Company's qualification as a REIT, the Company will face serious Company tax consequences that would substantially reduce the funds available for distribution to the Company's stockholders for each of the years involved because:

the Company would not be allowed a deduction for distributions to stockholders in computing the Company's taxable income and the Company would be subject to U.S. federal income tax at regular corporate rates;

the Company also could be subject to the U.S. federal alternative minimum tax and possibly increased state and local taxes; and

unless the Company is entitled to relief under applicable statutory provisions, the Company could not elect to be taxed as a REIT for four taxable years following a year during which the Company was disqualified.

In addition, if the Company loses its qualification as a REIT, the Company will not be required to make distributions to stockholders, and all distributions to the Company's stockholders will be subject to tax as regular corporate dividends to the extent of the Company's current and accumulated earnings and profits. This means that the Company's U.S. individual stockholders would be taxed on the Company's dividends at a maximum U.S. federal income tax rate of 15% (through 2010), and the Company's corporate stockholders generally would be entitled to the dividends received deduction with respect to such dividends, subject, in each case, to applicable limitations under the Code.

Qualification as a REIT involves the application of highly technical and complex Code provisions and regulations promulgated thereunder for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable U.S. Treasury Department regulations, or Treasury Regulations, that have been promulgated under the Code is greater in the case of a REIT that, like the Company, holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within the Company's control may affect the Company's ability to qualify as a REIT. In order to qualify as a REIT, the Company must satisfy a number of requirements, including requirements regarding the composition of the Company's assets and sources of the Company's gross income. Also, the Company must make distributions to stockholders aggregating annually at least 90% of the Company's net taxable income, excluding capital gains.

As a result of these factors, the Company's loss of its qualifications as a REIT also could impair the Company's ability to expand the Company's business and raise capital, and would adversely affect the value of the Company's common stock.

To maintain the Company REIT qualification, the Company may be forced to borrow funds during unfavorable market conditions.

To qualify as a REIT, the Company generally must distribute to the Company's stockholders at least 90% of the Company's net taxable income each year, excluding net capital gains, and the Company will be subject to regular corporate income taxes to the extent that the Company distributes less than 100% of the Company's net taxable income each year. In addition, the Company will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by the Company in any calendar year are less than the sum of 85% of the Company's ordinary income, 95% of the Company's capital gain net income and 100% of the Company's undistributed income from prior years. In order to qualify as a REIT and avoid the payment of income and excise taxes, the Company may

Table of Contents

need to borrow funds on a short-term basis, or possibly on a long-term basis, to meet the REIT distribution requirements even if the then prevailing market conditions are not favorable for these borrowings. These borrowing needs could result from, among other things, a difference in timing between the actual receipt of cash and inclusion of income for U.S. federal income tax purposes, the effect of non-deductible capital expenditures, the creation of reserves or required debt amortization payments.

Dividends payable by REITs generally do not qualify for reduced tax rates.

The maximum tax rate for dividends payable by domestic corporations to individual U.S. stockholders (as such term is defined under U.S. Federal Income Tax Considerations below), is 15% (through 2010). Dividends payable by REITs, however, are generally not eligible for the reduced rates. The more favorable rates applicable to regular corporate dividends could cause stockholders who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including the Company's common stock.

In addition, the relative attractiveness of real estate in general may be adversely affected by the favorable tax treatment given to corporate dividends, which could negatively affect the value of the Company's properties.

Possible legislative or other actions affecting REITs could adversely affect the Company and the Company's stockholders.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. Changes to tax laws (which changes may have retroactive application) could adversely affect the Company or the Company's stockholders. The Company cannot predict whether, when, in what forms, or with what effective dates, the tax laws applicable to the Company or the Company's stockholders will be changed.

Complying with REIT requirements may cause the Company to forego otherwise attractive opportunities.

To qualify as a REIT for U.S. federal income tax purposes, the Company must continually satisfy tests concerning, among other things, the sources of the Company's income, the nature and diversification of the Company's assets, the amounts the Company distributes to the Company's stockholders and the ownership of the Company's stock. In order to meet these tests, the Company may be required to forego attractive business or investment opportunities. Thus, compliance with the REIT requirements may adversely affect the Company's ability to operate solely to maximize profits.

The Company will pay some taxes.

Even if the Company qualifies as a REIT for U.S. federal income tax purposes, the Company will be required to pay some U.S. federal, state and local taxes on the Company's income and property. In addition, the Company's taxable REIT subsidiaries, CSA, LLC and Consera Healthcare Real Estate LLC, (the TRSs) are fully taxable corporations that will be subject to taxes on their income, including their management fee income, and that may be limited in their ability to deduct interest payments made to the Company or the Operating Partnership. The Company also will be subject to a 100% penalty tax on certain amounts if the economic arrangements among the Company's tenants, the Company's TRSs and the Company are not comparable to similar arrangements among unrelated parties or if the Company receives payments for inventory or property held for sale to customers in the ordinary course of business. To the extent that the Company or the Company's taxable REIT subsidiaries are required to pay U.S. federal, state or local taxes, the Company will have less cash available for distribution to the Company's stockholders.

The ability of the Board of Directors to revoke the Company REIT election without stockholder approval may cause adverse consequences to the Company's stockholders.

The Company's charter provides that the Board of Directors may revoke or otherwise terminate the Company REIT election, without the approval of the Company's stockholders, if it determines that it is no longer in the Company's best interests to continue to qualify as a REIT. If the Company ceases to qualify as a REIT, the Company

Table of Contents

would become subject to U.S. federal income tax on the Company's taxable income and the Company would no longer be required to distribute most of the Company's taxable income to the Company's stockholders, which may have adverse consequences on the total return to the Company's stockholders.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2007, the Company owned and/or managed 115 medical office buildings and healthcare related facilities, 59 of which are consolidated wholly-owned and joint ventures, three of which are jointly owned with unaffiliated third parties and managed through a TRS, and 53 of which are managed for third parties through a TRS. Medical office buildings typically contain suites for physicians and physician practice groups and also may include facilities that provide hospitals with ancillary and outpatient services, such as ambulatory surgery centers, imaging and diagnostic centers (offering diagnostic services not typically provided in physician offices or clinics), rehabilitation centers, kidney dialysis centers and cancer treatment centers. The Company's portfolio of owned and managed properties contains an aggregate of approximately 5.6 million net rentable square feet of as of December 31, 2007. As of December 31, 2007, the Company's consolidated wholly-owned and joint venture properties were approximately 93.4% occupied with a weighted average remaining lease term of approximately 4.7 years, accounting for 92.6%, 94.1%, and 94.3% of total revenues for the years ended December 31, 2007, 2006, and 2005, respectively.

At December 31, 2007, 77.1% of the Company's consolidated wholly-owned and joint venture properties are located on hospital campuses, 7.4% are located off-campus but in which a hospital is the sole or anchor tenant, and 15.5% are off campus.

The following table contains additional information about the Company's consolidated wholly-owned and joint venture properties as of December 31, 2007.

| Property | City | Year Built(1) | Net Rentable Square Feet(2) | Occupancy Rate | Annualized Rent(3) | Annualized Rent per Leased Square Foot(4)(5) | Associated Health Care System |
|---------------------------------------|-------------|----------------------|------------------------------------|-----------------------|---------------------------|---|--------------------------------------|
| California: | | | | | | | |
| Verdugo Professional | | | | | | | |
| Building I(6) Verdugo Professional | Glendale | 1974 | 63,887 | 94.2% | \$ 1,792,071 | \$ 29.78 | Verdugo Hills Hospital |
| Building II(6) | Glendale | 1984 | 42,906 | 86.5 | 1,129,417 | 30.43 | Verdugo Hills Hospital |
| Total California | | | 106,793 | 91.1 | 2,921,488 | 30.03 | |
| Georgia: | | | | | | | |
| Augusta POB I(6)(7) | Augusta | 1978 | 99,494 | 91.6 | 1,196,111 | 13.12 | University Health Services |
| Augusta POB II(6)(7) | Augusta | 1987 | 125,634 | 93.2 | 2,538,217 | 21.68 | |

| | | | | | | | |
|---|--------------|------|---------|-------|-----------|-----------|---------------------------------|
| | | | | | | | University Health Services |
| Augusta POB III(6)(7) | Augusta | 1994 | 47,034 | 100.0 | 904,405 | 19.23 | University Health Services |
| Augusta POB IV(6)(7) | Augusta | 1995 | 55,134 | 100.0 | 947,613 | 17.19 | University Health Services |
| Summit Professional Plaza I(6) | Brunswick | 2004 | 33,039 | 93.5 | 764,451 | 24.75 | Southeast Georgia Health System |
| Summit Professional Plaza II(6) | Brunswick | 1998 | 64,233 | 96.0 | 1,712,004 | 27.76 | Southeast Georgia Health System |
| Total Georgia | | | 424,568 | 94.9 | 8,062,801 | 20.01 | |
| Indiana: | | | | | | | |
| Methodist Professional Center One(6)(8)(16) | Indianapolis | 1984 | 174,114 | 100.0 | 4,003,152 | 22.99 | Methodist Hospital |
| Kentucky: | | | | | | | |
| Our Lady of Bellefonte(6)(8)(9) | Ashland | 1997 | 46,907 | 100.0 | 1,151,131 | 24.54 | Our Lady of Bellefonte Hospital |
| Adjacent Parking Deck | | 1997 | | | 850,766 | | |
| Total Kentucky | | | 46,907 | 100.0 | 2,001,897 | 24.54(10) | |

Table of Contents

| Property | City | Year Built(1) | Net Rentable Square Feet(2) | Occupancy Rate | Annualized Rent(3) | Annualized Rent per Leased Square Foot(4)(5) | Associated Health Care System |
|--|--------------|----------------------|------------------------------------|-----------------------|---------------------------|---|--------------------------------------|
| Louisiana: | | | | | | | |
| East Jefferson Medical Office Building(6)(8)(9) | Metairie | 1985 | 119,921 | 96.3 | 2,369,596 | 20.52 | East Jefferson General Hospital |
| East Jefferson Medical Specialty Building(6)(8)(9)(11) | Metairie | 1985 | 10,809 | 100.0 | 968,693 | 89.62 | East Jefferson General Hospital |
| Total Louisiana | | | 130,730 | 100.0 | 3,338,289 | 25.54 | |
| New York: | | | | | | | |
| Central New York Medical Center(6)(17) | Syracuse | 1997 | 111,634 | 100.0 | 3,048,682 | 27.31 | Crouse Hospital |
| North Carolina: | | | | | | | |
| Barclay Downs Birkdale Medical Village(9)(12) | Charlotte | 1987 | 38,395 | 100.0 | 803,276 | 20.92 | NorthEast Medical Center |
| Birkdale Retail(9) | Huntersville | 1997 | 64,669 | 100.0 | 1,352,960 | 20.92 | NorthEast Medical Center |
| | Huntersville | 2001 | 8,269 | 100.0 | 209,295 | 25.31 | NorthEast Medical Center |
| Cabarrus POB(6)(8)(9) | Concord | 1997 | 84,972 | 98.2 | 1,778,315 | 21.31 | NorthEast Medical Center |
| Copperfield Medical Mall(12) | Concord | 1989 | 26,000 | 100.0 | 583,440 | 22.44 | NorthEast Medical Center |
| Copperfield MOB(6)(8)(9) | Concord | 2005 | 61,789 | 87.9 | 1,219,403 | 22.45 | NorthEast Medical Center |
| East Rocky Mount Kidney Center(9)(13) | Rocky Mount | 2000 | 8,043 | 100.0 | 159,573 | 19.84 | Caramont Health System |
| Gaston Professional Center(6)(8)(9) | Gastonia | 1997 | 114,956 | 100.0 | 2,622,043 | 22.81 | Caramont Health System |
| Adjacent Parking Deck | | 1997 | | | 606,141 | | Caramont Health System |
| Harrisburg Family Physicians Building(12) | Harrisburg | 1996 | 8,202 | 100.0 | 206,690 | 25.20 | Carolinas HealthCare System |
| Harrisburg Medical Mall(9)(12) | Harrisburg | 1997 | 18,360 | 100.0 | 459,000 | 25.00 | Carolinas HealthCare System |
| Lincoln/ Lakemont Family Practice Center(12) | Lincolnton | 1998 | 16,500 | 100.0 | 365,850 | 22.17 | Carolinas HealthCare System |
| Mallard Crossing Medical Park(9) | Charlotte | 1997 | 52,540 | 94.1 | 1,192,554 | 24.12 | Carolinas HealthCare System |
| Midland Medical Mall(9)(12) | Midland | 1998 | 14,610 | 92.1 | 369,127 | 27.43 | NorthEast Medical Center |
| Mulberry Medical Park(6)(8)(9) | Lenoir | 1982 | 24,992 | 85.4 | 418,236 | 19.60 | Caldwell Memorial |

| Northcross Family Medical | | | | | | | Hospital, Inc. |
|--|-------------|------|---------|-------|------------|-----------|---|
| Practice Building(12) | Charlotte | 1993 | 8,018 | 100.0 | 216,085 | 26.95 | Carolinas HealthCare System |
| Randolph Medical Park(9) | Charlotte | 1973 | 84,131 | 60.9 | 1,067,339 | 20.83 | |
| Rocky Mount Kidney Center(9) | Rocky Mount | 1990 | 10,105 | 100.0 | 198,765 | 19.67 | |
| Rocky Mount Medical Office Building(9)(18) | Rocky Mount | 2002 | 35,393 | 95.7 | 847,902 | 25.03 | |
| Rocky Mount Medical Park(9) | Rocky Mount | 1991 | 96,993 | 96.9 | 1,882,650 | 20.03 | |
| Rowan Outpatient Surgery Center(6)(7)(13) | Salisbury | 2003 | 19,464 | 100.0 | 414,194 | 21.28 | Rowan Regional Medical Center NorthEast |
| Weddington Internal & Pediatric Medicine(12) | Concord | 2000 | 7,750 | 100.0 | 185,380 | 23.92 | Medical Center |
| Total North Carolina | | | 804,151 | 93.2 | 17,158,218 | 22.09(14) | |
| Pennsylvania: | | | | | | | |
| Lancaster Rehabilitation Hospital(6)(8)(9)(13) | Lancaster | 2007 | 52,878 | 100.0 | 1,072,210 | 20.28 | Lancaster General Hospital |
| Lancaster General Health Campus MOB(6)(8)(9)(18) | Lancaster | 2007 | 64,214 | 87.8 | 1,372,337 | 24.34 | Lancaster General Hospital |
| Total Pennsylvania | | | 117,092 | 93.3 | 2,444,547 | 22.38 | |
| South Carolina: | | | | | | | |
| 190 Andrews(6)(8) | Greenville | 1994 | 25,902 | 100.0 | 556,251 | 21.48 | Bon Secours St. Francis Health System |
| Baptist Northwest(9) | Columbia | 1986 | 38,703 | 52.7 | 402,541 | 19.74 | |
| Beaufort Medical Plaza(6)(8)(9) | Beaufort | 1999 | 59,340 | 100.0 | 1,226,957 | 20.68 | Beaufort Memorial Hospital |
| Mary Black Westside(8)(9)(12) | Spartanburg | 1991 | 37,455 | 100.0 | 787,693 | 21.03 | Mary Black Westside Urgent Care The Regional Medical Center of Orangeburg and Calhoun Counties |

Table of Contents

| Property | City | Year Built(1) | Net Rentable Square Feet(2) | Occupancy Rate | Annualized Rent(3) | Annualized Rent per Leased Square Foot(4)(5) | Associated Health Care System |
|--|--------------|----------------------|------------------------------------|-----------------------|---------------------------|---|---|
| Medical Arts Center of Orangeburg(7)(9) | Orangeburg | 1984 | 49,324 | 100.0 | 892,063 | 18.09 | |
| Mt. Pleasant MOB(3)(6)(9) | Mt. Pleasant | 2001 | 38,735 | 77.4 | 756,376 | 25.24 | Roper St. Francis Healthcare |
| One Medical Park HMOB(6)(8)(9) | Columbia | 1984 | 69,840 | 100.0 | 1,615,058 | 23.13 | Palmetto Health Alliance |
| Parkridge MOB(8)(12) | Columbia | 2003 | 89,451 | 94.6 | 1,863,392 | 22.02 | |
| Providence MOB I(6)(8)(9) | Columbia | 1979 | 48,500 | 100.0 | 986,340 | 20.34 | Sisters of Charity Providence Hospitals |
| Providence MOB II(6)(8)(9) | Columbia | 1985 | 23,280 | 100.0 | 462,807 | 19.88 | Sisters of Charity Providence Hospitals |
| Providence MOB III(6)(7)(9) | Columbia | 1991 | 54,417 | 69.2 | 777,848 | 20.66 | Providence Hospitals |
| River Hills Medical Plaza(9)(12) | Little River | 1999 | 27,566 | 100.0 | 847,719 | 30.75 | Grand Strand Regional |
| Roper MOB(6)(8)(9) | Charleston | 1990 | 122,785 | 92.6 | 2,305,002 | 20.27 | Roper St. Francis Healthcare |
| St. Francis Community Medical Office Building(6)(8)(9) | Greenville | 2001 | 45,140 | 100.0 | 1,176,381 | 26.06 | Bon Secours St. Francis Health System |
| St. Francis MOB(6)(8)(9) | Greenville | 1984 | 49,767 | 87.0 | 1,007,363 | 23.27 | Bon Secours St. Francis Health System |
| St. Francis Medical Plaza(6)(8)(9) | Greenville | 1998 | 62,724 | 61.7 | 733,140 | 18.94 | Bon Secours St. Francis Health System |
| St. Francis Women s Center(6)(8)(9) | Greenville | 1991 | 57,590 | 79.4 | 903,552 | 19.76 | Bon Secours St. Francis Health System |
| Three Medical Park(6)(8)(9) | Columbia | 1988 | 88,755 | 93.8 | 1,860,828 | 22.35 | Palmetto Health Alliance |
| West Medical I(6)(8)(9) | Charleston | 2003 | 28,734 | 100.0 | 747,682 | 26.02 | Roper St. Francis Healthcare |
| Total South Carolina | | | 1,018,008 | 89.6 | 19,908,993 | 21.83 | |
| Tennessee: | | | | | | | |
| Healthpark Medical Office Building(6) | Chattanooga | 2004 | 52,151 | 100.0 | 1,875,984 | 35.97 | Erlanger Health System |
| Peerless Medical Center | Cleveland | 2006 | 40,506 | 100.0 | 1,183,991 | 29.23 | |

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| | | | | | | | |
|----------------------------------|----------------|------|-----------|-------|---------------|--------------|---------------------------|
| Total Tennessee Virginia: | | | 92,657 | 100.0 | 3,059,975 | 33.02 | |
| Hanover MOB(6)(7) | Mechanicsville | 1993 | 56,610 | 100.0 | 1,542,405 | 27.25 | Bon Secours Health System |
| Total | | | 3,083,264 | 93.4% | \$ 67,490,447 | \$ 22.93(15) | |

- (1) Represents the year in which the property was placed in service.
- (2) Net rentable square feet represents the current square feet at a building under lease as specified in the lease agreements plus management's estimate of space available for lease. Net rentable square feet includes tenants proportional share of common areas.
- (3) Annualized rent represents the annualized monthly contracted rent under existing leases as of December 31, 2007.
- (4) Annualized rent per leased square foot represents annualized rent, excluding revenues attributable to parking, divided by the net rentable square feet divided by occupancy rate.
- (5) Unless otherwise indicated, annualized rent per leased square foot includes reimbursement to the Company for the payment for property operating (5) expenses, real estate taxes and insurance with respect to such property.
- (6) On-campus facility.
- (7) Subject to a restrictive deed on the property.
- (8) Property is a tenant under a long-term ground lease on the property with an unrelated third party.
- (9) The Company developed this property.
- (10) Excludes annualized rent of adjacent parking deck to Our Lady of Bellefonte from calculation.

Table of Contents

- (11) East Jefferson Medical Specialty Building is recorded as a sales-type capital lease in the Company's consolidated financial statements. As such, the annualized rent related to the minimum lease payments is not reflected as rental revenue in the statement of operations. However amortization of unearned income is recorded in interest income.
- (12) Off-campus facility hospital anchored.
- (13) The annualized rent per leased square foot does not include any payments to the Company for payment of property operating expenses, real estate taxes and insurance with respect to such property. The tenant is responsible for payment of these expenses.
- (14) Excludes annualized rent of adjacent parking deck to Gaston Professional Center from calculation.
- (15) Excludes annualized rent of adjacent parking decks to Our Lady of Bellefonte and Gaston Professional Center from calculation.
- (16) Parking revenue from an adjacent parking deck is approximately \$1.1 million per year.
- (17) Parking revenue from an adjacent parking deck is approximately \$1.3 million per year.
- (18) Property owned by a consolidated real estate partnership.

Joint Venture Properties

As of December 31, 2007, the Company has an investment in one unconsolidated real estate partnership that owns three buildings. The following table provides additional information about the Company's unconsolidated joint venture properties as of December 31, 2007.

| Property | City, State | Year Built | Net Rentable Square Feet | Occupancy Rate | Annualized Rent | Annualized Rent per Leased Square Foot | Ownership Percentage | Debt Balance(1) | Associated Healthcare System |
|--------------------------------|--------------|------------|--------------------------|----------------|-----------------|--|----------------------|-----------------|--------------------------------|
| McLeod MOB East(2) | Florence, SC | 1993 | 127,458 | 99.2% | \$ 2,041,640 | \$ 16.15 | 1.1% | \$ 12,791,850 | McLeod Regional Medical Center |
| McLeod Pee Dee Medical Park(2) | Florence, SC | 1982 | 33,756 | 100.0 | 525,297 | 15.56 | 1.1 | 12,791,850 | McLeod Regional Medical Center |
| McLeod MOB West(2) | Florence, SC | 1986 | 52,574 | 97.9 | 714,456 | 13.88 | 1.1 | 12,791,850 | McLeod Regional Medical Center |

| | | | |
|--------------|---------|--------------|---------------|
| Total | 213,788 | \$ 3,281,393 | \$ 12,791,850 |
|--------------|---------|--------------|---------------|

(1) Amounts are for the entity, not just the Company's interest in the real estate joint venture.

(2) Total debt of \$12.8 million is secured by all three properties listed.

The Company has a 2.0% ownership in Shannon Health/MOB Limited Partnership No. 1 and a 2.0% ownership in BSB Health/MOB Limited Partnership No. 2. These ownership interests were assumed as part of the Consera acquisition (See Note 4 to the accompanying Notes to Consolidated and Combined Financial Statements). The partnership agreements and tenant leases of the limited partners are designed to give preferential treatment to the limited partners as to the operating cash flows from the partnerships. The Company, as the general partner, does not generally participate in the operating cash flows from these entities other than to receive property management fees. The limited partners can remove the Company as the property manager and as the general partner. Due to the structures of the partnership agreements and tenant lease agreements, the Company reports the properties owned by these two joint ventures as fee managed properties owned by third parties.

Item 3. *Legal Proceedings*

The Company is, from time to time, involved in routine litigation arising out of the ordinary course of business or which is expected to be covered by insurance and which is not expected to harm the Company's business, financial condition or results of operations. The Company is not, however, involved in any material litigation nor, to its knowledge, is any material litigation pending or threatened against the Company.

Table of Contents**Item 4. Submission of Matters to a Vote of Security Holders**

No matters were submitted to a vote by security holders during the fourth quarter of 2007.

PART II**Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities****Market Information**

The Company's common stock trades on the New York Stock Exchange (NYSE) under the symbol CSA . The following table sets forth, for the period indicated, the high and low sales price for the Company's common stock as reported by the NYSE and the per share dividends declared:

| Period | High | Low | Dividends Declared |
|----------------|-------------|------------|---------------------------|
| 2006 | | | |
| First Quarter | \$ 21.51 | \$ 17.30 | \$ 0.35 |
| Second Quarter | \$ 21.13 | \$ 18.08 | \$ 0.35 |
| Third Quarter | \$ 21.29 | \$ 18.20 | \$ 0.35 |
| Fourth Quarter | \$ 22.89 | \$ 19.71 | \$ 0.35 |
| 2007 | | | |
| First Quarter | \$ 22.82 | \$ 20.62 | \$ 0.35 |
| Second Quarter | \$ 21.64 | \$ 19.51 | \$ 0.35 |
| Third Quarter | \$ 20.43 | \$ 16.20 | \$ 0.35 |
| Fourth Quarter | \$ 19.39 | \$ 15.03 | \$ 0.35 |

On March 11, 2008, the closing price of the Company's common stock (Common Stock) as reported by the NYSE was \$15.27. At March 11, 2008, the Company had 101 holders of record of its Common Stock.

Holders of shares of Common Stock are entitled to receive distributions when declared by the Board of Directors out of any assets legally available for that purpose. As a REIT, the Company is required to distribute at least 90% of its

REIT taxable income, which, as defined by the relevant tax statutes and regulations, is generally equivalent to net taxable ordinary income, to shareholders annually in order to maintain the Company's REIT status for federal income tax purposes. The Company's Credit Facility includes limitations on the Company's ability to make distributions to its stockholders, subject to complying with REIT requirements.

The Company's dividend is restricted by its Credit Facility. The Company can pay dividends of the greater of (A) 100% of Funds from Operations per quarter or (B) \$0.35 per share per quarter.

The Company has reserved 1,000,000 shares of its common stock for issuance under its 2005 long-term incentive plan.

As of December 31, 2007, there were 16,505,373 units of limited partnership in the Operating Partnership outstanding, of which 11,948,245, or 72.4%, were owned by the Company and 4,557,128, or 27.6%, were owned by other partners (including certain directors and senior management).

Table of Contents

Stockholder Return Performance

Prior to October 27, 2005, the Company was not publicly traded and there was no public market for the Company's securities. The following graph compares the cumulative total return on the Company's Common Stock with that of the Standard and Poor's 500 Stock Index (S&P 500 Index) and the National Association of Real Estate Investment Trusts Equity Index (NAREIT Equity Index) from October 27, 2005 (the date that the Company's Common Stock began to trade publicly) through December 31, 2007. The stock price performance graph assumes that an investor invested \$100.00 in each of the Company and to the indices, and the reinvestment of any dividends. The comparisons in the graph are provided in accordance with the SEC disclosure requirements and are not intended to forecast or be indicative of the future performance of the Company's shares of Common Stock.

Total Return Performance

Except to the extent that we specifically incorporate this information by reference, the foregoing Stockholder Return Performance information shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report on form 10-K into any filing under the Securities Act of 1933, as amended (the Securities Act), or under the Securities Exchange Act of 1934, as amended. This information shall not otherwise be deemed filed under such acts.

Unregistered Sales of Equity Securities and Use of Proceeds

On June 29, 2007, the Operating Partnership issued an aggregate of 181,133 OP units, having an aggregate value of \$3.6 million at the time of issuance, related to the acquisition of Central New York Medical Center in Syracuse, New York. These OP units were issued in exchange for ownership interests in limited liability companies as part of private placement transactions under Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder. These OP units are redeemable for the cash equivalent thereof at a time six months after the date of issuance, or, at the option of the Company, exchangeable into shares of common stock in the Company on a one-for-one basis. No underwriters were used in connection with this issuance of OP Units.

Pursuant to a Purchase Agreement, dated January 23, 2008 (the Purchase Agreement), among the Company, the Operating Partnership and KeyBanc Capital Markets Inc. (the Initial Purchaser), the Company sold 3,448,278 shares of the Company's common stock, par value \$.01 per share, to the Initial Purchaser in a private offering. The Initial Purchaser purchased the securities with a view to the private resale of the securities to certain

Table of Contents

institutional investors at a price of \$15.95 per share. The securities were issued to the Initial Purchaser pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, and Regulation D promulgated thereunder and resold to the institutional investors pursuant to an exemption from registration pursuant to Rule 144A of the Securities Act of 1933, as amended.

The Company received net proceeds of approximately \$53.5 million from the private offering. The Company used the net proceeds from the private offering to reduce borrowings under its Credit Facility.

In connection with the private offering, the Company entered into a Registration Rights Agreement (the "Registration Rights Agreement") with KeyBanc Capital Markets Inc. on behalf of the holders of the securities named therein pursuant to which the Company agreed to prepare and file with the Securities and Exchange Commission (the "Commission") a shelf registration statement providing for the resale of the securities and to cause such shelf registration statement to be declared effective by the Commission on the terms and subject to the conditions specified in the registration agreement. If the Company fails to cause such shelf registration statement to be declared effective or to maintain effectiveness, under certain circumstances, the Company may be obligated to pay liquidated damages to holders of the securities.

Issuer Purchases of Equity Securities

Below is a summary of equity repurchases by month for the quarter ended December 31, 2007:

| For the Month of | Total Number of Equity Securities Purchased | Average Price Paid Per Equity Security | Total Number of Equity Securities Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Equity Securities that May Yet Be Purchased Under the Plan |
|-------------------------|--|---|--|---|
| October 2007 | 3,482 | \$ 18.54 | N/A | N/A |
| November 2007 | 24,458 | 19.33 | N/A | N/A |
| December 2007 | | | N/A | N/A |
| Total | 27,940 | \$ 19.23 | N/A | N/A |

These figures only relate to repurchases of OP units. The Company did not repurchase shares of Common Stock during the year ended December 31, 2007.

Equity Compensation Plan Information

(c)
Number of

| Plan category | (a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights | (b) Weighted average exercise price of outstanding options, warrants, and Rights | securities remaining available for future issuance under equity compensation plans (excluding securities reflected in columns (a)) |
|--|---|---|---|
| Equity compensation plans approved by security holders | N/A(1) | N/A | 593,607 |
| Equity compensation plans not approved by security holders | | | |
| Total | N/A(1) | N/A | 593,607 |

(1) These amounts include information related to the Company's 2005 Long-Term Incentive Plan. As of December 31, 2007, the Company issued 58,100 shares of restricted stock and 348,293 Long-term Incentive Plan (LTIP) units.

Table of Contents**Item 6. Selected Financial Data**

The following table sets forth selected consolidated financial and operating data on an historical basis for the Company and a combined historical basis for the Predecessor. The Predecessor is not a legal entity, but represents a combination of certain real estate entities based on common management by Cogdell Spencer Advisors, Inc. No historical information for the Company is presented prior to the consummation of the Company's Initial Public Offering on October 27, 2005 (the Offering) because the Company did not have any corporate activity until the completion of the Offering other than the issuance of shares of Common Stock in connection with the initial capitalization of the Company.

The following table should be read in conjunction with the Financial Statements and notes thereto included in Item 8, Financial Statements and Supplementary Data and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report on Form 10-K.

| | Company | | | Predecessor | | |
|--|--|---|---|---|--|--|
| | For the Year Ended December 31, 2007 | For the Year Ended December 31, 2006 | November 1, January 1, December 31, 2005 - 2005 | January 1, October 31, 2005 - 2005 | For the year ended December 31, 2004 2003 | |
| | (In thousand, except per share amounts) | | | | | |

Statements of Operations**Data:****Revenues:**

| | | | | | | |
|---------------------------|-----------|-----------|----------|-----------|-----------|-----------|
| Rental | \$ 62,908 | \$ 52,614 | \$ 7,006 | \$ 35,794 | \$ 40,440 | \$ 38,783 |
| Management fee revenue | 2,137 | 1,304 | 136 | 770 | 1,230 | 1,182 |
| Expense reimbursements | 1,365 | 773 | 94 | 565 | 840 | 806 |
| Development fee revenue | 290 | 158 | 85 | 680 | 1,134 | 179 |
| Interest and other income | 1,194 | 928 | 127 | 879 | 843 | 849 |

| | | | | | | |
|----------------|--------|--------|-------|--------|--------|--------|
| Total revenues | 67,894 | 55,777 | 7,448 | 38,688 | 44,487 | 41,799 |
|----------------|--------|--------|-------|--------|--------|--------|

Expenses:

| | | | | | | |
|-----------------------------------|--------|--------|-------|--------|--------|--------|
| Property operating and management | 25,704 | 19,848 | 2,583 | 13,058 | 14,756 | 14,032 |
| General and administrative | 7,482 | 6,368 | 7,791 | 5,129 | 3,075 | 2,928 |
| Depreciation and amortization | 27,758 | 30,273 | 4,125 | 8,444 | 9,561 | 11,381 |
| Interest | 15,964 | 14,199 | 1,500 | 8,222 | 9,024 | 9,760 |

| | | | | | | |
|--|--|----|-----|--|--|--|
| Loss from early extinguishment of debt | | 37 | 103 | | | |
|--|--|----|-----|--|--|--|

| | | | | | | |
|----------------|--------|--------|--------|--------|--------|--------|
| Total expenses | 76,908 | 70,725 | 16,102 | 34,853 | 36,416 | 38,101 |
|----------------|--------|--------|--------|--------|--------|--------|

| | | | | | | |
|--|---------|----------|---------|-------|-------|-------|
| Income (loss) from continuing operations before gain on sale of real estate properties, equity earnings (loss) on | (9,014) | (14,948) | (8,654) | 3,835 | 8,071 | 3,698 |
|--|---------|----------|---------|-------|-------|-------|

**unconsolidated real estate
partnerships and minority
interests**

| | | | | | | |
|---|-------|-------|-------|------|------|------|
| Gain on sale of real estate properties | | 484 | | | | |
| Equity earnings (loss) on unconsolidated real estate partnerships | 20 | 4 | 3 | (47) | (60) | (74) |
| Minority interests | 2,653 | 5,087 | 3,054 | | | |
| | | 37 | | | | |

Table of Contents

| | Company | | | Predecessor | | |
|---|--|---|---|---|--|------------|
| | For the Year Ended December 31, 2007 | For the Year Ended December 31, 2006 | November 1, 2005 - December 31, 2005 | January 1, 2005 - October 31, 2005 | For the year ended December 31, 2004 2003 | |
| (In thousand, except per share amounts) | | | | | | |
| Income (loss) from continuing operations | (6,341) | (9,373) | (5,597) | 3,788 | 8,011 | 3,624 |
| Discontinued operations: | | | | | | |
| Income (loss) from discontinued operations | | (9) | (4) | 36 | 33 | 47 |
| Gain on sale of real estate properties | | 435 | | | | |
| Minority interests in operating partnership | | (150) | 1 | | | |
| Total discontinued operations | | 276 | (3) | 36 | 33 | 47 |
| Net income (loss) | \$ (6,341) | \$ (9,097) | \$ (5,600) | \$ 3,824 | \$ 8,044 | \$ 3,671 |
| Per Share: | | | | | | |
| Declared dividend | \$ 1.40 | \$ 1.40 | \$ 0.2333 | | | |
| Loss from continuing operations basic and diluted | \$ (0.57) | \$ (1.17) | \$ (0.70) | | | |
| Net loss basic and diluted | \$ (0.57) | \$ (1.14) | \$ (0.70) | | | |
| Weighted average shares basic and diluted | 11,056 | 7,975 | 7,972 | | | |
| Selected Balance Sheet Data: | | | | | | |
| Assets: | | | | | | |
| Real estate properties, net | \$ 455,063 | \$ 351,172 | \$ 257,144 | | \$ 155,376 | \$ 148,439 |
| Other assets, net | 51,174 | 41,886 | 49,808 | | 21,915 | 16,411 |
| Other assets held for sale | | | 1,530 | | 1,134 | 1,149 |
| Total assets | \$ 506,237 | \$ 393,058 | \$ 308,482 | | \$ 178,425 | \$ 165,999 |
| Liabilities and owners equity (deficit): | | | | | | |
| Mortgages and line of credit | \$ 316,704 | \$ 262,031 | \$ 158,974 | | \$ 213,536 | \$ 201,133 |
| Other liabilities, net | 27,277 | 17,351 | 7,750 | | 10,016 | 10,532 |
| Other liabilities held for sale | | | 1,272 | | 1,300 | 1,421 |
| Minority interests | 47,221 | 54,001 | 62,018 | | | |
| Owners equity (deficit) | 115,035 | 59,675 | 78,468 | | (46,427) | (47,087) |

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Total liabilities and owners equity (deficit) | \$ 506,237 | \$ 393,058 | \$ 308,482 | \$ 178,425 | \$ 165,999 |
|---|------------|------------|------------|------------|------------|

Table of Contents

| | Company | | | Predecessor | | | |
|---|---|---|---|---|---|------------|--|
| | For the Year Ended December 31, 2007 | For the Year Ended December 31, 2006 | November 1, 2005 - December 31, 2005 | January 1, 2005 - October 31, 2005 | For the year ended December 31, 2004 2003 | | |
| (In thousand, except per share amounts) | | | | | | | |
| Cash Flow Data: | | | | | | | |
| Net cash provided by operating activities | \$ 23,796 | \$ 15,900 | \$ 1,635 | \$ 10,312 | \$ 16,089 | \$ 12,738 | |
| Net cash used in investing activities | \$ (117,298) | \$ (103,587) | \$ (27,462) | \$ (5,939) | \$ (13,767) | \$ (7,523) | |
| Net cash provided by (used in) financing activities | \$ 96,055 | \$ 78,932 | \$ 35,398 | \$ (5,863) | \$ 1,880 | \$ (6,339) | |
| Other Data: | | | | | | | |
| Funds from operations(1) | \$ 18,259 | \$ 15,037 | \$ (4,518) | \$ 12,303 | \$ 17,656 | \$ 13,462 | |
| Weighted average shares and units basic | 15,621 | 12,590 | 12,197 | | | | |
| Weighted average shares and units diluted | 15,637 | 12,612 | 12,225 | | | | |

- (1) As defined by the National Association of Real Estate Investment Trusts, or NAREIT, funds from operations, or FFO, represents net income (computed in accordance with generally accepted accounting principles, or GAAP), excluding gains from sales of property, plus real estate depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. The Company adjusts the NAREIT definition to add back minority interests in operating partnership. The Company presents FFO because the Company considers it an important supplemental measure of the Company's operational performance and believes it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities and interest costs, providing perspective not immediately apparent from net income. The Company computes FFO in accordance with standards established by the Board of Governors of NAREIT in its March 1995 White Paper (as amended in November 1999 and April 2002) and adjusts for the add back of minority interests in operating partnership. The Company's methodology may differ from the methodology for calculating FFO utilized by other equity REITs and, accordingly, may not be comparable to

such other REITs. Further, FFO does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties. FFO should not be considered as an alternative to net income (loss) (computed in accordance with GAAP) as an indicator of the Company's performance, nor is it indicative of funds available to fund the Company's cash needs, including the Company's ability to pay dividends or make distributions.

Table of Contents

The following table presents the reconciliation of FFO to net income (loss), which is the most directly comparable GAAP measure to FFO (in thousands):

| | Company | | | Predecessor | | |
|--|--|---|---|---|--|-----------|
| | For the Year Ended December 31, 2007 | For the Year Ended December 31, 2006 | November 1, 2005 - December 31, 2005 | January 1, 2005 - October 31, 2005 | For the Year Ended December 31, 2004 2003 | |
| Funds from operations: | | | | | | |
| Net income (loss) | \$ (6,341) | \$ (9,097) | \$ (5,600) | \$ 3,824 | \$ 8,044 | \$ 3,671 |
| Minority interests in operating partnership | (2,738) | (5,058) | (3,055) | | | |
| Real estate related depreciation and amortization | 27,165 | 30,052 | 4,128 | 8,384 | 9,533 | 9,702 |
| Unconsolidated entities real estate related depreciation and amortization | 173 | 59 | 9 | 95 | 79 | 89 |
| Gain on sale of real estate properties | | (919) | | | | |
| Total funds from operations | \$ 18,259 | \$ 15,037 | \$ (4,518) | \$ 12,303 | \$ 17,656 | \$ 13,462 |

Table of Contents

Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Cogdell Spencer Inc. and Cogdell Spencer Inc. Predecessor Consolidated and Combined Financial Statements and Notes thereto appearing elsewhere in this Annual Report on Form 10-K. Where appropriate, the following discussion includes analysis of the effects of the Company's Offering, the Formation Transactions and related refinancing transactions and certain other transactions. The Company makes 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 in this Annual Report on Form 10-K entitled Statements Regarding Forward-Looking Information. Certain risk factors may cause actual results, performance or achievements to differ materially from those expressed or implied by the following discussion. For a discussion of such risk factors, see the section in this Annual Report on Form 10-K entitled Risk Factors.

Overview

The Company is a fully-integrated, self-administered and self-managed REIT that invests in specialty office buildings for the medical profession, including medical offices, ambulatory surgery and diagnostic centers, in the United States of America. The Company has been built around understanding and addressing the specialized real estate needs of the healthcare industry. The Company's management team has developed long-term and extensive relationships through developing and maintaining modern, customized medical office buildings and healthcare related facilities. The Company has been able to secure strategic hospital campus locations. The Company operates its business through Cogdell Spencer LP, its operating partnership subsidiary, and its subsidiaries.

The Company derives a significant portion of its revenues from rents received from tenants under existing leases in medical office buildings and other healthcare related facilities. The Company derives a lesser portion of its revenues from fees that are paid for managing and developing medical office buildings and other healthcare related facilities for third parties. The Company's management believes a strong internal property management capability is a vital component of the Company's business, both for the properties the Company owns and for those that the Company manages.

As of December 31, 2007, the Company owned and/or managed 115 medical office buildings and healthcare related facilities, serving 27 hospital systems in 13 states. The Company's aggregate portfolio was comprised of:

59 consolidated wholly-owned and joint venture properties;

Three joint venture properties; and

53 properties owned by third parties that the Company manages.

At December 31, 2007, the Company's aggregate portfolio contains approximately 5.6 million net rentable square feet, consisting of approximately 3.1 million net rentable square feet from consolidated wholly-owned and joint venture properties, approximately 0.2 million net rentable square feet from unconsolidated joint venture properties, and approximately 2.3 million net rental square feet from properties owned by third parties and managed by the Company. Approximately 80% of the net rentable square feet of the wholly-owned properties are situated on hospital campuses. As such, the Company believes that its assets occupy a premier franchise location in relation to local hospitals, providing the Company's properties with a distinct competitive advantage over alternative medical office space in an area. As of December 31, 2007, the Company's in-service, consolidated wholly-owned and joint venture properties were approximately 93.4% occupied, with a weighted average remaining lease term of approximately 4.7 years.

Factors Which May Influence Future Results of Operations

Generally, the Company's revenues and expenses have remained consistent except for growth due to property and company acquisitions and timing of development fee earnings.

Related to the Company's interest rate swap agreements that do not qualify for hedge accounting, changes in fair values, which vary from period to period based on changes in market interest rates, are recorded in interest expense. Generally, increases (decreases) in market interest rates will increase (decrease) the fair value of the

Table of Contents

derivative, which will decrease (increase) current period interest expense for the change in fair value. During the fourth quarter of 2006, the Company terminated several derivative transactions and entered into new agreements with the appropriate hedge documentation in place, which reduced the variances previously experienced in interest expense. The Company will continue to have interest expense variability for variable rate mortgages that do not have interest rate swap agreements.

Critical Accounting Policies

The Company's discussion and analysis of financial condition and results of operations are based upon the Company's consolidated financial statements and the Company's Predecessor's combined financial statements, which have been prepared on the accrual basis of accounting in conformity with GAAP. All significant intercompany balances and transactions have been eliminated in consolidation and combination.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses in the reporting period. The Company's actual results may differ from these estimates. Management has provided a summary of the Company's significant accounting policies in Note 2 to the Company's consolidated and combined financial statements included in this Annual Report on Form 10-K. Critical accounting policies are those judged to involve accounting estimates or assumptions that may be material due to the levels of subjectivity and judgment necessary to account for uncertain matters or susceptibility of such matters to change. Other companies in similar businesses may utilize different estimation policies and methodologies, which may impact the comparability of the Company's results of operations and financial condition to those companies.

Investments in Real Estate

Acquisition of real estate. The price that the Company pays to acquire a property is impacted by many factors, including the condition of the buildings and improvements, the occupancy of the building, the existence of above and below market tenant leases, the creditworthiness of the tenants, favorable or unfavorable financing, above or below market ground leases and numerous other factors. Accordingly, the Company is required to make subjective assessments to allocate the purchase price paid to acquire investments in real estate among the assets acquired and liabilities assumed based on the Company's estimate of the fair values of such assets and liabilities. This includes determining the value of the buildings and improvements, land, any ground leases, tenant improvements, in-place tenant leases, tenant relationships, the value (or negative value) of above (or below) market leases and any debt assumed from the seller or loans made by the seller to the Company. Each of these estimates requires significant judgment and some of the estimates involve complex calculations. The Company's calculation methodology is summarized in Note 2 to the Company's audited consolidated financial statements included in this Annual Report on Form 10-K. These allocation assessments have a direct impact on the Company's results of operations because if the Company were to allocate more value to land there would be no depreciation with respect to such amount or if the Company were to allocate more value to the buildings as opposed to allocating to the value of tenant leases, this amount would be recognized as an expense over a much longer period of time, since the amounts allocated to buildings are depreciated over the estimated lives of the buildings whereas amounts allocated to tenant leases are amortized over the terms of the leases. Additionally, the amortization of value (or negative value) assigned to above (or below) market rate leases is recorded as an adjustment to rental revenue as compared to amortization of the value of in-place leases and tenant relationships, which is included in depreciation and amortization in the Company's consolidated and combined statements of operations.

Useful lives of assets. The Company is required to make subjective assessments as to the useful lives of the Company's properties for purposes of determining the amount of depreciation to record on an annual basis with respect to the Company's investments in real estate. These assessments have a direct impact on the Company's net income

(loss) because if the Company were to shorten the expected useful lives of the Company's investments in real estate the Company would depreciate such investments over fewer years, resulting in more depreciation expense on an annual basis.

Table of Contents

Asset impairment valuation. The Company reviews the carrying value of its properties when circumstances, such as adverse market conditions, indicate a potential impairment may exist. The Company bases its review on an estimate of the future cash flows (excluding interest charges) expected to result from the real estate investment's use and eventual disposition. The Company considers factors such as future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If the Company's evaluation indicates that it may be unable to recover the carrying value of a real estate investment, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property. These losses have a direct impact on the Company's net income because recording an impairment loss results in an immediate negative adjustment to operating results. 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. Since cash flows on properties considered to be long-lived assets to be held and used are considered on an undiscounted basis to determine whether an asset has been impaired, the Company's strategy of holding properties over the long-term directly decreases the likelihood of recording an impairment loss. If the Company's strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized and such loss could be material. If the Company determines that impairment has occurred, the affected assets must be reduced to their fair value. No such impairment losses have been recognized to date. The Company estimates the fair value of rental properties utilizing a discounted cash flow analysis that includes projections of future revenues, expenses and capital improvement costs, similar to the income approach that is commonly utilized by appraisers. The Company reviews the value of Goodwill using an income approach on an annual basis and when circumstances indicate a potential impairment may exist.

Revenue Recognition

Rental income related to non-cancelable operating leases is recognized using the straight line method over the terms of the tenant leases. Deferred rents included in the Company's consolidated balance sheets represent the aggregate excess of rental revenue recognized on a straight line basis over the rental revenue that would be recognized under the cash flow received, based on the terms of the leases. The Company's leases generally contain provisions under which the tenants reimburse the Company for all property operating expenses and real estate taxes incurred by the Company. Such reimbursements are recognized in the period that the expenses are incurred. Lease termination fees are recognized when the related leases are canceled and the Company has no continuing obligation to provide services to such former tenants. As discussed above, the Company recognizes amortization of the value of acquired above or below market tenant leases as a reduction of rental income in the case of above market leases or an increase to rental revenue in the case of below market leases. The Company receives fees for property management and development and consulting services from time to time from third parties which is reflected as fee revenue. Management fees are generally based on a percentage of revenues for the month as defined in the related property management agreements. Development and consulting fees are recorded on a percentage of completion method using management's best estimate of time and costs to complete projects. The Company has a long history of developing reasonable and dependable estimates related to development or consulting contracts with clear requirements and rights of the parties to the contracts. Although not frequent, occasionally revisions to estimates of costs are necessary and are reflected as a change in estimate when known. Due to the amount of control retained by the Company, most joint venture developments will be consolidated, therefore those development fees will be eliminated in consolidation. Other income shown in the statement of operations, generally includes interest income, primarily from the amortization of unearned income on a sales-type capital lease recognized in accordance with Statement of Financial Accounting Standards No. 13 (SFAS 13), and other income incidental to the Company's operations and is recognized when earned.

The Company must make subjective estimates as to when the Company's revenue is earned and the collectibility of the Company's accounts receivable related to minimum rent, deferred rent, expense reimbursements, lease termination fees and other income. The Company specifically analyzes accounts receivable and historical bad debts, tenant concentrations, tenant creditworthiness, and current economic trends when evaluating the adequacy of the allowance for bad debts. These estimates have a direct impact on the Company's net income because a higher bad debt allowance

would result in lower net income, and recognizing rental revenue as earned in one period versus another would result in higher or lower net income for a particular period.

Table of Contents***REIT Qualification Requirements***

The Company is subject to a number of operational and organizational requirements to qualify and then maintain qualification as a REIT. If the Company does not qualify as a REIT, its income would become subject to U.S. federal, state and local income taxes at regular corporate rates that would be substantial and the Company cannot re-elect to qualify as a REIT for five years. The resulting adverse effects on the Company's results of operations, liquidity and amounts distributable to stockholders would be material.

Changes in Financial Condition

On March 23, 2007, the Company issued 3,949,700 shares of Common Stock at a price of \$21.00 per share resulting in net proceeds to the Company of approximately \$78.4 million. The net proceeds were used to reduce outstanding principal on the Company's Credit Facility and for working capital. For more information on the Credit Facility, see Liquidity and Capital Resources.

Results of Operations

The discussion below relates to the financial condition and results of operations for the years ended December 31, 2007, 2006, and 2005. The results of operations for January 1, 2005 through October 31, 2005 and November 1, 2005 through December 31, 2005 have been combined to provide a meaningful comparison to the results of operations for the years ended December 31, 2006 and 2007.

The Company's income (loss) from operations is generated primarily from operations of its properties and development and property management fee revenue. The changes in operating results from period to period reflect changes in existing property performance and changes in the number of properties due to development, acquisition, or disposition of properties.

Property Summary

The following is an activity summary of the Company's property portfolio (excluding unconsolidated real estate partnerships) for the year ended December 31, 2007 and 2006:

| | Year Ended December 31, 2007 | Year Ended December 31, 2006 |
|--------------------------------------|---|---|
| Properties at January 1 | 51 | 45 |
| Consolidation of Rocky Mount MOB LLC | | 1 |
| Acquisitions | 5 | 6 |
| In-service completed developments | 2 | |
| Lease-up completed development | 1 | |
| Dispositions | | (1) |
| Properties at December 31 | 59 | 51 |

The above table includes East Jefferson Medical Specialty Building, which is accounted for as a sales-type capital lease.

A property is considered in-service upon the earlier of (1) lease-up and substantial completion of tenant improvements, or (2) one year after cessation of major construction. For portfolio and operational data, a single in-service date is used. For GAAP reporting, a property is placed into service in stages as construction is completed and the property and tenant space is available for its intended use.

Year ended December 31, 2007 compared to year ended December 31, 2006

Revenue. Total revenue increased \$12.1 million, or 21.7%, for the year ended December 31, 2007 compared to the year ended December 31, 2006.

Table of Contents

Rental revenue increased 19.6%, from \$52.6 million for the year ended December 31, 2006 to \$62.9 million for the year ended December 31, 2007. Same-property rental revenue increased \$1.0 million, or 2.3%, which is due primarily to general increases in rent related to Consumer Price Index (CPI) escalation clauses, offset by a decrease in occupancy. Rental revenue from 2006 and 2007 acquisition properties and completed developments increased \$9.3 million.

Management fee revenue and expense reimbursement revenue increased \$1.4 million from \$2.1 million in 2006 compared to \$3.5 million in 2007. This increase is mainly due to property management fee revenue generated by Consera, which was acquired in September 2006.

Development fees and interest and other income increased \$0.4 million from 2006 to 2007 due to the timing and nature of development fees and brokerage fees that occurred in 2007 compared to 2006.

Property Operating and Management Expenses. Property operating management expenses increased 29.5%, from \$19.8 million for the year ended December 31, 2006 to \$25.7 million for the year ended December 31, 2007. Same-property operating expenses increased approximately \$1.3 million, or 8.4%. Operating expenses from 2006 and 2007 acquisition properties and completed developments and personnel and operating costs of Consera increased \$4.6 million.

Interest Expense. Interest expense for the year ended December 31, 2007 was \$16.0 million compared to \$14.2 million for the year ended December 31, 2006, an increase of \$1.8 million, or 12.4%. This increase was primarily due to the timing of property and business acquisitions and the repayment of debt using proceeds from the March 2007 common stock equity offering.

Depreciation and Amortization Expenses. Depreciation and amortization for the year ended December 31, 2007 was \$27.8 million compared to \$30.3 million for the year ended December 31, 2006, a decrease of \$2.5 million, or 8.3%. Same-property and corporate depreciation and amortization expenses decreased approximately \$4.7 million, or 19.3%. The decrease was primarily due to the intangible lease assets becoming fully amortized during 2006 and 2007. This decrease is offset by an increase of \$2.2 million related to 2006 and 2007 acquisition properties and completed developments.

General and Administrative Expenses. General and administrative expenses increased \$1.1 million, or 17.5%, for the year ended December 31, 2007 compared to the same period in 2006 primarily due to increased personnel costs, income tax accruals related to development and management fees earned by the Company's TRS, and expensing of previously capitalized costs associated with a development project that was discontinued. The reimbursement of these expensed costs is included in development fee revenue.

Minority Interests in Operating Partnership. The loss allocated to the minority interests in the Operating Partnership represents a weighted average 29.2% of the Operating Partnership's net loss for the year ended December 31, 2007. For the year ended December 31, 2006, the weighted average was 35.7%. The decrease in the percentage is due to the common stock offering in March 2007, which the Company used the proceeds to increase its ownership in the Operating Partnership, thereby decreasing the ownership percentage of the minority partners.

Year ended December 31, 2006 compared to year ended December 31, 2005

Revenue. Total revenue increased \$9.6 million, or 20.9%, for the year ended December 31, 2006 compared to the year ended December 31, 2005.

Rental revenue increased 22.9%, from \$42.8 million for the year ended December 31, 2005 to \$52.6 million for the year ended December 31, 2006. Same-property rental revenue increased \$0.9 million, or 2.2%, which is due primarily to general increases in rent related to Consumer Price Index (CPI) escalation clauses. Rental revenue from 2006 acquisition properties and Rocky Mount MOB was \$8.9 million.

Management fee revenue and expense reimbursement revenue increased \$0.5 million from \$1.6 million in 2005 compared to \$2.1 million in 2006. This increase is mainly due to property management fee revenue generated by Consera Healthcare Real Estate, LLC, which was acquired in September 2006.

Table of Contents

Development fees earned on third party development contracts decreased \$0.6 million or 79.3% for the year ended December 31, 2006 compared to the year ended December 31, 2005. There were no significant development contracts with third parties for the year ended December 31, 2006 compared to two projects in 2005.

Interest and other income did not change significantly from 2005 to 2006.

Property Operating and Management Expenses. Property operating management expenses increased 26.9%, from \$15.6 million for the year ended December 31, 2005 to \$19.8 million for the year ended December 31, 2006. Same-property operating expenses increased approximately \$0.5 million, or 3.1%. Operating expenses from 2006 acquisition properties and Rocky Mount MOB and personnel and operating costs of Consera Healthcare Real Estate were \$3.7 million.

Interest Expense. Interest expense, excluding changes in fair values of the interest rate swap agreements, for the year ended December 31, 2006 was \$14.3 million compared to \$12.3 million for the year ended December 31, 2005, an increase of \$2.0 million, or 16.3%. This increase is primarily due to the increased borrowing to fund the acquisitions during 2006 and increased variable interest rates offset by the change in the Company's capital structure as a result of the Offering. Proceeds from the Offering were used in part to reduce debt principal balances which reduced interest expense.

Changes in interest rate swap fair values were recorded as a decrease or increase to interest expense until the swaps were terminated in November 2006. For the year ended December 31, 2006, the interest rate swap agreement fair values increased by approximately \$9,000, which resulted in a reduction of interest expense of the same amount. For the year ended December 31, 2005, the change interest rate swap agreement fair values reduced interest expense by \$2.5 million due to increases in the fair values of the agreements.

Depreciation and Amortization Expenses. Depreciation and amortization for the year ended December 31, 2006 was \$30.3 million compared to \$12.6 million for the year ended December 31, 2005, an increase of \$17.7 million, or 140.85%. Same-property depreciation and amortization expenses increased approximately \$13.0 million, or 103.7%. The increase was primarily due to the increase in the cost basis for the real estate properties and intangible assets as a result of the purchase accounting for the Formation Transactions on November 1, 2005. Depreciation and amortization expenses from acquisition properties and Rocky Mount MOB were \$4.6 million.

General and Administrative Expenses. General and administrative expenses for the year ended December 31, 2006 were \$6.4 million compared to \$12.9 million for the year ended December 31, 2005, a decrease of \$6.5 million, or (50.4)%. The decrease was due primarily to \$6.4 million related to a non-cash compensation charge incurred in connection with the grant of vested equity incentives to the Company's management team and employees in connection with the completion of the initial public offering. In addition, increased capitalized development personnel compensation decreased general and administrative expenses by \$0.5 million offset by increased professional fees related to public company administrative expenses including increased audit, legal, tax, and Sarbanes-Oxley related compliance fees.

Minority Interests in Operating Partnership. The loss allocated to the minority interests in Operating Partnership represents a weighted average 35.6% of the Operating Partnership's net loss for the year ended December 31, 2006. For the period of November 1, 2005 through December 31, 2006, the weighted average was 35.7%.

Cash Flows

Year Ended December 31, 2007 compared to the Year Ended December 31, 2006

Cash provided by operating activities was \$23.8 million and \$15.9 million for the years ended December 31, 2007 and 2006, respectively. The increase of \$7.9 million was primarily due to (1) a \$5.0 million net increase due to changes in operating assets and liabilities primarily resulting from increased accrued expenses and prepaid rent and (2) a \$2.9 million increase in earnings before non-cash depreciation and amortizations and changes in fair value of interest rate swap agreements as of December 31, 2007 as compared to the prior period.

Table of Contents

Cash used in investing activities was \$117.3 million and \$103.6 million for the years ended December 31, 2007 and 2006, respectively. The increase of \$13.7 million is primarily due to the acquisition of five properties and increased development activity, including three completed properties, during the year ended December 31, 2007 compared to the acquisition of six properties, offset by a property disposition and sale of real estate partnership interests during the prior period.

Cash provided by financing activities was \$96.1 million and \$78.9 million for the years ended December 31, 2007 and 2006, respectively. The increase of \$17.2 million was primarily due to the timing of quarterly distributions. During 2007, there were four distributions paid to stockholders and holders of Operating Partnership units compared to three distribution payments in 2006. For the period November 2005 (the commencement of operations) through December 2005, the distribution was paid in December 2005, whereas for the period October 2006 through December 2006, the distribution was paid in January 2007. Net cash provided by financing activities in 2006 was mainly due to proceeds from the Credit Facility. In March 2007, proceeds from the issuance of common stock were used to repay borrowing from the Credit Facility. Net cash provided by financing activities in 2007 was mainly due to borrowing from the Credit Facility and from mortgage note payables. For more information on the Credit Facility, see Liquidity and Capital Resources.

Year Ended December 31, 2006 compared to the Year Ended December 31, 2005

Cash provided by operations was \$15.9 million and \$11.9 million for the years ended December 31, 2006 and 2005, respectively. The increase of \$4.0 million was primarily due to (1) a \$3.1 million increase in earnings before non-cash depreciation, amortizations, straight-line rent and change in fair value of interest rate swap agreements, (2) proceeds of \$0.7 million from the termination of interest rate swap agreements, and (3) a \$0.2 million net increase due to changes in operating assets and liabilities primarily resulting from increased collected prepaid rent and increased accruals for interest.

Cash used in investing activities was \$103.7 million and \$33.4 million for the years ended December 31, 2006 and 2005, respectively. The increase of \$70.3 million was primarily due an increase to investments in real estate properties and businesses of \$96.5 million offset by the proceeds from the sale of real estate property and partnership interests of \$2.8 million and the cash paid of \$27.0 million in the Formation Transaction in 2005.

Cash provided by financing activities was \$78.9 million and \$29.4 million for the years ended December 31, 2006 and 2005, respectively. Cash provided by financing activities in 2006 was primarily due to net proceeds from debt of \$92.5 million, primarily drawn from the Credit Facility and the new mortgage for Methodist Professional Center One. These net proceeds were used in order to fund the current period acquisitions offset by dividends and distributions of \$13.0 million. Cash provided by financing activities in 2005 was primarily due to the receipt of the net proceeds from the sale of common stock offset by the repayment in full of certain mortgages and notes payables.

Construction in Progress

Construction in progress at December 31, 2007 consisted of one development project, Mebane Medical Office Building, for which the Company has acquired or leased the land and has begun construction. The following is a summary of the construction in progress balance at December 31, 2007 (dollars in thousands):

| Property | Location | Estimated Completion Date | Net Rentable | Investment to Date | Estimated Total Investment |
|-----------------|-----------------|--|-------------------------|-------------------------------|---|
|-----------------|-----------------|--|-------------------------|-------------------------------|---|

| | | | Square Feet | | | |
|--|------------|---------|------------------------|----|--------|-----------|
| Mebane Medical Office Building(1) | Mebane, NC | 2Q 2008 | 60,000 | \$ | 11,831 | \$ 16,200 |
| Land and pre-construction developments | | | | | 1,549 | |
| | | | 60,000 | \$ | 13,380 | \$ 16,200 |

(1) Owned by Mebane Medical Investors, LLC, which is a consolidated real estate partnership. The Company had a 49% ownership interest at December 31, 2007.

Table of Contents

In May 2007, Mebane Medical Investors, LLC obtained construction financing related to the Mebane Medical Office Building project. The facility provides financing up to \$13.0 million with an interest rate equal to LIBOR plus 1.3% (5.90% as of December 31, 2007). The mortgage note payable will mature in three years and provides for interest-only payments through May 2009 and principal payments based on a 30 year amortization from June 2009 through the maturity date in May 2010. This facility has two one-year extension options. At December 31, 2007, there was \$7.5 million drawn on the facility.

At December 31, 2007, the Company has one lease-up property, Carolina Forest Medical Plaza, which is 43.5% leased. A property is considered in-service upon the earlier of (1) lease-up and substantial completion of tenant improvements, or (2) one year after cessation of major construction.

Liquidity and Capital Resources

As of December 31, 2007, the Company had approximately \$3.6 million available in cash and cash equivalents. The Company will be required to distribute at least 90% of the Company's net taxable income, excluding net capital gains, to the Company's stockholders on an annual basis due to qualification requirements as a REIT. Therefore, as a general matter, it is unlikely that the Company will have any substantial cash balances that could be used to meet the Company's liquidity needs. Instead, these needs must be met from cash generated from operations and external sources of capital.

The Company has a \$130.0 million unsecured revolving Credit Facility with a syndicate of financial institutions (including Bank of America, N.A., Citicorp North America, Inc. and Branch Banking & Trust Company) (collectively, the Lenders). The Credit Facility is available to fund working capital and for other general corporate purposes; to finance acquisition and development activity; to fund dividends and distributions; and to refinance existing and future indebtedness. The Credit Facility permits the Company to borrow up to \$130.0 million of revolving loans, with sub-limits of \$25.0 million for swingline loans and \$25.0 million for letters of credit.

The Credit Facility shall terminate and all amounts outstanding thereunder shall be due and payable in full, three years from November 1, 2005, subject to a one-year extension at the Company's option. The Credit Facility also allows for up to \$120.0 million of increased availability (to a total aggregate available amount of \$250.0 million), at the Company's option but subject to each Lender's option to increase its commitment. The interest rate on loans under the Credit Facility equals, at the Company's election, either (1) LIBOR plus a margin of between 100 to 130 basis points based on the Company's leverage ratio or (2) the higher of the federal funds rate plus 50 basis points or Bank of America, N.A.'s prime rate.

The Credit Facility contains customary terms and conditions for credit facilities of this type, including: (1) limitations on the Company's ability to (A) incur additional indebtedness, (B) make distributions to the Company's stockholders, subject to complying with REIT requirements, and (C) make certain investments; (2) maintenance of a pool of unencumbered assets subject to certain minimum valuations thereof; and (3) requirements for us to maintain certain financial coverage ratios. These customary financial coverage ratios and other conditions include a maximum leverage ratio (65%, with flexibility for one two quarter increase to not more than 75%), minimum fixed charge coverage ratio (150%), maximum combined secured indebtedness (50% as of December 31, 2007, 40% thereafter), maximum recourse indebtedness (15%), maximum unsecured indebtedness (60%, with flexibility for one two quarter increase to not more than 75%), minimum unencumbered interest coverage ratio (175%, with the flexibility for one two quarter decrease to 150%) and minimum combined tangible net worth (\$30 million plus 85% of net proceeds of equity issuances by the Company and its subsidiaries after November 1, 2005). The Company was in compliance with the covenants at December 31, 2007.

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As of December 31, 2007, there was \$48.9 million available under the Credit Facility. There was \$79.2 million outstanding at December 31, 2007 and \$1.9 million of availability is restricted related to outstanding letters of credit. In January 2008, the Company received net proceeds of approximately \$53.5 million from a private common stock offering. The Company used the net proceeds to reduce borrowings under the Credit Facility.

For discussion of certain events that took place after December 31, 2007 with respect to the Credit Facility see Subsequent Events under Item 1, *Business*.

Table of Contents

The Company believes that it will have sufficient capital resources as a result of operations and the borrowings in place to fund ongoing operations and distributions required to maintain REIT compliance. As of December 31, 2007, the Company had approximately \$48.1 million of principal and maturity payments due in 2008 related to mortgage note payables. The Company believes it will be able to refinance the balloon maturities as a result of the current loan to value ratios at individual properties and preliminary discussions with lenders. At March 10, 2008, after funding the MEA merger, property acquisitions in 2008, and general working capital needs, the Company had approximately \$27.0 million available under the amended and restated Credit Facility. Property acquisitions through March 10, 2008, totaled approximately \$24.4 million and the Company initially funded these acquisitions using proceeds from the Credit Facility. The Company may obtain mortgage note payables for these properties and reduce the outstanding balance under the Credit Facility.

On December 17, 2007, the Company declared a dividend to common stockholders of record and the Operating Partnership declared a distribution to holders of Operating Partnership units of record, in each case as of December 31, 2007, totaling \$5.8 million, or \$0.35 per share or Operating Partnership unit, covering the period from October 1, 2007 through December 31, 2007. The dividend and distribution were paid on January 21, 2008. The dividend and distribution were equivalent to an annual rate of \$1.40 per share and Operating Partnership unit.

Long-Term Liquidity Needs

The Company's principal long-term liquidity needs consist primarily of new property development, property acquisitions, principal payments under various mortgages and other credit facilities and non-recurring capital expenditures. The Company does not expect that its net cash provided by operations will be sufficient to meet all of these long-term liquidity needs. Instead, the Company expects to finance new property developments through modest cash equity capital contributed by the Company together with construction loan proceeds, as well as through cash equity investments by its tenants. The Company expects to fund property acquisitions through a combination of borrowings under its Credit Facility and traditional secured mortgage financing. In addition, the Company expects to use Operating Partnership units issued by the Operating Partnership to acquire properties from existing owners seeking a tax deferred transaction. Although capital markets tightened during the latter part of 2007, the Company continues to expect to meet long-term liquidity requirements through net cash provided by operations and through additional equity and debt financings, including loans from banks, institutional investors or other lenders, bridge loans, letters of credit, and other lending arrangements, most of which will be secured by mortgages. The Company may also issue unsecured debt in the future. However, in view of the Company's strategy to grow its portfolio over time, the Company does not, in general, expect to meet its long-term liquidity needs through sales of its properties. In the event that, notwithstanding this intent, the Company was in the future to consider sales of its properties from time to time, the proceeds that would be available to the Company from such sales, may be reduced by amounts that the Company may owe under the tax protection agreements or those properties would need to be sold in a tax deferred transaction which would require reinvestment of the proceeds in another property. In addition, the Company's ability to sell certain of its assets could be adversely affected by the general illiquidity of real estate assets and certain additional factors particular to the Company's portfolio such as the specialized nature of its target property type, property use restrictions and the need to obtain consents or waivers of rights of first refusal or rights of first offers from ground lessors in the case of sales of its properties that are subject to ground leases.

The Company intends to repay indebtedness incurred under its Credit Facility from time to time, for acquisitions or otherwise, out of cash flow from operations and from the proceeds of additional debt or equity issuances. In the future, the Company may seek to increase the amount of the Credit Facility, negotiate additional credit facilities or issue corporate debt instruments. Any indebtedness incurred or issued by the Company may be secured or unsecured, short-, medium- or long-term, fixed or variable interest rate and may be subject to other terms and conditions the Company deems acceptable. The Company intends to refinance at maturity the mortgage notes payable that have balloon payments at maturity.

Table of Contents**Contractual Obligations**

The following table summarizes the Company's contractual obligations as of December 31, 2007, including the maturities and scheduled principal repayments and the commitments due in connection with the Company's ground leases and operating leases for the periods indicated (in thousands):

| | 2008 | 2009 | 2010 | 2011 | 2012 | Thereafter | Total |
|---|-------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| Obligation: | | | | | | | |
| Long-term debt principal payments and maturities(1) | \$ 127,313 | \$ 47,246 | \$ 25,974 | \$ 3,898 | \$ 6,699 | \$ 105,245 | \$ 316,375 |
| Standby letters of credit(2) | 1,908 | | | | | | 1,908 |
| Interest payments(3) | 17,513 | 10,900 | 7,819 | 6,897 | 6,742 | 19,004 | 68,875 |
| Purchase commitments(4) | 1,798 | | | | | | 1,798 |
| Ground leases(5) | 271 | 271 | 271 | 271 | 272 | 7,950 | 9,306 |
| Operating leases(6) | 101 | 92 | 17 | 10 | 2 | | 222 |
| Total | \$ 148,904 | \$ 58,509 | \$ 34,081 | \$ 11,076 | \$ 13,715 | \$ 132,199 | \$ 398,484 |

(1) Includes notes payable under the Company's Credit Facility.

(2) As collateral for performance on a mortgage note payable, the Company is contingently liable under a standby letter of credit, which also reduces the availability under the Credit Facility.

(3) Assumes one-month LIBOR of 4.60% and Prime Rate of 7.25% (rates as of December 31, 2007).

(4) These purchase commitments are related to the Company's development projects that are currently under construction.

(5) Substantially all of the ground leases effectively limit the Company's control over various aspects of the operation of the applicable property, restrict the Company's ability to transfer the property and allow the lessor the right of first refusal to purchase the building and improvements. All of the ground leases provide for the property to revert to the lessor for no consideration upon the expiration or earlier termination of the ground lease.

(6) Payments under operating lease agreements relate to several of our properties' equipment leases. The future minimum lease commitments under these leases are as indicated above.

For additional information, see Note 8, Commitments and Contingencies, in the Notes to the Consolidated and Combined Financial Statements.

Off-Balance Sheet Arrangements

The Company may guarantee debt in connection with certain of its development activities, including unconsolidated joint ventures. The Company had previously guaranteed, in the event of a default, the mortgage note payable for one

unconsolidated real estate joint venture. During 2007, the unconsolidated real estate joint venture repaid the mortgage note payable. The Company reversed a liability of \$0.1 million that had been recorded for the guarantee using expected present value measurement techniques.

Real Estate Taxes

The Company's leases generally require the tenants to be responsible for all real estate taxes.

Inflation

Inflation in the United States has been relatively low in recent years and did not have a material impact on the results of operations for the periods shown in the consolidated and combined financial statements. Although the impact of inflation has been relatively insignificant in recent years, it remains a factor in the United States economy and may increase the cost of acquiring or replacing properties.

Table of Contents

Seasonality

The Company does not consider its business to be subject to material seasonality fluctuations.

Recent Accounting Pronouncements

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of SFAS No. 109 (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. FIN 48 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken in an income tax return. For those benefits recognized, a tax position must be more-likely-than-not to be sustained based solely upon the technical merits of the position. Such tax positions shall initially and subsequently be measured as the largest amount of tax benefit that, on a cumulative basis, is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming that the taxing authority has full knowledge of the position and all relevant facts. The Company implemented FIN 48 effective January 1, 2007. The adoption of FIN 48 did not result in an adjustment to the Company's financial statements. As of December 31, 2007, the Company has no unrecognized tax benefits and the Company's 2005 and 2006 federal and state tax returns are open years for examination.

In September 2006, the FASB issued SFAS No. 157 *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value for assets and liabilities, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 will be effective January 1, 2008. SFAS 157 is not expected to have a material impact on the Company's results of operations or financial position.

In September 2006, the FASB issued SFAS No. 158 *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans*—an amendment of FASB Statements No. 87, 88, 106, and 132(R) (SFAS 158). SFAS 158 requires recognition of the funded status of such plans as an asset or liability, with changes in the funded status recognized through comprehensive income in the year in which they occur. These provisions of SFAS 158 became effective December 31, 2006. Additionally, SFAS 158 requires measurement of a plan's assets and its obligations at the end of the employer's fiscal year, effective December 31, 2008. SFAS 158 has not had, and is not expected to have, a material impact on the Company's results of operations or financial position.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, including an amendment of FASB Statement No. 115 (SFAS 159). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. SFAS 159 will be effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of the adoption of this new standard on its financial statements.

In December 2007, the FASB issued FAS 141(R), *Business Combinations*—a replacement of FASB Statement No. 141, which significantly changes the 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. The statement also provides guidance for recognizing and measuring the 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. This statement is effective prospectively, except for certain retrospective adjustments to deferred tax balances, for fiscal years beginning after December 15, 2008. The Company is still assessing the potential impact of adoption.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB 51 (SFAS 160). SFAS 160 changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS 160 is

Table of Contents

effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, except for the presentation and disclosure requirements, which will apply retrospectively. The Company is currently evaluating the impact of the adoption of this new standard on its financial statements.

Item 7A. *Quantitative and Qualitative Disclosure About Market Risk*

The Company's future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. The Company uses some derivative financial instruments to manage, or hedge, interest rate risks related to the Company's borrowings. The Company does not use derivatives for trading or speculative purposes and only enters into contracts with major financial institutions based on their credit rating and other factors.

As of December 31, 2007, the Company had approximately \$316.4 million of consolidated debt outstanding. Approximately \$74.3 million, or 23.5%, of the Company's total consolidated debt was variable rate debt that was not subject to variable to fixed rate interest rate swap agreements. Approximately \$242.1 million, or 76.5%, of the Company's total indebtedness was subject to fixed interest rates, including variable rate debt that was subject to variable to fixed rate swap agreements.

If LIBOR were to increase by 100 basis points, the increase in interest expense on the Company's variable rate debt would decrease future earnings and cash flows by approximately \$0.7 million. Interest rate risk amounts were determined by considering the impact of hypothetical interest rates on the Company's financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, the Company may take actions to further mitigate the Company's exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in the Company's financial structure.

Item 8. *Financial Statements and Supplementary Data*

COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR

INDEX TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

| | Page |
|--|-------------|
| <u>Report of Independent Registered Public Accounting Firm</u> | 54 |
| <u>Consolidated Balance Sheets as of December 31, 2007 and 2006</u> | 55 |
| <u>Consolidated and Combined Statements of Operations for Cogdell Spencer Inc. for the years ended December 31, 2007, 2006, and for the period November 1, 2005 through December 31, 2005 and for Cogdell Spencer Inc. Predecessor for the period January 1, 2005 through October 31, 2005</u> | 56 |
| <u>Consolidated and Combined Statements of Stockholders and Owners Equity (Deficit) for Cogdell Spencer Inc. for the years ended December 31, 2007, 2006, and for the period November 1, 2005 through December 31, 2005 and for Cogdell Spencer Inc. Predecessor for the period January 1, 2005 through October 31, 2005</u> | 57 |
| <u>Consolidated and Combined Statements of Cash Flows for Cogdell Spencer Inc. for the years ended December 31, 2007, 2006, and for the period November 1, 2005 through December 31, 2005 and for Cogdell Spencer Inc. Predecessor for the period January 1, 2005 through October 31, 2005</u> | 58 |
| <u>Notes to Consolidated and Combined Financial Statements</u> | 59 |
| <u>Supplemental Schedule Schedule III Real Estate and Accumulated Depreciation</u> | 86 |
| <u>Notes to Schedule III Real Estate and Accumulated Depreciation</u> | 88 |

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Cogdell Spencer, Inc.
Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of Cogdell Spencer Inc. and subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the two years ended December 31, 2007 and 2006, and for the period from November 1, 2005 (commencement of operations) through December 31, 2005, and the related consolidated statements of operations, owners equity, and cash flows of Cogdell Spencer Inc. Predecessor, as defined in note 1 to the consolidated and combined financial statements, for the period from January 1, 2005 through October 31, 2005. Our audits also included the financial statement schedule listed in the Index at Item 8. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these 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, such consolidated financial statements present fairly, in all material respects, the financial position of Cogdell Spencer Inc. and subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the two years ended December 31, 2007 and 2006, and for the period from November 1, 2005 (commencement of operations) through December 31, 2005, and the results of operations and cash flows of Cogdell Spencer Inc. Predecessor, for the period from January 1, 2005 through October 31, 2005, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such 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 have also 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, 2007, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 17, 2008 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Raleigh, North Carolina

March 17, 2008

Table of Contents**COGDELL SPENCER INC.****CONSOLIDATED BALANCE SHEETS**

| | December 31, | |
|--|---|--------------------------|
| | 2007 | December 31, 2006 |
| | (In thousands, except per share amounts) | |
| ASSETS | | |
| Real estate properties: | | |
| Land | \$ 30,673 | \$ 22,768 |
| Buildings and improvements | 455,606 | 339,214 |
| Less: Accumulated depreciation | (44,596) | (23,664) |
| Total operating real estate properties, net | 441,683 | 338,318 |
| Construction in progress | 13,380 | 12,854 |
| Total real estate properties, net | 455,063 | 351,172 |
| Cash and cash equivalents | 3,555 | 1,029 |
| Restricted cash | 1,803 | 982 |
| Investment in capital lease | 5,888 | 6,193 |
| Acquired above market leases, net of accumulated amortization of \$516 in 2007 and \$290 in 2006 | 1,033 | 966 |
| Acquired in place lease value and deferred leasing costs, net of accumulated amortization of \$17,739 in 2007 and \$11,184 in 2006 | 20,358 | 18,205 |
| Acquired ground leases, net of accumulated amortization of \$217 in 2007 and \$146 in 2006 | 3,021 | 3,092 |
| Deferred financing costs, net of accumulated amortization of \$689 in 2007 and \$342 in 2006 | 1,570 | 1,018 |
| Goodwill | 5,335 | 5,326 |
| Other assets | 8,611 | 5,075 |
| Total assets | \$ 506,237 | \$ 393,058 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Notes payable under line of credit | \$ 79,200 | \$ 77,487 |
| Mortgage loans | 237,504 | 184,544 |
| Accounts payable and other liabilities | 17,744 | 9,851 |
| Accrued dividends and distributions | 5,757 | 4,404 |
| Acquired below market leases, net of accumulated amortization of \$2,327 in 2007 and \$1,384 in 2006 | 3,776 | 3,096 |
| Total liabilities | 343,981 | 279,382 |
| Commitments and contingencies | | |
| Minority interests in real estate partnerships | 2,434 | 157 |
| Minority interests in operating partnership | 44,787 | 53,844 |

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Stockholders' equity:

| | | | |
|--|----------|------------|------------|
| Preferred stock, \$0.01 par value; 50,000 shares authorized, none issued or outstanding | | | |
| Common Stock; \$0.01 par value; 200,000 shares authorized, 11,948 and 8,000 shares issued and outstanding in 2007 and 2006, respectively | 119 | | 80 |
| Additional paid-in capital | 166,901 | | 87,224 |
| Accumulated other comprehensive income (loss) | (1,234) | | 73 |
| Accumulated deficit | (50,751) | | (27,702) |
| Total stockholders' equity | 115,035 | | 59,675 |
| Total liabilities and stockholders' equity | | \$ 506,237 | \$ 393,058 |

See notes to consolidated and combined financial statements.

Table of Contents**COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR****CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS**

| | For the Year Ended December 31, 2007 | Company For the Year Ended December 31, 2006 | November 1, 2005 - December 31, 2005 | Predecessor January 1, 2005 - October 31, 2005 |
|---|---|---|---|---|
| (In thousands, except per share amounts) | | | | |
| Revenues: | | | | |
| Rental | \$ 62,908 | \$ 52,614 | \$ 7,006 | \$ 14,078 |
| Rental related party | | | | 21,716 |
| Management fee revenue | 2,137 | 1,304 | 136 | 770 |
| Expense reimbursements | 1,365 | 773 | 94 | 565 |
| Development fee revenue | 290 | 158 | 85 | 680 |
| Interest and other income | 1,194 | 928 | 127 | 879 |
| Total revenues | 67,894 | 55,777 | 7,448 | 38,688 |
| Expenses: | | | | |
| Property operating and management | 25,704 | 19,848 | 2,583 | 13,058 |
| General and administrative | 7,482 | 6,368 | 7,791 | 5,129 |
| Depreciation | 20,912 | 20,177 | 2,713 | 8,386 |
| Amortization | 6,846 | 10,096 | 1,412 | 58 |
| Interest | 15,964 | 14,199 | 1,500 | 8,222 |
| Prepayment penalty on early extinguishment of debt | | 37 | 103 | |
| Total expenses | 76,908 | 70,725 | 16,102 | 34,853 |
| Income (loss) from continuing operations before equity in earnings (loss) of unconsolidated real estate partnerships, gain from sale of real estate partnership interests, minority interest in real estate partnerships, minority interests in operating partnership, and discontinued operations | | | | |
| | (9,014) | (14,948) | (8,654) | 3,835 |
| Equity in earnings (loss) of unconsolidated real estate partnerships | 20 | 4 | 3 | (47) |
| Gain from sale of real estate partnership interests | | 484 | | |
| Minority interests in real estate partnerships | (85) | (121) | | |
| Minority interests in operating partnership | 2,738 | 5,208 | 3,054 | |

| | | | | |
|--|------------|------------|------------|----------|
| Income (loss) from continuing operations | (6,341) | (9,373) | (5,597) | 3,788 |
| Discontinued operations: | | | | |
| Income (loss) from discontinued operations | | (9) | (4) | 36 |
| Gain from sale of real estate property | | 435 | | |
| Minority interests in operating partnership | | (150) | 1 | |
| Total discontinued operations | | 276 | (3) | 36 |
| Net income (loss) | \$ (6,341) | \$ (9,097) | \$ (5,600) | \$ 3,824 |
| Per share data basic and diluted | | | | |
| Loss from continuing operations | \$ (0.57) | \$ (1.17) | \$ (0.70) | |
| Income from discontinued operations | | 0.03 | | |
| Net loss | \$ (0.57) | \$ (1.14) | \$ (0.70) | |
| Weighted average common shares basic and diluted | 11,056 | 7,975 | 7,972 | |

See notes to consolidated and combined financial statements.

Table of Contents

COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR
CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS AND OWNERS EQUITY (DEFICIT)

| | Number of Common Shares | Common Stock | Unamortized | | | Accumulated Deficit | Predecessor s Owners Deficit | Total |
|---|----------------------------------|-----------------|----------------------------------|-------------------------------------|----------------------------------|------------------------|------------------------------------|-------------|
| | | | Additional Paid-in Capital | Restricted Stock Compensation | Other Comprehensive Income | | | |
| | | | | | | | | |
| | (In thousands) | | | | | | | |
| Balance at December 31, 2004 | | | | | | | (46,427) | (46,427) |
| Contributions | | | | | | | 320 | 320 |
| Distributions | | | | | | | (9,250) | (9,250) |
| Net income | | | | | | | 3,824 | 3,824 |
| Balance at October 31, 2005 | | \$ | \$ | \$ | \$ | \$ | \$ (51,533) | \$ (51,533) |
| The Company | | | | | | | | |
| Issuance of common stock, net of costs and adjusted for EITF 94-2 historical cost basis | 7,942 | \$ 79 | \$ 85,516 | \$ | \$ | \$ | \$ | \$ 85,595 |
| Net loss | | | | | | | (5,600) | (5,600) |
| Grants of restricted stock | 58 | 1 | 638 | (639) | | | | |
| Restricted stock vested at Offering | | | | 327 | | | | 327 |
| Amortization of restricted stock grants | | | | 13 | | | | 13 |
| Dividends to common stockholders | | | | | | | (1,867) | (1,867) |
| Balance at December 31, 2005 | 8,000 | 80 | 86,154 | (299) | | | (7,467) | 78,648 |
| Comprehensive loss: Net loss | | | | | | | (9,097) | (9,097) |
| Unrealized gain on interest rate swaps | | | | | | | 73 | 73 |
| Comprehensive loss Amortization of restricted stock grants | | | 88 | | | | | (9,024) |
| | | | | | | | | 88 |

| | | | | | | | | | |
|---|-------|-------|-----------|-----|----|---------|-------------|----|-----------|
| Dividends to common stockholders | | | | | | | (11,197) | | (11,197) |
| Transfer of unamortized restricted stock compensation to additional paid-in capital | | | (299) | 299 | | | | | |
| Cumulative effect adjustment associated with the implementation of EITF 04-5 | | | (785) | | | | 59 | | (726) |
| Adjustment to record change of interest in the operating partnership due to the issuance of operating partnership units in excess of book value | | | 2,066 | | | | | | 2,066 |
| Balance at December 31, 2006 | 8,000 | \$ 80 | \$ 87,224 | \$ | \$ | 73 | \$ (27,702) | \$ | \$ 59,675 |
| Comprehensive loss: | | | | | | | | | |
| Net loss | | | | | | | (6,341) | | (6,341) |
| Unrealized loss on interest rate swaps | | | | | | (1,307) | | | (1,307) |
| Comprehensive loss | | | | | | | | | (7,648) |
| Issuance of common stock, net of costs | 3,950 | 39 | 78,425 | | | | | | 78,464 |
| Conversion of operating partnership units to common stock | | | 6 | | | | | | 6 |
| Vesting of restricted stock grants | | | 20 | | | | | | 20 |
| Amortization of restricted stock grants | | | 69 | | | | | | 69 |
| Forfeiture of restricted stock grants | (2) | | | | | | | | |
| Dividends to common stockholders | | | | | | | (16,708) | | (16,708) |
| Adjustment to record change of interest in the operating partnership due to the issuance of operating partnership units in | | | 1,157 | | | | | | 1,157 |

excess of book value

| | | | | | | | | |
|---|--------|--------|------------|----|------------|-------------|----|------------|
| Balance at December 31, 2007 | 11,948 | \$ 119 | \$ 166,901 | \$ | \$ (1,234) | \$ (50,751) | \$ | \$ 115,035 |
|---|--------|--------|------------|----|------------|-------------|----|------------|

See notes to consolidated and combined financial statements.

Table of Contents**COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR****CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS**

| | For the Year Ended December 31,2007 | Company For the Year Ended December 31, 2006 | November 1, 2005 - December 31,2005 | Predecessor January 1, 2005 - October 31, 2005 |
|---|--|---|--|---|
| | (In thousands) | | | |
| Operating activities: | | | | |
| Net loss | \$ (6,341) | \$ (9,097) | \$ (5,600) | \$ 3,824 |
| Adjustments to reconcile net loss to cash provided by operating activities: | | | | |
| Minority interests | (2,653) | (4,937) | (3,055) | |
| Gain from sale of real estate partnership interests | | (484) | | |
| Gain from sale of real estate property discontinued operations | | (435) | | |
| Depreciation and amortization (including amounts in discontinued operations) | 27,758 | 30,325 | 4,142 | 8,480 |
| Amortization of acquired above market leases and acquired below market leases, net (including amounts in discontinued operations) | (723) | (990) | (134) | |
| Straight line rental revenue | (445) | (189) | (7) | (603) |
| Amortization of deferred finance costs and debt premium | 271 | 92 | (18) | 371 |
| Equity-based compensation | 183 | 88 | 6,397 | |
| Equity in loss (earnings) of unconsolidated real estate partnerships | (20) | (4) | (3) | 47 |
| Prepayment penalty for early extinguishment of debt | | 37 | | |
| Write-off of debt premium upon extinguishment of debt | | | (70) | |
| Change in fair value of interest rate swap agreements | | (9) | (14) | (2,436) |
| Termination of interest rate swap agreements | | 736 | | |
| Changes in operating assets and liabilities: | | | | |
| Other assets | (369) | (966) | 144 | (1,509) |
| Accounts payable and other liabilities | 6,108 | 1,733 | (147) | 2,138 |
| Net cash provided by operating activities | 23,769 | 15,900 | 1,635 | 10,312 |
| Investing activities: | | | | |
| Cash paid in Formation Transactions, net of cash assumed | | | (27,032) | |

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| | | | | |
|--|-----------|-----------|----------|-----------|
| Investment in real estate properties and businesses | (112,355) | (104,778) | (2,715) | (6,067) |
| Purchase of minority interests in operating partnership | (4,340) | (1,414) | | 61 |
| Proceeds from sale of real estate property and capital lease | 305 | 2,215 | 51 | (82) |
| Proceeds from sale of real estate partnership interests | | 587 | | |
| Purchase of corporate equipment | (576) | | | |
| Distributions received from unconsolidated real estate partnerships | 14 | 6 | | |
| Decrease (increase) in restricted cash | (346) | (203) | 2,234 | 149 |
| Net cash used in investing activities | (117,298) | (103,587) | (27,462) | (5,939) |
| Financing activities: | | | | |
| Proceeds from mortgage notes payable | 70,257 | 43,270 | 4,550 | 1,987 |
| Repayments of mortgage notes payable | (33,361) | (8,675) | (71,357) | (4,154) |
| Proceeds from line of credit | 82,400 | 92,250 | 19,600 | 3,198 |
| Repayments to line of credit | (80,687) | (34,363) | (4,711) | |
| Prepayment penalty for early extinguishment of debt | | (37) | | |
| Equity contributions to Predecessor entities | | | | 142 |
| Net proceeds from sale of common stock | 78,463 | | 91,368 | |
| Dividends and distributions | (21,705) | (12,981) | (2,886) | (7,026) |
| Equity contributions by partners in consolidated real estate partnerships | 1,848 | | | |
| Distributions to minority interests in real estate partnership | (117) | (134) | (222) | |
| Payment of deferred financing costs | (1,043) | (398) | (944) | (10) |
| Net cash provided by (used in) financing activities | 96,055 | 78,932 | 35,398 | (5,863) |
| Increase (decrease) in cash and cash equivalents | 2,526 | (8,755) | 9,571 | (1,490) |
| Balance at beginning of period | 1,029 | 9,571 | | 13,459 |
| Cumulative effect adjustment associated with the implementation of EITF 04-5 | | 213 | | |
| Balance at end of period | \$ 3,555 | \$ 1,029 | \$ 9,571 | \$ 11,969 |
| Supplemental disclosure of cash flow information: | | | | |
| Cash paid for interest, net of capitalized interest | \$ 15,355 | \$ 13,372 | \$ 1,672 | \$ 10,464 |
| Cash paid for income taxes | \$ 307 | \$ | \$ | \$ |

**Supplemental cash flow information
noncash investing and financing activities:**

Acquisitions:

| | | | | |
|--|--------|-------|---------|-------|
| Common stock and limited partnership units issued in connection with the acquisition of real estate properties and businesses, net of EITF 94-2 historical cost basis adjustment | 3,583 | 6,017 | 55,773 | |
| Debt assumed with purchase of properties | 16,238 | 5,178 | 212,393 | |
| Assumption of accounts payable and accrued expenses and interest rate swap agreements | | | 5,194 | |
| Assumption of construction in progress, restricted cash, and other assets | | | 5,016 | |
| Contributions receivable | | | | 178 |
| Investment in real estate costs contributed by partner in a consolidated real estate partnership | 460 | | | |
| Accrued dividends and distributions | 5,771 | 4,404 | | 2,348 |
| Negative carrying amount in unconsolidated real estate partnership distributed to owners | | | | 124 |

See notes to consolidated and combined financial statements.

Table of Contents

COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

1. Organization and Ownership

Cogdell Spencer Inc. (the Company), incorporated in Maryland in 2005, is a fully-integrated, self-administered, and self-managed real estate investment trust (REIT) that invests in specialty office buildings for the medical profession, including medical offices, rehabilitation facilities, ambulatory surgery, and diagnostic centers. The Company focuses on the ownership, development, redevelopment, acquisition, and management of strategically located medical office buildings and other healthcare related facilities in the United States of America.

Cogdell Spencer Inc. Predecessor (the Predecessor) was engaged in the business of owning, developing, redeveloping, acquiring and managing medical office buildings and other healthcare related facilities primarily in the southeastern United States. The Predecessor was not a legal entity, but represented a combination of certain real estate entities based on common management. During the period presented in the accompanying combined financial statements of the Predecessor, it had the responsibility for the day-to-day operations of such combined entities. Cogdell Spencer Advisors, Inc. had management agreements with other entities that have not been combined with the Predecessor entities as other partners or members did not contribute their interests as part of the formation transactions discussed below.

On November 1, 2005, concurrent with the consummation of the initial public offering (the Offering) of the common stock of the Company, the Company and a newly formed majority-owned limited partnership, Cogdell Spencer LP (the Operating Partnership), and its taxable REIT subsidiary, together with the partners and members of the affiliated partnerships and limited liability companies of the Predecessor, engaged in certain formation transactions (the Formation Transactions). The Operating Partnership received a contribution of interests in the Predecessor in exchange for units of limited partnership interest in the Operating Partnership, shares of the Company's common stock, and/or cash. Substantially all of the operations of the Company are carried out through the Operating Partnership. A wholly-owned subsidiary of the Company is acting as sole general partner of the Operating Partnership. The Company and the Operating Partnership had no operations prior to the Offering.

Table of Contents**COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**

The Predecessor consisted of Cogdell Spencer Advisors, Inc., and the limited liability companies and partnerships as shown in the following chart:

| Entity | Property Location | Property Type | Number of Properties |
|--|----------------------------------|--|-----------------------------|
| Augusta Medical Partners, LLC | Augusta, GA | Medical Office | 4 |
| Baptist Northwest Limited Partnership | Columbia, SC | Medical Office | 1 |
| Barclay Downs Associates, LLC/Matthews Land Group, LLC | Charlotte, NC | Corporate Offices | 1 |
| Beaufort Medical Plaza, LLC | Beaufort, SC | Medical Office | 1 |
| Cabarrus Medical Partners, LLC | Greater Concord, NC | Medical Office | 5 |
| Cabarrus POB, LLC | Concord, NC | Medical Office | 1 |
| Cogdell Investors (Birkdale), LLC | Huntersville, NC | Wellness, Medical Office | 1 |
| Cogdell Investors (Mallard), LLC | Charlotte, NC | Medical Office | 1 |
| Cogdell Investors (Birkdale II), LLC | Huntersville, NC | Retail Center | 1 |
| Copperfield MOB, LLC | Concord, NC | Medical Office | 1 |
| East Jefferson Medical Office Building Limited Partnership | Metairie, LA | Medical Office | 1 |
| East Jefferson Medical Specialty Building Limited Partnership | Metairie, LA | Medical Office, Medical Office, Kidney | 1 |
| East Rocky Mount Kidney Center, LLC | Rocky Mount, NC | Dialysis | 1 |
| Franciscan Development Company, LLC | Ashland, KY | Medical Office, Surgery | 1 |
| Gaston MOB, LLC | Gastonia, NC | Medical Office | 1 |
| HMOB Associates Limited Partnership | Columbia, SC | Medical Office | 1 |
| Medical Arts Center of Orangeburg General Partnership | Orangeburg, SC | Medical Office | 1 |
| Medical Investors, LLC, Medical Investors I, LLC, Medical Investors III, LLC | Charlotte, NC and Charleston, SC | Medical Office | 5 |
| Medical Park Three Limited Partnership | Columbia, SC | Medical Office | 1 |
| Mulberry Medical Park Limited Partnership | Lenoir, NC | Medical Office | 1 |
| Providence Medical Office Building, LLC | Columbia, SC | Medical Office | 3 |
| River Hills Medical Associates, LLC | Little River, SC | Medical Office | 1 |
| Rocky Mount Kidney Center Limited Partnership | Rocky Mount, NC | Medical Office, Kidney | 1 |
| Rocky Mount MOB, LLC | Rocky Mount, NC | Dialysis, Medical Office | 1 |

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| | | | |
|--|-----------------|----------------|---|
| Rocky Mount Medical Park Limited Partnership | Rocky Mount, NC | Medical Office | 1 |
| Roper MOB, LLC | Charleston, SC | Medical Office | 1 |
| Rowan OSC Investors, LLC | Salisbury, NC | Surgery Center | 1 |
| St. Francis Community MOB, LLC | Greenville, SC | Medical Office | 2 |
| St. Francis Medical Plaza, LLC | Greenville, SC | Medical Office | 2 |
| West Medical Office I, LLC | Charleston, SC | Medical Office | 1 |

Table of Contents

COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company evaluates all partnership interests or other variable interests to determine if the that interest s assets, liabilities, noncontrolling interests and results of activities should be included in the consolidated financial statements in accordance with Financial Accounting Standards Board Interpretation (FASB) No. 46 (revised December 2003),

Consolidation of Variable Interest Entities (FIN 46R), Emerging Issues Task Force (EITF) 04-5 Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights and Accounting Research Bulletin No. 51, Consolidated Financial Statements.

The accompanying consolidated and combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) and represent the assets and liabilities and operating results of the Company and the Predecessor. The consolidated financial statements include the Company s accounts, its wholly-owned subsidiaries, as well as the Operating Partnership and its subsidiaries. The consolidated financial statements also include any partnerships for which the Company or its subsidiaries is the general partner or the managing member and the rights of the limited partners do not overcome the presumption of control by the general partner or managing member. All significant intercompany balances and transactions have been eliminated in consolidation. The accounting policies of the Predecessor and the Company are consistent with each other, except as noted.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Significant estimates and assumptions are used by management in determining the useful lives of real estate properties and improvements and the initial valuations and underlying allocations of purchase price in connection with real estate property acquisitions. Actual results may differ from those estimates.

Revenue Recognition

The Company recognizes revenues related to leasing activities at properties owned by the Company, management fees related to managing third party properties, development fees related to the general oversight of medical property development, other advisory fees, and operating expense reimbursement for payroll related and other expenses incurred by third party properties managed by the Company.

Rental income related to non-cancelable operating leases is recognized as earned over the term, which is the period from the date the lessee has access and control over the leased space to the lease termination date, of the lease agreements on a straight-line basis. Rental income recognized on a straight-line basis for certain lease agreements results in recognized revenue exceeding or less than amounts contractually due from tenants. These leases generally contain provisions under which the tenants reimburse the Company for a portion of property operating expenses and real estate taxes. At times the Company will receive cash payments at the inception of the lease for tenant improvements and these amounts are amortized into rental revenue over the life of the lease. These amounts are included in Accounts payable and other liabilities in the consolidated balance sheets. The Company monitors the

creditworthiness of its tenants on a regular basis and maintains an allowance for doubtful accounts. Such amount is immaterial to the financial statements.

The Company recognizes sales of real estate properties upon closing and meeting the criteria for a sale under Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 66, Accounting for Sales of Real Estate (SFAS 66). Payments received from purchasers prior to closing are recorded as deposits. Profit on real estate sold is recognized using the full accrual method upon closing when the collectibility of the sales price is reasonably assured and the Company is not obligated to perform significant

Table of Contents

COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

activities after the sale. This includes the buyer's initial and continuing investments being adequate to demonstrate a commitment to pay for the property and the Company not having substantial continuing involvement whereby the usual risks and rewards of ownership would not be transferred to the buyer. Profit may be deferred in whole or part until the sales meet the requirements of profit recognition on sales of real estate under SFAS 66.

The Company receives fees for property management and development and consulting services provided from time to time to third parties which are reflected as management fee revenue and development fee revenue. Management fees are generally based on a percentage of revenues for the month as defined in the related property management agreements. Development and advisory fees are recorded based on a percentage of completion method using management's best estimate of time and costs to complete projects. There are no significant over-billed or under-billed amounts and changes in estimates during the three years ended December 31, 2007 have not been material. Other income on the Company's statement of operations generally includes income incidental to the operations of the Company and is recognized when earned. Interest income includes the amortization of unearned income related to a sales-type capital lease.

The Company pays certain payroll and related costs related to the operations of third party properties that are managed by the Company. Under terms of the related management agreements, these costs are reimbursed by the third party property owners. The amounts billed to the third party owners are recognized as revenue in accordance with FASB Emerging Issues Task Force (EITF) Abstract No. 01-14, Income Statement Characterization of Reimbursements Received for Out of Pocket Expenses Incurred.

Income Taxes

The Company elected to be taxed as a REIT under sections 856 through 860 of the Internal Revenue Code of 1986, as amended. REITs are subject to a number of organizational and operational requirements, including a requirement that 90% of ordinary taxable income be distributed. As a REIT, the Company will generally not be subject to federal income tax to the extent that it meets the organization and operational requirements and distributions equal or exceed taxable income. For the year ended December 31, 2007, the Company met the organization and operational requirements and distributions exceeded net taxable income. Accordingly, no provision has been made for federal and state income taxes.

Cogdell Spencer Advisors, LLC (CSA, LLC), wholly-owned by the Operating Partnership, has elected to be a Taxable REIT Subsidiary. Consera Healthcare Real Estate, LLC (Consera) was acquired in September 2006 and is a wholly-owned subsidiary of the Operating Partnership. Consera has also elected to be a Taxable REIT Subsidiary. As Taxable REIT Subsidiaries, the operations of CSA, LLC and Consera are generally subject to corporate income taxes. At December 31, 2007, Consera had a deferred tax liability of \$0.2 million. The taxable income and deferred taxes, except as previously mentioned, of CSA, LLC and Consera are immaterial to the financial statements and tax expense is included in general administrative expenses.

During 2007, the Company paid four quarterly dividends of \$0.35 per share, totaling \$1.40 per share for the year. These quarterly dividends were paid in January, April, July, and October 2007. The dividends of \$1.40 per share are classified for income tax purposes as 24.3% taxable ordinary dividend and 75.7% return of capital. No portion of the dividends constitute qualified dividends eligible for the reduced rates on dividends pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003.

No provision for income taxes is included in the Predecessor's combined financial statements, as each shareholder, partner or member is individually responsible for reporting its respective share of the S-Corporation's, partnership's or limited liability company's taxable income or loss in its income tax returns.

Comprehensive Income or Loss

Comprehensive income or loss includes net income (loss) and all other non-owner changes in stockholders' equity during a period including unrealized fair value adjustments on certain derivative agreements.

Table of Contents

COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

Cash and Cash Equivalents

The Company considers all short-term investments with maturities of three months or less when purchased to be cash equivalents. Restricted cash and short-term investments are excluded from cash for the purpose of preparing the consolidated and combined statements of cash flows.

The Company maintains cash balances in various banks. At times the amounts of cash may exceed the \$0.1 million amount insured by the FDIC. The Company does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Restricted Cash

Restricted cash includes escrow accounts held by lenders. Restricted cash also includes proceeds from property sales deposited with a qualified intermediary in accordance with like-kind exchange income tax rules and regulations.

Real Estate Properties and Related Intangible Assets

Land and buildings and improvements are recorded at cost. For developed properties, direct and indirect costs that clearly relate to projects under development are capitalized in accordance with SFAS No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects. Costs include construction costs, professional services such as architectural and legal costs, travel expenses, capitalized interest and direct payroll and other acquisition costs. The Company begins capitalization when the project is probable. Capitalization of interest ceases when the property is ready for its intended use, which is generally near the date that a certificate of occupancy is obtained.

Depreciation and amortization is computed using the straight-line method for financial reporting purposes. Buildings and improvements are depreciated over 13 to 50 years. Tenant improvement costs, which are included in building and improvements in the consolidated balance sheets, are depreciated over the shorter of (i) the related remaining lease term or (ii) the life of the improvement. Corporate furniture, fixtures and equipment, which are included in Other assets, are depreciated over three to seven years.

Acquisitions of properties and Operating Partnership minority interests are accounted for utilizing the purchase method in accordance with SFAS No. 141, Business Combinations, and accordingly the purchase cost is allocated to tangible and intangible assets and liabilities based on their relative fair values. The fair value of tangible assets acquired is determined by valuing the property as if it were vacant, applying methods similar to those used by independent appraisers of income-producing property. The resulting value is then allocated to land, buildings and improvements, and tenant improvements based on management's determination of the relative fair value of these assets. The assumptions used in the allocation of fair values to assets acquired are based on management's best estimates at the time of evaluation.

Fair value is assigned to above-market and below-market leases based on the difference between (a) the contractual amounts to be paid by the tenant based on the existing lease and (b) management's estimate of current market lease rates for the corresponding in-place leases, over the remaining terms of the in-place leases. Capitalized above-market lease amounts are amortized as a decrease to rental revenue over the remaining terms of the respective leases. Capitalized below-market lease amounts are amortized as an increase to rental revenue over the remaining terms of

the respective leases. 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 aggregate value of other acquired intangible assets consists of acquired ground leases and acquired in-place leases and tenant relationships. The fair value allocated to acquired in-place leases consists of a variety of components including, but not necessarily limited to: (a) 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); (b) the value associated with lost revenue related to tenant reimbursable operating costs estimated to be

Table of Contents

COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

incurred during the assumed lease-up period (i.e. real estate taxes, insurance and other operating expenses); (c) the value associated with lost rental revenue from existing leases during the assumed lease-up period; and (d) the value associated with any other inducements to secure a tenant lease.

As required by SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), the Company assesses the potential for impairment of its long-lived assets, including real estate properties, whenever events occur or a change in circumstances indicate that the recorded value might not be fully recoverable. Management determines whether impairment in value has occurred by comparing the estimated future undiscounted cash flows expected from the use and eventual disposition of the asset to its carrying value. If the undiscounted cash flows do not exceed the carrying value, the real estate is adjusted to fair value and an impairment loss is recognized.

SFAS 144 requires that the operations and gains and losses associated with sales of components of an entity, as defined in SFAS 144, be reclassified and presented as discontinued operations. The Company generally has no plans to actively engage in the disposition of any specific real estate property or group of real estate properties, but does from time to time dispose of properties in the normal course of business.

Repairs, Maintenance and Major Improvements

The costs of ordinary repairs and maintenance are charged to operations when incurred. Major improvements that enhance the value or extend the life of an asset are capitalized and depreciated over the remaining useful life of the asset. In some circumstances lenders require the Company to maintain a reserve account for future repairs and capital expenditures. These amounts are classified as restricted cash.

Capitalization of Interest

The Company capitalizes interest costs on borrowings incurred during the construction of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is depreciated over the useful lives of the assets. For the years ended December 31, 2007, 2006, and 2005, the Company capitalized interest of approximately \$0.9 million, \$0.3 million, and \$24,000, respectively, in connection with various development projects.

Tenant Receivables

Tenant receivables are recorded and carried at the amount billable per the applicable lease agreement, less any allowance for uncollectible accounts. An allowance for uncollectible accounts is made when collection of the full amounts is no longer considered probable. There are allowances for uncollectible accounts for each period presented which are not significant. Tenant receivables and straight-line rent adjustments are recorded in *Other assets* in the accompanying consolidated balance sheets.

Investment in Capital Lease

Investment in capital lease consists of a building on a sales-type capital lease. The Predecessor recognized the sale in accordance with SFAS 66. Unearned income is amortized into interest income using a method that is not materially different from a method that produces a constant periodic rate of return on the net investment in the lease. The interest income is recorded in *Interest and other income*.

Deferred Financing Costs

Deferred financing costs include fees and costs incurred in conjunction with long-term financings and are amortized over the terms of the related debt using the straight-line method, which approximates the effective interest method. Upon repayment of or in conjunction with a material change in the terms of the underlying debt agreement, any unamortized costs are charged to earnings.

Table of Contents

COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

Unconsolidated Real Estate Partnerships

The Company records investments in which it does not control but exercises significant influence under the equity method in accordance with Accounting Principles Board (APB) Opinion No. 18, The Equity Method of Accounting for Common Stock, and AICPA Statement of Position 78-9, Accounting for Investments in Real Estate Ventures. In circumstances where the real estate partnerships have distributions in excess of the investment and accumulated earnings or experienced net losses in excess of the investment and the Company has guaranteed debt of the entity or otherwise intends to provide financial support, the Company has reduced the carrying value of its investment below zero and recorded a liability in Accounts payable and accrued expenses. Services performed for real estate joint ventures and capitalized by real estate joint ventures are recognized to the extent attributable to the outside interests in the real estate joint venture.

Goodwill

The Company accounts for Goodwill under SFAS No. 142, Goodwill and Other Intangible Assets. Goodwill is tested annually for impairment and is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount, including goodwill, exceeds the reporting unit's fair value and the implied fair value of goodwill is less than the carrying amount of that goodwill.

Guarantees

The Company records a liability using expected present value measurement techniques for guarantees entered into or modified subsequent to December 31, 2003 in accordance with FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45).

Fair Value of Financial Instruments

The Company follows SFAS No. 107, Disclosures about the Fair Value of Financial Instruments which requires the disclosure of the fair value of financial instruments for which it is practicable to estimate. The Company does not hold or issue financial instruments for trading purposes. The Company considers the carrying amounts of cash and cash equivalents, restricted cash, tenant receivables, interest rate swap agreements, accounts payable and accrued expenses to approximate fair value due to the short maturity of these instruments. The Company has estimated the fair value of the mortgages and notes payable utilizing present value techniques. At December 31, 2007, the carrying amount and estimated fair value of the mortgages and notes payable was \$316.7 million and \$316.0 million, respectively. At December 31, 2006, the carrying amount and estimated fair value of the mortgages and notes payable was \$262.0 million and \$262.3 million, respectively.

Offering Costs

Underwriting commissions and other offering costs of raising equity are reflected as a reduction in additional paid-in capital.

Stock Based Compensation

The Company accounts for stock based compensation, including restricted stock grants and fully vested long-term incentive units granted in connection with the Offering, in accordance with SFAS No. 123R (Revised), Share-Based Payment (SFAS 123R). The Company measures the compensation cost based on the estimated fair value of the award at the grant date. The estimate is based on the share price of the common stock at the grant date. Where an observable market value of a similar instrument is not available an option-pricing model is utilized. The compensation cost is recognized as an expense over the requisite service period required for vesting.

Table of Contents

COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

Recent Accounting Pronouncements

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of SFAS No. 109 (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. FIN 48 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken in an income tax return. For those benefits recognized, a tax position must be more-likely-than-not to be sustained based solely upon the technical merits of the position. Such tax positions shall initially and subsequently be measured as the largest amount of tax benefit that, on a cumulative basis, is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming that the taxing authority has full knowledge of the position and all relevant facts. The Company implemented FIN 48 effective January 1, 2007. The adoption of FIN 48 did not result in an adjustment to the Company's financial statements. As of December 31, 2007, the Company has no unrecognized tax benefits and the Company's 2005 and 2006 federal and state tax returns are open years for examination.

In September 2006, the FASB issued SFAS No. 157 *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value for assets and liabilities, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 will be effective January 1, 2008. SFAS 157 is not expected to have a material impact on the Company's results of operations or financial position.

In September 2006, the FASB issued SFAS No. 158 *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans*—an amendment of FASB Statements No. 87, 88, 106, and 132(R) (SFAS 158). SFAS 158 requires recognition of the funded status of such plans as an asset or liability, with changes in the funded status recognized through comprehensive income in the year in which they occur. These provisions of SFAS 158 became effective December 31, 2006. Additionally, SFAS 158 requires measurement of a plan's assets and its obligations at the end of the employer's fiscal year, effective December 31, 2008. SFAS 158 has not had, and is not expected to have, a material impact on the Company's results of operations or financial position.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, including an amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. SFAS 159 will be effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of the adoption of this new standard on its financial statements.

In December 2007, the FASB issued FAS 141(R), *Business Combinations*—a replacement of FASB Statement No. 141, which significantly changes the 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. The statement also provides guidance for recognizing and measuring the 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. This statement is effective prospectively, except for certain retrospective adjustments to deferred tax balances, for fiscal years beginning after December 15, 2008. The Company is still assessing the potential impact of adoption.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB 51 (SFAS 160). SFAS 160 changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in

Table of Contents**COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**

earnings. SFAS 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, except for the presentation and disclosure requirements, which will apply retrospectively. The Company is currently evaluating the impact of the adoption of this new standard on its financial statements.

3. Minimum Future Rental Revenues

The Company's properties are generally leased to tenants under non-cancelable, fixed-term operating leases with expirations through 2026. Some leases provide for fixed rent renewal terms or market rent renewal terms. The Company's leases generally require the lessee to pay minimum rent, additional rent based upon increases in the Consumer Price Index and all taxes (including property tax), insurance, maintenance and other operating costs associated with the leased property.

Future minimum lease payments by tenants under the non-cancelable operating leases as of December 31, 2007 were as follows (in thousands):

For the year ending:

| | |
|------------|------------|
| 2008 | \$ 63,283 |
| 2009 | 56,378 |
| 2010 | 46,684 |
| 2011 | 39,258 |
| 2012 | 28,384 |
| Thereafter | 94,378 |
| | \$ 328,365 |

The Company has one building leased to a tenant under a capital lease that began in 1987 and expires in 2017. The tenant is the owner of the land on which the building sits and has leased the land to the Company for the same term with a bargain renewal option through 2027 that the Company intends to exercise. Upon renewal of the ground lease, the building lease automatically extends for the same 10 year extension period. The components of the Investment in capital lease are as follows (in thousands):

| | December 31, 2007 | December 31, 2006 |
|------------------------------|------------------------------|------------------------------|
| Total minimum lease payments | \$ 13,422 | \$ 14,187 |
| Less: Unearned income | (7,534) | (7,994) |
| Investment in capital lease | \$ 5,888 | \$ 6,193 |

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Total minimum lease payments receivable on the capital lease as of December 31, 2007, exclusive of the operating expense reimbursement payments, are as follows (in thousands):

For the year ending:

| | | |
|------------|----|--------|
| 2008 | \$ | 772 |
| 2009 | | 778 |
| 2010 | | 783 |
| 2011 | | 790 |
| 2012 | | 796 |
| Thereafter | | 9,503 |
| | \$ | 13,422 |

Table of Contents**COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)****4. Acquisitions and Dispositions**

In June 2007, the Company acquired Central New York Medical Center in Syracuse, New York. The six-story, 111,634 square foot facility is located on the campus of the Crouse Hospital and includes a 469-space parking garage. The property was acquired for \$36.2 million, inclusive of transaction costs. The consideration consisted of cash and the issuance of 181,133 Operating Partnership units.

In August 2007, the Company acquired Summit Professional Plaza I and II in Brunswick, Georgia, for approximately \$24.3 million in cash, inclusive of transaction costs. The two-building complex totals 97,272 net rentable square feet.

In December 2007, the Company acquired Healthpark Medical Office Building in Chattanooga, Tennessee and Peerless Medical Center in Cleveland, Tennessee for approximately \$28.4 million, inclusive of transaction costs. The two buildings total 92,657 square feet. The acquisition was funded through a combination of cash and the assumption of approximately \$16.2 million of existing debt with a blended interest rate of 5.68%.

The following table is an allocation of the purchase price of the acquisitions during the year ended December 31, 2007 (in thousands):

| | |
|---|---------------|
| Land | \$ 7,799 |
| Building and improvements | 73,277 |
| Acquired in place lease value and deferred leasing costs | 8,629 |
| Acquired above market leases | 290 |
| Restricted cash - mortgage lender escrow for capital improvements | 475 |
| Acquired below market leases | (1,613) |
| Total purchase price allocated | \$ 88,857 |

In February 2006, the Company acquired Methodist Professional Center One for \$39.9 million inclusive of credits from the seller in the amount of \$0.5 million related to potential future capital improvements, reducing the initial purchase price to \$39.4 million. The property has 171,114 square feet of medical office space, inclusive of a 24,080 square foot sublease in Methodist Professional Center II. The property was 94.7% leased at the time of purchase, and an adjacent 951-space parking deck.

In March 2006, the Company acquired Hanover Medical Office Building One and the 1808/1818 Verdugo Boulevard properties. The combined portfolio purchase price was \$36.1 million, inclusive of \$0.8 million in credits from the seller relating to potential future capital improvements, reducing the initial purchase price to \$35.3 million. The properties have 163,403 square feet of medical office space and were 98.5% leased on the date of acquisition.

In August 2006, the Company acquired Mary Black Westside MOB for \$5.2 million. The Company received credits from the seller of \$0.8 million related to potential future capital improvements, which reduced the initial purchase price to \$4.4 million. The building has 37,455 square feet of medical office space and was 100.0% leased on the date of acquisition.

In September 2006, the Company acquired Parkridge MOB for \$19.1 million. The Company received credits from the seller of \$1.5 million related to potential future capital improvements, which reduced the initial purchase price to \$17.6 million. The property has 89,451 square feet of medical office space.

In September 2006, the Company acquired Consera Healthcare Real Estate, LLC, a medical office building management company based in Columbia, SC. Consera managed 39 properties containing 1.6 million square feet in South Carolina, Kentucky, Virginia and Florida.

Table of Contents**COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**

The following table is an allocation of the purchase price of the acquisitions during the year ended December 31, 2006 (in thousands):

| | |
|--|----------------|
| Land | \$ 5,719 |
| Building and improvements | 85,136 |
| Acquired in place lease value and deferred leasing costs | 6,853 |
| Acquired below market ground leases | 232 |
| Acquired above market leases | 376 |
| Acquired below market leases | (1,417) |
| Other assets | 1,232 |
| Interest rate cap transaction agreement | 245 |
| Deferred tax liability | (242) |
| Acquired above market ground lease | (191) |
| Goodwill | 2,451 |
| Total purchase price allocated | \$ 100,394 |

The following summary of selected unaudited pro forma results of operations presents information as if the 2006 and 2007 property and business acquisitions had occurred at the beginning of each period presented. The unaudited pro forma information is provided for informational purposes only and is not indicative of results that would have occurred or which may occur in the future (in thousands, except per share amounts):

| | Company For the Year Ended December 31, 2007 | Company For the Year Ended December 31, 2006 |
|----------------------------------|---|---|
| Total revenues | \$ 73,450 | \$ 74,904 |
| Net loss | \$ (6,638) | \$ (9,414) |
| Per share information: | | |
| Loss per share basic and diluted | \$ (0.60) | \$ (1.18) |

Amortization expense related to lease intangibles for the years ended December 31, 2007, 2006, and 2005 was \$6.8 million, \$10.1 million, and \$1.5 million, respectively. The Company expects to recognize amortization expense from existing lease intangible assets of \$4.8 million, \$3.4 million, \$2.2 million, \$1.6 million, and \$1.1 million for the years ended December 31, 2008, 2009, 2010, 2011, and 2012, respectively. Goodwill is not amortized and is associated with the Real Estate Services segment.

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, net income and gain on disposition of real estate properties are reflected in the consolidated statements of operations as

Table of Contents**COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**

discontinued operations for all periods presented. Below is a summary of discontinued operations for the property sold during 2006 (in thousands):

| | Company/ Company Year Ended December 31, 2006 | Predecessor 2005 |
|--|--|-----------------------------|
| Revenues: | | |
| Rental | \$ 129 | \$ 230 |
| Total revenues | 129 | 230 |
| Expenses: | | |
| Property operating expenses | 44 | 79 |
| General and administrative | | 1 |
| Depreciation and amortization | 51 | 53 |
| Interest expense | 43 | 65 |
| Total expenses | 138 | 198 |
| Income (loss) from discontinued operations before gain from sale of real estate property and minority interests in operating partnership | (9) | 32 |
| Gain from sale of real estate property | 435 | |
| Income from discontinued operations before minority interests in operating partnership | 426 | 32 |
| Minority interests in operating partnership | (150) | 1 |
| Total discontinued operations | \$ 276 | \$ 33 |

There were no properties being actively marketed for sale as of December 31, 2007.

5. Investments in Real Estate Partnerships

As of December 31, 2007, the Company had an ownership interest in six limited liability companies or limited partnerships.

The following is a description of the unconsolidated entities:

McLeod Medical Partners, LLC, a South Carolina limited liability company, founded in 1982, 1.1% owned by the Company, and owns three medical office buildings;

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Shannon Health/MOB Limited Partnership No. 1, a Delaware limited partnership, founded in 2001, 2.0% owned by the Company, and owns ten medical office buildings; and

BSB Health/MOB Limited Partnership No. 2, a Delaware limited partnership, founded in 2002, 2.0% owned by the Company, and owns nine medical office buildings.

The following is a description of the consolidated entities:

Rocky Mount MOB, LLC, a North Carolina limited liability company, founded in 2002, 34.5% owned by the Company, and owns one medical office building;

Cogdell General Health Campus MOB, LP, a Pennsylvania limited partnership, founded in 2006, 80.9% owned by the Company, and owns one medical office building; and

Mebane Medical Investors, LLC, a North Carolina limited liability company, founded in 2006, 49.0% owned by the Company, and currently has one medical office building under construction.

Table of Contents**COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**

The Company is the general partner or managing member of these real estate partnerships and manages the properties owned by these entities. The Company may receive development fees, property management fees, leasing fees, and expense reimbursements from these real estate partnerships.

The consolidated entities are included in the Company's consolidated financial statements because the limited partners or non-managing members do not have sufficient participation rights in the partnerships to overcome the presumption of control by the Company as the managing member or general partner. The limited partners or non-managing members have certain protective rights such as the ability to prevent the sale of building, the dissolution of the partnership or limited liability company, or the incurrence of additional indebtedness.

The Company's unconsolidated entities are accounted for under the equity method of accounting based on the Company's ability to exercise significant influence. The following is a summary of financial information for the limited liability companies and limited partnerships for the periods indicated. The summary of financial information set forth below reflects the financial position and operations of the unconsolidated real estate partnerships in their entirety, not just the Company's interest in the entities (in thousands):

| | December 31, 2007 | December 31, 2006 | |
|---|-------------------------------|-------------------------------|---|
| Financial position: | | | |
| Total assets | \$ 57,406 | \$ 58,267 | |
| Total liabilities | 50,725 | 51,441 | |
| Members' equity | 6,681 | 6,826 | |
| | For the Year Ended | For the Year Ended | November 1, 2005 - December 31, 2005 |
| | December 31, 2007 | December 31, 2006 | |
| Results of operations: | | | |
| Total revenues | \$ 12,230 | \$ 11,270 | \$ 1,070 |
| Operating and general and administrative expenses | 5,566 | 5,012 | 375 |
| Net income | 788 | 804 | 44 |

The Predecessor had investments in limited liability companies and limited partnerships that were accounted for under the equity method of accounting based on the Predecessor's ability to exercise significant influence. These entities primarily own medical office buildings or hold investments in companies that own medical office buildings. The following is a summary of financial information for the limited liability companies and limited partnerships for the periods indicated (in thousands):

**January 1, 2005 -
October 31, 2005****Results of operations:**

| | | |
|---|----|-------|
| Total revenues | \$ | 5,126 |
| Operating and general and administrative expenses | | 2,527 |
| Net income | | 466 |

During 2006, the Company acquired the remaining 95% interest in Mary Black Westside that it did not previously own and began to consolidate the entity. The Company sold its interest in Mary Black MOB Limited Partnership and Mary Black MOB II Limited Partnership. Prior to the disposal the Company owned 9.6% of Mary Black MOB Limited Partnership and 1.0% of Mary Black MOB II Limited Partnership. The Company recorded a gain of \$0.3 million on the sale of these interests. Also during 2006, the Company sold its interest in Cabarrus Land Company, LLC. Prior to the sale, the Company owned 5.0%. The Company recorded a gain of \$0.2 million on the sale of this interest. All of these investments were previously accounted for under the equity method of accounting.

Table of Contents**COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)****6. Mortgages, Notes Payable and Guarantees****Secured Debt**

Mortgages and notes payable consist of the following (dollars in thousands):

| | Outstanding at December 31, 2007 | Outstanding at December 31, 2006 | Stated Interest Rate % | Interest Rate at December 31, 2007 | Maturity Date | Amortization |
|--|---|---|------------------------------|--|------------------|------------------|
| Fixed rate secured mortgage loans wholly-owned properties | | | | | | |
| Baptist Northwest Medical Park | \$ 2,245 | \$ 2,297 | 8.25 | 8.25% | 2/1/2011 | 25 years |
| Barclay Downs Associates, LLC | 4,550 | 4,550 | 6.50 | 6.50 | 11/15/2012 | Interest only |
| Beaufort Medical Plaza, LLC | 5,023 | 5,152 | LIBOR + 0.95 | 5.96(1) | 8/18/2008 | 25 years |
| Cogdell Investors (Birkdale), LLC | 7,490 | 7,623 | 6.75 | 6.75 | 10/1/2008 | 25 years |
| Central New York Medical Center | 24,500 | | 6.22 | 6.22 | 7/1/2017 | Interest only |
| East Jefferson Medical Office Building LP | 9,394 | 9,589 | 6.01 | 6.01 | 8/10/2014 | 25 years |
| Gaston MOB, LLC | | 16,566 | LIBOR + 1.25 | | 11/22/2007 | 25 years |
| Hanover MOB, LLC | 4,952 | 5,088 | 6.00 | 6.00 | 11/1/2009 | 25 years |
| Healthpark Medical Office Building | 8,700 | | 5.35 | 5.35 | 1/1/2010 | Interest only |
| HMOB Associates Limited Partnership | 5,540 | 5,743 | 5.93 | 5.93 | 11/1/2013 | 20 years |
| Indianapolis MOB, LLC | 30,000 | 30,000 | LIBOR + 1.30 | 6.25(1) | 10/31/2009 | Interest only |
| Medical Arts Center of Orangeburg, GP | 2,536 | 2,628 | 6.95 | 6.95 | 6/18/2008 | 20 years |
| Medical Investors I, LLC | 8,632 | 8,803 | LIBOR + 1.85 | 7.00(1) | 3/10/2008 | 25 years |
| Mulberry Medical Park LP | 1,050 | 1,101 | 6.49 | 6.49 | 4/15/2010 | 20 years |
| Parkridge MOB, LLC | 13,500 | 13,270 | 5.68 | 5.68 | 6/1/2017 | Interest only(5) |
| Peerless Medical Center | 7,538 | | 6.06 | 6.06 | 9/1/2016 | 30 years |
| Providence Medical Office Building, LLC | 8,802 | 9,019 | 6.12 | 6.12 | 1/12/2013 | 25 years |
| | 2,973 | 3,069 | LIBOR + 2.00 | 6.97(1) | 11/30/2008 | 22 years |

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| | | | | | | |
|---|------------|------------|--------------|------------|------------|------------------|
| River Hills Medical Associates, LLC | | | | | | |
| Rocky Mount Kidney Center LP | 1,071 | 1,107 | 6.25 | 6.25 | 1/21/2009 | 20 years |
| Rocky Mount Medical Park LP | 7,710 | 7,953 | Prime | 7.25(2) | 12/15/2010 | 25 years |
| Roper MOB, LLC | 9,534 | 9,860 | LIBOR + 1.50 | 6.45(1) | 7/10/2009 | 18 years |
| Rowan OSC Investors, LLC | 3,401 | 3,477 | 6.00 | 6.00 | 7/6/2014 | 25 years |
| St. Francis Community MOB, LLC | 7,144 | 7,280 | LIBOR + 1.40 | 6.51(1) | 6/15/2008 | Interest only |
| St. Francis Medical Plaza, LLC | 7,673 | 8,444 | LIBOR + 1.55 | 6.66(1) | 6/15/2008 | Interest only |
| Summit Professional Plaza I and II | 15,925 | | 6.18 | 6.18 | 9/1/2017 | Interest only |
| Three Medical Park | 8,073 | 8,243 | 5.55 | 5.55 | 3/25/2014 | 25 years |
| Total / weighted average fixed rate secured mortgages | 207,956 | 170,862 | | 6.26 | | |
| Variable rate secured mortgage loans wholly-owned properties | | | | | | |
| Cabarrus Medical Partners, LLC | 8,726 | 8,935 | LIBOR + 1.50 | 6.10(3) | 12/15/2014 | 25 years |
| Total / weighted average variable rate secured mortgages | 8,726 | 8,935 | | 6.10 | | |
| Credit Facility | 49,200 | 77,487 | LIBOR + 1.30 | 5.90(4) | 10/31/2008 | |
| | 30,000 | | LIBOR + 1.30 | 6.36(1)(4) | 10/31/2008 | |
| | 79,200 | 77,487 | | 6.07 | | |
| Consolidated real estate partnerships | | | | | | |
| Cogdell Health Campus MOB, LP (construction loan) | 8,833 | | LIBOR + 1.05 | 5.65(6) | | |
| Mebane Medical Investors, LLC (construction loan) | 7,499 | | LIBOR + 1.30 | 5.90 | 5/1/2010 | Interest only(7) |
| Rocky Mount MOB, LLC | 4,161 | 4,245 | 6.75 | 6.75 | 3/21/2008 | 25 years |
| Total / weighted average consolidated real estate partnerships | 20,493 | 4,245 | | 5.96 | | |
| Unamortized premium | 316,375 | 261,529 | | | | |
| | 329 | 502 | | | | |
| | \$ 316,704 | \$ 262,031 | | 6.19% | | |

**Total / weighted average
debt**

72

Table of Contents

COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

- (1) Represents the fixed rate for floating rate loans that have been swapped to fixed.
- (2) Maximum interest of 7.25%; Minimum interest of 4.25%.
- (3) Maximum interest of 8.25%; Minimum interest of 3.25%.
- (4) The interest rate is, at the Company's election, either (1) LIBOR plus a margin of between 100 to 130 basis points based on the Company's leverage ratio (5.90% at December 31, 2007) or (2) the higher of the federal rate plus 50 basis points or Bank of America, N.A.'s prime rate (7.75% at December 31, 2007).
- (5) Interest only through June 2012. Principal and interest payments from July 2012 through June 2017.
- (6) Matures five or seven years, at the Company's option, from the completion of construction.
- (7) Interest only through May 2009. Principal and interest payments from June 2009 through May 2010.

The LIBOR rate was 4.60% and 5.33% at December 31, 2007 and 2006, respectively. The prime rate was 7.25% and 8.25% at December 31, 2007 and 2006, respectively.

The mortgages are collateralized by property and principal and interest payments are generally made monthly. Scheduled maturities of mortgages and notes payable under the line of credit as of December 31, 2007 are as follows (in thousands):

| | |
|----------------------|------------|
| For the year ending: | |
| 2008 | \$ 127,313 |
| 2009 | 47,246 |
| 2010 | 25,974 |
| 2011 | 3,898 |
| 2012 | 6,699 |
| Thereafter | 105,245 |
| | \$ 316,375 |

For additional information, see discussion regarding the Credit Facility in Note 17, Subsequent Events.

In March 2007, Cogdell Health Campus MOB, LP, a consolidated real estate partnership, obtained construction financing related to the Lancaster General Health Campus MOB project. The credit facility provides financing up to \$11.0 million and will convert to permanent financing during the first quarter of 2008. The interest rate during the construction period is LIBOR plus 1.05% (5.65% as of December 31, 2007). The mortgage note payable will mature five or seven years, at the Company's option, from the date of occupancy and provides for principal payments based on a 25-year amortization. As of December 31, 2007, there was \$8.8 million drawn on the facility.

In May 2007, Mebane Medical Investors, LLC, a consolidated real estate partnership, obtained construction financing related to the Mebane Medical Office Building project. The credit facility provides financing up to \$13.0 million with an interest rate equal to LIBOR plus 1.3% (5.90% as of December 31, 2007). The mortgage note payable will mature in May 2010 and provides for interest-only payments through May 2009 and principal payments based on a 30-year amortization from June 2009 through the maturity date in May 2010. This facility has two one-year extension options. As of December 31, 2007, there was \$7.5 million drawn on the facility.

Unsecured Debt

The Company, as guarantor, and the Operating Partnership have a \$130.0 million Credit Facility (the Credit Facility) with a syndicate of financial institutions (including Bank of America, N.A., Citicorp North America, Inc. and Branch Banking & Trust Company) (collectively, the Lenders), with Bank of America, N.A., as the administrative agent for the Lenders, and Banc of America Securities LLC and Citigroup Global Markets Inc., as joint lead arrangers and joint book managers. The Credit Facility is available to fund working capital and for other

Table of Contents

COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

general corporate purposes; to finance acquisition and development activity; and to refinance existing and future indebtedness. The Credit Facility permits the Company to borrow up to \$130.0 million of revolving loans, with sub-limits of \$25.0 million for swingline loans and \$25.0 million for letters of credit.

The Credit Facility shall terminate and all amounts outstanding thereunder shall be due and payable in full, three years from November 1, 2005, subject to a one-year extension at the Company's option. The Credit Facility also allows for up to \$120.0 million of increased availability (to a total aggregate available amount of \$250.0 million), at the Company's option but subject to each Lender's option to increase its commitment. The interest rate on loans under the Credit Facility equals, at the Company's election, either (1) LIBOR plus a margin of between 100 to 130 basis points based on the Company's leverage ratio or (2) the higher of the federal funds rate plus 50 basis points or Bank of America, N.A.'s prime rate.

The Credit Facility contains customary terms and conditions for credit facilities of this type, including: (1) limitations on the Company's ability to (A) incur additional indebtedness, (B) make distributions to the Company's stockholders, subject to complying with REIT requirements, and (C) make certain investments; (2) maintenance of a pool of unencumbered assets subject to certain minimum valuations thereof; and (3) requirements for us to maintain certain financial coverage ratios. These customary financial coverage ratios and other conditions include a maximum leverage ratio (65%, with flexibility for one two quarter increase to not more than 75%), minimum fixed charge coverage ratio (150%), maximum combined secured indebtedness (50% as of December 31, 2007, 40% thereafter), maximum recourse indebtedness (15%), maximum unsecured indebtedness (60%, with flexibility for one two quarter increase to not more than 75%), minimum unencumbered interest coverage ratio (175%, with the flexibility for one two quarter decrease to 150%) and minimum combined tangible net worth (\$30 million plus 85% of net proceeds of equity issuances by the Company and its subsidiaries after November 1, 2005).

As of December 31, 2007, there was \$48.9 million available under the Credit Facility. There was \$79.2 million outstanding at December 31, 2007 and \$1.9 million of availability is restricted related to outstanding letters of credit.

Certain of the Company's mortgage notes payable and the Company's Credit Facility require that the Company comply with certain affirmative, negative and financial covenants. The Company was in compliance with the covenants as of December 31, 2007.

Guarantees

The Company guarantees debt in connection with certain of its development activities, including joint ventures. The Company had guaranteed, in the event of a default, the mortgage note payable for one unconsolidated real estate joint venture. During 2007, the unconsolidated real estate joint venture repaid the mortgage note payable. The Company reversed a liability of \$0.1 million that had been recorded for the guarantee using expected present value measurement techniques.

7. Derivative Financial Instruments

Interest rate swap agreements are utilized to reduce exposure to variable interest rates associated with certain mortgage notes payable. These agreements involve an exchange of fixed and floating interest payments without the exchange of the underlying principal amount (the notional amount). The interest rate swap agreements are reported at

fair value in the consolidated balance sheet within Other assets or Accounts payable and other liabilities and changes in the fair value are reported in accumulated other comprehensive income (loss) exclusive of ineffectiveness amounts.

Table of Contents**COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the terms of the agreements and their fair values at December 31, 2007 and December 31, 2006 (dollars in thousands):

| Entity | Notional Amount as of December 31, | | Pay Rate | Effective Date | Expiration Date | December 31, | | December 31, | |
|--|--|---------------|-------------|-------------------|--------------------|--------------|----------|--------------|-----------|
| | 2007 | Receive Rate | | | | 2007 | 2006 | Asset | Liability |
| Beaufort Medical Plaza | \$ 4,923 | 1 Month LIBOR | 5.01% | 10/25/2006 | 7/25/2008 | \$ | \$ 23 | \$ 6 | \$ |
| Gaston MOB Medical Investors I, LLC | | 1 Month LIBOR | 5.18% | 11/3/2006 | 11/22/2007 | | | 8 | |
| River Hills Medical Associates | 2,973 | 1 Month LIBOR | 5.15% | 10/10/2006 | 12/10/2007 | | | 6 | |
| Roper MOB | 9,534 | 1 Month LIBOR | 4.97% | 10/16/2006 | 12/15/2008 | | 29 | 4 | |
| Methodist Professional Center I | 30,000 | 1 Month LIBOR | 4.95% | 10/10/2006 | 7/10/2009 | | 173 | 12 | |
| St. Francis Medical Plaza, LLC | 7,673 | 1 Month LIBOR | 4.95% | 11/6/2006 | 10/31/2009 | | 689 | 34 | |
| St. Francis Community MOB, LLC | 7,144 | 1 Month LIBOR | 5.11% | 9/18/2007 | 6/15/2008 | | 27 | | |
| Cogdell Spencer LP | 3,000 | 1 Month LIBOR | 5.11% | 9/18/2007 | 6/15/2008 | | 25 | | |
| Cogdell Spencer LP | 27,000 | 1 Month LIBOR | 5.06% | 8/14/2007 | 10/31/2008 | | 27 | | |
| | | | 5.06% | 8/20/2007 | 10/31/2008 | | 242 | | |
| | | | | | | \$ | \$ 1,235 | \$ 70 | \$ |

8. Commitments and Contingencies**Construction in Progress**

Construction in progress at December 31, 2007 consisted of one development project, Mebane Medical Office Building, for which the Company has leased the land and has begun construction. The following is a summary of the construction in progress balance (dollars in thousands):

| Property | Location | Estimated Completion Date | Net Rentable Square Feet | Investment to Date | Estimated Total Investment |
|--|-----------------|--|---|-------------------------------|---|
| Mebane Medical Office Building(1) | Mebane, NC | 2Q 2008 | 60,000 | \$ 11,830 | \$ 16,200 |
| Land and pre-construction developments | | | | 1,550 | |
| | | | 60,000 | \$ 13,380 | \$ 16,200 |

(1) Owned by Mebane Medical Investors, LLC, which is a consolidated real estate partnership. The Company had a 49% ownership interest at December 31, 2007.

As of December 31, 2007, the Company has remaining purchase commitments totaling \$1.8 million related to this project. The Company has provided \$1.4 million of bank letters of credit to one municipality as security for its obligations with two development projects.

Table of Contents**COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)*****Operating Leases***

The Company makes payments under operating lease agreements relating to various equipment leases and ground leases related to many of the Company's properties. Future minimum lease commitments under these leases are as follows:

For the year ending:

| | |
|------------|----------|
| 2008 | \$ 372 |
| 2009 | 363 |
| 2010 | 288 |
| 2011 | 281 |
| 2012 | 274 |
| Thereafter | 7,950 |
| | \$ 9,528 |

Many of the ground leases effectively limit the Company's control over various aspects of the operation of the applicable building, restrict the Company's ability to transfer the building and allow the lessor the right of first refusal to purchase the building and improvements. All the ground leases provide for the property to revert to the lessor for no consideration upon the expiration of the ground lease. At December 31, 2007, the Company holds ground leases that are due to expire between the years 2019 and 2062.

Tax Protection Agreements

In connection with the Formation Transactions, the Company entered into a tax protection agreement with the former owners of each contributed property who received Operating Partnership units.

Pursuant to these agreements, the Company will not sell, transfer or otherwise dispose of any of the properties (each a protected asset) or any interest in a protected asset prior to the eighth anniversary of the closing of the Offering unless:

1. a majority-in-interest of the former holders of interests in the predecessor partnerships or contributing entities (or their successors, which may include the Company to the extent any OP units have been redeemed or exchanged) with respect to such protected asset consent to the sale, transfer or other disposition; provided, however, with respect to three of the predecessor entities, Cabarrus POB, LLC, Medical Investors I, LLC and Medical Investors III, LLC, the required consent shall be a majority-in-interest of the beneficial owners of interests in the predecessor entities other than Messrs. Cogdell and Spencer and their affiliates; or
2. the Operating Partnership delivers to each such holder of interests, a cash payment intended to approximate the holder's tax liability related to the recognition of such holder's built-in gain resulting from the sale of such protected asset; or

3. the sale, transfer or other disposition would not result in the recognition of any built-in gain by any such holder of interests.

Litigation

In the normal course of business, the Company is subject to claims, lawsuits and legal proceedings. While it is not possible to ascertain with certainty the ultimate outcome of such matters, in management's opinion, the liabilities, if any, in excess of amounts provided or covered by insurance, are not expected to have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Company.

Table of Contents

COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

Indemnities

At times the Company may be obligated per agreement to indemnify another party with respect to certain matters. Typically, these obligations arise in contracts into which the Company enters, under which it customarily agrees to hold the other party harmless against certain losses arising from breaches of representations, warranties and/or covenants related to such matters as, among others, title to assets, specified environmental matters, qualification to do business, due organization, non-compliance with restrictive covenants, laws, rules and regulations, maintenance of insurance and payment of tax bills due and owing. Additionally, with respect to office lease agreements that are entered into as landlord, the Company may also indemnify the other party against damages caused by its willful misconduct or negligence associated with the operation and management of the building. Although no assurances with certainty can be made, it is believed that if the Company were to incur a loss in any of these matters, such loss would not have a material effect on the Company's financial condition or results of operations. Historically, payments made with regard to these agreements have not had a material effect on the Company's financial condition or results of operations.

9. Stockholders Equity

Shares and Units

An Operating Partnership unit and a share of the Company's common stock have essentially the same economic characteristics as they share equally in the total net income or loss and distributions of the Operating Partnership. An Operating Partnership unit may be redeemed for cash, or, at the Company's option, exchanged for shares of common stock on a one-for-one basis.

Long-term Incentive Plan (LTIP) units are a special class of partnership interests in the Operating Partnership. Each LTIP unit awarded will be deemed equivalent to an award of one common share under the 2005 long-term stock incentive plan, reducing the availability for other equity awards on a one-for-one basis. The vesting period for LTIP units, if any, will be determined at the time of issuance. Cash distributions on each LTIP unit, whether vested or not, will be the same as those made on the OP units. Under the terms of the LTIP units, the Operating Partnership will revalue its assets upon the occurrence of certain specified events, and any increase in valuation from the time of grant until such event will be allocated first to the holders of LTIP units to equalize the capital accounts of such holders with the capital accounts of OP unitholders.

Dividends and Distributions

During 2007, the Company paid four quarterly distributions of \$0.35 per share or unit, totaling \$1.40 per share or unit for the year. These quarterly distributions were paid in January, April, July, and October 2007. Total dividends paid to common stockholders during 2007 were \$15.3 million and total distributions paid to OP Unitholders, excluding inter-company distributions, totaled \$6.4 million.

On December 17, 2007, the Company announced that the Board of Directors had declared a quarterly distribution of \$0.35 per share or unit payable on January 21, 2008 to stockholders and OP Unitholders of record on December 31, 2007. The distribution covers the fourth quarter of 2007 and \$5.8 million is included in Accrued dividends and distributions in the December 31, 2007 consolidated balance sheet.

During 2006, the Company paid three quarterly distributions of \$0.35 per share or unit, totaling \$1.05 per share or unit for the year. These quarterly dividends were paid in April, July, and October 2006.

For the period November 1, 2005 through December 31, 2005, the Company paid one dividend of \$0.2333 per share on December 27, 2006. The dividend payment totaled \$1.9 million.

Earnings and profits, which determine the tax treatment of distributions to stockholders, will differ from income reported for financial reporting purposes due to the differences for federal income tax purposes in the

Table of Contents

COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

treatment of loss on extinguishment of debt, revenue recognition, compensation expense and in the basis of depreciable assets and estimated useful lives used to compute depreciation.

10. Minority Interests

Minority interests in the Operating Partnership at December 31, 2007 and 2006 were \$44.7 million and \$53.8 million, respectively.

As of December 31, 2007, there were 16,505,373 units of limited partnership in the Operating Partnership outstanding, of which 11,948,245, or 72.4%, were owned by the Company and 4,557,128, or 27.6%, were owned by other partners (including certain directors and senior management).

During 2007, in connection with the acquisition of Central New York Medical Center, the Operating Partnership issued 181,133 OP units with a total value of \$2.4 million. The per unit issuance price of \$19.78 was based on the preceding 10 day average of the Company's Common Stock price per share.

During 2007, 210,366 Operating Partnership units were redeemed by unitholders. The Company, through the Operating Partnership, redeemed the units for cash payments totaling \$4.3 million. The per unit redemption prices ranged from \$17.68 to \$22.22, based on the preceding 10 day average of the Company's Common Stock price per share.

As of December 31, 2006, there were 12,583,906 units of limited partnership in the Operating Partnership outstanding, of which 7,999,574, or 63.6%, were owned by the Company and 4,584,332, or 36.4%, were owned by other partners (including certain of our directors and senior management).

During 2006, in connection with acquisition of properties and businesses, the Operating Partnership issued 289,197 units with a total value of \$6.0 million. The per unit issuance prices ranged from \$20.79 to \$20.82, based on the preceding 8 or 10 day average of the Company's Common Stock price per share.

During 2006, 69,904 Operating Partnership units were redeemed by Operating Partnership Unitholders. The Company, through the Operating Partnership, redeemed the units for cash payments totaling \$1.5 million. The per unit redemption prices ranged from \$21.35 to \$22.00, based on the preceding 10 day average of the Company's Common Stock price per share.

Minority interests in real estate partnerships at December 31, 2007 and 2006, relate to Rocky Mount MOB, LLC, Cogdell General Health Campus, LP, and Mebane Medical Investors, LLC.

11. Incentive Plan

The Company's 2005 Long-Term Stock Incentive Plan (2005 Incentive Plan) provides for the grant of incentive awards to employees, directors and consultants to attract and retain qualified individuals and reward them for superior performance in achieving the Company's business goals and enhancing stockholder value. Awards issuable under the incentive award plan include stock options, restricted stock, dividend equivalents, stock appreciation rights, LTIP, cash performance bonuses and other incentive awards. Only employees are eligible to receive incentive stock options

under the incentive award plan. The Company has reserved a total of 1,000,000 shares of common stock for issuance pursuant to the incentive award plan, subject to certain adjustments set forth in the plan. Each LTIP issued under the incentive award plan will count as one share of stock for purposes of calculating the limit on shares that may be issued under the plan and the individual award limit discussed below.

During 2007, the Company issued 2,500 vested LTIP units. The LTIP units were valued at \$21.07 per unit and the compensation expense was recognized during 2007.

During 2006, the Company issued 4,000 shares of restricted stock that will vest 25% on January 1, 2007, 2008, 2009, and 2010, respectively. The restricted stock was valued at \$20.75 per share and the compensation expense is recognized over the vesting period.

Table of Contents**COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**

During 2005, the Company issued 35,500 shares of restricted stock that vested 20% on November 1, 2005 and will vest 20% on January 1, 2007, 2008, 2009, and 2010, respectively. The restricted stock was valued at \$17.00 per share and the compensation expense is recognized over the vesting period. As of December 31, 2007, 6,300 shares of the restricted stock had been forfeited.

No other stock options, dividend equivalents, or stock appreciation rights were issued in 2007, 2006, and 2005. The Company values stock options using an option pricing model in accordance with SFAS 123R.

12. 401(k) Savings Plan

The Company sponsors a 401(k) plan (the Plan) covering substantially all of its employees. The Plan provides for the Company to make matching as well as profit-sharing contributions. Profit-sharing contributions are made at the discretion of management and are allocated to participants based on their level of compensation. Profit-sharing contributions were not paid in 2007, 2006 or 2005. The Company and Predecessor matched 100% of the employees contributions to the Plan up to a maximum of 4% of compensation in 2007, 2006 or 2005. The 401(k) matching expense for the year ended December 31, 2007, 2006 or 2005 was approximately \$0.1 million for each year.

13. Loss per Share

The following is a summary of the elements used in calculating basic and diluted loss per share (in thousands, except per share amount):

| | For the Year Ended December 31, 2007 | For the Year Ended December 31, 2006 | November 1, 2005 - December 31, 2005 |
|---|---|---|---|
| Loss from continuing operations | \$ (6,341) | \$ (9,373) | \$ (5,597) |
| Income (loss) from discontinued operations | | 276 | (3) |
| Net loss | \$ (6,341) | \$ (9,097) | \$ (5,600) |
| Per share data basic and diluted: | | | |
| Loss from continuing operations | \$ (0.57) | \$ (1.17) | \$ (0.70) |
| Income (loss) from discontinued operations | | 0.03 | (0.00) |
| Net loss | \$ (0.57) | \$ (1.14) | \$ (0.70) |
| Weighted average shares outstanding basic and diluted | 11,056 | 7,975 | 7,972 |

There were 11,799 shares, 20,700 shares, and 28,400 shares of unvested restricted stock outstanding at December 31, 2007, 2006, and 2005, respectively, that were not included in the computation of diluted earnings per share because the effects of their inclusion would be anti-dilutive.

14. Related Party Transactions

The Fork Farm, a working farm owned by the Company's Chairman and the Predecessor's founder, periodically hosts events on behalf of the Company and the Predecessor. Charges of approximately \$20,000, \$25,000, and \$32,000 for years ending December 31, 2007, 2006, and 2005, respectively, are reflected in general and administrative expenses in the consolidated and the combined statement of operations.

Table of Contents**COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**

The Predecessor provided certain payroll, employee benefit and other administrative services for The Fork Farm. These services were fully reimbursed by The Fork Farm to the Predecessor at the Predecessor's cost, which was approximately \$0.1 million annually.

Certain partners, including hospitals which may be lessors under air rights or ground leases, and members of the affiliated partnerships and limited liability companies of the Predecessor are also tenants in the properties in which they have an ownership. Total rental revenues related to these partners and members is reflected as Rental related party revenue in the accompanying combined statements of operations. Subsequent to the Formation Transactions, Operating Partnership Unitholders or common stockholders of the Company who are also tenants do not qualify as related parties.

Effective January 2005, Copperfield MOB, LLC, as the lessor, has a master lease agreement with Cabarrus Land Company, LLC, an entity in which the Company and the Predecessor owned a 5% interest. The master lease provides for a rental payment based on the unleased square footage in the building and expires in 2009. The maximum annual rental payment from the lessee related to the unleased square footage was \$0.4 million. For the year ended December 31, 2005, rental revenue related to this lease was \$0.4 million. During 2006, the Company sold its interest in Cabarrus Land Company, LLC. During the period of common ownership, rental revenue related to this lease was \$0.2 million.

15. Segment Reporting

The Company defines business segments by their distinct customer base and service provided based on the financial information used by our chief operating decision maker to make resource allocation decisions and assess performance. There are two identified reportable segments: (1) property operations and (2) real estate services. Management evaluates each segment's performance based on net operating income, which is defined as income before corporate general and administrative expenses, depreciation, amortization, interest expense, loss on early extinguishment of debt, gain on sale of real estate partnership interests, equity in earnings (loss) of unconsolidated real estate partnerships, and minority interests. Intersegment revenues and expenses are reflected at the contractually stipulated amounts and eliminated in consolidation or combination. The following table represents the segment information for the years ended December 31, 2007, 2006, and 2005 (in thousands):

| | For the Year Ended December 31, 2007 | Company For the Year Ended December 31, 2006 | November 1, 2005 - December 31, 2005 | Predecessor January 1, 2005 - October 31, 2005 |
|-----------------------------|---|---|---|---|
| Property operations: | | | | |
| Rental revenues | \$ 62,908 | \$ 52,614 | \$ 7,006 | \$ 35,794 |
| Interest and other income | 666 | 667 | 125 | 878 |
| Intersegment revenues | 380 | 335 | 49 | |
| Property operating expenses | (18,896) | (15,054) | (2,206) | (11,122) |
| Intersegment expenses | (4,159) | (3,506) | (642) | (2,778) |

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| | | | | | | | | |
|-------------------------------------|----|---------|----|---------|----|---------|----|--------|
| Net operating income | \$ | 40,899 | \$ | 35,056 | \$ | 4,332 | \$ | 22,772 |
| Total segment assets, end of period | \$ | 498,405 | \$ | 385,901 | \$ | 301,792 | | |

Table of Contents**COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**

| | For the Year Ended December 31, 2007 | Company For the Year Ended December 31, 2006 | November 1, 2005 - December 31, 2005 | Predecessor January 1, 2005 - October 31, 2005 |
|--|---|---|---|---|
| Real estate services: | | | | |
| Fee revenue | \$ 2,427 | \$ 1,437 | \$ 221 | \$ 1,450 |
| Expense reimbursements | 1,365 | 773 | 94 | 565 |
| Interest and other income | 528 | 286 | 2 | 1 |
| Intersegment revenues | 4,159 | 3,506 | 642 | 2,778 |
| Real estate operating expenses | (7,403) | (5,184) | (3,974) | (3,893) |
| Intersegment expenses | (380) | (335) | (49) | |
| Net operating income | \$ 696 | \$ 483 | \$ (3,064) | \$ 901 |
| Total segment assets, end of period | \$ 7,832 | \$ 7,157 | \$ 6,690 | |
| Reconciliations: | | | | |
| Total segment revenues | \$ 72,433 | \$ 59,618 | \$ 8,139 | \$ 41,466 |
| Elimination of intersegment revenues | (4,539) | (3,841) | (691) | (2,778) |
| Total revenues | \$ 67,894 | \$ 55,777 | \$ 7,448 | \$ 38,688 |
| Total segment net operating income | \$ 41,595 | \$ 35,539 | \$ 1,268 | \$ 23,673 |
| Corporate general and administrative expenses | (6,887) | (5,978) | (4,194) | (3,172) |
| Depreciation and amortization expense | (27,758) | (30,273) | (4,125) | (8,444) |
| Interest expense | (15,964) | (14,199) | (1,500) | (8,222) |
| Prepayment penalty on early extinguishment of debt | | (37) | (103) | |
| Equity in earnings (loss) of unconsolidated real estate partnerships | 20 | 4 | 3 | (47) |
| Gain from sale of real estate partnership interests | | 484 | | |
| Minority interests | 2,653 | 5,087 | 3,054 | |
| Total discontinued operations | | 276 | (3) | 36 |
| Net loss | \$ (6,341) | \$ (9,097) | \$ (5,600) | \$ 3,824 |

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| | | | | | | |
|-----------------------------|----|---------|----|---------|----|---------|
| Total assets, end of period | \$ | 506,237 | \$ | 393,058 | \$ | 308,482 |
|-----------------------------|----|---------|----|---------|----|---------|

Certain prior year amounts have been recast to conform to management's revised methodology of evaluating business segments.

81

Table of Contents**COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)****16. Quarterly Financial Information (unaudited)**

The tables below reflect the Company's selected quarterly information for the Company for the years ended December 31, 2007 and 2006 (in thousands, except per share amounts).

| | Three Months Ended | | | |
|---|------------------------------|-------------------------------|--------------------------|---------------------------|
| | December 31, 2007 | September 30, 2007 | June 30, 2007 | March 31, 2007 |
| Total revenue | \$ 18,865 | \$ 17,481 | \$ 15,650 | \$ 15,898 |
| Loss from continuing operations | \$ (1,335) | \$ (1,602) | \$ (1,491) | \$ (1,913) |
| Total discontinued operations | | | | |
| Net loss | \$ (1,335) | \$ (1,602) | \$ (1,491) | \$ (1,913) |
| Per share – basic and diluted: | | | | |
| Loss from continuing operations | \$ (0.11) | \$ (0.13) | \$ (0.12) | \$ (0.23) |
| Total discontinued operations | | | | |
| Net loss | \$ (0.11) | \$ (0.13) | \$ (0.12) | \$ (0.23) |
| Weighted average shares – basic and diluted | 11,935 | 11,934 | 11,931 | 8,334 |

| | Three Months Ended | | | |
|---------------------------------|------------------------------|-------------------------------|--------------------------|---------------------------|
| | December 31, 2006 | September 30, 2006 | June 30, 2006 | March 31, 2006 |
| Total revenue | \$ 15,295 | \$ 13,892 | \$ 13,978 | \$ 12,612 |
| Loss from continuing operations | \$ (3,067) | \$ (2,622) | \$ (2,161) | \$ (1,523) |
| Total discontinued operations | | 283 | (5) | (2) |
| Net loss | \$ (3,067) | \$ (2,339) | \$ (2,166) | \$ (1,525) |
| Per share – basic and diluted: | | | | |
| Loss from continuing operations | \$ (0.38) | \$ (0.33) | \$ (0.27) | \$ (0.19) |
| Total discontinued operations | | 0.04 | (0.00) | (0.00) |
| Net loss | \$ (0.38) | \$ (0.29) | \$ (0.27) | \$ (0.19) |

| | | | | |
|---|-------|-------|-------|-------|
| Weighted average shares basic and diluted | 7,977 | 7,976 | 7,975 | 7,973 |
|---|-------|-------|-------|-------|

17. Subsequent Events

Private Offering

Pursuant to a Purchase Agreement, dated January 23, 2008 (the Purchase Agreement), among the Company, the Operating Partnership and KeyBanc Capital Markets Inc. (the Initial Purchaser), the Company sold 3,448,278 shares of the Company s common stock, par value \$.01 per share (the Securities), to the Initial Purchaser in a private offering (the Private Offering). The Initial Purchaser purchased the Securities with a view to the private resale of the Securities to certain institutional investors at a price of \$15.95 per share.

The Company received net proceeds of approximately \$53.5 million from the private offering. The Company used the net proceeds from the private offering to reduce borrowings under its Credit Facility.

Table of Contents

COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

In connection with the Private Offering, the Company entered into a Registration Rights Agreement (the Registration Rights Agreement) with KeyBanc Capital Markets Inc. on behalf of the holders of the Securities named therein pursuant to which the Company agreed to prepare and file with the Securities and Exchange Commission (the Commission) a shelf registration statement providing for the resale of the Securities and to cause such shelf registration statement to be declared effective by the Commission on the terms and subject to the conditions specified in the registration agreement. If the Company fails to cause such shelf registration statement to be declared effective or to maintain effectiveness, under certain circumstances, the Company may be obligated to pay liquidated damages to holders of the Securities.

Merger Transaction

On March 10, 2008, the Company completed a merger transaction through which it acquired MEA Holdings, Inc. (MEA). The transaction was effected pursuant to an Agreement and Plan of Merger (the Merger Agreement) dated as of January 23, 2008, as amended, by and among the Company, the Operating Partnership, Goldenboy Acquisition Corp. (a wholly-owned subsidiary of the Operating Partnership), MEA, Marshall Erdman & Associates, Inc., Marshall Erdman Development, LLC, and David Pelisek, David Lubar and Scott Ransom, in their capacity as the Seller Representative.

The consideration payable in the merger transaction and in the contribution transactions described below consists of cash and limited partnership interests issued by the Operating Partnership (the OP Units). The Operating Partnership entered into contribution agreements with 40 of MEA 's stockholders (the Contributors) pursuant to which the Contributors agreed to roll over an aggregate of 1,265,393 shares of MEA (representing in the aggregate approximately 41% of MEA 's outstanding shares on a fully diluted basis) by exchanging those shares for OP Units. The exchange of those shares for OP Units was completed immediately before the completion of the merger provided for in the Merger Agreement (the Merger). In the Merger, all the shares of MEA (other than the shares acquired by the Operating Partnership) were converted into the right to receive an amount of cash to be calculated in accordance with the provisions of the Merger Agreement.

The cash consideration per share of MEA common shares payable in the Merger (the cash consideration) was calculated pursuant to a formula based on an enterprise value for 100% of MEA of \$247.0 million, subject to certain adjustments. The aggregate cash consideration payable is reduced in proportion to the percentage of shares acquired for OP Units rather than cash. The number of OP Units per share of MEA issuable pursuant to the contribution agreements is the same value per share payable in cash under the Merger Agreement, based on a value of \$17.01 per OP Unit. The OP Units issued in the transaction are of two types - regular units and alternative units . The regular units are exchangeable, after a one-year lock-up period, on a one-for-one basis, for shares of the Company 's common stock. The alternative units are substantially the same as the regular units except that they will not be exchangeable for shares of the Company 's common stock until the exchange feature is approved by the Company 's stockholders. If the Company 's stockholders do not approve the issuance of common stock upon an exchange of alternative units by the time of the Company 's third annual stockholder meeting following the date of issuance (i.e., the 2010 annual meeting), distributions payable per alternative unit will increase to an amount 5% per annum higher than the distributions payable per regular unit.

The Merger Agreement provides that certain adjustments to the aggregate cash consideration paid will be made following the delivery of the final closing statement to the Seller Representative. A portion of the aggregate cash

consideration has been deposited in an escrow account pending such adjustments. In the event that additional cash payments are owed to the former holders of MEA shares, the escrow agent shall pay to the former holders of MEA shares that were not exchanged for OP Units the pro rata cash amount owed to each such holder and the Operating Partnership will issue to the Contributors additional OP units in the same amount per share, based on \$17.01 per OP Unit. The Merger Agreement also provides that a portion of the aggregate cash consideration to be paid to the former holders of shares of MEA will be held in escrow as security for certain indemnification obligations owed by such holders to the Operating Partnership and Goldenboy Acquisition Corp. under the Merger Agreement. Releases from this escrow will be treated in the same way.

Table of Contents**COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**

In connection with the Merger, one of the former MEA shareholders, Lubar Capital LLC (Lubar), received the right to nominate one individual for election to the Company's Board of Directors. Accordingly, the Company's Board of Directors increased the size of the board of directors and elected David Lubar as a director on January 22, 2008. Lubar will continue to retain its right to nominate one individual for so long as Lubar and its affiliates continue to maintain at least 75% of their aggregate initial ownership measured in number of equity securities of the Company and its affiliates.

Revolving Credit Facility

On March 10, 2008, the Company amended and restated its existing revolving credit facility, dated November 1, 2005, among the Company, the Operating Partnership, Bank of America, N.A., Citicorp North America, Inc., Branch Banking and Trust Company, Banc of America Securities LLC, Citigroup Global Markets Inc. and other lenders (the amended and restated revolving credit facility hereinafter referred to as the Amended Revolving Facility). Banc of America Securities LLC is acting as sole lead arranger and sole book manager of the Amended Revolving Facility. KeyBank National Association is acting as syndication agent. Branch Banking and Trust Company and Wachovia Bank, N.A are acting as co-documentation agents. Bank of America, N.A., KeyBank National Association, Branch Banking and Trust Company, Wachovia Bank, National Association, M&I Marshall and Ilsley Bank, and Citicorp North America, Inc. are lenders thereunder. The Amended Revolving Facility is secured by certain of the Company's properties and is guaranteed by the Company and certain of its subsidiaries. The Amended Revolving Facility matures on the third anniversary of its closing, subject to a one-year extension at the Company's option conditioned upon the lenders being satisfied with the Company and its subsidiaries' financial condition and liquidity, and taking into consideration any payment, extension or refinancing of the Term Loan (as described below). The Amended Revolving Facility is cross defaulted against the Term Loan. The Company is subject to customary covenants including, but not limited to, (1) affirmative covenants relating to the Company's corporate structure and ownership, maintenance of insurance, compliance with environmental laws and preparation of environmental reports, maintenance of the Company's REIT qualification and listing on the NYSE, (2) negative covenants relating to restrictions on liens, indebtedness, certain investments (including loans and certain advances), mergers and other fundamental changes, sales and other dispositions of property or assets and transactions with affiliates, and (3) financial covenants to be met by the Company at all times including a maximum total leverage ratio (70%), maximum real estate leverage ratio (70%), minimum fixed charge coverage ratio (1.50 to 1.00), maximum total debt to real estate value ratio (90%) and minimum consolidated tangible net worth (\$65 million plus 85% of the net proceeds of equity issuances issued after the closing date).

Term Loan

Goldenboy Acquisition Corp., as borrower, has \$100 million available under a new senior secured term facility (the Term Loan) to finance the cash portion of the MEA transaction. Keybank Capital Markets is acting as sole lead arranger and sole book manager of the Term Loan. Bank of America, N.A. is acting as syndication agent. Branch Banking and Trust Company and Wachovia Bank, N.A are acting as co-documentation agents. KeyBank National Association, Bank of America, N.A., Branch Banking and Trust Company, Wachovia Bank, National Association, M&I Marshall and Ilsley Bank, and Citicorp North America, Inc. are lenders thereunder. The Term Loan is secured by the stock and certain accounts receivables of MEA and its subsidiaries and is guaranteed by the Company. The Term Loan matures on the third anniversary of its closing and will be subject to a one-year extension at the Company's option. The Term Loan contains customary covenants including, but not limited to, (1) affirmative covenants relating

to the Company's corporate structure and ownership, maintenance of insurance, compliance with environmental laws and preparation of environmental reports, maintenance of the Company's REIT status and listing on the NYSE, (2) negative covenants relating to restrictions on liens, indebtedness, certain investments (including loans and certain advances), mergers and other fundamental changes, sales and other dispositions of property or assets and transactions with affiliates, and (3) financial covenants to be met by the Company at all times under the guaranty including a maximum total leverage ratio (70%), maximum real estate leverage ratio (70%),

Table of Contents

COGDELL SPENCER INC. AND COGDELL SPENCER INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

minimum fixed charge coverage ratio (1.50 to 1.00), maximum total debt to real estate value ratio (90%) and minimum consolidated tangible net worth (\$65 million plus 85% of the net proceeds of equity issuances), as well as being cross defaulted to the Company's Revolving Facility. In addition, there will be financial covenants relating only to MEA and its subsidiaries.

Table of Contents**COGDELL SPENCER INC.****SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION**

| Location | Encumbrances | Initial Costs | | | Gross Amount at Which Carried at December 31, 2007 | December 31, 2007 | | Accumulated Depreciation | Date Completed |
|----------------|--------------|---------------|--|---|---|-------------------|--------------|-----------------------------|-------------------|
| | | Land | Improvements Building and Development | Cost Capitalized Subsequent to Acquisition or Development | | Land | Improvements | | |
| California | \$ | \$ 1,218 | \$ 8,228 | \$ 682 | \$ 1,226 | \$ 8,902 | \$ 10,128 | \$ 969 | 1997 |
| California | | 3,531 | 8,915 | 307 | 3,555 | 9,198 | 12,753 | 870 | 1997 |
| Georgia | | 259 | 8,431 | 478 | 260 | 8,908 | 9,168 | 1,525 | 1997 |
| Georgia | | 602 | 10,646 | 431 | 605 | 11,074 | 11,679 | 1,547 | 1997 |
| Georgia | | 339 | 3,986 | 359 | 341 | 4,343 | 4,684 | 550 | 1997 |
| Georgia | | 551 | 4,672 | 482 | 554 | 5,151 | 5,705 | 692 | 1997 |
| Georgia | 5,096 | 1,180 | 6,021 | 4 | 1,181 | 6,024 | 7,205 | 75 | 2000 |
| Georgia | 10,829 | 2,000 | 12,684 | 7 | 2,001 | 12,690 | 14,691 | 142 | 1997 |
| Indiana | 30,000 | | 37,830 | 1,744 | | 39,574 | 39,574 | 2,957 | 1997 |
| Kentucky | | | 13,938 | 158 | | 14,096 | 14,096 | 1,498 | 1997 |
| Louisiana | 9,394 | | 12,239 | 165 | | 12,404 | 12,404 | 1,648 | 1997 |
| New York | 24,500 | 2,112 | 32,700 | 18 | 2,113 | 32,717 | 34,830 | 454 | 1997 |
| North Carolina | 4,550 | 2,084 | 3,363 | 208 | 2,097 | 3,558 | 5,655 | 762 | 1997 |
| North Carolina | 7,490 | 1,087 | 5,829 | 63 | 1,095 | 5,884 | 6,979 | 757 | 1997 |
| North Carolina | | 142 | 992 | 20 | 142 | 1,012 | 1,154 | 128 | 2000 |
| North Carolina | 8,726 | | 7,446 | 657 | | 8,103 | 8,103 | 958 | 1997 |
| North Carolina | (D) | 1,380 | 4,047 | 79 | 1,389 | 4,117 | 5,506 | 730 | 1997 |
| North Carolina | | | 9,281 | 1,519 | | 10,800 | 10,800 | 1,073 | 2000 |
| North Carolina | | 260 | 1,194 | 15 | 261 | 1,208 | 1,469 | 176 | 2000 |

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| State | Amount | Amount | Amount | Amount | Amount | Amount | Amount | Amount | Amount |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| North Carolina | | | 21,358 | 1,542 | | 22,900 | 22,900 | 4,832 | 19,068 |
| North Carolina | 8,632 | 270 | 509 | 93 | 271 | 601 | 872 | 126 | 19,068 |
| North Carolina | (D) | 441 | 1,722 | 51 | 443 | 1,771 | 2,214 | 237 | 19,068 |
| North Carolina | (E) | 270 | 1,025 | 221 | 271 | 1,245 | 1,516 | 251 | 19,068 |
| North Carolina | | 1,256 | 4,626 | 309 | 1,266 | 4,925 | 6,191 | 823 | 19,068 |
| North Carolina | (D) | 288 | 1,134 | 44 | 289 | 1,177 | 1,466 | 184 | 19,068 |
| North Carolina | 1,050 | | 2,283 | 96 | | 2,379 | 2,379 | 476 | 19,068 |
| North Carolina | (E) | 270 | 498 | 148 | 271 | 645 | 916 | 124 | 19,068 |
| North Carolina | (E) | 1,621 | 5,366 | 386 | 1,631 | 5,742 | 7,373 | 978 | 19,068 |
| North Carolina | 1,071 | 198 | 1,366 | 20 | 198 | 1,386 | 1,584 | 198 | 19,068 |
| North Carolina | 7,710 | 982 | 9,854 | 374 | 990 | 10,220 | 11,210 | 2,085 | 19,068 |
| North Carolina | 4,161 | 228 | 4,990 | 77 | 228 | 5,067 | 5,295 | 1,122 | 20,190 |
| North Carolina | 3,401 | 399 | 4,666 | 39 | 401 | 4,703 | 5,104 | 494 | 20,190 |
| North Carolina | (D) | 489 | 838 | 14 | 491 | 850 | 1,341 | 129 | 20,190 |
| Pennsylvania | 8,833 | | 12,859 | | | 12,859 | 12,859 | 144 | 20,190 |
| Pennsylvania | | | 11,748 | 6 | | 11,754 | 11,754 | 167 | 20,190 |
| South Carolina | | | 2,663 | 1,098 | | 3,761 | 3,761 | 425 | 19,068 |
| South Carolina | 2,245 | 398 | 2,534 | 1,234 | 1,574 | 2,592 | 4,166 | 386 | 19,068 |
| South Carolina | 5,023 | | 7,399 | 53 | | 7,452 | 7,452 | 765 | 19,068 |
| South Carolina | | | 7,416 | 4 | | 7,420 | 7,420 | 280 | 20,190 |
| South Carolina | | | 3,922 | 748 | | 4,670 | 4,670 | 286 | 19,068 |
| South Carolina | 2,536 | 605 | 4,172 | 280 | 608 | 4,449 | 5,057 | 581 | 19,068 |

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| | | | | | | | | | |
|-----|----------------|------------|-----------|------------|-----------|-----------|------------|------------|-----------|
| DB | South Carolina | | 3,320 | 156 | | 3,476 | 3,476 | 568 | 20 |
| rk | South Carolina | 5,540 | 8,767 | 623 | | 9,390 | 9,390 | 990 | 19 |
| | South Carolina | 13,500 | 16,353 | 410 | | 16,763 | 16,763 | 731 | 20 |
| B I | South Carolina | 8,802 | 5,152 | 161 | | 5,313 | 5,313 | 636 | 19 |
| B | South Carolina | (F) | 2,441 | 138 | | 2,579 | 2,579 | 263 | 19 |
| B | South Carolina | (F) | 5,459 | 94 | | 5,553 | 5,553 | 582 | 19 |
| | South Carolina | 2,973 | 1,428 | 4,202 | 45 | 1,438 | 4,237 | 5,675 | 19 |
| | South Carolina | 9,534 | | 11,586 | 726 | | 12,312 | 12,312 | 1,809 |
| | South Carolina | 7,144 | | 5,934 | 435 | | 6,369 | 6,369 | 1,028 |
| | South Carolina | 7,673 | | 8,007 | 292 | | 8,299 | 8,299 | 736 |
| B | South Carolina | (G) | | 5,522 | 1,080 | | 6,602 | 6,602 | 935 |
| er | South Carolina | (H) | | 7,352 | 330 | | 7,682 | 7,682 | 641 |
| | South Carolina | 8,073 | | 10,405 | 877 | | 11,282 | 11,282 | 1,143 |
| | South Carolina | | | 3,792 | 1,596 | | 5,388 | 5,388 | 839 |
| | Tennessee | 8,700 | 1,862 | 13,223 | | 1,862 | 13,223 | 15,085 | 20 |
| al | Tennessee | 7,538 | 645 | 8,722 | | 645 | 8,722 | 9,367 | 20 |
| al | Virginia | 4,952 | 970 | 9,890 | 201 | 976 | 10,085 | 11,061 | 635 |
| | | \$ 229,676 | \$ 29,365 | \$ 435,517 | \$ 21,397 | \$ 30,673 | \$ 455,606 | \$ 486,279 | \$ 44,596 |

Table of Contents

- (A) - Includes building and improvements, site improvements, furniture, fixtures, and equipment and construction in progress.
- (B) - The aggregate cost for federal income tax purposes was \$474,327 as of December 31, 2007. Depreciable lives range from 3-50 years.
- (C) - Represents the year in which the property was placed in service.
- (D) - Collateral for variable rate mortgage which had a balance of \$8.7 million at December 31, 2007.
- (E) - Collateral for variable rate mortgage which had a balance of \$8.6 million at December 31, 2007.
- (F) - Collateral for fixed rate mortgage which had a balance of \$8.8 million at December 31, 2007.
- (G) - Collateral for variable rate mortgage which had a balance of \$7.1 million at December 31, 2007.
- (H) - Collateral for variable rate mortgage which had a balance of \$7.7 million at December 31, 2007.
- (I) - A consolidated, less than 100% owned, real estate partnership.
- (J) - Date acquired represents date development project began. Date of construction represents date property completed construction and began operations.

Table of Contents**COGDELL SPENCER INC.****NOTES TO SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION**

| | Year Ended December 31, 2007 | Year Ended December 31, 2006 | November 1, 2005 - December 31, 2005 |
|--|---|---|---|
| Real estate properties: | | | |
| Balance, beginning of period | \$ 361,982 | \$ 260,137 | \$ 254,666 |
| Formation Transactions | | | |
| Consolidation of Rocky Mount MOB, LLC | | 5,221 | |
| Property acquisitions | 81,076 | 90,855 | 2,663 |
| Development projects | 32,096 | | |
| Purchases of minority interests in Operating Partnership | 2,488 | 573 | |
| Improvements | 8,637 | 6,589 | 2,808 |
| Disposition | | (1,393) | |
| Balance, end of period | \$ 486,279 | \$ 361,982 | \$ 260,137 |
| Accumulated depreciation: | | | |
| Balance, beginning of period | \$ 23,664 | \$ 2,713 | \$ 2,713 |
| Consolidation of Rocky Mount MOB, LLC | | 856 | |
| Depreciation | 20,932 | 20,151 | 2,713 |
| Disposition | | (56) | |
| Balance, end of period | \$ 44,596 | \$ 23,664 | \$ 2,713 |

Table of Contents

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

The Company 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 SEC's rules and forms, and that such information is accumulated and communicated to its management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of disclosure controls and procedures in Rule 13a-15(e). In designing and evaluating the disclosure controls and procedures, management recognized 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 necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, the Company has investments in certain unconsolidated entities. As the Company does not control these entities, the Company's disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those the Company maintains with respect to its consolidated subsidiaries.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Management's Report on Internal Control over Financial Reporting

The Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2007 based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, the Company concluded that its internal control over financial reporting was effective as of December 31, 2007.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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.

The effectiveness of internal control over financial reporting as of December 31, 2007, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its report which is included below.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Cogdell Spencer Inc.
Charlotte, North Carolina

We have audited the internal control over financial reporting of Cogdell Spencer Inc. and subsidiaries (the Company) as of December 31, 2007, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and 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 by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company'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 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the 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, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial schedule as of and for the year ended December 31, 2007 of the Company and our report dated March 17, 2008 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Raleigh, North Carolina
March 17, 2008

Table of Contents

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred during our most recent quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information*

None.

PART III

Item 10. *Directors, Executive Officers, and Corporate Governance*

As required by Section 303A.12(a) of the NYSE Listing Company Manual, our Chief Executive Officer made his annual certification to the NYSE stating that he was not aware of any violation by our Company of the corporate governance listing standards of the NYSE. In addition, the Company has filed, as Exhibits to the Annual Report on Form 10-K, the certifications of our Chief Executive Officer and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act of 2002 to be filed with the Securities and Exchange Commission regarding the quality of our public disclosure.

Information required by this Item is hereby incorporated by reference to the material appearing in the Company's Proxy Statement for its 2008 Annual Meeting of Stockholders to be filed within 120 days after December 31, 2007.

Guidelines

The Board of Directors has adopted a Code of Business Ethics, which applies to all employees, officers and directors, including the principal executive officer, principal financial officer and principal accounting officer, and is posted on the Company's website at <http://www.cogdellspencer.com>. The Company intends to satisfy and disclosure requirements under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of this Code of Business Conduct and Ethics by posting such information on its Web site at the address and location specified above.

The Board of Directors has adopted Corporate Governance Guidelines and charters for its Audit Committee and Compensation, Nominating and Governance Committee, each of which is posted on the Company's Web site. Investors may obtain a free copy of the Code of Business Ethics, the Corporate Governance Guidelines or the committee charters by contacting Investor Relations, Cogdell Spencer Inc., 4401 Barclay Downs Drive, Suite 300, Charlotte, North Carolina 28209, Attn: Dana Crothers or by telephoning (704) 940-2900.

Item 11. *Executive Compensation*

Information required by this Item is hereby incorporated by reference to the material appearing in the Company's Proxy Statement for its 2008 Annual Meeting of Stockholders to be filed within 120 days after December 31, 2007.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this item is hereby incorporated by reference to the material appearing in the Proxy Statement for its 2008 Annual Meeting of Stockholders to be filed within 120 days after December 31, 2007 under the captions Election of Directors Security Ownership of Certain Beneficial Owners and Security Ownership of Management.

Table of Contents

Item 13. *Certain Relationships, Related Transactions, and Director Independence*

Information required by this Item is hereby incorporated by reference to the material appearing in the Company's Proxy Statement for its 2008 Annual Meeting of Stockholders to be filed within 120 days after December 31, 2007.

Item 14. *Principal Accountant Fees and Services*

Information required by this Item is hereby incorporated by reference to the material appearing the Company's Proxy Statement for its 2008 Annual Meeting of Stockholders to be filed within 120 days after December 31, 2007.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

- 3.1 Articles of Amendment and Restatement of Cogdell Spencer Inc., incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 3.2 Bylaws of Cogdell Spencer Inc., incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 3.3 Amended and Restated Agreement of Limited Partnership of Cogdell Spencer LP, incorporated by reference to Exhibit 3.3 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 3.4 Declaration of Trust of CS Business Trust I, incorporated by reference to Exhibit 3.4 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 3.5 Declaration of Trust of CS Business Trust II, incorporated by reference to Exhibit 3.5 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 4.1 Form of stock certificate, incorporated by reference to Exhibit 4.0 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 10.1 Form of Registration Rights Agreement, by and among Cogdell Spencer Inc. and the parties listed on Schedule I thereto, incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.
- 10.2 Form of 2005 Long-Term Stock Incentive Plan, incorporated by reference to Exhibit 10.3 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 10.3 Form of Long-Term Stock Incentive Plan Award for employees without employment agreements, incorporated by reference to Exhibit 10.4 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 10.4 Form of Cogdell Spencer Inc. Performance Bonus Plan, incorporated by reference to Exhibit 10.5 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 10.5 Merger Agreement for Cogdell Spencer Inc., CS Merger Sub LLC and Cogdell Spencer Advisors, Inc. dated August 9, 2005, incorporated by reference to Exhibit 10.6 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 10.6 Form of Indemnification Agreement, incorporated by reference to Exhibit 10.7 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 10.7 Employment Agreement, dated October 21, 2005, by and between Cogdell Spencer Inc. and James W. Cogdell, incorporated by reference to Exhibit 10.8 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 10.8 Employment Agreement, dated October 21, 2005, by and between Cogdell Spencer Inc. and Frank C. Spencer, incorporated by reference to Exhibit 10.9 of the Company's Registration Statement on Form S-11 (File No. 333-127396).

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- 10.9 Employment Agreement, dated October 21, 2005, by and between Cogdell Spencer Inc. and Charles M. Handy, incorporated by reference to Exhibit 10.10 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 10.10 Engagement Letter from the Company to Realty Capital International Inc, incorporated by reference to Exhibit 10.11 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 10.11 Irrevocable Exchange and Subscription Agreement by and among James W. Cogdell, Cogdell Spencer Advisors, Inc., Cogdell Spencer LP and Cogdell Spencer Inc., incorporated by reference to Exhibit 10.12 of the Company's Registration Statement on Form S-11 (File No. 333-127396).

Table of Contents

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| 10.12 | Irrevocable Exchange and Subscription Agreement by and among Frank C. Spencer, Cogdell Spencer Advisors, Inc., Cogdell Spencer LP and Cogdell Spencer Inc., incorporated by reference to Exhibit 10.13 of the Company's Registration Statement on Form S-11 (File No. 333-127396). |
| 10.13 | Form of Irrevocable Exchange and Subscription Agreement for all holders of interests in the Existing Entities, with the exclusion of James W. Cogdell and Frank C. Spencer, incorporated by reference to Exhibit 10.14 of the Company's Registration Statement on Form S-11 (File No. 333-127396). |
| 10.14 | Form of Tax Protection Agreement for Existing Entities, except for Cabarrus POB, LLC, Medical Investors I, LLC and Medical Investors III, LLC., incorporated by reference to Exhibit 10.15 of the Company's Registration Statement on Form S-11 (File No. 333-127396). |
| 10.15 | Form of Tax Protection Agreement for Cabarrus POB, LLC, Medical Investors I, LLC and Medical Investors III, LLC., incorporated by reference to Exhibit 10.16 of the Company's Registration Statement on Form S-11 (File No. 333-127396). |
| 10.16 | Form of Transaction Agreement by and among Cogdell Spencer Inc., Cogdell Spencer LP, the applicable Existing Entity and CS Merger Sub LLC., incorporated by reference to Exhibit 10.17 of the Company's Registration Statement on Form S-11 (File No. 333-127396). |
| 10.17 | Commitment letter dated October 4, 2005, for \$100,000,000 senior unsecured revolving credit facility among Cogdell Spencer Inc., Bank of America, N.A., Bank of America Securities LLC, Citigroup Global Markets Inc., and Citigroup North America, Inc., incorporated by reference to Exhibit 10.18 of the Company's Registration Statement on Form S-11 (File No. 333-127396). |
| 10.18 | Form of Cogdell Spencer Inc. 2005 Equity Incentive Plan Restricted Stock Award Agreement., incorporated by reference to Exhibit 10.19 of the Company's Registration Statement on Form S-11 (File No. 333-127396). |
| 10.19 | Put Assignment Agreement dated August 11, 2005., incorporated by reference to Exhibit 10.20 of the Company's Registration Statement on Form S-11 (File No. 333-127396). |
| 10.20 | Form of Consent and Election Form, incorporated by reference to Exhibit 10.21 of the Company's Registration Statement on Form S-11 (File No. 333-127396). |
| 10.21 | Form of Long-Term Stock Incentive Plan Award for employees with employment agreements, incorporated by reference to Exhibit 10.22 of the Company's Registration Statement on Form S-11 (File No. 333-127396). |
| 10.22 | Schedule to Exhibit 10.14 reflecting consideration to be received by Randolph D. Smoak, M.D. and Charles M. Handy, incorporated by reference to Exhibit 10.23 to the Company's Registration Statement on Form S-11 (File No. 333-127396). |
| 10.23 | Methodist Professional Center Purchase and Sale Agreement dated December 13, 2005, incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006. |
| 10.24 | Hanover Medical Office Building One and 1808/1818 Verdugo Boulevard Purchase and Sale Agreement dated March 1, 2006, incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006. |
| 10.25 | Amendment No. 1 to the Credit Agreement and Waiver dated August 23, 2006, by and among Cogdell Spencer LP, Cogdell Spencer Inc., each subsidiary of Cogdell Spencer LP to the Guaranty, each lender signatory thereto and Bank of America, N.A., incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006. |
| 10.26 (1) | Amendment No. 2 to the Credit Agreement dated December 31, 2007, by and among Cogdell Spencer LP, Cogdell Spencer Inc., each subsidiary of Cogdell Spencer LP to the Guaranty, each lender signatory thereto and Bank of America, N.A. |
| 14.1 | Code of Ethics, incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2005. |

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- 21.1 List of Subsidiaries of Cogdell Spencer Inc., incorporated by reference to Exhibit 21.1 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 23.1 (1) Consent of Deloitte & Touche LLP.
- 31.1 (1) Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
- 31.2 (1) Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
- 32.1 (1) Certifications pursuant to Section 1350.

(1) Filed herewith.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COGDELL SPENCER INC.

Registrant

/s/ Frank C. Spencer

Date: March 14, 2008

Frank C. Spencer
*President and Chief Executive Officer
(Principal Executive Officer)*

/s/ Charles M. Handy

Date: March 14, 2008

Charles M. Handy
*Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: March 14, 2008

/s/ James W. Cogdell

James W. Cogdell
Chairman of the Board of Directors

Date: March 14, 2008

/s/ Frank C. Spencer

Frank C. Spencer
President, Chief Executive Officer and Director

Date: March 14, 2008

/s/ John R. Georgius

John R. Georgius
Director

Date: March 14, 2008

/s/ Christopher E. Lee

Christopher E. Lee
Director

Date: March 14, 2008

/s/ Randolph D. Smoak, M.D.

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Randolph D. Smoak, M.D.
Director

Date: March 14, 2008

/s/ Richard C. Neugent

Richard C. Neugent
Director

Date: March 14, 2008

/s/ Richard B. Jennings

Richard B. Jennings
Director