

Cogdell Spencer Inc.
Form 10-K
March 16, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009
- or
- 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)
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Registrant's telephone number, including area code:
(704) 940-2900

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

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

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required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>
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Indicate by check mark whether the registrant is a Shell Company (as defined in rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the common equity held by non-affiliates of the registrant as of June 30, 2009, the last business day of the registrant's most recently completed second fiscal quarter, was \$182,435,326 (based on the closing sale price of the registrant's common stock on that date as reported on the New York Stock Exchange).

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: 42,782,497 shares of common stock, par value \$0.01 per share, outstanding as of March 08, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the registrant's 2010 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.

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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 (the “Securities Act”), 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 comply with financial covenants in its debt instruments;
- the Company’s access to capital;
- 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;
- legislative and regulatory changes (including changes to laws governing the taxation of REITs and individuals);
- increases in costs of borrowing as a result of changes in interest rates and other factors;
- the Company’s ability to maintain its qualification as a REIT due to economic, market, legal, tax or other considerations;
- 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 and customers;
- access to financing by customers;
- delays in project starts and cancellations by customers;
- 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.

PART I

Item 1. Business

The Company

Cogdell Spencer Inc., incorporated in Maryland in 2005, together with its subsidiaries (the “Company”) 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 and ambulatory surgery and diagnostic centers. The Company focuses on the ownership, delivery, acquisition, and management of strategically located medical office buildings (“MOBs”) and other healthcare related facilities in the United States of America. The Company has been built around understanding and addressing the full range of specialized real estate needs of the healthcare industry. The Company operates its business through Cogdell Spencer LP, its operating partnership subsidiary (the “Operating Partnership”), and its subsidiaries.

The Company’s growth strategy includes leveraging strategic relationships and its integrated ownership and design-build platform for new wholly-owned or partially-owned developments, new design-build construction projects for third parties, and off-market acquisitions. The Company will also continue to enter into development joint ventures with hospitals and physicians.

The Company derives a majority of its revenues from two main sources: 1) from rents received from tenants under existing leases in medical office buildings and other healthcare related facilities, and 2) from revenue earned from design-build construction contracts and development contracts.

The Company expects that rental revenue will remain stable due to multi-year, non-cancellable leases with annual rental increases based on the Consumer Price Index (“CPI”). Generally, the Company’s property operating revenues and expenses have remained consistent over time except for growth due to property developments and property acquisitions. The Company’s property portfolio is stable with an average occupancy rate of 91.5% as of December 31, 2009. The Company’s property management team has a proactive, customer-focused service approach that leads to faster response times and greater resources to serve tenants. 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 property operating costs, increase tenant satisfaction, and reduce tenant turnover.

The Company has a national full-service planning, design and construction firm specializing in healthcare facilities. The Company, through a taxable REIT subsidiary (“TRS”), provides fully integrated solutions to healthcare facilities throughout the United States, including planning, architecture, engineering, construction, materials management, manufacturing, capital and development services. The Company is a leading design-builder of healthcare facilities with specialized expertise and concentration in high growth healthcare market segments and facility types. Founded in 1951, the Company and its predecessors have a 59 year track record of and reputation for delivering healthcare facilities with appropriate design, longevity, sustainability and excellent operational efficiency. Exclusively focused on the healthcare facilities market, the Company maintains long-term “trusted advisor” status with physicians and physician groups nationwide. The Company has successfully cultivated a client mix that is diversified in both geography and market focus and includes physician group practices and healthcare systems. The Company was ranked as the number one healthcare design-build firm for 2007 and 2008 by Modern Healthcare’s 2008 and 2009 Construction and Design Surveys.

Design-Build and development revenues and financial results can be affected by the amount and timing of capital spending by healthcare systems and providers, the demand for design-build and development services in the healthcare facilities market, the availability of construction level financing, and weather at the construction sites. Deterioration of market or economic conditions and volatility in the financial market has and could continue to influence future revenues, interest, and other costs.

As of December 31, 2009, the Company's portfolio consisted of 111 medical office buildings and healthcare related facilities, serving 23 hospital systems in 12 states. The Company's aggregate portfolio at December 31, 2009, was comprised of 62 consolidated wholly-owned and joint venture properties, one wholly-owned property held for sale and presented as discontinued operations, three unconsolidated joint venture properties, and 45 managed medical office buildings. At December 31, 2009, approximately 78.7% of the net rentable square feet of the Company's wholly-owned properties were 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.

At December 31, 2009, the Company's aggregate portfolio contained approximately 5.7 million net rentable square feet, consisting of approximately 3.4 million net rentable square feet from consolidated wholly-owned and joint venture properties, 38,703 net rentable square feet from one wholly-owned property reclassified as discontinued operations, approximately 0.2 million net rentable square feet from unconsolidated joint venture properties, and approximately 2.1 million net rentable square feet from properties owned by third parties and managed by the Company. As of December 31, 2009, the Company's 62 in-service, consolidated wholly-owned and joint venture properties were approximately 91.5% occupied, with a weighted average remaining lease term of approximately 4.5 years.

The Company's Management and Design-Build Construction Companies

The Company elected to be taxed as a REIT for U.S. 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 architectural, construction, 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 TRSs. Cogdell Spencer TRS Holdings, LLC and its subsidiaries (collectively "TRS Holdings") have elected, together with the Company, to be treated as TRSs. TRS Holdings is wholly-owned and controlled by the Operating Partnership.

Management

The Company's senior management team has an average of more than 22 years of healthcare real estate experience and has been involved in the development, redevelopment, engineering, design and construction, management, and acquisition of a broad array of medical office buildings and healthcare facilities. The Company's Chairman and founder, James W. Cogdell, has been in the healthcare real estate business for more than 38 years, and Frank C. Spencer, the Company's Chief Executive Officer, President and a member of its Board of Directors (the "Board of Directors"), has more than 14 years of experience in the industry. Scott Ransom, President, has more than 16 years of experience in the industry. Six members of the senior management team have entered into employment agreements with the Company. At December 31, 2009, the Company's senior management team owned approximately 7.3% of the units of limited partnership interest in the Operating Partnership ("OP 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 property management clients, with whom the Company has an average relationship lasting more than 26 years. The Company's strategy is to continue to grow its portfolio by leveraging these relationships and its integrated ownership and design-build platform 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.

At December 31, 2009, approximately 78.7% of the net rentable square feet of the Company's wholly-owned properties were 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 that are located farther away from the local hospital. 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, 2009, the Company's 62 in-service, consolidated wholly-owned and joint venture properties had an average occupancy rate of approximately 91.5%. The Company's tenants are diversified by type of medical practice, medical specialty and sub-specialty. As of December 31, 2009, no single tenant accounted for more than 7.5% 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, project delivery 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.

Development and Acquisition Strategy

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

- Project delivery.

The Company's project delivery teams focus on the development and design-build components of the integrated business model specializing in healthcare real estate. The Company and its predecessor companies have completed a variety of healthcare facility engagements including hospitals, medical office buildings, ambulatory surgery centers, wellness centers and multi-specialty clinics. The Company provides fully integrated healthcare real estate services from strategic planning and development to architecture to construction. The Company has built strong relationships with leading non-profit and for-profit healthcare systems which look to provide real estate solutions that will support the growth of medical communities built around their hospitals and regional medical centers. The Company focuses exclusively on medical office buildings and healthcare related facilities and believes that its experience and understanding of real estate and healthcare gives it a competitive advantage over less specialized developers. Further, the Company's specialized regional focus provides extensive local industry knowledge and insight across the United States of America. The Company believes the network of relationships that it has fostered in both the real estate and healthcare industries that span over five decades provides access to a large volume of potential development and acquisitions opportunities.

- Selective Development and Acquisitions.

The Company intends to leverage its strong healthcare real estate track record and extensive client network 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 expanded facilities to support the delivery of medical services. While the Company intends to continue the evaluation of acquisition opportunities primarily within its joint venture partnership with Northwestern Mutual, the focus of capital deployment has shifted to development and design-build project delivery. As of December 31, 2009, the joint venture partnership with Northwestern Mutual did not have any acquisitions under contract. For more information on the joint venture partnership with Northwestern, see Management's Discussion and Analysis of Financial Conditions and Results of Operations - "Liquidity and Capital Resources."

- 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. 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 53 healthcare properties the management team developed or acquired and currently

manages over the past 25 years, 29 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. The Company works closely with its clients and carefully considers their objectives and needs when evaluating an investment opportunity. 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 Financing.

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 local medical community and the strength of local hospitals. This analysis focuses on trying to place the project on a hospital campus or in a strategic growth corridor based on demographics.

Historically, the Company has financed real property developments and 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 has continued this practice of entering into joint ventures with individual physicians, physician groups and hospitals.

The Company has a \$150 million secured revolving credit facility (the "Credit Facility"). As of December 31, 2009, the Company had cash and cash equivalents of approximately \$25.9 million and the Company's Credit Facility had approximately \$61.7 of available borrowings, which the Company can use to finance development and acquisition opportunities. The Company plans to finance future developments and acquisitions through a combination of cash, borrowings under the Credit Facility, traditional secured mortgage financing, and equity and debt offerings.

Business Segments

The Company has two identified reportable segments: (1) Property Operations and (2) Design-Build and Development. The Company defines business segments by their distinct customer base and service provided. Each segment operates under a separate management group and produces discrete financial information, which is reviewed by the chief operating decision maker to make resource allocation decisions and assess performance. Inter-segment sales and transfers are accounted for as if the sales and transfers were made to third parties, which involves applying a negotiated fee onto the costs of the services performed. All inter-company balances and transactions are eliminated during the consolidation process.

The Company's management evaluates the operating performance of its operating segments based on funds from operations ("FFO") and funds from operations modified ("FFOM"). FFO, as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), represents net income (computed in accordance with 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 noncontrolling interests in real estate partnerships before real estate related depreciation and amortization. FFOM adds back to FFO non-cash amortization of non-real estate related intangible assets associated with purchase accounting. The Company considers FFO and FFOM important supplemental measures of the Company's operational performance. The Company believes FFO 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. The Company believes that FFOM allows securities analysts, investors and other interested parties to evaluate current period results to results prior to the MEA Holdings, Inc. ("MEA") transaction. FFO and FFOM are intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO and FFOM exclude depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, they provide performance measures that, when compared year over year, reflect the impact to operations from trends in occupancy rates, rental rates, operating costs,

development activities and interest costs, providing perspective not immediately apparent from net income. The Company's methodology may differ from the methodology for calculating FFO and FFOM utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. Further, FFO and FFOM do not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties.

Financial information concerning our business segments is presented in Note 6 to the accompanying Notes to Consolidated Financial Statements.

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. The Stark Law and 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. 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. Also, the HITECH Act, signed into law on February 17, 2009, expanded the extensive requirements related to the privacy and security of individually identifiable health information imposed by regulations issued pursuant to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and contains enhanced enforcement provisions related to those requirements. In addition, the U.S. Congress is currently debating and may enact comprehensive healthcare reform legislation that may have significant impact on the delivery and reimbursement of healthcare items and services. The Company cannot predict the impact that the proposed legislation, if enacted, may have on the Company's tenants.

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 law, which, unless an exception applies, prohibits physicians from referring patients to an entity if the physicians have a financial relationship with or ownership interest in the entity and the entity provides designated health services, does not apply to physician ownership in the Company's entities because these entities do not own or operate any healthcare providers, 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 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 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.

In addition, state and local laws may 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.

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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 actively manages the insurance component of the budget for each project. The Company engages a risk management consultant to assist with this process. 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.

The Company's business activities could expose it to potential liability under various environmental laws and under workplace health and safety regulations. The Company cannot predict the magnitude of such potential liabilities. The Company maintains a comprehensive general liability policy with an umbrella policy that covers losses beyond the general liability limits. The Company also maintains professional errors and omissions liability and contractor's pollution liability insurance policies in amounts that the Company believes is adequate coverage for its business.

The Company obtains insurance coverage through a broker that is experienced in the professional liability field. The broker and the Company's risk manager regularly review the adequacy of the Company's insurance coverage. Because there are various exclusions and retentions under the policies, or an insurance carrier may become insolvent, there can be no assurance that all potential liabilities will be covered by the Company's insurance policies or paid by the Company's carriers.

The Company evaluates the risk associated with claims. If there is a determination that a loss is probable and reasonably estimable, an appropriate reserve is established. A reserve is not established if the Company determines that a claim has no merit or is not probable or reasonably estimable. Partially or completely uninsured claims, if successful and of significant magnitude, could have a material adverse effect on the Company's business.

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

The market for design-build construction services is generally highly competitive and fragmented. The Company's competitors are numerous, consisting mainly of small and regional private firms. The Company believes that it is well positioned to compete in its markets because of its healthcare industry specialization, strong reputation, long-term client relationships, and integrated delivery of services.

Employees

As of December 31, 2009, the Company had 454 employees. The Company's professional staff performs functions in property management, acquisitions, real estate development, architecture, engineering, and construction management. Less than 5% of the Company's employees are covered by collective bargaining agreements, which are subject to amendment in November 2010, or by specific labor agreements, which expire upon completion of the relevant

project. There are no material disagreements with employees and the Company considers the relationships with its employees to be favorable.

Equity Offering

In June 2009, the Company issued 23.0 million shares of common stock, resulting in net proceeds to the Company of \$76.5 million. The net proceeds were used to fund the \$50.0 million repayment under the Term Loan, to reduce borrowings under the Credit Facility, and for working capital purposes.

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 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 (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The Company's Website is www.cogdell.com. Its reports on Forms 10-K, 10-Q and 8-K, and all amendments to those reports are posted on the Company's Website 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 Website are not incorporated by reference herein.

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 held a diverse portfolio of investments outside of real estate or outside of medical office buildings and healthcare related properties.

The Company depends on significant tenants.

As of December 31, 2009, the Company's five largest tenants represented \$17.3 million, or 22.2%, 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, Lancaster General Hospital, and Exodus Medical Group, P.A. The Company's significant tenants, as well as other 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 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 a substantial amount 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. The Company may not be able to 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 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.

The severely weakened economy, and other events or circumstances beyond the control of the Company, may adversely affect the Company's industry, business, results of operations, contractual commitments, and access to capital.

Continued concerns about the uncertainty over whether the U.S. economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of increased unemployment, volatile energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market and a severely distressed real estate market have contributed to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect the Company's ability to generate revenues and/or increase its costs, thereby reducing the Company's operating income and earnings. It could also have an adverse impact on the ability of the Company's tenants to maintain occupancy and rates in the Company's properties. These economic conditions 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.

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:

- 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;
- the national economic climate in which the Company operates, which may be adversely impacted by, among other factors, a reduction in the availability of debt or equity financing, industry slowdowns, relocation of businesses and changing demographics;
- 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.

Current levels of market volatility are unprecedented.

The capital and credit markets have been experiencing volatility and disruption for more a significant period of time. In some cases, the markets have produced downward pressure on stock prices and credit capacity for certain issuers without regard to those issuers' underlying financial and/or operating strength. If current levels of market disruption and volatility continue or worsen, there can be no assurance that the Company will not experience an adverse effect, which may be material, on the Company's business, financial condition, and results of operations. Disruptions, uncertainty or volatility in the capital markets may also limit the Company's access to capital from financial institutions on attractive terms, or at all, and its ability to raise capital through the issuance of equity securities could be adversely affected by causes beyond the control of the Company through ongoing extraordinary disruptions in the global economy and financial systems or other events.

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 10.0%, 25.4% and 26.1%, respectively, of the Company's total annualized rent as of December 31, 2009. 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'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. 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 attractive 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 has relied, and in the future may rely, 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.

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 a key component of its long-term growth 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 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 attractive terms and successfully integrate and operate them may be constrained by the following significant risks:

- failure to finance an acquisition on attractive terms or at all;
- 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;
- 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.

The Company may not be able to obtain additional capital to further its business objectives.

The Company's ability to develop, redevelop or acquire properties depends upon its ability to obtain capital. The real estate industry is currently experiencing a debt and equity capital market that is virtually frozen. This lack of capital is expected to cause a decrease in the level of new investment activity by publicly traded real estate companies. A prolonged period in which the Company cannot effectively access the public equity or debt markets may result in heavier reliance on alternative financing sources to undertake new investments. An inability to obtain equity or debt capital on acceptable terms could delay or prevent the Company from acquiring, financing and completing desirable investments, and which could otherwise adversely affect the Company's business. Also, the issuance of additional shares of capital stock or interests in subsidiaries to fund future operations could dilute the ownership of the Company's then-existing stockholders. Even as liquidity returns to the market, debt and equity capital may be more expensive than in prior years.

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, 2009, leases representing 16.8% of the Company's net rentable square feet will expire in 2010, 8.9% in 2011 and 19.2% in 2012. These expirations would account for 16.8%, 9.0% and 22.2% of the Company's annualized rent, respectively. Approximately 67.9% of the square feet of the Company's properties and 59.7% 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 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 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.

The Company depends upon its tenants to operate their businesses in a manner which generates revenue sufficient to allow them to meet their obligations to the Company, including their obligation to pay rent. 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 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 incur impairment charges on goodwill or other intangible assets.

Because the Company has grown in part through acquisitions, goodwill and other acquired intangible assets represent a significant portion of the Company's assets. The Company performs an annual impairment review on its goodwill and other intangible assets in the fourth quarter of every fiscal year. In addition, the Company performs an impairment review whenever events or changes in circumstances indicate that the carrying value of goodwill or other intangible assets may exceed the fair value of such assets. As a result of a decline in our stock price, a decline in the cash flow multiples for comparable public engineering and construction companies, and changes in the cash flow projections for the Design-Build and Development business segment due to a decline in backlog and delays and cancellations of client building projects, we performed an interim impairment review of our goodwill related to this business segment as of March 31, 2009. Based on this review, during the first quarter of 2009, we recorded a pre-tax, non-cash impairment charge of (\$120.9 million), resulting in an after-tax impairment charge of (\$101.7 million). There is no assurance that continuing adverse economic conditions will not result in additional future impairments of goodwill or other intangible assets which could have a material adverse effect on our financial condition and results of operations.

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 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.

Joint investments could be adversely affected by the Company's lack of sole decision-making authority and reliance upon a co-venturer's financial condition.

The Company may co-invest with third parties through partnerships, joint ventures, co-tenancies or other entities, acquiring non-controlling interests in, or sharing responsibility for managing the affairs of, a property, partnership, joint venture, co-tenancy or other entity. Therefore, the Company may not be in a position to exercise sole decision-making authority regarding that property, partnership, joint venture or other entity. Investments in partnerships, joint ventures, or other entities may involve risks not present were a third party not involved, including the possibility that the Company's partners, co-tenants or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, the Company's partners or co-venturers might at any time have economic or other business interests or goals, which are inconsistent with the Company's business interests or goals. These investments may also have the potential risk of impasses on decisions such as a sale, because neither the Company nor the partner, co-tenant or co-venturer would have full control over the partnership or joint venture. Consequently, actions by such partner, co-tenant or co-venturer might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, the Company may in specific circumstances be liable for the actions of third-party partners, co-tenants or co-venturers.

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

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

The Company has 29 consolidated wholly-owned and joint venture properties that are subject to leasehold interests in the land or air underlying the buildings and the Company may acquire additional buildings in the future that are subject to similar ground or air leases. These 29 consolidated wholly-owned and joint venture properties represent 52.9% 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. 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 Company's Design-Build and Development Segment

Continuing adverse economic conditions could cause the Company's clients to delay, curtail or cancel proposed or existing projects, which could result in a decrease in demand for the Company's services.

The demand for the Company's services has been, and will likely continue to be, cyclical in nature and vulnerable to general downturns in the U.S. economy. Adverse economic conditions may decrease the Company's customers' willingness or ability to make capital expenditures or otherwise reduce their spending to purchase the Company's services, which could result in reduced revenues or margins for the Company's business. Many of the Company's customers finance their projects through cash flow from operations, the incurrence of debt or the issuance of equity. Although the U.S. economy has begun to show signs of recovery, there is still concern over the threat of declines in the credit markets and a lack of availability of credit. Furthermore, the Company's customers may be affected by economic downturns that decrease the need for their services or the profitability of their services, which could result in a decrease of their cash flow from operations. A reduction in the Company's customers' cash flow from operations and the lack of availability of debt or equity financing could cause the Company's customers to delay, curtail or cancel proposed or existing projects, which could result in a decrease in demand for the Company's services.

The Company's results of operations depend upon the award of new design-build contracts and the nature and timing of those awards.

The Company's revenues are derived primarily from contracts awarded on a project-by-project basis. Generally, it is very difficult to predict whether and when the Company will be awarded a new contract since many potential contracts involve a lengthy and complex bidding and selection process that may be affected by a number of factors, including changes in existing or assumed market conditions, financing arrangements, governmental approvals and environmental matters. Because the Company's revenues are derived primarily from these contracts, its results of operations and cash flows can fluctuate materially from period to period depending on the timing of contract awards.

In addition, adverse economic conditions could alter the overall mix of services that the Company's customers seek to purchase, and increased competition during a period of economic decline could result in the Company accepting contract terms that are less favorable to the Company than it might otherwise be able to negotiate. Changes in the Company's mix of services or a less favorable contracting environment may cause the Company's revenues and margins to decline.

If the Company experiences delays and/or defaults in customer payments, the Company could be unable to recover all expenditures.

Because of the nature of the Company's design-build contracts, the Company may at times commit its financial resources to projects prior to receiving payments from the customer in amounts sufficient to cover expenditures on the projects as they are incurred. Delays in customer payments may require the Company to make a working capital investment. If a customer defaults in making payments on a project in which the Company has devoted significant financial resources, it could have a material adverse effect on the Company's business. This risk can be exacerbated as a result of a downturn in economic conditions, including recent developments in the economy and capital markets.

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

Most of the Company's contracts are currently negotiated guaranteed maximum price or fixed price contracts, giving the Company's clients a clear understanding of the project's costs but also locking in the Company so that the Company 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 the Company, 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 the Company which delay the performance or completion of a project or increase the Company's cost of performing the services and work to complete the project), cost overruns may occur, and the Company 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 the Company's engineering, architecture, construction and other businesses exposes it to potential liabilities and disputes which may reduce its profits.

The Company 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 the Company's business results in customers, subcontractors, vendors, suppliers and governmental authorities occasionally asserting claims against the Company for damages or losses for which they believe the Company is liable, including damages and/or losses (including consequential damages or losses) arising from allegations of: (1) defective, nonconforming, legally noncompliant or otherwise deficient design, materials, equipment or workmanship; (2) late performance, completion or delivery of all or any portion of a project; (3) bodily injury, sickness, disease or death; (4) injury to or destruction of property; (5) failure to design or perform work in accordance with applicable laws, statutes, ordinances, and regulations of any governmental authority; (6) violations of the Federal "Occupational Safety and Health Act", 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; (7) 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 (8) failure to pay parties providing services, labor, materials, equipment, supplies and similar items to projects.

Many of the Company's contracts with customers do not limit the Company's liability for damages or losses. These claims often arise in the normal course of the Company's business, and may be asserted with respect to projects completed and/or past occurrences. When it is determined that the Company has liability, such liability may not be covered by insurance or, if covered, the dollar amount of the liability may exceed the Company'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 the Company's reputation within its industry and among its client base, making it more difficult to obtain future projects.

The Company's Design-Build and Development segment's backlog of uncompleted projects under contract is subject to unexpected adjustments and cancellations and thus, may not accurately reflect future revenue and profits.

Backlog is our estimate of the revenues we expect to earn in future periods on our contracts relating to the Design-Build and Development business segment. There is no assurance that backlog will actually be realized as revenues or, if realized, will result in profits. In accordance with industry practice, substantially all of Erdman's contracts are subject to cancellation, termination, or suspension at the discretion of the client. In addition, the contracts in our backlog are subject to changes in the scope of services to be provided as well as adjustments to the costs relating to the contracts. Projects can remain in backlog for extended periods of time because of the nature of the project and the timing of the particular services required by the project. Accordingly, actual results may differ from the expectations and estimates we rely upon in determining our backlog, which may negatively affect our cash flow projections.

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

The Company's operations are subject to environmental laws and regulations, including those concerning:

- generation, storage, handling, treatment and disposal of hazardous material and wastes;
 - emissions into the air;
 - discharges into waterways; and
 - health and safety.

The Company's projects often involve highly regulated materials, including hazardous wastes. Environmental laws and regulations generally impose limitations and standards for regulated materials and require the Company to obtain permits and comply with various other requirements. The improper characterization, handling, or disposal of regulated materials or any other failure by us to comply with federal, state and local environmental laws and regulations or associated environmental permits could subject the Company to the assessment of administrative, civil and criminal penalties, the imposition of investigatory or remedial obligations, or the issuance of injunctions that could restrict or prevent the Company's ability to operate its business and complete contracted projects.

In addition, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), and comparable state laws, the Company may be required to investigate and remediate regulated materials. CERCLA and the comparable state laws typically impose liability without regard to whether a company knew of or caused the release, and liability for the entire cost of clean-up can be imposed upon any responsible party.

The environmental, workplace, employment and health and safety laws and regulations, among others, to which the Company is subject are complex, change frequently and could become more stringent in the future. It is impossible to predict the effect that any future changes to these laws and regulations could have on the Company. Any failure to comply with these laws and regulations could materially adversely affect the Company's business, financial condition and results of operations.

Risks Related to the Healthcare Industry

Pending healthcare legislations and 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.

The U.S. Congress is currently debating and may enact comprehensive healthcare reform legislation that may have significant impact on the delivery and reimbursement of healthcare items and services. See "Business - Regulation."

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.

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. Additional cost reduction measures may be included in the healthcare reform legislation being debated in the U.S. Congress. Efforts by government and private 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, and the privacy and security of individually identifiable health information.

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.

Privacy and security regulations issued pursuant to HIPAA extensively regulate the use and disclosure of individually identifiable health information. See "Business - Regulation." The HITECH Act, signed into law on February 17, 2009, broadened the scope of those requirements and contains enhanced enforcement provisions, including: (i) increased civil monetary penalties; (ii) allowing state attorneys general to bring civil actions for HIPAA violations; and (iii) requiring the U.S. Department of Health and Human Services to conduct audits of covered entities, such as healthcare providers, to determine their compliance with HIPAA. The cost of complying with these requirements or the imposition of penalties for HIPAA violations could adversely affect the ability of a tenant 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 trading price of the Company's common stock.

The Company's tenants are subject to the Stark Law and 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 the Stark Law and fraud and abuse laws, to the extent these lease arrangements create indirect financial relationships between the tenants and the Company that are subject to these laws and regulations.

These laws that may apply to tenants 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 Stark Law, which, subject to specific exceptions, restricts physicians who have financial relationships with healthcare providers from making referrals for specifically designated 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.

Risks Related to 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, 2009, the Company has approximately \$410.9 million of outstanding indebtedness, \$365.6 million of which is secured. Approximately \$25.3 million and \$181.7 million of the Company's outstanding indebtedness will mature in 2010 and 2011, respectively. The Company expects to incur additional debt in connection with future development and redevelopment projects and acquisitions. The Company may borrow under its Credit Facility, or borrow new funds to complete these projects and acquisitions. 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 development, redevelopment and acquisition activities, this will reduce the amount available for development and redevelopment projects and 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.

As a result of recent market events, including the contraction among and failure of certain lenders, it may be more difficult for the Company to secure financing.

The Company's results of operations may be materially affected by conditions in the financial markets and the economy generally. Over the past several years, concerns over inflation, energy costs, geopolitical issues, unemployment, the availability and cost of credit, the mortgage market and a declining real estate market have contributed to increased volatility and diminished expectations for the economy and markets.

Dramatic declines in the housing market, with decreasing home prices and increasing foreclosures and unemployment, have resulted in significant asset write-downs by financial institutions, which have caused many financial institutions to seek additional capital, to merge with other institutions and, in some cases, to fail. The Company relies on the availability of financing to execute its business strategy. Institutions from which the Company may seek to obtain financing may have owned or financed residential mortgage loans, real estate-related securities and real estate loans which have declined in value and caused losses as a result of the recent downturn in the markets. Many lenders and institutional investors have reduced and, in some cases, ceased to provide funding to borrowers, including other financial institutions. If these conditions persist, these institutions may become insolvent. As a result of recent market events, it may be more difficult for the Company to secure financing as there are fewer institutional lenders and those remaining lenders have tightened their lending standards.

As a result of these events, it may be more difficult for the Company to obtain financing on attractive terms, or at all, and the Company's financial position and results of operations could be adversely affected.

The Company's ability to pay distributions is dependent on a number of factors and is not assured, and the Company's distributions to stockholders may decline at any time.

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 on 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. A reduction in distributions to stockholders may negatively impact the Company's stock price.

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, 2009, the Company has approximately \$410.9 million of outstanding indebtedness, of which approximately \$70.0 million, or 17.1%, 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 2.1% per year as of December 31, 2009. 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 and Term Loan 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 and Term Loan (defined in Note 9 to the accompanying Consolidated Financial Statements) contains financial and operating covenants, including tangible net worth requirements, fixed charge coverage and debt ratios and other limitations on the Company's ability to make distributions or other 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, 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 New York Stock Exchange (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. 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 qualification and listing on the New York Stock Exchange, (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. Both the Credit Facility and the Term Loan have 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 (\$45 million plus 85% of the net proceeds of equity issuances issued after the closing date). In addition, there are financial covenants relating only to Design-Build and Development, including a covenant relating to maximum consolidated senior indebtedness to adjusted consolidated EBITDA (3.50 to 1.00). As of December 31, 2009, consolidated senior indebtedness to adjusted consolidated EBITDA was 2.37, and the Company may be required to repay a portion of the principal balance if adjusted consolidated EBITDA is insufficient to meet the ratio of maximum consolidated senior indebtedness to adjusted consolidated EBITDA.

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 or Term Loan could result in a default. 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.

If lenders under the Company's Credit Facility fail to meet their funding commitments, the Company's financial position would be negatively impacted.

Access to external capital on favorable terms is critical to the Company's success in growing and maintaining its portfolio. If financial institutions within the Company's Credit Facility were unwilling or unable to meet their respective funding commitments to the Company, any such failure would have a negative impact on the Company's operations, financial condition and ability to meet its obligations, including the payment of dividends to stockholders.

Risks Related to the Company's Organization and Structure

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 24 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 69.9% 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.

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 connection with the acquisition of MEA, the Company entered into various agreements with MEA, including the merger agreement, pursuant to which the Company is entitled to indemnification and damages in the event of breaches of representations and warranties made by MEA. Because two members of the Company's Board of Directors, Mr. Lubar and Mr. Ransom, and certain other key employees and personnel were also former owners, officers and directors of MEA, the Company may choose not to enforce, or to enforce less vigorously, the Company's rights under these agreements. In addition, the Company is party to employment agreements with Messrs. Cogdell, Spencer, Handy and Ransom, 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 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.

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 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 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 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.

The Company may choose to make distributions in its own stock, in which case you may be required to pay income taxes in excess of the cash dividends you receive.

As a REIT, the Company is required to distribute at least 90% of its taxable income to its stockholders. In order to satisfy this requirement, the Company may distribute taxable dividends that are payable in cash and shares of its common stock at the election of each stockholder. Under IRS Revenue Procedure 2010-12, up to 90% of any such taxable dividend with respect to the taxable years 2010 and 2011 could be payable in the Company's stock. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of the Company's current or accumulated earnings and profits for U.S. federal income tax purposes. As a result, U.S. stockholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. Accordingly, U.S. stockholders receiving a distribution of the Company's shares may be required to sell shares received in such distribution or may be required to sell other stock or assets owned by them, at a time that may be disadvantageous, in order to satisfy any tax imposed on such distribution. If a U.S. stockholder sells the stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of the Company's stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, the Company may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock, by withholding or disposing of part of the shares in such distribution and using the proceeds of such disposition to satisfy the withholding tax imposed. In addition, if a significant number of the Company's stockholders determine to sell shares of the Company's common stock in order to pay taxes owed on dividends, such sale may put downward pressure on the trading price of the Company's common stock.

Further, while Revenue Procedure 2010-12 applies only to taxable dividends payable by the Company in a combination of cash and stock with respect to the taxable years 2010 and 2011, it is unclear whether and to what extent the Company will be able to pay taxable dividends in cash and stock in later years. Moreover, various tax aspects of such a taxable cash/stock dividend are uncertain and have not yet been addressed by the IRS. No assurance can be given that the IRS will not impose additional requirements in the future with respect to taxable cash/stock dividends, including on a retroactive basis, or assert that the requirements for such taxable cash/stock dividends have not been met.

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 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 qualification 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 its 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 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 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 TRSs are fully taxable corporations that will be subject to taxes on their income and such TRSs 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 TRSs 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 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.

The Company's ability to invest in TRSs is limited by its qualification as a REIT, and accordingly may limit its ability to grow the business of the Design-Build and Development segment.

In order for the Company to qualify as a REIT, no more than 25% of the value of its assets may consist of securities of one or more TRSs (20% for taxable years ended on or before December 31, 2008). The Company has jointly elected with TRS Holdings and its subsidiaries to treat such entities as TRSs. Accordingly, the Company's ability to grow and expand the business of TRS Holdings and its subsidiaries, absent a corresponding increase in the value of its real estate assets, will be limited by the Company's need to continue to meet the applicable TRS limitation which could adversely affect returns to its stockholders.

If the aggregate value of the securities the Company owns in its TRSs were determined to be in excess of 25% (20% with respect to our taxable years ended on or before December 31, 2008) of the value of its total assets, the Company could fail to qualify as a REIT or be subject to a penalty tax and forced to dispose of TRS securities.

For the Company to continue to qualify as a REIT, the aggregate value of all securities that the Company holds in its TRSs may not exceed 25% (20% with respect to its taxable years ended on or before December 31, 2008) of the value of its total assets. The value of in the Company's TRS's securities and its real estate assets is based on determinations of fair market value which are not subject to precise determination. The Company will not lose its qualification as a REIT if the Company were to fail the TRS limitation at the end of a quarter because of a discrepancy between the value of its TRSs and its other investments unless such discrepancy exists after the acquisition of TRS securities and is wholly or partially the result of such acquisition (including as a result of an increased investment in existing TRSs, either directly, or by way of a limited partner of the operating partnership exercising an exchange right, or the Company raising additional capital and contributing such capital to its operating partnership). If the Company were to fail to satisfy the TRS limitation at the end of a particular quarter and it was considered to have acquired TRS securities during such quarter, it would fail to qualify as a REIT unless it cured such failure by disposing of TRS securities or otherwise coming into compliance with the TRS limitation within 30 days after the close of such quarter. Based on such rules and the Company's determination of the fair market value of its assets and the securities of its TRSs, the Company believes that the Company has satisfied and will continue to satisfy the TRS limitation. Notwithstanding the foregoing, as the fair market value of the Company's TRS securities and real estate assets cannot be determined with absolute certainty, and the Company does not control when a limited partner of its operating partnership will exercise its redemption right, no assurance can be given that the Internal Revenue Service ("IRS") will not successfully challenge the valuations of the Company's assets or that the Company has met and will continue to meet the TRS limitation. In addition, if the value of the Company's real estate assets were to decrease, the Company's ability to own TRS securities or other assets not qualifying as real estate assets will be limited and the Company could be forced to dispose of its TRS securities or such other assets in order to comply with REIT requirements.

If the Internal Revenue Service were to successfully challenge its valuation of certain of its subsidiaries, the Company may fail to qualify as a REIT.

While the Company believes the Company has properly valued the securities the Company holds in its TRSs, there is no guarantee that the IRS would agree with such valuation or that a court would not agree with such determination by the IRS. In the event the Company has improperly valued the securities the Company holds in its TRSs, the Company may fail to satisfy the 25% (20% with respect to its taxable year ended on or before December 31, 2008 and prior taxable years) asset test which may result in its failure to qualify as a REIT.

Item 1B. Unresolved Staff
Comments

None.

Item 2. Properties

As of December 31, 2009, the Company owned and/or managed 111 MOB's and healthcare related facilities, 62 of which are consolidated wholly-owned and joint ventures, three of which are jointly owned with unaffiliated third parties and managed through a TRS, 45 of which are managed for third parties through a TRS and one of which is wholly-owned and classified as discontinued operations and is currently being marketed for sale. MOB's 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 5.7 million net rentable square feet of as of December 31, 2009. As of December 31, 2009, the Company's 62 in-service, consolidated wholly-owned and joint venture properties were approximately 91.5% occupied with a weighted average remaining lease term of approximately 4.5 years, accounting for 96.0%, 95.7%, and 94.7% of total rental revenue and property management and other income for the years ended December 31, 2009, 2008, and 2007, respectively.

At December 31, 2009, 78.7% of the Company's consolidated wholly-owned and joint venture properties are located on hospital campuses, 10.7% are located off-campus but in which a hospital is the sole or anchor tenant, and 10.6% are off campus.

At December 31, 2009, no tenant occupied 10% or more of the net rentable square feet at the Company's properties.

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The following table contains additional information about the Company's consolidated wholly-owned and joint venture properties as of December 31, 2009:

	Location	Ownership		Net Rentable Square Feet	Occupancy Rate		Annualized Rent	Annualized Rent Per Leased Square Foot
California								
Verdugo Hills								
Professional Bldg I	Glendale	100.0 %		63,887	95.2 %	\$	1,952,001	\$ 32.09
Verdugo Hills								
Professional Bldg II	Glendale	100.0 %		42,906	99.5 %		1,421,506	33.29
				106,793	96.9 %		3,373,507	32.59
Florida								
Woodlands Center for Specialized Medicine								
	Pensacola	40.0 %		75,985	100.0 %		2,511,586	33.05
Georgia								
Augusta POB I	Augusta	100.0 %		99,494	81.9 %		1,136,792	13.95
Augusta POB II	Augusta	100.0 %		125,634	87.6 %		2,244,082	20.38
Augusta POB III	Augusta	100.0 %		47,034	90.0 %		891,990	21.08
Augusta POB IV	Augusta	100.0 %		55,134	82.5 %		897,199	19.72
Summit								
Professional Plaza I	Brunswick	100.0 %		33,039	93.5 %		831,554	26.92
Summit								
Professional Plaza II	Brunswick	100.0 %		64,233	96.7 %		1,774,742	28.56
				424,568	87.7 %		7,776,359	20.88
Indiana								
Methodist Professional Center I (1)								
	Indianapolis	100.0 %		150,243	96.4 %		3,512,790	24.25
Methodist Professional Center II (sub-lease)								
	Indianapolis	100.0 %		24,080	100.0 %		605,739	25.16
				174,323	96.9 %		4,118,529	24.38
Kentucky								
OLBH Same Day Surgery Center and MOB								
	Ashland	100.0 %		46,907	95.9 %		1,156,321	25.70
OLBH Parking Garage								
							868,554	
				46,907	95.9 %		2,024,875	25.70 (2)
Louisiana								
East Jefferson MOB Metairie								
		100.0 %		119,921	100.0 %		2,564,795	21.39
East Jefferson								
Medical Plaza	Metairie	100.0 %		123,184	100.0 %		2,760,449	22.41
East Jefferson MRI Metairie								
		100.0 %		10,809	100.0 %		968,693	89.62
				253,914	100.0 %		6,293,937	24.79
New York								
	Syracuse	100.0 %		111,634	96.7 %		3,003,222	27.82

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Central NY Medical Center (3)

North Carolina

Alamance Regional Mebane Outpatient

Ctr	Mebane	35.1	%	68,206	71.1	%	1,777,191	36.67
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Barclay Downs	Charlotte	100.0	%	38,395	100.0	%	868,845	22.63
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Birkdale Bldgs C, D, E and Birkdale Wellness

	Huntersville	100.0	%	64,669	100.0	%	1,424,210	22.02
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Birkdale II	Huntersville	100.0	%	8,269	100.0	%	219,787	26.58
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Copperfield Medical Mall

	Concord	100.0	%	26,000	100.0	%	619,286	23.82
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East Rocky Mount Kidney Center

	Rocky Mount	100.0	%	8,043	100.0	%	158,849	19.75
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English Road Medical Center

(formerly known as Rocky Mount MOB)

	Rocky Mount	34.5	%	35,393	95.7	%	923,616	27.28
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Gaston Professional & Ambulatory Surgery

Centers	Gastonia	100.0	%	114,956	100.0	%	2,765,656	24.06
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Gaston Parking							606,141	
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Gateway Medical Office Building

(formerly known as Copperfield MOB)

	Concord	100.0	%	61,789	87.9	%	1,302,208	23.99
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Harrisburg Family Physicians

	Harrisburg	100.0	%	8,202	100.0	%	219,903	26.81
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Harrisburg Medical Mall

	Harrisburg	100.0	%	18,360	100.0	%	495,465	26.99
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Lincoln/Lakemont Family Practice

	Lincolnton	100.0	%	16,500	100.0	%	390,119	23.64
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Mallard Crossing Medical Park

	Charlotte	100.0	%	52,540	62.9	%	843,352	25.51
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Medical Arts Building

(formerly known as Cabarrus POB)

	Concord	100.0	%	84,972	98.2	%	1,877,862	22.51
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Midland Medical Park

	Midland	100.0	%	14,610	100.0	%	437,341	29.93
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Mulberry Medical Park

	Lenoir	100.0	%	24,992	87.0	%	459,177	21.11
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Northcross Family Physicians

	Charlotte	100.0	%	8,018	100.0	%	229,898	28.67
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Randolph Medical Park

	Charlotte	100.0	%	84,131	71.8	%	1,317,286	21.80
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		100.0	%	10,105	100.0	%	199,574	19.75
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Rocky Mount
Kidney Center

Rocky
Mount

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North Carolina (continued)							
Rocky Mount Medical Park	Rocky Mount	100.0	%	96,993	100.0	%	2,036,941 21.00
Rowan Outpatient Surgery Center	Salisbury	100.0	%	19,464	100.0	%	435,162 22.36
Weddington Internal & Pediatric Medicine	Concord	100.0	%	7,750	100.0	%	199,904 25.79
				872,357	91.2	%	19,807,773 24.14 ⁽²⁾
Pennsylvania							
Lancaster Rehabilitation Hospital	Lancaster	100.0	%	52,878	100.0	%	1,258,155 23.79
Lancaster ASC MOB	Lancaster	80.9	%	64,214	100.0	%	1,984,201 30.90
				117,092	100.0	%	3,242,356 27.69
South Carolina							
200 Andrews Beaufort Medical Plaza	Greenville Beaufort	100.0	%	25,902 59,340	100.0	%	621,138 23.98 1,288,908 21.72
Carolina Forest Medical Plaza	Myrtle Beach	100.0	%	38,902	43.5	%	525,068 31.05
Mary Black Westside Medical Office Bldg	Spartanburg	100.0	%	37,455	100.0	%	817,044 21.81
Medical Arts Center of Orangeburg	Orangeburg	100.0	%	49,324	80.4	%	776,318 19.58
One Medical Park Palmetto Health Parkridge	Columbia	100.0	%	69,840 89,451	80.8	%	1,369,857 24.27 2,054,587 24.28
Providence MOB I	Columbia	100.0	%	48,500	87.2	%	928,504 21.95
Providence MOB II	Columbia	100.0	%	23,280	100.0	%	481,609 20.69
Providence MOB III	Columbia	100.0	%	54,417	55.5	%	650,109 21.54
River Hills Medical Plaza	Little River	100.0	%	27,566	79.5	%	701,030 31.99
Roper Medical Office Building	Charleston	100.0	%	122,785	99.3	%	2,547,834 20.91
Roper Mt. Pleasant Medical Office (Long Point) (formerly known as Mt. Pleasant MOB)	Mt. Pleasant	100.0	%	38,735	77.4	%	787,813 26.29
St. Francis CMOB	Greenville	100.0	%	45,140	100.0	%	1,185,828 26.27
St. Francis Medical Plaza (Charleston) (formerly known as West Medical I)	Charleston	100.0	%	28,734	100.0	%	819,105 28.51
St. Francis Medical Plaza (Greenville)	Greenville	100.0	%	62,724	50.7	%	634,553 19.96
St. Francis Professional Medical Center	Greenville	100.0	%	49,767	100.0	%	1,111,631 22.34

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St. Francis Women's	Greenville	100.0	%	57,590	76.5	%	937,594	21.29
Three Medical Park	Columbia	100.0	%	88,755	100.0	%	2,147,321	24.19
				1,018,207	86.2	%	20,385,851	23.22
Tennessee								
Health Park Medical								
Office Building	Chattanooga	100.0	%	52,151	100.0	%	1,975,483	37.88
Peerless Crossing								
Medical Center	Cleveland	100.0	%	40,506	100.0	%	1,231,652	30.41
				92,657	100.0	%	3,207,135	34.61
Virginia								
MRMC MOB I								
(formerly known as								
Hanover								
MOB I)	Mechanicsville	100.0	%	56,610	100.0	%	1,602,012	28.30
St. Mary's MOB								
North (Floors 6 & 7)	Richmond	100.0	%	30,617	90.1	%	700,573	25.40
				87,227	96.5	%	2,302,585	27.35
Total				3,381,664	91.5	%	\$ 78,047,715	\$ 24.74
Discontinued Operations - South Carolina								
Harbison Medical								
Office Building								
(formerly known								
as Baptist Northwest)								
	Columbia	100.0	%	38,703	41.3	%	\$ 354,267	\$ 22.15

(1) Parking revenue from an adjacent parking deck is approximately \$0.1 million per month, or \$1.1 million annualized.

(2) Excludes annualized rent of adjacent parking decks to OLBH Same Day Surgery Center and MOB (formally known as Franciscan Development Company, LLC) and Gaston Professional Center from calculation.

(3) Parking revenue from an adjacent parking deck is approximately \$0.1 million per month, or \$1.2 million annualized.

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Future lease expirations by tenants by year under non-cancelable operating leases as of December 31, 2009, were as follows (dollars in thousands, except per leased square foot amounts):

	Number of Leases Expiring	Net Rentable Square Feet	Percentage of Net Rentable Square Feet		Annualized Rent	Percentage of Property Annualized Rent		Annualized Rent Per Leased Square Foot
Available	-	286,416	8.5	%	\$ -	-	%	\$ -
2010	161	568,817	16.8	%	13,128,995	16.8	%	23.08
2011	89	301,526	8.9	%	7,040,600	9.0	%	23.35
2012	142	649,241	19.2	%	17,317,928	22.2	%	24.40
2013	72	328,127	9.7	%	7,226,147	9.3	%	22.02
2014	75	350,153	10.4	%	8,598,482	11.0	%	24.56
2015	31	111,968	3.3	%	2,825,886	3.6	%	25.24
2016	19	82,073	2.4	%	1,740,583	2.2	%	21.21
2017	33	218,887	6.5	%	6,170,823	7.9	%	28.19
2018	16	90,383	2.7	%	2,368,234	3.0	%	26.20
2019	7	53,032	1.6	%	1,231,529	1.6	%	23.22
Thereafter	18	341,041	10.1	%	10,398,508	13.3	%	30.49
Total	663	3,381,664	100.0	%	\$ 78,047,715	100.0	%	\$ 24.74 (1)

(1) Excludes annualized rent of adjacent parking decks to OLBH Same Day Surgery Center and MOB and Gaston Professional Center from calculation.

Excludes discontinued operations consisting of seven leases expiring between December 31, 2009 and December 31, 2013 with annualized rent totaling approximately \$0.4 million.

Joint Venture Properties

As of December 31, 2009, the Company has an investment in an 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, 2009 (dollars in thousands, except per leased square foot amounts):

Property	City, State	Year Built	Net Rentable Square Feet	Occupancy Rate	Annualized Rent	Annualized Rent Per Leased Square Foot	Ownership Percentage	Debt Balance	Associated Healthcare System
McLeod Medical Park East (1)	Florence, SC	1993	127,458	99.2	% \$ 2,231	\$ 17.64	1.1	% \$ (1)	McLeod Regional Medical Center
McLeod Medical Park South(1)	Florence, SC	1982	33,756	100.0	571	16.92	1.1	(1)	McLeod Regional Medical Center
		1986	52,574	79.7	615	14.67	1.1	(1)	

McLeod Medical Park West (1)	Florence, SC			McLeod Regional Medical Center
Total		213,788	\$ 3,417	\$ 12,185 (2)

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

(2) Total debt of \$12.2 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 5 to the accompanying Notes to Consolidated 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.

Item 4. Removed and Reversed
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 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
2008			
First Quarter	\$ 17.18	\$ 14.66	\$ 0.35
Second Quarter	\$ 18.89	\$ 15.36	\$ 0.35
Third Quarter	\$ 19.93	\$ 16.04	\$ 0.35
Fourth Quarter	\$ 16.17	\$ 6.91	\$ 0.225
2009			
First Quarter	\$ 10.00	\$ 4.50	\$ 0.225
Second Quarter	\$ 6.40	\$ 3.65	\$ 0.10
Third Quarter	\$ 5.25	\$ 3.87	\$ 0.10
Fourth Quarter	\$ 5.82	\$ 4.53	\$ 0.10

On March 8, 2010, the closing price of the Company's common stock as reported by the NYSE was \$6.93. At March 8, 2010, the Company had 130 holders of record of its common stock.

Holders of shares of common stock are entitled to receive distributions when and if 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" (computed without regard to the dividends paid deduction or net capital gains) to shareholders annually in order to maintain the Company's REIT qualification for U.S. 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 the Company's REIT requirements.

During 2009, the Company paid two quarterly dividends of \$0.225 per share during the first and second quarters of 2009 and two quarterly dividends of \$0.10 per share for the third and fourth quarters of 2009, totaling \$0.65 per share for 2009. The Company funded the dividend payments for 2009 through a combination of funds from operations and borrowings under the Credit Facility. The Company uses borrowings available under the Credit Facility to fund dividend payments when the timing of the Company's cash flows from operations is insufficient to meet the dividend payments. The dividend payments of \$0.65 per share paid in 2009 are classified for income tax purposes as 61.5% taxable ordinary dividend and 38.5% return of capital.

The Company has reserved 1,000,000 shares of common stock for issuance under its 2005 long-term incentive plan of which 175,103 remained available for issuance as of December 31, 2009.

As of December 31, 2009, there were 50,508,798 OP units outstanding, of which 42,728,592, or 84.6%, were owned by the Company and 7,780,206, or 15.4%, were owned by other partners (including certain directors and senior management).

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, 2009. The stock price performance graph assumes that an investor invested \$100 in each of the Company and 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.

Index	Period Ending					
	10/27/05	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09
Cogdell Spencer Inc.	100.00	100.79	137.24	109.70	68.45	47.22
NAREIT Equity	100.00	103.57	139.39	117.94	73.44	94.00
S&P 500	100.00	106.30	123.09	129.86	81.81	103.46

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), 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 October 20, 2009, the final escrow release related to the Company's acquisition of MEA in 2008 (the "MEA transaction") occurred and in connection therewith, the Operating Partnership issued an aggregate of 331,812 of OP units, having an aggregate value of \$1.6 million based on the Company's closing stock price of \$4.74 at the time of issuance, to the MEA sellers. These OP units were issued in exchange for ownership interests in MEA as part of a private placement transaction 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 one year 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 these OP units.

Issuer Purchases of Equity Securities

The Company did not repurchase shares of common stock during the quarter ended December 31, 2009.

Equity Compensation Plan Information

Plan Category	(a)		(b)	(c)
	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights			Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights
Equity compensation plans approved by security holders	N/A	(1)	N/A	175,103
Equity compensation plans not approved by security holders	-	-	-	-
Total	N/A	(1)	N/A	175,103

Item 6. Selected Financial Data

The following table sets forth selected consolidated financial and operating data on an historical basis for 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, 2009	For the year ended December 31, 2008	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
(In thousand, except per share amounts)						
Statements of Operations Data:						
Rental revenue	\$79,486	\$77,421	\$62,611	\$52,007	\$6,890	\$35,794
Design-Build contract revenue and other sales	143,416	253,596	-	-	-	-
Total revenues	229,601	335,362	66,403	54,217	7,205	37,809
Property operating and management expenses	31,810	31,065	25,405	19,572	2,542	13,058
Costs related to design-build contract revenue and other sales	113,961	214,019	-	-	-	-
Selling, general, and administrative expenses	32,285	30,215	7,365	6,261	7,791	5,129
Income (loss) from continuing operations before other income (expense), and income tax benefit (expense)	(103,877)	15,184	6,021	(1,359)	(7,166)	11,178
Interest expense	(21,711)	(25,017)	(15,818)	(14,046)	(1,475)	(8,222)
Net loss from continuing operations	(100,435)	(7,645)	(8,821)	(13,808)	(8,618)	3,824

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Net loss	(101,962)	(7,857)	(8,994)	(14,034)	(8,655)	3,824
Net loss attributable to Cogdell Spencer Inc.	(69,728)	(5,773)	(6,341)	(9,097)	(5,600)	-
Per Share - basic and diluted:						
Declared dividend	\$0.525	\$1.275	\$1.40	\$1.40	\$0.23	
Loss from continuing operations attributable to Cogdell Spencer Inc.	\$(2.11)	\$(0.36)	\$(0.56)	\$(1.16)	\$(0.70)	
Loss from discontinued operations attributable to Cogdell Spencer Inc.	\$(0.03)	\$(0.01)	\$(0.01)	\$(0.01)	\$-	
Net loss per share attributable to Cogdell Spencer Inc.	\$(2.14)	\$(0.37)	\$(0.57)	\$(1.17)	\$(0.70)	
Weighted average shares - basic and diluted						
	32,655	15,770	11,056	7,975	7,972	
Weighted average shares and OP units - basic and diluted						
	40,616	24,098	15,637	12,612	1,225	

Selected Balance Sheet Data (as of the end of the period):

Assets:

Real estate properties, net	\$511,215	\$474,260	\$451,284	\$348,301	\$255,213	
Other assets, net	241,448	425,830	54,953	44,757	53,269	
Total assets	\$752,663	\$900,090	\$506,237	\$393,058	\$308,482	

Liabilities and equity:

Mortgages, credit facility, and term debt	\$410,892	\$462,948	\$314,314	\$259,545	\$153,806	
Other liabilities, net	93,991	154,148	29,667	19,837	14,190	
Equity	247,780	282,994	162,256	113,676	140,486	
Total liabilities and equity	\$752,663	\$900,090	\$506,237	\$393,058	\$308,482	

Cash Flow Data:

Net cash provided by operating activities	\$45,443	\$24,740	\$23,796	\$15,900	\$1,635	\$10,321
Net cash used in investing activities	\$(54,213)	\$(194,277)	\$(117,298)	\$(103,587)	\$(27,462)	\$(5,939)
Net cash provided by financing activities	\$16	\$200,650	\$96,055	\$78,932	\$35,398	\$(5,839)

Other Data:

Funds from operations (1)	\$(73,897)	\$21,380	\$18,259	\$15,036	\$4,518	\$12,303
Funds from operations modified (1)	\$(71,132)	\$29,363	\$18,362	\$15,089	\$4,518	\$12,303
FFOM, net of non-recurring items	\$31,229	\$30,675	\$18,362	\$15,089	\$4,518	\$12,303

FFO is a supplemental non-GAAP financial measure used by the real estate industry to measure the operating performance of real estate companies. FFOM adds back to traditionally defined FFO non-cash amortization of non-real estate related intangible assets associated with purchase accounting. The Company presents FFO and FFOM because it considers them important supplemental measures of operational performance. The Company believes FFO 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. The Company believes that FFOM allows securities analysts, investors and other interested parties to evaluate current period results to results prior to the MEA transaction. FFO and FFOM are intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO and FFOM excludes depreciation and amortization unique to real estate, gains and losses from property dispositions and extraordinary items, they provide performance measures that, when compared year over year, reflect the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities and interest costs, providing a 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), which may differ from the methodology for calculating FFO and FFOM utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. The Company adjusts the NAREIT definition to add back noncontrolling interests in consolidated real estate partnerships before real estate related depreciation and amortization. Further, FFO and FFOM do not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties. FFO and FFOM 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 are they indicative of funds available to fund its cash needs, including its ability to pay dividends or make distributions.

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

	For the year ended December 31, 2009	For the year ended December 31, 2008	Company For the year ended December 31, 2007	For the year ended December 31, 2006	November 1, 2005- December 31, 2005	Predecessor January 1, 2005- October 31, 2005
Funds from operations:						
Net income (loss)	\$(101,962)	\$(7,857)	\$(8,994)	\$(14,034)	\$(8,655)	\$3,824
Real estate related depreciation and amortization (1)	29,114	30,583	27,453	30,188	4,137	8,479
Noncontrolling interests in real estate partnerships, before real estate related depreciation and amortization	(1,049)	(1,346)	(200)	(199)	-	-
Gain on sale of real estate properties	-	-	-	(919)	-	-
Funds from operations	(73,897)	21,380	18,259	15,036	(4,518)	12,303
Amortization of intangibles related to purchase accounting, net of income tax benefit	2,765	7,983	103	53	-	-
Funds from operations modified	\$(71,132)	\$29,363	\$18,362	\$15,089	\$(4,518)	\$12,303
Non-recurring events:	\$ (4,905)	\$-	\$-	\$-	\$-	\$-

Gain on settlement from MEA Holdings, Inc. transaction						
Impairment of real estate property held for sale	1,359	-	-	-	-	-
Strategic planning professional fees	2,641	-	-	-	-	-
Intangible asset impairment charges, net of tax benefit	101,746	-	-	-	-	-
Debt extinguishment and interest rate derivative expense, net of tax benefit	1,520	-	-	-	-	-
Restructuring and severance charges, net of tax benefit	-	1,312	-	-	-	-
Impact of non-recurring events	\$ 102,361	\$ 1,312	\$-	\$-	\$-	\$-
FFOM, excluding non-recurring events	\$ 31,229	\$ 30,675	\$ 18,362	\$ 15,089	\$ (4,518)	\$ 12,303

- (1) Real estate depreciation and amortization consists of depreciation and amortization from wholly-owned real estate properties and the Company's share of real estate depreciation and amortization from consolidated and unconsolidated real estate partnerships.

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

The following discussion should be read in conjunction with the Cogdell Spencer Inc. Consolidated Financial Statements and Notes thereto appearing elsewhere in this Annual Report on Form 10-K. 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 and ambulatory surgery and diagnostic centers. The Company focuses on the ownership, strategic planning, delivery (design/build), acquisition and management of strategically located medical office buildings 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, provides services from strategic planning to long-term property ownership and management. Integrated delivery service offerings include strategic planning, design, construction, development and project management services for properties owned by the Company and for third parties.

The Company is building a national portfolio of healthcare properties primarily located on hospital campuses. Since the Company's initial public offering in 2005, the Company has grown through acquisitions and facility development to encompass a national footprint, including seven regional offices located throughout the United States (Atlanta, Charlotte, Dallas, Denver, Madison, Seattle, and Washington, D.C.) and 28 property management offices. Client relationships and advance planning services give the Company the ability to be included in the initial project discussions that can lead to ownership and investment in healthcare properties.

The Company derives a majority of its revenues from two main sources: 1) from rents received from tenants under existing leases in medical office buildings and other healthcare related facilities, and 2) from revenue earned from design-build construction contracts and development contracts. To a lesser degree, the Company has revenues from consulting and property management agreements.

The Company expects that rental revenue will remain stable due to multi-year, non-cancellable leases with annual rental increases based on the Consumer Price Index ("CPI"). The Company has been able to maintain a high occupancy rate, 91.5% as of December 31, 2009, for its in-service, consolidated wholly-owned and joint venture properties, due to its focus on customer relationships. During 2009, the Company was able to renew 85% of lease expirations. Generally, the Company's property operating revenues and expenses have remained consistent over time except for growth due to property developments and property and business acquisitions.

The demand for the Company's design-build and development services has been, and will likely continue to be, cyclical in nature. Financial results can be affected by the amount and timing of capital spending by healthcare systems and providers, the demand for design-build and development's services in the healthcare facilities market, the availability of construction level financing, and weather at the construction sites. In periods of adverse economic conditions, the Company's design-build and development customers may be unwilling or unable to make capital expenditures and they may be unable to obtain debt or equity financings for projects. As a result, customers may defer projects to a later date, which could reduce the Company's revenues. Due to the adverse economic environment and the volatility in the credit markets experienced in 2008 and 2009, the Company's Design-Build and Development segment experienced delays in client project starts and cancellations.

During 2009, the Company signed two design-build contracts totaling \$88.8 million related to a project in Janesville, Wisconsin. These contracts will generate design-build revenue from 2009 through 2011. The Company also signed several advance planning engagements, which may result in future design-build contracts. However, it can take two to 15 months from the time an advance planning project is completed to the time that revenue from a design-build contract begins. As of December 31, 2009, the Company expects 2010 revenues for the Design-Build and Development segment to be comparable to 2009 revenues before intersegment eliminations. However, the Company expects a higher percentage of Company owned projects to generate revenue compared to third party clients, thus the Company expects 2010 design-build and development revenue after inter-segment revenues to decrease compared to 2009.

The Company reviews the value of goodwill and intangible assets on an annual basis and when circumstances indicate a potential impairment may exist. An interim review of the Design-Build and Development segment's intangible assets was performed on March 31, 2009, due to a decline in the Company's stock price, a decline in the cash flow multiples for comparable public engineering and construction companies, and changes in the cash flow projections for the Design-Build and Development segment resulting from a decline in backlog and delays and cancellations of client building projects. The Company has determined an interim review has not been necessary since the previous impairment review performed at March 31, 2009.

As a result of the March 31, 2009 review, the Company recorded, during the three months ended March 31, 2009, a pre-tax, non-cash impairment charge of (\$120.9 million) and the Company recognized a non-cash income tax benefit of \$19.2 million, resulting in an after-tax impairment charge of (\$101.7 million). The Company's goodwill, amortizing and non-amortizing intangible assets, and deferred tax liabilities associated with the Design-Build and Development segment have been reduced from the December 31, 2008 carrying amounts as a result of the impairment charge. There were no subsequent interim reviews and there was no impairment charge recorded as part of the annual review as of December 31, 2009 (see Note 8 to the accompanying Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K). Deterioration of market or economic conditions and volatility in the financial market has and could continue to influence future revenues, interest, and other costs, and could result in future impairment of goodwill or other intangible assets.

In June 2009, the Company issued 23.0 million shares of common stock in a public offering, resulting in net proceeds to the Company of \$76.5 million. The net proceeds were used to fund a \$50.0 million repayment under the Term Loan, to reduce borrowings under the Credit Facility, and for working capital purposes.

As of December 31, 2009, the Company owned and/or managed 111 medical office buildings and healthcare related facilities, totaling 5.7 million net rentable square feet and serving 23 hospital systems in 12 states. The Company's portfolio consists of:

- 62 properties, comprised of 3.4 million net rentable square feet, each of which the Company wholly-owns or is a consolidated real estate partnership;
- Three properties, comprised of 0.2 million net rentable square feet, in which the Company owns a noncontrolling interest;
- 45 properties, comprised of 2.1 million net rentable square feet, that the Company manages for third parties; and
- One property, comprised of 38,700 net rentable square feet, of which the Company wholly-owns, is actively being marketed for sale as of December 31, 2009, and is presented as discontinued operations in this Annual Report on Form 10-K.

As of December 31, 2009, of the Company's wholly-owned properties, 78% were located on hospital campuses and an additional 11% were located off-campus, but were hospital anchored. The Company believes that its on-campus and hospital anchored 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, 2009, the Company's 62 in-service, consolidated wholly-owned and joint venture properties were approximately 91.5% occupied, with a weighted average remaining lease term of approximately 4.5 years. One wholly-owned property was classified as held for sale in December 2009 and presented as discontinued operations for the periods presented in the accompanying consolidated financial statements and notes included in this Annual Report on Form 10-K.

The Company completed the first fully integrated project with the completion of The Woodlands Center for Specialized Medicine during the fourth quarter of 2009. The Company provided development, design/build

(architectural, engineering and construction), and property management services for the medical office building and outpatient treatment center. The Company owns 40% of the real estate partnership that owns the property and the real estate partnership is a consolidated partnership.

The Company's capital projects team also completed Alamance Regional Mebane Outpatient Center in 2008 and completed its cancer center expansion in the third quarter of 2009. The Company has begun construction on four other on-balance sheet investment projects with a total estimated investment of approximately \$55.4 million and holds a pipeline of planning and delivery projects throughout the country.

Critical Accounting Estimates

The Company's discussion and analysis of financial condition and results of operations are based upon the Company's consolidated 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.

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 accompanying consolidated 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.

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 accompanying 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.

There were no acquisitions of real estate in 2009.

Acquisition of Business

The price that the Company pays to acquire a business is impacted by many factors, including projected future cash flows, customer lists, contracts and proposals, trade names and trademarks, condition of property, plant, and equipment, and numerous other factors. Accordingly, the Company is required to make subjective assessments to allocate the purchase price paid to acquire investments in business 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 contacts, proposals, customer lists, workforce, trade names and trademarks, receivables, accruals and reserves, and property, plant, and equipment. 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 accompanying

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 goodwill or a non-amortizing intangible asset there would be no amortization with respect to such amount or if the Company were to allocate more value to a longer-lived asset as opposed to allocating to shorter-lived asset, this amount would be recognized as an expense over a longer period of time.

There were no acquisitions of businesses in 2009.

Useful Lives of Assets

The Company is required to make subjective assessments as to the useful lives of the Company's properties and intangible assets for purposes of determining the amount of depreciation and amortization to record on an annual basis with respect to the Company's assets. These assessments have a direct impact on the Company's net income (loss) because if the Company were to shorten the expected useful lives, then the Company would depreciate or amortize such assets over fewer years, resulting in more depreciation or amortization expense on an annual basis.

Asset Impairment Valuation

The Company reviews the carrying value of its properties, investments in real estate partnerships, and amortizing intangible assets annually and when circumstances, such as adverse market conditions, indicate that 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 or business 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 an investment, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the asset. These losses have a direct impact on the Company's net income (loss) 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 sales, backlog, occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. Because 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 for properties. 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. 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 and market approach on an annual basis and when circumstances indicate a potential impairment may exist. The Company's methodology to review goodwill impairment, which includes a significant amount of judgment and estimates, provides a reasonable basis to determine whether impairment has occurred. However, many of the factors employed in determining whether or not goodwill is impaired are outside of the Company's control and it is likely that assumptions and estimates will change in future periods. These changes can result in future impairments which could be material.

The goodwill impairment review involves a two-step process. The first step is a comparison of the reporting unit's fair value to its carrying value. Fair value is estimated by utilizing two approaches, an income approach and a market approach. The income approach uses the reporting unit's projected operating results and discounted cash flows using a weighted-average cost of capital that reflects current market conditions. The cash flow projections use estimates of economic and market information over the projection period, including growth rates in revenues and costs and estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value growth rates, future estimates of capital expenditures, and changes in future working capital requirements. The market approach estimates fair value by applying cash flow multiples to the reporting unit's operating performance. The multiples are derived from comparable publicly traded companies with similar operating and profitability characteristics. Additionally, the Company reconciles the total of the estimated fair values of all its reporting units to its market capitalization to determine if the sum of the individual fair values is reasonable compared to the external market indicators.

If the carrying value of the reporting unit is higher than its fair value, then an indication of impairment may exist and a second step must be performed to measure the amount of impairment. The amount of impairment is determined by comparing the implied fair value of the reporting unit's goodwill to the carrying value of the goodwill calculated in the same manner as if the reporting unit was being acquired in a business combination. If the implied fair value of goodwill is less than the recorded goodwill, then an impairment charge for the difference would be recorded. For non-amortizing intangible assets, the Company estimates fair value by applying an estimated market royalty rate to projected revenues and discounted using a weighted-average cost of capital that reflects current market conditions.

If market and economic conditions deteriorate and cause (1) declines in the Company's stock price, (2) increases the estimated weighted-average cost of capital, (3) changes in cash flow multiples or projections, or (4) changes in other inputs to goodwill assessment estimates, then a goodwill impairment review may be required prior to the Company's next annual test. It is reasonably possible that changes in the numerous variables associated with the judgments, assumptions, and estimates could cause the goodwill or non-amortizing intangible assets to become impaired. If goodwill or non-amortizing intangible assets are impaired, the Company would be required to record a non-cash charge that could have a material adverse affect on its consolidated financial statements.

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. 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.

For design-build contracts, the Company recognizes revenue under the percentage of completion method. Due to the volume, varying complexity, and other factors related to the Company's design-build contracts, the estimates required to determine percentage of completion are complex and use subjective judgments. Changes in labor costs and material inputs can have a significant impact on the percentage of completion calculations. The Company has a long history of developing reasonable and dependable estimates related to design-build contracts with clear requirements and rights of the parties to the contracts. As long-term design-build projects extend over one or more years, revisions in cost and estimate earnings during the course of the work are reflected in the accounting period in which the facts which require the revision become known. At the time a loss on a design-build project becomes known, the entire amount of the estimated ultimate loss is recognized in the consolidated financial statements.

The Company receives fees for property management and development and consulting services from time to time from third parties which are 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. Revenue from development and consulting agreements is recognized as earned per the agreements. 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 GAAP, 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 design-build contracts and other sales, deferred rent, expense reimbursements, lease termination fees and other income. The Company specifically analyzes accounts receivable and historical bad debts, tenant and customer concentrations, tenant and customer 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.

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 four taxable years following the year it failed to qualify as a REIT. The resulting adverse effects on the Company's results of operations, liquidity and amounts distributable to stockholders would be material.

Changes in Financial Condition

In June 2009, the Company issued 23.0 million shares of common stock in a public offering at a price of \$3.50 per share resulting in net proceeds to the Company of approximately \$76.5 million. The net proceeds were used to fund a \$50.0 million repayment under the Term Loan, to reduce borrowings under the Company's Credit Facility, and for working capital purposes. For more information on the Credit Facility and the Term Loan, see Management's Discussion and Analysis of Financial Condition and Results of Operations - "Liquidity and Capital Resources."

Assets decreased to \$752.7 million from \$900.1 million for the years ended December 31, 2009 and 2008, respectively, due to an after-tax, goodwill and intangible assets impairment charge of (\$101.7 million). See Note 8 within these consolidated financial statements.

Results of Operations

The Company's income (loss) from operations is generated primarily from operations of its properties and design-build services and to a lesser degree from consulting and property management agreements. The changes in operating results from period to period reflect changes in existing property performance, changes in the number of properties due to development, acquisition, or disposition of properties, and the operating results of the Design-Build and Development segment. For the year ended December 31, 2009, a significant proportion of the Company's loss from operations is due to the (\$101.7 million), net of tax, non-cash impairment charge discussed previously in the "Overview" section.

The Company acquired MEA, known then as Marshall Erdman & Associates, in March 2008 and results for the year ended December 31, 2008, reflect ten months of operating activity related to the subsidiary, reflecting operations from the acquisition date to December 31, 2008. For the year ended December 31, 2009, there are twelve months of operating activity related to the subsidiary.

Business Segments

The Company has two identified reportable segments: (1) Property Operations and (2) Design-Build and Development. The Company defines business segments by their distinct customer base and service provided. While the Company operates as a single entity, it produces discrete financial information for each segment, which is reviewed by the chief operating decision maker to make resource allocation decisions and assess performance. Property Operations includes real estate investment and rental activities as well as property management for third parties. Design-Build and Development includes design-build construction activities as well as development and consulting activities. For additional information, see Note 6 to the accompanying Notes to Consolidated Financial Statements.

Property Summary

The following is an activity summary of the Company's property portfolio (excluding unconsolidated real estate partnerships) for the years ended December 31, 2009 and 2008:

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	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
Properties at January 1	62	59
Acquisitions	-	2
Developments	1	1
Discontinued operations held for sale	(1)	-
Properties at December 31	62	62

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

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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. The Company had zero properties in lease-up at December 31, 2009.

Year ended December 31, 2009 compared to year ended December 31, 2008

Funds from Operations Modified (“FFOM”)

For the year ended December 31, 2009, FFOM, excluding non-recurring events, increased \$0.5 million, or 1.8%, compared to the same period in the prior year. Property Operations’ FFOM, excluding non-recurring events and intersegment eliminations, increased slightly from 2008 to 2009. However, Design-Build and Development FFOM, excluding non-recurring events and intersegment eliminations and net of taxes, decreased significantly from 2008 to 2009. The decrease in Design-Build and Development FFOM was offset by a decrease in interest expense. The following is a summary of FFOM for the years ended December 31, 2009 and 2008 (in thousands):

	For the Year Ended	
	December 31, 2009	December 31, 2008
FFOM attributable to:		
Property operations	\$ 49,370	\$ 49,212
Design-Build and development	(101,623)	19,925
Intersegment eliminations	(7,751)	(627)
Unallocated and other	(11,128)	(39,147)
FFOM	(71,132)	29,363
Non-recurring events:		
Gain on settlement from MEA Holdings, Inc. transaction	(4,905)	-
Impairment of real estate property held for sale	1,359	-
Strategic planning professional fees	2,641	-
Goodwill and intangible asset impairment charges, net of tax benefit	101,746	-
Debt extinguishment and interest rate derivative expense, net of tax benefit	1,520	-
Restructuring and severance charges, net of tax benefit	-	1,312
FFOM, excluding non-recurring events	\$ 31,229	\$ 30,675

See Note 6 to the accompanying Notes to Consolidated Financial Statements for business segment information and management’s use of FFO and FFOM to evaluate operating performance. The following table presents the reconciliation of FFO and FFOM to net income (loss), which is the most directly comparable GAAP measure to FFO and FFOM, for the years ended December 31, 2009 and 2008 (in thousands):

	For the Year Ended	
	December 31, 2009	December 31, 2008
Net income (loss)	\$ (101,962)	\$ (7,857)
Add:		
Real estate related depreciation and amortization:		
Wholly-owned and consolidated properties, including amounts in discontinued operations	29,102	30,570

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Unconsolidated real estate partnerships	12	13
Less:		
Noncontrolling interests in real estate partnerships, before real estate related depreciation and amortization	(1,049)	(1,346)
FFO	(73,897)	21,380
Amortization of intangibles related to purchase accounting, net of income tax benefit	2,765	7,983
FFOM	\$ (71,132)	\$ 29,363
48		

FFOM attributable to Property Operations, net of intersegment eliminations

The following is a summary of FFOM attributable to property operations, net of intersegment eliminations, for the year ended December 31, 2009 and 2008 (in thousands):

	For the Year Ended	
	December 31, 2009	December 31, 2008
Rental revenue, net of intersegment elimination of \$92 in 2009 and \$43 in 2008	\$ 79,486	\$ 77,421
Property management and other fee revenue	3,336	3,460
Property operating and management expenses	(31,810)	(31,065)
Other income (expense)	541	597
Earnings from unconsolidated real estate partnerships, before real estate related depreciation and amortization	27	35
Noncontrolling interests in real estate partnerships, before real estate related depreciation and amortization	(1,049)	(1,346)
Discontinued operations and impairment of real estate, before real estate related depreciation and amortization	(1,253)	67
FFOM, net of intersegment eliminations	\$ 49,278	\$ 49,169

See Note 6 to the accompanying Notes to Consolidated Financial Statements for a reconciliation of above segment FFOM to net income (loss).

For the year ended December 31, 2009, FFOM, net of intersegment eliminations, attributable to property operations increased \$0.1 million, or 0.2%, compared to the same period in the prior year. The increase in rental revenue and property operating and management expenses is primarily due to the addition of the Alamance Regional Mebane Outpatient Center property, which began operations in June 2008. Rental revenue also increased due to rental rates associated with CPI increases and reimbursable expenses. These increases were offset by a decrease in occupancy from 2008 to 2009. The decrease in discontinued operations and impairment of real estate property, before real estate related depreciation and amortization, is due to the Company recording a non-cash impairment charge of \$1.4 million in order to reduce the carrying value of the Harbison Medical Officer Building (formerly known as Baptist Northwest) real estate property to its estimated net sale proceeds.

FFOM attributable to Design-Build and Development, net of intersegment eliminations

The Design-Build and Development segment includes MEA, which the Company acquired in March 2008, and results for the years ended December 31, 2009 and 2008, reflect twelve and ten months, respectively, of operating activity related to the subsidiary, reflecting operations from the acquisition date to December 31, 2008. The following is a summary of FFOM attributable to Design-Build and Development, net of intersegment eliminations, for the years ended December 31, 2009 and 2008 (in thousands):

	For the Year Ended	
	December 31, 2009	December 31, 2008
Design-Build contract revenue and other sales, net of intersegment eliminations of \$32,708 in 2009 and \$4,536 in 2008	\$ 143,416	\$ 253,596
Development management and other income, net of intersegment eliminations of \$3,387 in 2009 and \$803 in 2008	3,363	885

Design-Build contract and development management expenses, net of intersegment eliminations of \$28,344 in 2009 and \$4,712 in 2008	(113,961)	(214,019)
Selling, general, and administrative expenses	(20,541)	(20,184)
Other income (expense)	48	149
Depreciation and amortization	(779)	(1,129)
FFOM, excluding impairment charge, net of intersegment eliminations	11,546	19,298
Impairment charge	(120,920)	-
FFOM, net of intersegment eliminations	\$ (109,374)	\$ 19,298

See Note 6 to the accompanying Notes to Consolidated Financial Statements for a reconciliation of above segment FFOM to net income (loss).

For the year ended December 31, 2009, FFOM, excluding impairment charge, attributable to Design-Build and Development, net of intersegment eliminations, decreased \$7.8 million, or 40.2%, compared to the same period in the prior year. Further, there were twelve months of activity in 2009 compared to ten months of activity in 2008 due to the acquisition of MEA in March 2008. Comparing full year 2009 FFOM to full year 2008 FFOM, there was a larger decrease in FFOM due to a decrease in the volume of project activity.

Revenues (design-build contract revenue and other sales plus development management and other income) decreased \$107.7 million, or 42.3%, from 2008 to 2009. This decrease is due to a lower volume of activity as the number of active revenue generating design-build construction projects has decreased from 23 at December 31, 2008 to 18 at December 31, 2009. The decreased activity is due to the current economic environment, the volatility in the credit markets, and general uncertainty regarding government health care reform bills, which have resulted in clients delaying project starts and client project cancellations.

However, gross margin percentage (revenues, as defined above, less design-build contract and development management expenses and as a percent of revenues) increased from 15.9% in 2008 to 22.4% in 2009, or an increase of 40.9%. This increase is primarily due to cost controls implemented by the Company and favorable pricing in the sub-contracting market leading to lower overall costs.

Development management and other income increased \$2.5 million, or 280.0%, from 2008 to 2009. The increase is due to three active third party development engagements during 2009 compared to two engagements in 2008. One of the development engagements, which accounted for \$2.0 million of the increase, relates to the St. Luke's Riverside engagement in Bethlehem, Pennsylvania. This was a three building engagement project, of which the Company was to wholly-own or partially-own one of the three buildings. Due to changes in the scope, size, and timing of the project, the Company no longer intends to invest in the building under the original terms. In accordance with the development agreement, the hospital system client paid for all reimbursable projects costs and for development services performed by the Company.

Selling, general, and administrative expenses attributable to the Design-Build and Development segment increased \$0.4 million, or 1.8%, from 2008 to 2009. The increase is primarily due to a \$2.6 million increase in the allowance for doubtful accounts, of which \$2.2 million related to one customer. The increase is also due to two additional months of costs in 2009 as compared to 2008 because the MEA acquisition occurred in March 2008. These increases were offset by fewer employees in 2009 as compared to 2008 due to reductions in force that occurred in December 2008 and May 2009, a \$1.5 million expense in 2008 resulting from restructuring and severance charges, and a reduction of incentive compensation in 2009 due to the decreased profitability related to the business segment.

Selling, general, and administrative

For the year ended December 31, 2009, selling, general, and administrative expenses increased \$2.1 million, or 6.9%, as compared to the same period in the prior year. Excluding the increase attributable to the Design-Build and Development segment, which is discussed above, selling, general and administrative increased \$1.7 million due to several factors including non-recurring costs for consultants, accountants, attorneys, and other service providers associated with the Company's exploration of a range of strategic alternatives as well as increased costs associated with a branding marketing campaign. These costs were offset by a reduction of incentive compensation due to decreased profitability.

Depreciation and amortization

For the year ended December 31, 2009, depreciation and amortization expenses decreased \$10.4 million, or 23.1%, as compared to the same period in the prior year. The decrease is primarily due to a decrease in intangible amortization due to lower carrying values due to the impairment recorded in the first quarter of 2009, as discussed below. The decrease was also due to a decrease in the amortization of acquired in place lease intangible assets associated with properties acquired in 2005 as they have become fully amortized, offset by two additional months of expense in 2009 as compared to 2008 because the MEA acquisition occurred in March 2008.

Impairment charge

The Company reviews the value of goodwill and intangible assets on an annual basis and when circumstances indicate a potential impairment may exist. An interim review of the Design-Build and Development's intangible assets was performed as of March 31, 2009, due to a decline in the Company's stock price, a decline in the cash flow multiples for comparable public engineering and construction companies, and changes in the cash flow projections for the Design-Build and Development business segment resulting from a decline in backlog and delays and cancellations of client building projects.

As a result of the March 31, 2009 review, the Company recorded a pre-tax, non-cash impairment charge of (\$120.9 million) and the Company recognized a non-cash income tax benefit of \$19.2 million, resulting in an after-tax impairment charge of (\$101.7 million). The Company's goodwill, amortizing and non-amortizing intangible assets, and deferred tax liabilities associated with the Design-Build and Development segment have been reduced from the December 31, 2008 carrying amounts as a result of the impairment charge. There were no subsequent interim reviews and there was no impairment charge recorded as part of the annual review as of December 31, 2009.

There was no such charge in the same period in the prior year.

Gain on settlement from MEA transaction

During the year ended December 31, 2009, the final escrow release related to the MEA transaction occurred. Pursuant to an agreement between the Company and the MEA Seller Representatives, \$5.0 million of the escrow was paid to the Company in consideration of full and final settlement of certain claims made by the Company in connection with the MEA transaction. The Company recorded other income of \$4.9 million related to this settlement. The Company also received cash of \$2.9 million and OP units valued at \$2.0 million were not issued.

There was no such income in the same period in the prior year.

Interest expense

For the year ended December 31, 2009, interest expense decreased \$3.3 million, or 13.2%, as compared to the same period in the prior year. The decrease was due to a decrease in variable interest rates and lower debt balances as the Company used a majority of the proceeds from its June 2009 and September 2008 equity offerings to repay debt offset by two additional months of interest expense in 2009 compared to 2008 relating to the Term Debt.

Income tax benefit

For the year ended December 31, 2009, income tax benefit increased \$20.9 million as compared to the same period in the prior year. The increase was primarily due to the non-cash income tax benefit associated with the intangible asset impairment charge recorded during the first quarter of 2009. The increase is also due to lower income for the Design-Build and Development segment, which resulted in a greater income tax benefit in 2009 compared to 2008.

Impairment of real estate property

For the year ended December 31, 2009, the Company reclassified the wholly-owned property Harbison Medical Office Building (formerly known as Baptist Northwest) as held for sale discontinued operations. Related to this property, the Company recorded a non-cash impairment charge of (\$1.4 million) in order to reduce the carrying value of the real estate property to its estimated net sale proceeds.

There was no such impairment charge in the same period in the prior year.

Net loss attributable to the noncontrolling interest in Operating Partnership

For the year ended December 31, 2009, net loss attributable to the noncontrolling interest in Operating Partnership increased \$29.5 million, or 967.0%, as compared to the same period in the prior year. The increase was primarily due to the increase in net loss, which primarily increased due to the impairment charge offset by a smaller noncontrolling ownership percentage due to the common stock equity raise in June 2009.

Cash Flows

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Cash provided by operating activities increased \$20.7 million for the year ended December 31, 2009, as compared to the same period in the prior year, and is summarized below for the years ended December 31, 2009 and 2008 (in thousands):

	For the Year Ended	
	December 31, 2009	December 31, 2008
Net income (loss) plus non-cash adjustments	\$ 37,599	\$ 32,972
Changes in operating assets and liabilities	7,844	(8,232)
Net cash provided by operating activities	\$ 45,443	\$ 24,740

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The net loss plus non-cash adjustments increased \$4.6 million, or 14.0%, for the year ended December 31, 2009, as compared to the same period in the prior year. The increase is primarily due to the \$2.9 million of cash received due to the gain on settlement from the MEA transaction and a \$2.6 million increase in the Company's provision for bad debts. The changes in operating assets and liabilities increased \$16.1 million for the year ended December 31, 2009, as compared to the same period in the prior year. The increase is primarily due to 1) a decrease in Design-Build and Development accounts receivable, which increases cash provided by operations and 2) decreased incentive compensation accrued liabilities, which increases cash provided by operations, offset by 1) a decrease in Design-Build and Development billings in excess of costs and estimated earnings on uncompleted contracts, which decreases cash provided by operations and 2) severance costs paid in the first quarter of 2009 compared to no such payments in 2008, which decreases cash provided by operations.

Cash used in investing activities decreased \$140.1 million, or 72.1%, for the year ended December 31, 2009, as compared to the same period in the prior year. The decrease is primarily due to the cash paid for the MEA transaction in 2008. The increase in purchases of corporate property, plant, and equipment is primarily due the construction of a steel fabrication facility for the Design-Build and Development segment. The Company is currently leasing a facility on a month-to-month basis. Investment in real estate properties consisted of the following for the year ended December 31, 2009 and 2008 (in thousands):

	For the Year Ended	
	December 31, 2009	December 31, 2008
Development, redevelopment, and acquisitions	\$ (49,007)	\$ (39,163)
Second generation tenant improvements	(3,932)	(3,722)
Recurring property capital expenditures	(1,633)	(2,630)
Investment in real estate properties	\$ (54,572)	\$ (45,515)

Cash provided by financing activities decreased \$200.6 million, or 100.0%, for the year ended December 31, 2009, as compared to same period in the prior year. The decrease is primarily due to fewer debt and equity proceeds received in 2009 compared to 2008.

Year ended December 31, 2008 compared to year ended December 31, 2007

FFOM

For the year ended December 31, 2008, FFOM, excluding the non-recurring event, increased \$12.3 million, or 67.1%, compared to the same period in the prior year. The increase in FFOM was due to: (1) an increase in FFOM for the Design-Build and Development segment, of which the majority of the segment's increase was due to the inclusion of ten months of design-build operating activity for the year ended December 31, 2008, due to the acquisition of MEA; and (2) an increase in FFOM from property acquisitions and completed developments. These increases in FFOM were offset by an increase in interest expense due to increased outstanding debt balances, an increase in income tax expense primarily related to Design-Build and Development FFOM, a \$0.9 million noncontrolling interest charge, an increase in corporate general and administrative expenses primarily due to increased incentive compensation expense, severance expense, and professional fees, and an increase in non-real estate related depreciation related to corporate property, plant, and equipment. The \$0.9 million noncontrolling interest charge is due to a consolidated real estate partnership's negative partner's equity that resulted primarily from a debt refinance proceeds cash distribution to the 65.5% owner, and subsequent cash distributions to the 65.5% owner. In accordance with GAAP effective in 2008, the consolidating partner is required to record a charge to noncontrolling interest for distributions and GAAP net losses when the partnership's partners' equity is negative.

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The following is a summary of FFOM for the years ended December 31, 2008 and 2007 (in thousands):

	For the Year Ended	
	December 31, 2008	December 31, 2007
FFOM attributable to:		
Property operations	\$ 49,212	\$ 41,262
Design-Build and development	19,925	(283)
Intersegment eliminations	(627)	-
Unallocated and other	(39,147)	(22,617)
FFOM	29,363	18,362
Non-recurring event:		
Restructuring and severance charges, net of tax benefit	1,312	-
FFOM, excluding non-recurring event	\$ 30,675	\$ 18,362

See Note 6 to the accompanying Notes to Consolidated Financial Statements for business segment information and management's use of FFO and FFOM to evaluate operating performance. The following table presents the reconciliation of FFO and FFOM to net income (loss), which is the most directly comparable GAAP measure to FFO and FFOM, for the years ended December 31, 2008 and 2007 (in thousands):

	For the Year Ended	
	December 31, 2008	December 31, 2007
Net income (loss)	\$ (7,857)	\$ (8,994)
Add:		
Real estate related depreciation and amortization:		
Wholly-owned and consolidated properties, including amounts in discontinued operations	30,570	27,428
Unconsolidated real estate partnerships	13	25
Less:		
Noncontrolling interests in real estate partnerships, before real estate related depreciation and amortization	(1,346)	(200)
FFO	21,380	18,259
Amortization of intangibles related to purchase accounting, net of income tax benefit	7,983	103
FFOM	\$ 29,363	\$ 18,362

FFOM attributable to Property Operations

The following is a summary of FFOM attributable to property operations, net of intersegment eliminations, for the year ended December 31, 2008 and 2007 (in thousands):

	For the Year Ended	
	December 31, 2008	December 31, 2007
Rental revenue, net of intersegment eliminations of \$43 in 2008 and \$0 in 2007	\$ 77,421	\$ 62,611
Property management and other fee revenue	3,460	3,502
Property operating and management expenses	(31,065)	(25,405)
Other income (expense)	597	592

Earnings from unconsolidated real estate partnerships, before real estate related depreciation and amortization	35	43
Noncontrolling interests in real estate partnerships, before real estate related depreciation and amortization	(1,346)	(200)
Discontinued operations of real estate property	67	119
FFOM, net of intersegment eliminations	\$ 49,169	\$ 41,262

See Note 6 to the accompanying Notes to Consolidated Financial Statements for a reconciliation of above segment FFOM to net income (loss).

For the year ended December 31, 2008, FFOM attributable to property operations increased \$7.9 million, or 19.3%, compared to the same period in the prior year. The increase in rental revenue and property operating and management expenses is primarily due to real estate property acquisitions and completed developments as well as increased rental revenue due to rental rates associated with CPI increases and reimbursable expenses; these amounts are offset by a small reduction in occupancy. The small reduction in occupancy caused same-property revenue to increase at a smaller percentage rate than same-property operating and management expense due to increases in reimbursable expenses such as property taxes, insurance, and utilities.

FFOM attributable to Design-Build and Development, net of intersegment eliminations

The Design-Build and Development segment includes MEA, which the Company acquired in March 2008, and results for the years ended December 31, 2008 and 2007, reflect ten and zero months, respectively, of operating activity related to the subsidiary, reflecting operations from the acquisition date to December 31, 2008. The 2007 activity relates to the development activities performed by the Company prior to the merger with MEA. The following is a summary of FFOM attributable to Design-Build and Development, net of intersegment eliminations, for the years ended December 31, 2008 and 2007 (in thousands):

	For the Year Ended	
	December 31, 2008	December 31, 2007
Design-Build contract revenue and other sales, net of intersegment eliminations of \$4,536 in 2008 and \$0 in 2007	\$ 253,596	\$ -
Development management and other income, net of intersegment eliminations of \$803 in 2008 and \$0 in 2007	885	290
Design-Build contract and development management expenses, net of intersegment of \$4,712 in 2008 and \$0 in 2007	(214,019)	-
Selling, general, and administrative expenses	(20,184)	(804)
Other income (expense)	149	231
Depreciation and amortization	(1,129)	-
FFOM, net of intersegment eliminations	\$ 19,298	\$ (283)

Selling, general, and administrative

For the year ended December 31, 2008, selling, general, and administrative expenses increased \$22.9 million, or 310.3%, as compared to the same period in the prior year. Excluding the increase attributable to the Design-Build and Development segment, which is discussed above, selling, general and administrative increased \$3.5 million due to increased accrued incentive compensation, severance compensation, and legal and consulting professional fees.

Depreciation and amortization

For the year ended December 31, 2008, depreciation and amortization expenses increased \$17.3 million, or 62.5%, as compared to the same period in the prior year. The increase is primarily due to assets related to the acquisition of MEA and real estate property acquisitions and completed developments.

Interest expense

For the year ended December 31, 2008, interest expense increased \$9.2 million, or 58.2%, as compared to the same period in the prior year. The increase was due to an increase in outstanding debt balances, primarily the addition of the Term Debt.

Income tax benefit (expense)

For the year ended December 31, 2008, income tax benefit increased \$1.4 million as compared to the same period in the prior year. The benefit is primarily a result of the deferred tax benefit exceeding current income tax expense. The deferred tax benefit is primarily related to the amortization of intangible assets. The income tax expense in 2007 was due to taxable net income computed in accordance with GAAP for Cogdell Spencer Advisors, LLC, a TRS, which

was a result of development fees, a non-recurring brokerage commission, and property management activities.

Cash Flows

Cash provided by operating activities increased \$1.0 million for the year ended December 31, 2008, as compared to the same period in the prior year, and is summarized below for the years ended December 31, 2008 and 2007 (in thousands):

	For the Year Ended	
	December 31, 2008	December 31, 2007
Net income (loss) plus non-cash adjustments	\$ 32,972	\$ 18,017
Changes in operating assets and liabilities	(8,232)	5,752
Net cash provided by operating activities	\$ 24,740	\$ 23,769

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The net loss plus non-cash adjustments increased \$15.0 million, or 83.0%, for the year ended December 31, 2008, as compared to the same period in the prior year. The increase is primarily due the inclusion of operations relating to the acquisition of MEA. The changes in operating assets and liabilities decreased \$14.0 million for the year ended December 31, 2008, as compared to the same period in the prior year. The decrease is primarily due to changes in operating assets and liabilities was a result of: 1) \$9.6 million paid to Erdman personnel in March 2008 for fiscal year 2007 annual bonuses, profit sharing, and 401(k) employer matching, 2) \$20.1 million decrease in billings in excess of costs and estimated earnings on uncompleted contracts; offset by a \$6.4 million decrease in retainage receivables and \$9.3 million in cash provided due to various changes in operating assets, accrued expenses, accrued incentive compensation, and prepaid rent accounts. The Company accrued the \$9.6 million for the Erdman fiscal year 2007 performance bonus payments as part of the Erdman purchase price allocation and the amount was included in the Erdman merger working capital calculation.

Cash used in investing activities increased \$77.0 million, or 65.6%, for the year ended December 31, 2008, as compared to the same period in the prior year. The increase is primarily due to the acquisition of MEA. Investment in real estate properties consisted of the following for the year ended December 31, 2008 and 2007 (in thousands):

	For the Year Ended	
	December 31, 2008	December 31, 2007
Development, redevelopment, and acquisitions	\$ (39,163)	\$ (105,985)
Second generation tenant improvements	(3,722)	(4,158)
Recurring property capital expenditures	(2,630)	(2,212)
Investment in real estate properties	\$ (45,515)	\$ (112,355)

Cash provided by financing activities increased \$104.6 million, or 108.9%, for the year ended December 31, 2008, as compared to same period in the prior year. The increase is primarily due to the issuance of common stock, proceeds from the Term Loan, and borrowing under the Credit Facility to fund the MEA transaction and property acquisitions.

Construction in Progress

Construction in progress at December 31, 2009, consisted of the following (dollars in thousands):

Property	Location	Estimated Completion Date	Net		Estimated Total Investment
			Rentable Square Feet (unaudited)	Investment to Date	
Medical Center Physicians Tower	Jackson, TN	1Q 2010	107,000	\$ 19,280	\$ 21,100
HealthPartners Medical Office Building	St. Cloud, MN	2Q 2010	60,000	11,126	18,300
Lancaster Rehabilitation Hospital	Lancaster, PA	2Q 2010	4,600	414	2,100
University Physicians MOB & Outpatient Clinic	Brandon, MS	2Q 2010	50,600	10,070	13,900
Land and pre-construction developments			-	2,448	-
			222,200	\$ 43,338	\$ 55,400

As of December 31, 2008, the Company had construction in progress related to the St. Luke's Riverside engagement in Bethlehem, Pennsylvania. This was a three building engagement project, of which the Company was to wholly-own or partially-own one of the three buildings. During 2009, due to changes in the scope, size, and timing of the project, the Company no longer intends to invest in the building under the original terms. In accordance with the development

agreement, the hospital system client paid for all reimbursable projects costs and for development services performed by the Company.

Liquidity and Capital Resources

At December 31, 2009, the Company had approximately \$25.9 million available in cash and cash equivalents. The Company is 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 \$150.0 million secured revolving credit facility with a syndicate of financial institutions (including 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.) (collectively, the “Lenders”). The Credit Facility is available to fund working capital and for other 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 \$150.0 million of revolving loans, with sub-limits of \$25.0 million for swingline loans and \$25.0 million for letters of credit. For additional information, see Note 9 to the accompanying Notes to Consolidated Financial Statements.

The Credit Facility also allows for up to \$100.0 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 (0.23% as of December 31, 2009) plus a margin of between 95 to 140 basis points based on the Company’s total leverage ratio (1.15% as of December 31, 2009) or (2) the higher of the federal funds rate plus 50 basis points or Bank of America, N.A.’s prime rate (3.25% as of December 31, 2009).

The Credit Facility contains customary terms and conditions for credit facilities of this type, 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 (\$45 million plus 85% of the net proceeds of equity issuances issued after the closing date).

As of December 31, 2009, there was \$61.7 million available under the Credit Facility. There was \$80.0 million outstanding at December 31, 2009 and \$8.3 million of availability was restricted related to outstanding letters of credit.

The Credit Facility has the following financial covenants as of December 31, 2009 (dollars in thousands):

Financial Covenant	As of and for the Year Ended December 31, 2009
Maximum total leverage ratio (0.70 to 1.00)	0.49 to 1.00
Maximum real estate leverage ratio (0.70 to 1.00)	0.55 to 1.00
Minimum fixed charge coverage ratio (1.50 to 1.00)	2.17 to 1.00
Minimum consolidated tangible net worth (\$141,983)	\$ 200,905
Maximum total debt to real estate value ratio (0.90 to 1.00)	0.62 to 1.00

The Company has \$50.0 million outstanding under a \$50.0 million Term Loan. The Term Loan was initially \$100.0 million and the Company repaid \$50.0 million in June 2009. The Term Loan is secured by the stock and certain accounts receivable at the Design-Build and Development segment and is guaranteed by the Company.

The current economic environment and the volatility in the credit markets have affected and, most likely, will continue to affect the Company’s results of operations and financial position and in particular, the results of operations

and financial position of the Design-Build and Development segment. During the year ended 2009, the Company experienced delays in client project starts and some contract cancellations. Due to the uncertainty of Design-Build and Development segment's future operating results, the Company and the Term Loan lenders amended the Term Loan in June 2009. The amendment, among other things, amended certain financial covenants relating to the Design-Build and Development segment, as well as certain other provisions of the Term Loan, including (1) the elimination of the minimum adjusted consolidated EBITDA covenant (previously \$22.5 million), (2) a modification of the maximum adjusted consolidated senior indebtedness to adjusted consolidated EBITDA covenant to 3.50 to 1.00 through March 2011, with a one-time ability to exceed 3.50 to 1.00 but not greater than 3.75 to 1.00, and 3.00 to 1.00 from April 2011 to final maturity (previously 4.25 to 1.00 as of March 31, 2009, decreasing to 3.75 to 1.00 as of July 1, 2009), (3) an increase in the interest rate from LIBOR plus 3.50% to LIBOR plus 4.50%, and (4) payment of a market based modification fee. The amendment was subject to the repayment of \$50.0 million of the outstanding balance under the Term Loan by the Borrower (which amount was repaid on June 3, 2009) and certain other customary terms and conditions.

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The Term Loan, as amended, also has the following financial covenants relating only to the Design-Build and Development business segment as of December 31, 2009:

Financial Covenant	As of and for Year Ended December 31, 2009
Minimum adjusted consolidated EBITDA to consolidated fixed charges (2.00 to 1.00)	3.69 to 1.00
Maximum consolidated senior indebtedness to adjusted consolidated EBITDA (3.50 to 1.00, with a one-time ability to exceed 3.50 to 1.00, but not greater than 3.75 to 1.00)	2.37 to 1.00
Maximum consolidated indebtedness to adjusted consolidated EBITDA (5.50 to 1.00)	2.37 to 1.00

The Term Loan also contains customary covenants similar to the Credit Facility and 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 (\$45 million plus 85% of the net proceeds of equity issuances), as well as being cross defaulted to the Company's Credit Facility.

If the Company were in default under the Credit Facility or the Term Loan, then the Lenders can declare the Company in default under the other agreement as well. As of December 31, 2009, the Company believes that it is in compliance with all of its debt covenants under the Credit Facility and the Term Loan.

The Credit Facility and Term Loan mature in March 2011. Both have one-time, one year conditional extension options at the Company's election. As of December 31, 2009, the Company expects to exercise the extension option for both the Credit Facility and the Term Loan.

During 2008, the Company formed a joint venture with Northwestern Mutual. The joint venture, Cogdell Spencer Medical Partners LLC, may acquire up to approximately \$350.0 million of medical office buildings and other healthcare facilities nationwide, predominantly associated with not-for-profit healthcare systems and large physician-owned clinics. Through December 31, 2010, the joint venture will be the Company's exclusive vehicle for cash acquisitions. When the joint venture closes on a specific acquisition, the Company will contribute 20% of the equity capital to fund the acquisition. The Company expects the joint venture will obtain mortgage financing on market terms for its acquisitions, which mortgage financing may come from the joint venture partner. As of December 31, 2009, the joint venture did not have any acquisitions under contract.

Short-Term Liquidity Needs

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. The Company currently anticipates 2010 cash flow from operations, before changes in operating assets and liabilities, to approximate the sum of 2010 cash outflows for dividends to shareholders and distributions to OP Unitholders and capital expenditures and tenant improvement expenditures for properties owned as of December 31, 2009. Subject to IRS guidelines, the Company is permitted to pay a portion of its dividends in the form of common stock in lieu of cash. The Company anticipates using its cash and cash equivalents and Credit Facility availability for changes in operating assets and liabilities, principal maturities, and the Company's equity funding portion for new developments and acquisitions. For 2010, the Company has one redevelopment project planned with an expected investment of approximately \$4.0 million.

As of December 31, 2009, the Company had approximately \$25.3 million of principal and maturity payments due in 2010 related to mortgage note payables. The \$25.3 million is comprised of \$4.4 million for principal amortization and \$20.9 million for maturities. Of the \$20.9 million in maturing mortgage notes payable, \$7.7 million relates to wholly-owned properties and \$13.7 million relates to Alamance Regional Medical Outpatient Center, which is a consolidated real partnership in which the Company owns 35.5%.

The Company believes it will be able to refinance the \$7.7 million 2010 balloon maturities related to the wholly-owned properties as a result of the current loan to value ratios at the individual properties and preliminary discussions with lenders. The Company believes that it will be able to refinance some, but not all, of the \$13.7 million 2010 balloon maturity related to Alamance Regional Medical Outpatient Center. The partners in this real estate partnership, in which the Company owns 35%, may need to contribute equity to the partnership in order to reduce the debt balance.

Should the Company be unable to refinance the 2010 balloon maturities, the Company has \$87.6 million combined cash and cash equivalents and Credit Facility availability as of December 31, 2009, which exceeds the 2010 principal and maturity payments due in 2010.

As of December 31, 2009, the Company has no outstanding equity commitments to joint ventures formed prior to December 31, 2009. The Cogdell Spencer Medical Partners LLC acquisition joint venture with Northwestern Mutual has no properties under contract to acquire as of December 31, 2009, thus the Company has no equity commitment to the joint venture as of December 31, 2009.

On December 17, 2009, the Company declared a dividend to common stockholders of record and the Operating Partnership declared a distribution to holders of OP units of record, in each case as of December 31, 2009, totaling \$5.1 million, or \$0.10 per share or OP unit, covering the period from October 1, 2009 through December 31, 2009. The dividend and distribution were paid on January 21, 2010. The dividend and distribution were equivalent to an annual rate of \$0.40 per share and OP unit.

Long-Term Liquidity Needs

The Company's principal long-term liquidity needs consist primarily of new property development, property acquisitions, and 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 or third parties. The Company intends to have construction financing agreements in place before construction begins on development projects. 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 may use OP units issued by the Operating Partnership to acquire properties from existing owners seeking a tax deferred transaction.

Although capital markets continued to remain restricted during 2009 and will likely remain restricted in 2010, 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. Notwithstanding the Company's expectations discussed above, financial markets continue to experience unusual volatility and uncertainty. Financial systems throughout the world have become illiquid with banks no longer willing to lend substantial amounts to other banks and borrowers. Consequently, there is greater uncertainty regarding the Company's ability to access the credit market in order to attract financing or capital on reasonable terms or on any terms. The Company may also issue unsecured debt in the future. However, with the current deteriorating general economic conditions and the current volatility of the debt and equity markets, there can be no assurance as to the

Company's ability to raise new debt or equity. The Company does not, in general, expect to meet its long-term liquidity needs through dispositions of its properties. In the event that the Company were to sell any of its properties in the future, depending on which property were to be sold, the Company may need to structure the sale or disposition as a tax deferred transaction which would require the reinvestment of the proceeds from such transaction in another property or, however, 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 entered into in connection with the Company's formation transactions and certain property acquisitions. 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, to the extent possible and desirable, 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. However, with the current volatility in the debt markets, there can be no assurance as to the Company's ability to raise new debt. 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.

Contractual Obligations

The following table summarizes the Company's contractual obligations as of December 31, 2009, 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):

	2010	2011	2012	2013	2014	Thereafter	Total
Obligation:							
Long-term debt principal payments and maturities (1)	\$25,301	\$181,661	\$25,151	\$15,992	\$54,231	\$108,467	\$410,803
Standby letters of credit (2)	8,257	-	-	-	-	-	8,257
Interest payments (3)	16,106	12,396	10,152	9,120	7,527	16,068	71,369
Purchase commitments (4)	3,742	-	-	-	-	-	3,742
Ground and air rights leases (5)	801	801	439	407	407	11,424	14,279
Operating leases (6)	5,083	4,405	3,975	3,197	3,247	23,621	43,528
Total	\$59,290	\$199,263	\$39,717	\$28,716	\$65,412	\$159,580	\$551,978

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

(2) As collateral for performance, the Company is contingently liable under standby letters of credit, which also reduces the availability under the Credit Facility

(3) Assumes one-month LIBOR of 0.23% and Prime Rate of 3.25% which were the rates as of December 31, 2009 and includes fixed rate interest swap agreements.

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

(5) Substantially all of the ground and air rights leases effectively limit our control over various aspects of the operation of the applicable property, restrict our 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 or air rights lease.

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

(7) Excludes scheduled maturities related to the mortgage note payable included in discontinued operations. The mortgage note payable requires monthly principal and interest payments of approximately \$20,000 until February 2011, at which time a balloon payment of approximately \$2.1 million is due.

For additional information, see Note 11 to the accompanying Notes to Consolidated Financial Statements.

Off-Balance Sheet Arrangements

The Company may guarantee debt in connection with certain of its development activities, including joint ventures, from time to time. As of December 31, 2009, the Company did not have any such guarantees or other off-balance sheet arrangements outstanding.

Real Estate Taxes

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

Inflation

The Company's leases at wholly-owned and consolidated partnership properties generally provide for either indexed escalators, based on the CPI or other measures or, to a lesser extent, fixed increases in base rents. The leases also contain provisions under which the tenants reimburse the Company for a portion of property operating expenses and real estate taxes. The Company's property management and related services provided to third parties typically provide for fees based on a percentage of revenues for the month as defined in the related property management agreements. The revenues collected from leases are generally structured as described above, with year over year increases. The Company also 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 Company believes that inflationary increases in expenses will be offset, in part, by the contractual rent increases and tenant expense reimbursements described above.

Seasonality

Business under the Design-Build and Development segment can be subject to seasonality due to weather conditions at construction sites. In addition, construction starts and contract signings can be impacted by the timing of budget cycles at healthcare systems and providers.

Recent Accounting Pronouncements

For additional information, see Note 2 to the accompanying Notes to Consolidated 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, 2009, the Company had \$410.9 million of consolidated debt outstanding (excluding any discounts or premiums related to assumed debt as well as excluding \$2.1 million in a mortgage note payable related to discontinued operations). Of the Company's total consolidated debt, \$70.0 million, or 17.1%, was variable rate debt that is not subject to variable to fixed rate interest rate swap agreements. Of the Company's total indebtedness, \$340.8 million, or 82.9%, was subject to fixed interest rates, including variable rate debt that is subject to variable to fixed rate swap agreements. The weighted average interest rate for fixed rate debt was 5.7% as of December 31, 2009.

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 \$0.6 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.

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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, 2009 and 2008, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2009. 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 the 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, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, 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.

As discussed in Note 2 to the financial statements, on January 1, 2009, the Company changed its method of accounting for noncontrolling interests and retrospectively adjusted all periods presented in the consolidated financial statements.

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, 2009, 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 16, 2010 expressed an unqualified opinion on the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP

McLean, Virginia

March 16, 2010

COGDELL SPENCER INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	December 31, 2009	December 31, 2008
Assets		
Real estate properties:		
Land	\$ 33,139	\$ 29,101
Buildings and improvements	527,985	498,609
Less: Accumulated depreciation	(93,247)	(68,764)
Net operating real estate properties	467,877	458,946
Construction in progress	43,338	15,314
Net real estate properties	511,215	474,260
Cash and cash equivalents	25,914	34,668
Restricted cash	3,060	12,959
Tenant and accounts receivable, net of allowance of \$2,817 in 2009 and \$194 in 2008	12,993	43,520
Goodwill	108,683	180,435
Trade names and trademarks	41,240	75,969
Intangible assets, net of accumulated amortization of \$43,313 in 2009 and \$37,674 in 2008	21,742	45,363
Other assets	25,599	29,180
Other assets - held for sale	2,217	3,736
Total assets	\$ 752,663	\$ 900,090
Liabilities and equity		
Mortgage notes payable	\$ 280,892	\$ 238,448
Revolving credit facility	80,000	124,500
Term loan	50,000	100,000
Accounts payable	15,293	22,775
Billings in excess of costs and estimated earnings on uncompleted contracts	13,189	17,025
Deferred income taxes	15,993	34,176
Payable to prior MEA Holdings, Inc. shareholders	-	18,002
Other liabilities	47,312	59,860
Other liabilities - held for sale	2,204	2,310
Total liabilities	504,883	617,096
Commitments and contingencies		
Equity:		
Cogdell Spencer Inc. 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, 42,729 and 17,699 shares issued and outstanding in 2009 and 2008, respectively	427	177
Additional paid-in capital	370,593	275,380
Accumulated other comprehensive loss	(1,861)	(5,106)
Accumulated deficit	(164,321)	(77,438)
Total Cogdell Spencer Inc. stockholders' equity	204,838	193,013

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Noncontrolling interests:			
Real estate partnerships	5,220		4,657
Operating partnership	37,722		85,324
Total noncontrolling interests	42,942		89,981
Total equity	247,780		282,994
Total liabilities and equity	\$ 752,663	\$	900,090

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008	For the Year Ended December 31, 2007
Revenues:			
Rental revenue	\$ 79,486	\$ 77,421	\$ 62,611
Design-Build contract revenue and other sales	143,416	253,596	-
Property management and other fees	3,336	3,460	3,502
Development management and other income	3,363	885	290
Total revenues	229,601	335,362	66,403
Expenses:			
Property operating and management	31,810	31,065	25,405
Design-Build contracts and development management	113,961	214,019	-
Selling, general, and administrative	32,285	30,215	7,365
Depreciation and amortization	34,502	44,879	27,612
Impairment charges	120,920	-	-
Total expenses	333,478	320,178	60,382
Income (loss) from continuing operations before other income (expense) and income tax benefit (expense)	(103,877)	15,184	6,021
Other income (expense):			
Interest and other income	620	922	1,073
Gain on settlement from MEA Holdings, Inc. transaction	4,905	-	-
Interest expense	(21,711)	(25,017)	(15,818)
Debt extinguishment and interest rate derivative expense	(2,511)	-	-
Equity in earnings of unconsolidated real estate partnerships	15	22	20
Total other income (expense)	(18,682)	(24,073)	(14,725)
Loss from continuing operations before income tax benefit (expense)	(122,559)	(8,889)	(8,704)
Income tax benefit (expense)	22,124	1,244	(117)
Net loss from continuing operations	(100,435)	(7,645)	(8,821)
Discontinued operations:			
Loss from discontinued operations	(168)	(212)	(173)
Impairment of real estate property	(1,359)	-	-
Total discontinued operations	(1,527)	(212)	(173)
Net loss	(101,962)	(7,857)	(8,994)

Net loss (income) attributable to the noncontrolling interest in:			
Real estate partnerships	(288)	(964)	(85)
Operating partnership	32,522	3,048	2,738
Net loss attributable to Cogdell Spencer Inc.	\$ (69,728)	\$ (5,773)	\$ (6,341)
Per share data - basic and diluted			
Loss from continuing operations attributable to Cogdell Spencer Inc.	\$ (2.10)	\$ (0.36)	\$ (0.56)
Loss from discontinued operations attributable to Cogdell Spencer Inc.	(0.04)	(0.01)	(0.01)
Net loss per share attributable to Cogdell Spencer Inc.	\$ (2.14)	\$ (0.37)	\$ (0.57)
Weighted average common shares - basic and diluted	32,655	15,770	11,056
Net (loss) attributable to Cogdell Spencer Inc.:			
Income from continuing operations, net of tax	\$ (68,500)	\$ (5,634)	\$ (6,216)
Discontinued operations	(1,228)	(139)	(125)
Net loss attributable to Cogdell Spencer Inc.	\$ (69,728)	\$ (5,773)	\$ (6,341)

See notes to consolidated financial statements.

COGDELL SPENCER INC.
CONSOLIDATED STATEMENTS OF EQUITY
(in thousands)

	Cogdell Spencer Inc. Stockholders					Noncontrolling		
	Total	Comprehensive	Accumulated	Comprehensive	Common	Paid-in	Interests	Interests
	Equity	Loss	Deficit	Income	Stock	Capital	in	in
				(Loss)			Operating	Real
							Partnership	Estate
							Partnerships	Partnerships
Balance at December 31, 2006	\$ 113,676		\$ (27,702)	\$ 47	\$ 80	\$ 87,224	\$ 53,870	\$ 157
Comprehensive loss:								
Net income (loss)	(8,994)	\$ (8,994)	(6,341)	-	-	-	(2,738)	85
Unrealized loss on interest rate swaps	(1,307)	(1,307)	-	(931)	-	-	(376)	-
Comprehensive loss	(10,301)	\$ (10,301)						
Issuance of common stock, net of costs	78,464		-	-	39	78,425	-	-
Issuance of operating partnership units	2,426		-	-	-	-	2,426	-
Redemption of operating partnership units	(1,326)		-	-	-	-	(1,326)	-
Conversion of operating partnership units to common stock	-		-	-	-	6	(6)	-
Issuance of limited partnership interests in real estate partnership	2,308		-	-	-	-	-	2,308
Restricted stock and LTIP units grants	73		-	-	-	20	53	-
Amortization of restricted stock grants	110		-	-	-	69	41	-
Dividends and distributions	(23,174)		(16,708)	-	-	-	(6,350)	(116)
Adjustment to record change of interest in the operating partnership due to the issuance of operating partnership units in excess of book value	-		-	-	-	1,157	(1,157)	-
Balance at December 31, 2007	162,256		(50,751)	(884)	119	166,901	44,437	2,434
Comprehensive loss:								
Net income (loss)	(7,857)	\$ (7,857)	(5,773)	-	-	-	(3,048)	964
	(7,936)	(7,936)	-	(4,222)	-	-	(2,092)	(1,622)

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Unrealized loss on interest rate swaps, net of tax								
Comprehensive loss	(15,793)	\$ (15,793)						
Issuance of common stock, net of costs	91,231		-	-	57	91,174	-	-
Issuance of operating partnership units	74,270		-	-	-	-	74,270	-
Redemption of operating partnership units	(493)		-	-	-	-	(493)	-
Conversion of operating partnership units to common stock	(114)		-	-	1	1,843	(1,958)	-
Issuance of limited partnership interests in real estate partnership	3,845		-	-	-	-	-	3,845
Restricted stock and LTIP units grants	1,144		-	-	-	94	1,050	-
Amortization of restricted stock grants	101		-	-	-	63	38	-
Dividends and distributions	(33,453)		(20,914)	-	-	-	(11,575)	(964)
Adjustment to record change of interest in the operating partnership due to the issuance of operating partnership units at other than book value	-		-	-	-	15,305	(15,305)	-
Balance at December 31, 2008	282,994		(77,438)	(5,106)	177	275,380	85,324	4,657
Comprehensive loss:								
Net income (loss)	(101,962)	\$ (101,962)	(69,728)	-	-	-	(32,522)	288
Unrealized gain on interest rate swaps, net of tax	5,185	5,185	-	3,760	-	-	611	814
Comprehensive loss	(96,777)	\$ (96,777)						
Issuance of common stock, net of costs	76,457		-	-	230	76,227	-	-
Issuance of operating partnership units	5,262		-	-	-	-	5,262	-
Conversion of operating partnership units to common stock	-		-	(515)	20	18,830	(18,335)	-
Restricted stock and LTIP unit grants	1,344		-	-	-	80	1,264	-

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Amortization of restricted stock grants	113	-	76	37		
Dividends and distributions	(21,613)	(17,155)	-	-	(3,919)	(539)
Balance at December 31, 2009	\$ 247,780	\$ (164,321)	\$ (1,861)	\$ 427	\$ 370,593	\$ 37,722 \$ 5,220

See notes to consolidated financial statements.

COGELL SPENCER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008	For the Year Ended December 31, 2007
Operating activities:			
Net loss	\$ (101,962)	\$ (7,857)	\$ (8,994)
Adjustments to reconcile net loss to cash provided by operating activities:			
Depreciation and amortization (including amounts in discontinued operations)	34,502	45,016	27,758
Amortization of acquired above market leases and acquired below market leases, net (including amounts in discontinued operations)	(542)	(638)	(723)
Straight-line rental revenue	(556)	(569)	(445)
Amortization of deferred finance costs and debt premium	1,644	1,286	271
Provision for bad debts	2,624	175	17
Deferred income taxes	(18,614)	(5,657)	(30)
Deferred tax expense on intersegment profits	(2,813)	(7)	-
Equity-based compensation	1,300	1,245	183
Equity in earnings of unconsolidated real estate partnerships	(15)	(22)	(20)
Debt extinguishment and interest rate derivative expense	2,511	-	-
Change in fair value of interest rate swap agreements	(757)	-	-
Impairment of goodwill, trade names and trademarks and intangible assets	120,920	-	-
Impairment of real estate property	1,359	-	-
Gain on settlement from MEA Holdings, Inc. transaction	(2,002)	-	-
Changes in operating assets and liabilities:			
Tenant and accounts receivable and other assets	32,118	16,243	(369)
Accounts payable and other liabilities	(20,438)	(4,366)	6,121
Billings in excess of costs and estimated earnings on uncompleted contracts	(3,836)	(20,109)	-
Net cash provided by operating activities	45,443	24,740	23,769
Investing activities:			
Business acquisitions, net of cash acquired	(8,022)	(134,134)	-
Investment in real estate properties, net of cash acquired	(54,572)	(45,515)	(112,355)
Purchase of noncontrolling interests in operating partnership	-	(770)	(4,340)
Proceeds from sales-type capital lease	306	306	305
Purchase of corporate property, plant and equipment	(1,830)	(3,008)	(576)
Distributions received from unconsolidated real estate partnerships	6	5	14
Decrease (increase) in restricted cash	9,899	(11,161)	(346)
Net cash used in investing activities	(54,213)	(194,277)	(117,298)

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Financing activities:

Proceeds from mortgage notes payable	73,222	22,580	70,257
Repayments of mortgage notes payable	(30,813)	(21,964)	(33,361)
Proceeds from revolving credit facility	3,500	145,000	82,400
Repayments to revolving credit facility	(48,000)	(99,700)	(80,687)
Proceeds from term loan	-	100,000	-
Repayment of term loan	(50,000)	-	-
Net proceeds from sale of common stock	76,457	91,229	78,463
Dividends and distributions	(22,135)	(32,101)	(21,705)
Contributions from noncontrolling interests in real estate partnerships	-	481	1,848
Distributions to noncontrolling interests in real estate partnerships	(539)	(963)	(117)
Payment of financing costs	(1,676)	(3,912)	(1,043)
Net cash provided by financing activities	16	200,650	96,055
Increase (decrease) in cash and cash equivalents	(8,754)	31,113	2,526
Balance at beginning of period	34,668	3,555	1,029
Balance at end of period	\$ 25,914	\$ 34,668	\$ 3,555

COGDELL SPENCER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(in thousands)

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008	For the Year Ended December 31, 2007
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of capitalized interest	\$ 21,998	\$ 25,477	\$ 15,355
Cash paid for income taxes	\$ 37	\$ 3,897	\$ 307
Non-cash investing and financing activities:			
Operating Partnership Units issued or to be issued in connection with the acquisition of a business or real estate property	\$ -	\$ 81,347	\$ 3,583
Investment in real estate properties included in accounts payable and other liabilities	(4,490)	(1,788)	1,109
Debt assumed with purchase of properties	-	2,733	16,238
Noncontrolling interest assumed with purchase of property	-	3,359	-
Investment in real estate costs contributed by partner in a consolidated real estate partnership	-	-	460
Accrued dividends and distributions	5,051	6,061	5,771
Operating Partnership Units converted into common stock	18,850	1,844	-

See notes to consolidated financial statements.

COGDELL SPENCER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business

Cogdell Spencer Inc., incorporated in Maryland in 2005, together with its subsidiaries (the “Company”) 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 and ambulatory surgery and diagnostic centers. The Company focuses on the ownership, delivery, acquisition, and management of strategically located medical office buildings and other healthcare related facilities in the United States of America. The Company has been built around understanding and addressing the full range of specialized real estate needs of the healthcare industry. The Company operates its business through Cogdell Spencer LP, its operating partnership subsidiary (the “Operating Partnership”), and its subsidiaries. The Company has two segments: (1) Property Operations and (2) Design-Build and Development. Property Operations owns and manages properties and manages properties for third parties. Design-Build and Development provides strategic planning, design, construction, development, and project management services for properties owned by the Company and for third parties.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and represent the assets and liabilities and operating results of the Company. 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. The Company reviews its interests in entities to determine if the entity’s assets, liabilities, noncontrolling interests and results of activities should be included in the consolidated financial statements in accordance with the GAAP. All significant intercompany balances and transactions have been eliminated in consolidation.

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 percentage of completion revenue, construction contingency and loss provisions, useful lives of real estate properties and improvements, the initial valuations and underlying allocations of purchase price in connection with business and real estate property acquisitions, and projected cash flow and fair value estimates used for impairment testing. Actual results may differ from those estimates.

Revenue Recognition

The Company derives a majority of its revenues from two main sources: 1) from rents received from tenants under existing leases in medical office buildings and other healthcare related facilities, and 2) from revenue earned from design-build construction contracts and development contracts.

Rental Revenue and Property Management. 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 greater than or less than amounts contractually due from tenants. In addition, the 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 "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.

COGDELL SPENCER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company receives fees for property management and related services provided to third parties which are reflected as property management fee revenue. Management fees are generally based on a percentage of revenues for the month as defined in the related property management agreements. The Company also 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 and recognized by the Company as revenue as they are characterized by GAAP as “out of pocket” expenses incurred in the performance of a service.

Design-Build Contract Revenues and Development Management. Design-Build contract revenue is recognized under the percentage-of-completion method of accounting in accordance with GAAP. Revenues are determined by measuring the percentage of costs incurred to date to estimated total costs for each design-build contract based on current estimates of costs to complete. Contract costs include all labor and benefits, materials, subcontracts, and an allocation of indirect costs related to contract performance such as architectural, engineering, and construction management. Indirect costs are allocated to projects based upon labor hours charged. As long-term design-build projects extend over one or more years, revisions in cost and estimated earnings during the course of the work are reflected in the accounting period in which the facts which require the revision become known. At the time a loss on a design-build project becomes known, the entire amount of the estimated ultimate loss is recognized in the consolidated financial statements. Change orders are recognized when they are approved by the client.

Costs and estimated earnings in excess of billings on uncompleted design-build projects (“underbillings”) are included in “Other assets” in the consolidated balance sheets. Billings in excess of costs and estimated earnings on uncompleted design-build projects (“overbillings”) are included in liabilities in the consolidated balance sheets. Customers are billed on a monthly basis at the end of each month, which can be in advance of work performed. As a result, the Company typically generates billings in excess of costs and estimated earnings on design-build projects.

Revenue from project analysis and design agreements is accounted for on the completed contract method. Costs in excess of billings and billings in excess of costs on project analysis and design agreements are included with design-build projects over and underbillings in the consolidated balance sheets. Revenue from development agreements is recognized as earned per the agreements and costs are expensed as incurred.

Other income. 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 and other income includes the amortization of unearned income related to a sales-type capital lease.

Warranties

The Company provides standard industry warranties in its design-build business, which generally are for one year after completion of a project. Buildings are guaranteed against defects in workmanship for one year after completion. The typical warranty requires that the Company replace or repair the defective item. The Company records an estimate for future warranty related costs based on actual historical warranty claims. This estimated liability is included in “Other liabilities” in the consolidated balance sheets. Based on analysis of warranty costs, the warranty provisions are adjusted as necessary. While warranty costs have historically been within calculated expectations, it is possible that future warranty costs could exceed expectations.

The changes in the carrying amounts of the total warranty liabilities for the periods shown are as follows (in thousands):

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	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008	For the Year Ended December 31, 2007
Balance at the beginning of period	\$ 4,331	\$ -	\$ -
Erdman acquisition	-	4,600	-
Accruals	(218)	2,217	-
Settlements	(2,613)	(2,486)	-
Balance at the end of period	\$ 1,500	\$ 4,331	\$ -

COGDELL SPENCER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 "REIT taxable income" (as determined without regard to the dividends paid deduction or net capital gains) be distributed. As a REIT, the Company will generally not be subject to U.S. federal income tax to the extent that it meets the organization and operational requirements and distributions equal or exceed taxable income. For all periods subsequent to the REIT election, the Company has met the organization and operational requirements and distributions exceeded net taxable income. Accordingly, no provision has been made for federal and state income taxes, except as follows.

The Company, together with Cogdell Spencer TRS Holdings, LLC and its subsidiaries ("TRS Holdings") have made the election to treat TRS Holdings as a taxable REIT subsidiary. As a taxable REIT subsidiary, the operations of TRS Holdings are generally subject to corporate income taxes.

The Company's taxable REIT subsidiary accounts for its income taxes in accordance with GAAP, which includes an estimate of the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. The calculation of the taxable REIT subsidiary's tax provision may require interpreting tax laws and regulations and could result in the use of judgments or estimates which could cause its recorded tax liability to differ from the actual amount due. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The taxable REIT subsidiary periodically assesses the realizability of deferred tax assets and the adequacy of deferred tax liabilities, including the results of local, state, or federal statutory tax audits or estimates and judgments used.

The Company and the taxable REIT subsidiary apply the GAAP provisions for measuring and recognizing tax benefits associated with uncertain tax positions. Penalties and interest, if incurred, would be recorded as a component of income tax expense.

The Company defers income taxes paid on intercompany profits for real estate properties remaining with the Company. Such taxes are presented with the related real estate property on the balance sheet, are amortized to income tax expense over the useful life of the related property, are assessed for impairment as part of the asset group and any remaining balance will be removed from the balance sheet when the related property is removed. Such income taxes totaled \$2.8 million and approximately \$7,000 for the years ended December 31, 2009 and 2008.

During 2009, the Company paid two quarterly dividends of \$0.225 per share and two quarterly dividends of \$0.10, totaling \$0.65 per share for the year. The dividends of \$0.65 per share are classified for income tax purposes as 61.5% taxable ordinary dividend and 38.5% return of capital. No portion of the dividends constitutes "qualified dividends" eligible for the reduced rates on dividends pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003.

Comprehensive Income or Loss

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

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 statements of cash flows.

Restricted Cash

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

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COGDELL SPENCER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 GAAP. 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 property, plant and equipment, which are included in "Other assets," are depreciated over three to seven years.

Acquisitions of properties are accounted for utilizing the acquisition method in accordance with GAAP and accordingly the purchase cost is allocated to tangible and intangible assets and liabilities based on their 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 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 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 GAAP, 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. Assets held for sale are recorded at the lower of cost or fair value less costs to sell.

All operations and gains and losses associated with sales of real estate property or assets classified as held for sale are reclassified and presented as discontinued operations.

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.

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COGDELL SPENCER INC.
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Capitalization of Interest

The Company capitalizes interest costs on borrowings incurred during the construction and lease-up periods 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, 2009, 2008, and 2007, the Company capitalized interest of approximately \$1.0 million, \$0.6 million, and \$0.9 million, respectively, in connection with various development projects.

Tenant and Accounts Receivable

Property Operations' tenant and accounts receivable are recorded and carried at the amount billable per the applicable lease or contract agreement. Straight-line rent adjustments are included in tenant and accounts receivable.

Design-Build and Development's accounts receivable are comprised primarily of contracts receivable. Contracts receivable from performing construction of healthcare facilities are recorded when invoiced and are based on contracted prices and billing terms. Normal contracts receivable are due 15 to 30 days after the issuance of the invoice. Contract retentions are due 15 to 30 days after completion of the project and acceptance by the owner. Receivables past due more than 180 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. As construction contracts are long term, a portion of the contract retention receivable balance will not be collected within the next year.

An allowance for uncollectible accounts is made based upon a review of outstanding receivables, historical collection information, existing economic conditions, and other factors that may indicate collection of the full amount is no longer considered probable.

Investment in Capital Lease

Investment in capital lease consists of a building on a sales-type capital lease. 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." The investment in capital lease is included in "Other assets."

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 substantial modification in the terms of the underlying debt agreement, any unamortized costs are charged to earnings. Deferred financing costs were \$3.1 million, net of accumulated amortization of \$3.0 million, as of December 31, 2009 and \$4.1 million, net of accumulated amortization of \$2.0 million, as of December 31, 2008.

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 GAAP. 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 "Other Liabilities." 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 and Intangible Assets

The Company accounts for goodwill in accordance with GAAP. 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. Non-amortizing intangible assets, such as trade names and trademarks, are subject to an annual impairment test based on fair value and amortizing intangible assets are tested whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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Fair Value of Financial Instruments

The Company defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In accordance with the Financial Accounting Standards Board (“FASB”), the Company adopted this definition for its financial assets and liabilities on January 1, 2008, and for all nonfinancial assets and nonfinancial liabilities on January 1, 2009. The adoption for non-financial assets and liabilities on January 1, 2009 did not have a material impact on the Company’s consolidated financial position or results of operations.

The Company utilizes the GAAP fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Fair values determined by Level 1 inputs utilize observable inputs such as quoted prices in active markets for identical assets or liabilities the Company has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In instances in which the inputs used to measure fair value may fall into different levels of the fair value hierarchy, the level in the fair value hierarchy within which the fair value measurement in its entirety has been determined is based on the lowest level input significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

To obtain fair values, observable market prices are used if available. In some instances, observable market prices are not readily available for certain financial instruments and fair value is determined using present value or other techniques appropriate for a particular financial instrument. These techniques involve some degree of judgment and as a result are not necessarily indicative of the amounts the Company would realize in a current market exchange. The use of different assumptions or estimation techniques may have a material effect on the estimated fair value amounts.

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 and accounts receivable, accounts payable, and other liabilities to approximate fair value due to the short maturity of these instruments. The Company has estimated the fair value of debt utilizing present value techniques taking into consideration current market conditions. At December 31, 2009 the carrying amount and estimated fair value of debt was \$410.9 million and \$398.5 million, respectively. The mortgage included in Other liabilities – held for sale has a \$2.2 million carrying value and \$2.3 million estimated fair value as of December 31, 2009. As of December 31, 2009, the Company reclassified the wholly-owned property Harbison Medical Office Building (formerly known as Baptist Northwest) as held for sale discontinued operations. At December 31, 2008, the carrying amount and estimated fair value of debt was \$460.7 million and \$451.5 million, respectively.

See Note 8 regarding the write-down of the Company’s goodwill and certain intangible assets to implied fair market value. See Note 10 regarding the fair value of the Company’s interest rate swap agreements. See Note 4 regarding the write-down of real estate property for one property to its implied fair market value less costs to sell.

Offering Costs

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

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Share Based Compensation

The Company accounts for share based compensation, including restricted stock grants and long-term incentive units (“LTIP units”), in accordance with GAAP. 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 or when performance criteria for vesting is expected to be achieved.

Per Share Data

Basic and diluted earnings per share are computed based upon the weighted average number of shares outstanding during the respective period.

Concentrations and Credit Risk

The Company maintains its cash in commercial banks. Balances on deposit are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to specific limits. Balances on deposit in excess of FDIC limits are uninsured. At December 31, 2009, the Company had bank cash balances of \$29.7 million in excess of FDIC insured limits.

Three customers and one customer accounted for more than 10% of tenant and accounts receivable as of December 31, 2009 and 2008, respectively. One customer or tenant accounted for more than 10% of revenue for the year ended December 31, 2009. No customers or tenants accounted for more than 10% of revenue for the year ended December 31, 2008.

Reclassifications

During 2009, the Company reclassified Harbison Medical Office Building, a wholly-owned real estate property (formerly known as Baptist Northwest), as discontinued operations and has actively marketed the property for sale. The Company expects the sale to close in 2010. Accordingly, the Company has reclassified the assets and liabilities related to this discontinued operations real estate property to “Other assets – held for sale” and “Other liabilities – held for sale,” respectively, as well as the results of operations to “Discontinued Operations” in the consolidated statement of operations for the years ended December 31, 2009, 2008 and 2007. The asset is part of the Property Operations segment.

The accompanying Notes to Consolidated Financial Statements include the retrospective application of the presentation and disclosure requirements of Accounting Standards Codification (“ASC”) 810, Consolidation. ASC 810 is described in “Recent Accounting Pronouncements” below. The retrospective application did not have a material impact on the Company’s financial condition, results of operations, or cash flows. However, it did impact the presentation and disclosure of noncontrolling (minority) interest in the consolidated financial statements. The principal effect to the balance sheet is summarized as follows:

	December 31, 2009	December 31, 2008	December 31, 2007
Equity, as previously reported	\$ 247,780	\$ 188,949	\$ 115,035
Increase for ASC 810 reclass of noncontrolling interests	-	94,045	47,221
Equity, as adjusted	\$ 247,780	\$ 282,994	\$ 162,256

Additionally, the adoption of ASC 810 had the effect of reclassifying earnings attributable to noncontrolling interests in the consolidated statement of operations from before net loss to separate line items after net loss. ASC 810 also requires that a new separate caption for net loss attributable to Cogdell Spencer Inc. be presented in the consolidated statements of operations. Net loss increased by \$32.2 million, \$2.1 million, and \$2.7 million for the fiscal years 2009, 2008, and 2007, respectively and net loss attributable to Cogdell Spencer Inc. equals net loss as previously reported prior to the application ASC 810.

Additionally, ASC 810 requires consolidated comprehensive income (loss) to be adjusted to include the comprehensive income (loss) attributed to noncontrolling interests. The adoption of ASC 810 resulted in a reclassification of Accumulated Other Comprehensive Loss from Cogdell Spencer Inc. stockholder equity to noncontrolling interests. This reclassification resulted in a \$2.4 million and \$0.4 million decrease in noncontrolling interests in operating partnership at December 31, 2008 and 2007, respectively, and a \$1.6 million and zero decrease in noncontrolling interests in real estate partnerships at December 31, 2008 and 2007, respectively. Net loss attributable to Cogdell Spencer Inc., per common share – basic and diluted was not affected by this reclassification.

COGDELL SPENCER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events

The Company evaluates significant unusual or infrequent events occurring after the financial statement date through the date the financial statements are issued, or available to be issued, to determine if additional disclosures are needed. As of March 16, 2010, the date the financial statements were available to be issued, no significant events have been identified.

Recent Accounting Pronouncements

Effective July 1, 2009, the FASB established the Accounting Standards Codification (“ASC”) as the primary source of authoritative GAAP recognized by the FASB to be applied to nongovernmental entities. Although the establishment of the ASC did not change current GAAP, it did change the way current GAAP is referenced.

In December 2007, the FASB issued an accounting standard, codified in ASC 805, Business Combinations, relating to the accounting for and reporting of business combinations using the acquisition method of accounting, 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. Among these changes, this standard redefines the measurement date of a business combination and requires most transaction costs to be expensed as incurred, and requires expanded disclosure requirements such as reasons for the business combination, amount of third-party related expenses incurred, and a description of the prior relationship between or among the parties. The standard also provides guidance for recognizing and measuring the goodwill acquired in the business combination and requires additional disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This standard is effective prospectively, except for certain retrospective adjustments to deferred tax balances, for fiscal years beginning after December 15, 2008. The adoption of this standard had no impact on the Company’s balance sheet, statement of operations, or changes in equity on December 31, 2009.

In December 2007, the FASB issued an accounting standard, codified in ASC 810, Consolidation, which establishes the accounting for and reporting of noncontrolling interests (“NCI”), formerly referred to as minority interests, in partially owned consolidated subsidiaries and the accounting for and reporting of the change in control of subsidiaries. NCIs are to 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 are accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest is 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. The standard 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 implemented the standard effective January 1, 2009 and has applied the presentation and disclosure requirements retrospectively. Its adoption has resulted in an increase to equity as of December 31, 2008 of \$94.0 million for the reclassification of noncontrolling interest to equity for noncontrolling interests in consolidated entities as well as a \$4.1 million reclassification of Accumulated Other Comprehensive Loss from Cogdell Spencer Inc. stockholders’ equity to noncontrolling interests as of December 31, 2008. Also, net loss for year ended December 31, 2008 has increased by \$2.1 million for the reclassification of loss allocated to noncontrolling interests; however, net loss per common share attributable to Cogdell Spencer Inc. – basic and diluted was not affected by this reclassification.

In March 2008, the FASB issued an accounting standard, codified in ASC 815, Derivatives and Hedging, relating to disclosures about derivative instruments and hedging activities. The standard is intended to provide users of financial statements with an enhanced understanding of derivative instruments and hedging activities by having the Company disclose: (1) how and why the Company uses derivative instruments; (2) how derivative instruments and related

hedged items are accounted for under GAAP and its related interpretations; and (3) how derivative instruments and related hedged items affect the Company's financial position, financial performance and cash flows. The standard is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. It also encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The adoption of the standard had no impact on the Company's balance sheet, statement of operations, or changes in equity on January 1, 2009. See Note 8 for additional disclosures.

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In June 2008, the FASB issued an accounting standard, codified in ASC 260, Earnings Per Share, clarifying how certain unvested share-based payment awards are accounted for in the computation of earnings per common unit. The guidance states that unvested share-based payment awards containing non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per common unit pursuant to the two-class method. This guidance requires the retrospective adjustment of all prior-period earnings per common unit data presented (including interim financial statements, summaries of earnings, and selected financial data) to conform to the provisions of the standard. As a result, the Company's unvested LTIP units and restricted stock are considered participating securities and are included in the computation of basic and diluted earnings per common share of the Company if the effect of applying the if-converted method is dilutive. The adoption of this standard did not have a material impact on the Company's computation of earnings per common share on January 1, 2009.

In November 2008, the FASB issued an accounting standard, codified in ASC 323, Investments – Equity Method and Joint Ventures, relating to certain equity method investment accounting considerations. The standard states, among other things, that transaction costs for an investment should be included in the cost of the equity-method investment (and not expensed) and shares subsequently issued by the equity-method investee that reduce the investor's ownership percentage should be accounted for as if the investor had sold a proportionate share of its investment, with gains or losses recorded through earnings. The statement is effective for transactions occurring in fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The adoption of this standard had no impact on the Company's balance sheet, statement of operations, or changes in equity.

In April 2009, the FASB issued an accounting standard, codified in ASC 825, Financial Instruments, regarding interim disclosures about fair value of financial instruments. The standard essentially expands the disclosure about fair value of financial instruments that were previously required only annually to also be required for interim period reporting. In addition, the standard requires certain additional disclosures regarding the methods and significant assumptions used to estimate the fair value of financial instruments. This standard is effective for interim reporting periods ending after June 15, 2009. The additional disclosures required by the standard are included in Note 8 within this Form 10-Q.

In May 2009, and further revised in February 2010, the FASB issued an accounting standard, codified in ASC 855, Subsequent Events, relating to the disclosure of subsequent events. The standard incorporates into authoritative accounting literature certain guidance that already existed within generally accepted auditing standards, with the requirements concerning recognition and disclosure of subsequent events remaining essentially unchanged. This guidance addresses events which occur after the balance sheet date but before the issuance of financial statements. Under the new standard, as under previous practice, an entity must record the effects of subsequent events that provide evidence about conditions that existed at the balance sheet date and must disclose but not record the effects of subsequent events which provide evidence about conditions that did not exist at the balance sheet date. The statement is effective for interim and annual reporting periods ending after June 15, 2009. The additional disclosure required by the standard is included in Note 2.

In June 2009, the FASB issued an accounting standard, codified in ASC 810, Consolidation, which revises the consolidation guidance for variable-interest entities ("VIE"). The revisions include (1) no longer exempting qualifying special-purpose entities from the scope of the guidance, (2) requiring the continuous reconsideration for determining whether an enterprise is the primary beneficiary of another entity, (3) ignoring kick-out rights unless the rights are held by a single enterprise and (4) requiring consolidation if an entity has power and receives benefits or absorbs losses that are potentially significant to the VIE and not requiring consolidation if power is shared amongst unrelated parties. The revisions also include the enhancement of disclosure requirements. The standard is effective for interim and annual reporting periods beginning after November 15, 2009. The Company is still evaluating the effect of this

standard on the Company's balance sheet, statement of operations, or changes in equity.

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In August 2009, the FASB issued Accounting Standards Update (“ASU”) 2009-05, Measuring Liabilities at Fair Value, which provides additional guidance on how companies should measure liabilities at fair value under ASC 820. This update provides alternatives to measuring the fair value of liabilities when a quoted price for an identical liability traded in an active market does not exist. The alternatives include using the quoted price for the identical liability when traded as an asset or the quoted price of a similar liability or of a similar liability when traded as an asset, in addition to valuation techniques based on the amount an entity would pay to transfer the identical liability (or receive to enter into an identical liability). The update is effective for interim and annual reporting periods ending after August 28, 2009. The adoption of this standard had no impact on the Company’s balance sheet, statement of operations, or changes in equity on December 31, 2009.

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. No tenant occupied more than 10% of the Company’s net rentable square footage at December 31, 2009.

Future minimum lease payments by tenants under the non-cancelable operating leases as of December 31, 2009 were as follows (in thousands):

For the year ending:

2010	\$	71,616
2011		61,720
2012		50,052
2013		37,571
2014		30,152
Thereafter		116,531
	\$	367,642

The operating leases held at Harbison Medical Office Building (formerly known as Baptist Northwest), a wholly-owned property, are not included in the above future minimum lease payments schedule as the property was reclassified to discontinued operations during 2009 and is actively being marketed for sale as of December 31, 2009. Future minimum lease payments by tenants under non-cancelable operating leases as of December 31, 2009 relating to Harbison Medical Office Building are \$0.2 million, \$0.2 million, \$0.1 million, and \$0.1 million for 2010, 2011, 2012, and 2013, respectively, and zero thereafter.

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 “Investment in capital lease” is included in other assets and was as follows (in thousands):

	December 31, 2009	December 31, 2008
Total minimum lease payments	\$ 11,873	\$ 12,650
Less: Unearned income	(6,596)	(7,068)

Investment in capital lease	\$ 5,277	\$ 5,582
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Total minimum lease payments receivable on the capital lease as of December 31, 2009 exclusive of the operating expense reimbursement payments, are as follows (in thousands):

For the year ending:

2010	\$ 784
2011	790
2012	796
2013	624
2014	630
Thereafter	8,249
	\$ 11,873

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4. Acquisitions and Discontinued Operations

Business Acquisition

On March 10, 2008, the Company and the Operating Partnership completed a merger transaction through which they acquired MEA Holdings, Inc. (“MEA”), a design-build construction and engineering company specializing in healthcare facility construction. 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 J. Lubar and Scott A. Ransom, in their capacities as the Seller Representatives. MEA’s operating results are included in the consolidated financial statements from March 10, 2008, the acquisition date.

The consideration payable in the merger transaction and in the contribution transactions described below consisted 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 1,265,392 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. In connection with the Merger, in addition to the cash consideration of approximately \$159.6 million paid in the aggregate to the holders of MEA common shares, pursuant to certain contribution agreements entered into in connection with the Merger, the Operating Partnership issued OP Units to the Contributors. The number of OP Units per MEA common share was based on the same value per MEA common share payable in cash under the Merger Agreement, or \$17.01 per OP Unit. The OP Units issued in the transaction were of two types — “regular units” and “alternative units.” A total of 4,331,336 OP Units were issued upon the closing of the transaction, of which 3,063,908 were regular units and 1,267,429 were alternative units. In June 2008, a total of 208,496 OP Units, of which all were alternative units, were issued as part of a post-closing claim release. In November 2008, a total of 148,926 OP Units, of which all were alternative units, were issued as part of a post-closing claim release. In October 2009, a total of 331,812 OP units, of which all were alternative units, were issued as part of a post-closing claim release. The alternative units are substantially the same as the regular units, except that the regular units have an exchange feature whereby they are exchangeable, after a one-year lock-up period, on a one-for-one basis, for shares of the Company’s common stock, while the alternative units were not exchangeable for shares of the Company’s common stock until the exchange feature included as a feature of the alternative units was approved by the Company’s stockholders. On May 29, 2008, the Company’s stockholders approved the exchange feature whereby the alternative 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 fair value per OP Unit issued in connection with the Merger was \$15.84, which was determined using the Company’s stock price on and about the January 23, 2008, announcement date of the merger.

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 J. 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.

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The aggregate consideration paid for the Merger was as follows (in thousands):

Fair value of OP Units issued and to be issued	\$81,347
Cash consideration, net of cash acquired	144,998
Total purchase price, net of cash acquired	\$226,345

The Merger was accounted for under the purchase method in accordance with GAAP. The total purchase price was allocated to assets acquired and liabilities assumed based upon their estimated fair values as determined by management. The estimated fair values were based on information available and assumptions as to future operations at the acquisition date.

The following table is a summary allocation of the total purchase price for the assets acquired and liabilities assumed of MEA as of March 10, 2008 (in thousands):

Accounts receivable, including retainage receivables	\$52,638
Goodwill and intangible assets	286,138
Other assets	19,398
Accounts payable	(27,450)
Billings in excess of costs and estimated earnings	
on uncompleted contracts	(37,134)
Deferred income taxes	(40,965)
Other liabilities	(26,280)
Total purchase price, net of cash acquired	\$226,345

The Company purchased MEA for an amount in excess of its net tangible assets and as a result has recorded goodwill related to the transaction (see also Note 8). The Company believes that MEA's service offerings and customer lists are complementary to the Company's pre-Merger service offerings. As a result of the Merger, the Company became a fully integrated healthcare facilities real estate company. The accompanying statement of operations for the year ended December 31, 2008, includes ten months of Erdman's operations.

In October 2009, the final escrow release related to the Erdman acquisition occurred. Per agreement between the Company and the MEA Seller Representatives, \$5.0 million of the escrow was paid to the Company in consideration of full and final settlement of certain claims made by the Company in connection with the MEA transaction. During the fourth quarter of 2009, \$8.1 million of cash was released from the escrow to the Erdman sellers and 331,812 OP units were issued to the Erdman sellers. The Company recorded other income of \$4.9 million in 2009 related to this settlement.

Property Acquisitions

Property acquisitions are accounted for in accordance with GAAP. The purchase price is allocated between net tangible and intangible assets based on their estimated fair values as determined by management using methods similar to those used by independent appraisers of income-producing property.

There were no property acquisitions in 2009.

In February 2008, the Company acquired a leasehold interest in floors six and seven of St. Mary's North Medical Office Building, a seven-story multi-tenant medical office building located on the campus of St. Mary's Hospital in Richmond, Virginia. The purchase price was \$4.6 million less a \$0.2 million credit from the seller for unpaid tenant

improvement allowances.

In February 2008, the Company acquired East Jefferson Medical Plaza located in Metairie, Louisiana for \$19.8 million less a \$0.7 million credit from the seller for unpaid tenant improvement allowances. The facility is 123,184 square feet and is located on the campus of East Jefferson General Hospital. With this acquisition, the Company now owns and manages 253,914 square feet of medical office and clinical space on or adjacent to the East Jefferson campus.

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In September 2008, the Company acquired a controlling interest in Genesis Property Holding, LLC (“Genesis”), a pre-development project in 2008, for \$2.2 million. Genesis owns the Woodlands Center for Specialized Medicine building, which completed construction and became operational in 2009.

The following table is an allocation of the purchase price of the property acquisitions during the year ended December 31, 2008 (in thousands):

Construction in progress	\$4,031
Building and improvements	20,259
Acquired ground or air rights leases	325
Acquired in place lease value and deferred leasing costs	2,948
Acquired above market leases	10
Mortgage notes payable	(2,722)
Noncontrolling interest in real estate partnerships	(3,359)
Total purchase price allocated, net of cash acquired	\$21,492

The following summary of selected unaudited pro forma results of operations presents information as if the 2008 property and business acquisitions had occurred at the beginning of the 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 amount):

	For the Year Ended December 31, 2008
Total revenue	\$ 384,370
Net loss from continuing operations attributable to Cogdell Spencer Inc.	(12,439)
Net loss from continuing operations attributable to Cogdell Spencer	
Inc. per share - basic and diluted	\$ (0.79)

Discontinued Operations

As of December 31, 2009, the Company reclassified the wholly-owned property Harbison Medical Office Building (formerly known as Baptist Northwest) as held for sale discontinued operations. Related to this property, the Company recorded a non-cash impairment charge of (\$1.4 million) in order to reduce the carrying value of the real estate property to its estimated net sale proceeds.

In accordance with GAAP, net income and loss on discontinued operations of real estate property are reflected in the consolidated statements of operations as “discontinued operations” for all periods presented. Below is a summary of discontinued operations for the real estate property reclassified to discontinued operations and marketed for sale during 2009 (in thousands):

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008	For the Year Ended December 31, 2007
Revenues:			

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Rental revenues	\$ 354	\$ 378	\$ 418
Total revenues	354	378	418
Expenses:			
Property operating and management	247	311	298
Depreciation and amortization	137	137	146
Interest expense	138	142	147
Total expenses	522	590	591
Loss from discontinued operations before impairment of real estate property	(168)	(212)	(173)
Impairment of real estate property	(1,359)	-	-
Total discontinued operations	\$ (1,527)	\$ (212)	\$ (173)

The following table presents information about the Company's real estate assets held for sale measured at fair value as of December 31, 2009 (in thousands):

Description	Recorded Value as of December 31, 2009	Fair Value Measurement as of December 31, 2009			Total Losses
		Level 1	Level 2	Level 3	
Other assets - held for sale	\$2,200	\$-	\$2,200	\$-	\$(1,359)

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COGDELL SPENCER INC.
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5. Investments in Real Estate Partnerships

As of December 31, 2009 the Company had an ownership interest in eight limited liability companies or limited partnerships.

The following is a description of the unconsolidated entities:

- Cogdell Spencer Medical Partners LLC, a Delaware limited liability company, founded in 2008, no assets or liabilities, and 20.0% owned by the Company;
- BSB Health/MOB Limited Partnership No. 2, a Delaware limited partnership, founded in 2002, owns nine medical office buildings, and 2.0% owned by the Company;
- Shannon Health/MOB Limited Partnership No. 1, a Delaware limited partnership, founded in 2001, owns ten medical office buildings, and 2.0% owned by the Company; and
- McLeod Medical Partners, LLC, a South Carolina limited liability company, founded in 1982, owns three medical office buildings, and 1.1% owned by the Company.

The following is a description of the consolidated entities:

- Genesis Property Holdings, LLC, a Florida limited liability company, founded in 2007, owns one medical office building, and 40.0% owned by the Company;
- Cogdell General Health Campus MOB, LP, a Pennsylvania limited partnership, founded in 2006, owns one medical office building, and 80.9% owned by the Company;
- Mebane Medical Investors, LLC, a North Carolina limited liability company, founded in 2006, owns one medical office building, and 35.1% owned by the Company; and
- Rocky Mount MOB, LLC, a North Carolina limited liability company, founded in 2002, owns one medical office building, and 34.5% owned by the Company.

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 design/build revenue, development fees, property management fees, leasing fees, and expense reimbursements from these real estate partnerships. For consolidated entities, these revenues and fees are eliminated in consolidation.

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, in each case subject to certain exceptions.

The Company's unconsolidated entities are accounted for under the equity method of accounting based on the Company's ability to exercise significant influence as the entity's managing member or general partner. The following is a summary of financial information for the limited liability companies and limited partnerships for the periods

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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, 2009	December 31, 2008	
Financial position:			
Total assets	\$ 54,725	\$ 56,262	
Total liabilities	48,672	49,831	
Member's equity	6,053	6,431	
	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008	For the Year Ended December 31, 2007
Results of operations:			
Total revenues	\$ 12,528	\$ 12,362	\$ 12,230
Operating and general and administrative expenses	5,977	5,787	5,566
Net income	800	760	788

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COGDELL SPENCER INC.
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6. Business Segments

The Company has two identified reportable segments: (1) Property Operations and (2) Design-Build and Development. The Company defines business segments by their distinct customer base and service provided. Each segment operates under a separate management group and produces discrete financial information, which is reviewed by the chief operating decision maker to make resource allocation decisions and assess performance. Inter-segment sales and transfers are accounted for as if the sales and transfers were made to third parties, which involves applying a negotiated fee onto the costs of the services performed. All inter-company balances and transactions are eliminated during the consolidation process.

The Company's management evaluates the operating performance of its operating segments based on funds from operations ("FFO") and funds from operations modified ("FFOM"). FFO, as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), represents net income (computed in accordance with 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 noncontrolling interests in real estate partnerships before real estate related depreciation and amortization. FFOM adds back to FFO non-cash amortization of non-real estate related intangible assets associated with purchase accounting. The Company considers FFO and FFOM important supplemental measures of the Company's operational performance. The Company believes FFO 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. The Company believes that FFOM allows securities analysts, investors and other interested parties in evaluating current period results to results prior to the Erdman transaction. FFO and FFOM are intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. Because FFO and FFOM exclude 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'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 and FFOM do not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties.

COGDELL SPENCER INC.
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The following tables represent the segment information for the years ended December 31, 2009, 2008 and 2007 (in thousands):

Year ended December 31, 2009	Property Operations	Design-Build and Development	Intersegment Eliminations	Unallocated and Other	Total
Rental revenue	\$79,578	\$ -	\$ (92)	\$ -	\$79,486
Design-Build contract revenue and other sales	-	176,124	(32,708)	-	143,416
Property management and other fees	3,336	-	-	-	3,336
Development management and other income	-	6,750	(3,387)	-	3,363
Total revenues	82,914	182,874	(36,187)	-	229,601
Certain operating expenses:					
Property operating and management	31,810	-	-	-	31,810
Design-Build contracts and development management	-	142,305	(28,344)	-	113,961
Selling, general, and administrative	-	20,541	(92)	-	20,449
Impairment charges	-	120,920	-	-	120,920
Total certain operating expenses	31,810	283,766	(28,436)	-	287,140
	51,104	(100,892)	(7,751)	-	(57,539)
Interest and other income	541	48	-	31	620
Gain on settlement from MEA Holdings Inc. transaction	-	-	-	4,905	4,905
Corporate general and administrative expenses	-	-	-	(11,836)	(11,836)
Interest expense	-	-	-	(21,711)	(21,711)
Debt extinguishment and interest rate derivative expense	-	-	-	(2,511)	(2,511)
Benefit from income taxes applicable to funds from operations modified	-	-	-	20,356	20,356
Non-real estate related depreciation and amortization	-	(779)	-	(225)	(1,004)
Earnings from unconsolidated real estate partnerships, before real estate related depreciation and amortization	27	-	-	-	27
Noncontrolling interests in real estate partnerships, before real estate related depreciation and amortization	(1,049)	-	-	-	(1,049)
Discontinued operations and impairment of real estate property, before real estate related depreciation and amortization	(1,253)	-	-	(137)	(1,390)
Funds from operations modified (FFOM)	49,370	(101,623)	(7,751)	(11,128)	(71,132)

Amortization of intangibles related to purchase accounting, net of income tax benefit	(169)	(4,364)	-	1,768	(2,765)
Funds from operations (FFO)	49,201	(105,987)	(7,751)	(9,360)	(73,897)
Real estate related depreciation and amortization	(29,114)	-	-	-	(29,114)
Noncontrolling interests in real estate partnerships, before real estate related depreciation and amortization	1,049	-	-	-	1,049
Net income (loss)	21,136	(105,987)	(7,751)	(9,360)	(101,962)
Net loss (income) attributable to the noncontrolling interest in:					
Real estate partnerships	(288)	-	-	-	(288)
Operating partnership	-	-	-	32,522	32,522
Net income (loss) attributable to Cogdell Spencer Inc.	\$20,848	\$ (105,987)	\$ -	\$23,162	\$(69,728)
Total assets	\$555,072	\$ 195,799	\$ -	\$1,792	\$752,663

COGDELL SPENCER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008	Property Operations	Design-Build and Development	Intersegment Eliminations	Unallocated and Other	Total
Revenues:					
Rental revenue	\$77,464	\$ -	\$ (43)	\$ -	\$77,421
Design-Build contract revenue and other sales	-	258,132	(4,536)	-	253,596
Property management and other fees	3,460	-	-	-	3,460
Development management and other income	-	1,688	(803)	-	885
Total revenues	80,924	259,820	(5,382)	-	335,362
Certain operating expenses:					
Property operating and management	31,065	-	-	-	31,065
Design-Build contracts and development management	-	218,731	(4,712)	-	214,019
Selling, general, and administrative	-	20,184	(43)	-	20,141
Total certain operating expenses	31,065	238,915	(4,755)	-	265,225
	49,859	20,905	(627)	-	70,137
Interest and other income	597	149	-	176	922
Corporate general and administrative expenses	-	-	-	(10,074)	(10,074)
Interest expense	-	-	-	(25,017)	(25,017)
Provision for income taxes applicable to funds from operations modified	-	-	-	(3,860)	(3,860)
Non-real estate related depreciation and amortization	-	(1,129)	-	(230)	(1,359)
Earnings from unconsolidated real estate partnerships, before real estate related depreciation and amortization	35	-	-	-	35
Noncontrolling interests in real estate partnerships, before real estate related depreciation and amortization	(1,346)	-	-	-	(1,346)
Discontinued operations and impairment of real estate property, before real estate related depreciation and amortization	67	-	-	(142)	(75)
Funds from operations modified (FFOM)	49,212	19,925	(627)	(39,147)	29,363
Amortization of intangibles related to purchase accounting, net of income tax benefit	(169)	(12,918)	-	5,104	(7,983)

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Funds from operations (FFO)	49,043	7,007	(627)	(34,043)	21,380
Real estate related depreciation and amortization	(30,583)	-	-	-	(30,583)
Noncontrolling interests in real estate partnerships, before real estate related depreciation and amortization	1,346	-	-	-	1,346
Net income (loss)	19,806	7,007	(627)	(34,043)	(7,857)
Net loss (income) attributable to the noncontrolling interest in:					
Real estate partnerships	(964)	-	-	-	(964)
Operating partnership	-	-	-	3,048	3,048
Net income (loss) attributable to Cogdell Spencer Inc.	\$18,842	\$ 7,007	\$ (627)	\$(30,995)	\$(5,773)
Total assets	\$545,714	\$ 353,054	\$ -	\$1,322	\$900,090

COGDELL SPENCER INC.
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Year ended December 31, 2007	Property Operations	Design-Build and Development	Intersegment Eliminations	Unallocated and Other	Total
Revenues:					
Rental revenue	\$62,611	\$ -	\$ -	\$ -	\$62,611
Design-Build contract revenue and other sales	-	-	-	-	-
Property management and other fees	3,502	-	-	-	3,502
Development management and other income	-	290	-	-	290
Total revenues	66,113	290	-	-	66,403
Certain operating expenses:					
Property operating and management	25,405	-	-	-	25,405
Selling, general, and administrative	-	804	-	-	804
Total certain operating expenses	25,405	804	-	-	26,209
	40,708	(514)	-	-	40,194
Interest and other income	592	231	-	250	1,073
Corporate general and administrative expenses	-	-	-	(6,561)	(6,561)
Interest expense	-	-	-	(15,818)	(15,818)
Provision for income taxes applicable to funds from operations modified	-	-	-	(183)	(183)
Non-real estate related depreciation and amortization	-	-	-	(159)	(159)
Earnings from unconsolidated real estate partnerships, before real estate related depreciation and amortization	43	-	-	-	43
Noncontrolling interests in real estate partnerships, before real estate related depreciation and amortization	(200)	-	-	-	(200)
Discontinued operations and impairment of real estate property, before real estate related depreciation and amortization	119	-	-	(146)	(27)
Funds from operations modified (FFOM)	41,262	(283)	-	(22,617)	18,362
Amortization of intangibles related to purchase accounting, net of income tax benefit	(169)	-	-	66	(103)
Funds from operations (FFO)	41,093	(283)	-	(22,551)	18,259

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Real estate related depreciation and amortization	(27,453)	-	-	-	(27,453)
Noncontrolling interests in real estate partnerships, before real estate related depreciation and amortization	200	-	-	-	200
Net income (loss)	13,840	(283)	-	(22,551)	(8,994)
Net loss (income) attributable to the noncontrolling interest in:					
Real estate partnerships	(85)	-	-	-	(85)
Operating partnership	-	-	-	2,738	2,738
Net income (loss) attributable to Cogdell Spencer Inc.	\$13,755	\$ (283)	\$ -	\$ (19,813)	\$ (6,341)
Total assets	\$497,917	\$ 5,335	\$ -	\$2,985	\$506,237

7. Contracts

Revenue and billings to date on uncompleted contracts, from their inception, as of December 31, 2009 and December 31, 2008 (in thousands):

	December 31, 2009	December 31, 2008
Costs and estimated earnings on uncompleted contracts	\$ 79,374	\$ 165,891
Billings to date	(90,701)	(176,210)
Net billings in excess of costs and estimated earnings	\$ (11,327)	\$ (10,319)

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COGDELL SPENCER INC.

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These amounts are included in the consolidated balance sheet at December 31, 2009 and 2008 as shown below (in thousands). At December 31, 2009, the Company had retainage receivables of \$4.5 million, which are included in "Tenant and accounts receivable" in the consolidated balance sheets. The Company estimates that \$0.7 million of the December 31, 2009, retainage receivable balance will be collected after one year.

	December 31, 2009	December 31, 2008
Costs and estimated earnings in excess of billings (1)	\$ 1,862	\$ 6,706
Billings in excess of costs and estimated earnings	(13,189)	(17,025)
Net billings in excess of costs and estimated earnings	\$ (11,327)	\$ (10,319)

(1) Included in "Other assets" in the consolidated balance sheet

8. Goodwill and Intangible Assets

The Company reviews the value of goodwill and intangible assets on an annual basis and when circumstances indicate a potential impairment may exist. An interim review of the Design-Build and Development's intangible assets was performed on March 31, 2009, due to a decline in the Company's stock price, a decline in the cash flow multiples for comparable public engineering and construction companies, and changes in the cash flow projections for the Design-Build and Development business segment resulting from a decline in backlog and delays and cancellations of client building projects. As a result of the March 31, 2009 review, the Company recorded, during the three months ended March 31, 2009, a pre-tax, non-cash impairment charge of (\$120.9 million) and the Company recognized a non-cash income tax benefit of \$19.2 million, resulting in an after-tax impairment charge of (\$101.7 million). The Company's goodwill, amortizing and non-amortizing intangible assets, and deferred tax liabilities associated with the Design-Build and Development business segment have been reduced from the December 31, 2008 carrying amounts as a result of the impairment charge. The Company determined an interim review has not been necessary since the previous impairment review was performed at March 31, 2009.

The Company performed an annual review of goodwill for impairment as of December 31, 2009 and concluded there was no impairment of goodwill. The Company also performed an annual review for impairment for other non-amortizing intangible assets and concluded no impairment existed.

The goodwill impairment reviews involved a two-step process. The first step was a comparison of the reporting unit's fair value to its carrying value. Fair value was estimated by using two approaches, an income approach and a market approach. Each approach was weighted 50% in the Company's analysis as the Company believes a market participant would consider both approaches. The income approach uses the reporting unit's projected operating results and discounted cash flows using a weighted-average cost of capital that reflects current market conditions, which was 14.0% for the December 31, 2009 review and 14.5% for the March 31, 2009 review. The cash flow projections use estimates of economic and market information over the projection period, including growth rates in revenues and costs and estimates of future expected changes in operating margins and cash expenditures. Other significant estimates and assumptions include terminal value growth rates, future estimates of capital expenditures, and changes in future working capital requirements. The market approach estimates fair value by applying cash flow multiples to the reporting unit's operating performance. The multiples are derived from comparable publicly traded companies with similar operating and profitability characteristics. Additionally, the Company reconciled the total of the estimated fair values of all its reporting units to its market capitalization to determine if the sum of the individual fair values is reasonable compared to the external market indicators.

If the carrying value of the reporting unit is higher than its fair value, as it was for March 31, 2009, then an indication of impairment may exist and a second step must be performed to measure the amount of impairment. The amount of

impairment is determined by comparing the implied fair value of the reporting unit's goodwill to the carrying value of the goodwill calculated in the same manner as if the reporting unit was being acquired in a business combination. If the implied fair value of goodwill is less than the recorded goodwill, then an impairment charge for the difference would be recorded.

For non-amortizing intangible assets, the Company estimates fair value by applying an estimated market royalty rate, 2.0% for both the December 31, 2009 and the March 31, 2009 reviews, to projected revenues and discounted using a weighted-average cost of capital that reflects current market conditions, which was 14.0% for the December 31, 2009 and 14.5% for the March 31, 2009 review.

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The following table presents information about the Company's goodwill and certain intangible assets measured at fair value as of March 31, 2009 (in thousands):

Description	Recorded Value as of March 31, 2009	Fair Value Measurement as of March 31, 2009			Total Losses
		Level 1	Level 2	Level 3	
Goodwill	\$ 108,683	\$-	\$-	\$ 108,683	\$(71,755)
Trade names and trademarks	41,240	-	-	41,240	(34,728)
Acquired signed contracts	1,398	-	-	5,281	-
Acquired proposals	2,129	-	-	2,129	(1,833)
Acquired customer relationships	1,789	-	-	1,789	(12,604)
	\$ 155,239	\$-	\$-	\$ 159,122	\$(120,920)

See Note 2 to these consolidated financial statements for a discussion of the Company's accounting policy regarding the fair value of financial and non-financial assets.

The following table shows the change in carrying value for the Company's goodwill and certain intangible assets from the measurement date of March 31, 2009 to December 31, 2009 (in thousands):

Location of Asset	Recorded Value	Amortization for the Nine Months Ended	Recorded Value
	as of March 31, 2009	December 31, 2009	as of December 31, 2009
Goodwill	\$ 108,683	n/a	\$ 108,683
Trade names and trademarks	41,240	n/a	41,240
Acquired signed contracts	1,398	\$ (1,398)	-
Acquired proposals	2,129	(340)	1,789
Acquired customer relationships	1,789	(144)	1,645
	\$ 155,239	\$ (1,882)	\$ 153,357

Goodwill and trade names and trademarks are not amortized and are associated with the Design-Build and Development business segment. The following table shows the change in carrying value related to goodwill and trade names and trademarks intangible assets for the periods shown (in thousands):

	Year Ended December 31, 2009			Year Ended December 31, 2008		
	Gross Amount	Accumulated Impairment	Net Carrying Value	Gross Amount	Accumulated Impairment	Net Carrying Value
Goodwill as of January 1	\$ 180,438	\$ -	\$ 180,438	\$ 5,335	\$ -	\$ 5,335
Goodwill recognized in acquisition	-	-	-	175,100	-	175,100
Accumulated impairment losses	-	71,755	(71,755)	-	-	-
Goodwill as of December 31	\$ 180,438	\$ 71,755	\$ 108,683	\$ 180,435	\$ -	\$ 180,435

Trade names and trademarks as of January 1	\$75,968	\$ -	\$75,968	\$-	\$ -	\$-
Trade names and trademarks recognized in acquisition	-	-	-	75,969	-	75,969
Accumulated impairment losses	-	34,728	(34,728)	-	-	-
Trade names and trademarks as of December 31	\$75,968	\$ 34,728	\$41,240	\$75,969	\$ -	\$75,969

Amortizing intangible assets consisted of the following for the periods shown (in thousands):

	December 31, 2009		December 31, 2008	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Acquired signed contracts	\$ 13,253	\$ 13,253	\$ 13,253	\$ 11,389
Acquired proposals	2,129	340	6,168	886
Acquired customer relationships	1,789	144	15,732	644
Acquired above market leases	1,559	955	1,559	748
Acquired in place lease value and deferred leasing costs	40,666	27,512	41,046	23,573
Acquired ground leases	3,562	515	3,562	389
Acquired property management contracts	2,097	594	2,097	425
Total amortizing intangible assets	\$ 65,055	\$ 43,313	\$ 83,417	\$ 38,054

Amortization expense related to intangibles for the years ended December 31, 2009, 2008 and 2007 was \$9.1 million, \$19.1 million, and \$6.8 million, respectively. The Company expects to recognize amortization expense from the acquired intangible assets as follows (in thousands):

For the year ending:	Future Amortization Expense
2010	\$ 5,791
2011	3,452
2012	2,461
2013	1,534
2014	1,390
Thereafter	7,114
	\$ 21,742

COGDELL SPENCER INC.
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9. Debt

Debt consisted of the following (in thousands):

	Outstanding at December 31, 2009	Outstanding at December 31, 2008	Stated Interest Rate	As of December 31, 2009		Maturity Date	Amortization
				Interest Rate			
Mortgage loans - wholly-owned properties							
Barclay Downs	\$ 4,378	\$ 4,470	6.50 %	6.50 %		11/15/2012	25 years
Beaufort Medical Plaza	4,763	4,890	LIBOR + 1.85	5.65		8/18/2011	39 years
Central NY Medical Center	24,500	24,500	6.22	6.22		7/15/2017	Interest only
Copperfield Medical Mall, Harrisburg Medical Mall, Midland Medical Park and Weddington & Internal/Pediatric Medicine	8,268	8,505	LIBOR + 1.50	3.25	(2)	12/15/2014	25 years
East Jefferson MOB	8,968	9,188	6.01	6.01		8/10/2014	25 years
East Jefferson Medical Plaza	11,600	11,600	LIBOR + 3.75	5.55		1/31/2012	Interest only
Health Park Medical Office Building	7,000	8,700	7.50	7.50		12/1/2019	25 years
HealthPartners Medical Office Building (construction loan)	4,339	-	LIBOR + 3.25	6.00		11/1/2014	22.5 years (4)
Lancaster Rehabilitation Hospital	9,621	-	6.71	6.71		6/26/2014	25 years
Lancaster Rehabilitation Hospital (construction loan)	26	-	LIBOR + 3.75	3.98		6/26/2014	25 years
Medical Arts Center of Orangeburg Medical Center	2,365	2,442	LIBOR + 3.25	6.00		5/5/2014	20 years
Physicians Tower (construction loan)	8,582	-	LIBOR + 2.50	4.50		3/1/2019	25 years (4)
Randolph Medical Park, Lincoln/Lakemont Family Practice, and Northcross Family Physicians	7,481	-	7.00	7.00		10/15/2014	20 years
Methodist Professional Center	25,466	30,000	LIBOR + 1.30	1.53		10/31/2011	30 years
	5,993	4,818	7.33	7.33		11/1/2014	25 years

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MRC MOB I (formerly known as Hanover MOB)							
Mulberry Medical Park	923	989	6.49	6.49		4/15/2010	20 years
One Medical Park	5,095	5,324	5.93	5.93		11/1/2013	20 years
Palmetto Health Parkridge	13,500	13,500	5.68	5.68		6/1/2017	Interest only ⁽⁷⁾
Peerless Crossing Medical Center	7,354	7,449	6.06	6.06		9/1/2016	30 years
Providence Medical Office Building I, II and III	8,327	8,572	6.12	6.12		1/12/2013	25 years
River Hills Medical Plaza	3,795	4,000	LIBOR + 3.75	5.53		12/22/2011	22 years
Rocky Mount Medical Park	6,794	7,306	Prime	4.25		12/15/2010	25 years
Rocky Mount Kidney Center	1,000	1,032	6.75	6.75		8/21/2014	15 years
Roper Medical Office Building	9,430	9,188	7.10	7.10		6/1/2019	25 years
Rowan Outpatient Surgery Center	3,237	3,322	6.00	6.00		7/6/2014	25 years
St. Francis CMOB, St. Francis Professional Medical Center	6,870	7,053	LIBOR + 1.85	5.17	(1)	6/15/2011	39 years
St. Francis Medical Plaza (Greenville), St. Francis Women's	7,380	7,575	LIBOR + 1.85	5.17	(1)	6/15/2011	39 years
Summit Professional Plaza I and II	15,925	15,925	6.18	6.18		9/1/2017	Interest only
Three Medical Park	7,673	7,879	5.55	5.55		3/25/2014	25 years
University Physicians MOB & Outpatient Clinic (construction loan)	4,922	-	LIBOR + 2.25	2.48	(9)	4/20/2019	25 years ⁽⁴⁾
Total / weighted average mortgage loans	235,575	208,227		5.36			
Secured revolving credit facility	50,000	94,500	LIBOR + 1.15	3.97		3/10/2011	Interest only
	30,000	30,000	LIBOR + 1.15	4.26	(1)	3/10/2011	Interest only
	80,000	124,500		4.08			
Term loan	50,000	100,000	LIBOR + 4.50	7.32		3/10/2011	Interest only
Consolidated real estate partnerships							
Alamance Regional Mebane Outpatient Center	12,262	12,200	LIBOR + 1.30	1.53		5/1/2010	30 years ⁽¹⁰⁾

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Alamance Regional Mebane Outpatient Center	1,470	-	LIBOR + 4.00	4.23	5/1/2010	Interest only
English Road Medical Center (formerly known as Rocky Mount MOB)	5,265	5,362	6.03	6.03	3/1/2012	25 years
Lancaster ASC MOB	10,445	10,843	LIBOR + 1.20	5.23	3/2/2015	25 years
Woodlands Center for Specialized Medicine (construction loan)	15,786	1,702	LIBOR + 1.50	1.73	9/26/2018	25 years
Total / weighted average consolidated real estate partnerships	45,228	30,107		3.07		
	410,803	(11)	462,834			
Unamortized premium	89	114				
Total / weighted average rate	\$ 410,892	\$ 462,948		5.10	%	
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- (1) Represents the fixed rate for floating rate loans that have been swapped to fixed.
- (2) Maximum interest of 8.25%; Minimum interest of 3.25%.
- (3) Minimum interest of 6.00%. The Company has entered into a forward starting interest rate swap agreement that effectively fixes the interest rate at 6.80% beginning December 2010, when the construction phase of the loan expires and converts to an amortizing loan.
- (4) Interest only during the construction period.
- (5) Minimum interest of 6.00%.
- (6) Minimum interest of 4.50%. The Company has entered into a forward starting interest rate swap agreement that effectively fixes the interest rate at 6.19% beginning October 2010, when the construction phase of the loan expires and converts to an amortizing loan.
- (7) Interest only through June 2012. Principal and interest payments from July 2012 through June 2017.
- (8) Maximum interest of 7.25%; Minimum interest of 4.25%.
- (9) The Company has entered into a forward starting interest rate swap agreement that effectively fixes the interest rate at 5.95% beginning November 2010, when the construction phase of the loan expires and converts to an amortizing loan.
- (10) Interest only through May 2009. Principal and interest payments from June 2009 through May 2010 with a 30 year amortization.
- (11) The Company has entered into a forward starting interest rate swap agreement that effectively fixes the interest rate at 6.21% beginning May 2010, when the construction phase of the loan expires and converts to an amortizing loan.
- (12) Interest only through April 2010. Principal and interest payments from May 2010 through October 2018 with a 25 year amortization.

The mortgage note payable for Harbison Medical Office Building (formerly known as Baptist Northwest), a wholly-owned property, is not included in the above debt schedule as the property was reclassified to discontinued operations during December 2009 and is actively being marketed for sale as of December 31, 2009. The Harbison Medical Office Building mortgage matures February 2011 with a fixed interest rate of 8.25% at December 31, 2009, and an outstanding balance of \$2.1 million and \$2.2 million as of December 31, 2009 and December 31, 2008, respectively.

The LIBOR rate was 0.23% and 0.44% at December 31, 2009 and 2008, respectively. The prime rate was 3.25% at December 31, 2009 and 2008.

Secured Revolving Credit Facility

On March 10, 2008, the Company amended and restated its existing revolving credit facility, dated November 1, 2005 (the "Credit Facility"). Banc of America Securities LLC is acting as sole lead arranger and sole book manager of the Credit 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 (the "Lenders") thereunder. The Credit Facility is secured by certain of the Company's properties and is guaranteed by the Company and certain of its subsidiaries. The Credit Facility matures on March 10, 2011, subject to a one-year extension at the Company's conditional option, and taking into consideration any payment, extension or refinancing of the Term Loan (as described below). The Credit 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 (\$45 million plus 85% of the net proceeds of equity issuances issued after the closing date). The interest rate on loans under the Credit Facility equals, at the Company's election, either (1) LIBOR (0.23% as of December 31, 2009) plus a margin of between 95 to 140 basis points based on the Company's leverage ratio (1.15% as of December 31, 2009) or (2) the higher of the federal funds rate plus 50 basis points or Bank of America, N.A.'s prime rate (3.25% as of December 31, 2009).

As of December 31, 2009, there was \$61.7 million available under the Credit Facility. There was \$80.0 million outstanding at December 31, 2009 and \$8.3 million of availability was restricted related to outstanding letters of credit.

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Term Loan

On March 10, 2008, the Company entered into a \$100.0 million senior secured term facility (the “Term Loan”) to finance the cash portion of the Merger. 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. During 2009, the design-build and development segment experienced delays in client project starts and some contract cancellations. Due to the uncertainty of the Design-Build and Development segment’s future operating results, the Company and the Term Loan lenders amended the Term Loan in June 2009 and the Company repaid \$50.0 million of the \$100.0 million outstanding under the Term Loan. As a result of the amendment, all unamortized Term Loan deferred finance costs and costs paid to the lenders that were party to the amendment were expensed during 2009. The charge to debt extinguishment and interest rate derivative expense was approximately \$0.9 million, before income tax benefit. The Company recorded an income tax benefit of approximately \$0.4 million related to this charge. The amendment, among other things, amended certain financial covenants relating to the Design-Build and Development segment, as well as certain other provisions of the Term Loan, including (1) the elimination of the minimum adjusted consolidated EBITDA covenant (previously \$22.5 million), (2) a modification of the maximum adjusted consolidated senior indebtedness to adjusted consolidated EBITDA covenant to 3.50 to 1.00 through March 2011, with a one-time ability to exceed 3.50 to 1.00 but not greater than 3.75 to 1.00, and 3.00 to 1.00 from April 2011 to final maturity (previously 4.25 to 1.00 as of March 31, 2009, decreasing to 3.75 to 1.00 as of July 1, 2009), (3) an increase in the interest rate from LIBOR plus 3.50% to LIBOR (0.23% as of December 31, 2009) plus 4.50%, and (4) payment of a market based modification fee. The amendment was subject to the repayment of \$50.0 million of the outstanding balance under the Term Loan by the Borrower (which amount was repaid on June 3, 2009) and certain other customary terms and conditions.

The Term Loan also 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 qualification and listing on the New York Stock Exchange, and (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 (\$45 million plus 85% of the net proceeds of equity issuances), as well as being cross defaulted to the Company’s Credit Facility.

The Term Loan matures on March 10, 2011, subject to a one-year extension at the Company’s conditional option, and taking into consideration the extension of the Credit Facility.

The mortgages are collateralized by property and principal and interest payments are generally made monthly. Scheduled maturities of mortgages, notes payable under the Credit Facility, and Term Loan as of December 31, 2009 are as follows (in thousands):

For the year ending:	
2010	\$ 25,301
2011	181,661
2012	25,151
2013	15,992

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2014	54,231
Thereafter	108,467
	\$ 410,803

The scheduled maturities related to the mortgage note payable included in discontinued operations are not included above. The mortgage note payable requires monthly principal and interest payments of approximately \$20,000 until February 2011, at which time a balloon payment of approximately \$2.1 million is due.

At December 31, 2009, Management believes the Company was in compliance with all its loan covenants.

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COGDELL SPENCER INC.
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10. Derivative Financial Instruments

Interest rate swap agreements are utilized to reduce exposure to variable interest rates associated with certain mortgage notes payable, the Term Loan, and the Credit Facility. 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 condensed consolidated balance sheet within “Other assets” or “Other liabilities” and changes in the fair value, net of tax where applicable, are reported in accumulated other comprehensive income (loss) (“AOCI”) exclusive of ineffectiveness amounts. The following table summarizes the terms of the agreements and their fair values at December 31, 2009 and 2008 (dollars in thousands):

Entity	Notional Amount	As of December 31, 2009				December 31, 2009		December 31, 2008	
		Receive Rate	Pay Rate	Effective Date	Expiration Date	Asset	Liability	Asset	Liability
Roper Medical Office Building	\$ -	n/a	n/a	n/a	n/a	\$ -	\$ -	\$ -	\$ 221
Methodist Professional Center I	-	n/a	n/a	n/a	n/a	-	-	-	1,106
MEA Holdings, LLC	100,000	1 Month LIBOR	2.82 %	4/1/2008	3/1/2011	-	2,397	-	3,458
Cogdell Spencer LP	30,000	1 Month LIBOR	3.11 %	10/15/2008	3/10/2011	-	697	-	1,218
St. Francis Community MOB LLC	6,870	1 Month LIBOR	3.32 %	10/15/2008	6/15/2011	-	246	-	331
St. Francis Medical Plaza (Greenville)	7,380	1 Month LIBOR	3.32 %	10/15/2008	6/15/2011	-	264	-	356
Beaufort Medical Plaza	4,763	1 Month LIBOR	3.80 %	8/18/2008	8/18/2011	-	216	-	296
East Jefferson Medical Plaza	11,600	1 Month LIBOR	1.80 %	1/15/2009	12/23/2011	-	121	-	81
River Hills Medical Plaza	3,648	1 Month LIBOR	1.78 %	1/15/2009	1/31/2012	-	33	-	25
HealthPartners Medical Office Building	11,800	1 Month LIBOR	3.55 %	6/1/2010	11/1/2014	-	186	-	-
Lancaster ASC MOB	10,632	1 Month LIBOR	4.03 %	8/14/2008	3/2/2015	-	567	-	1,064
Woodlands Center for Specialized Medicine	16,797	1 Month LIBOR	4.71 %	4/1/2010	10/1/2018	-	1,166	-	2,365
Medcial Center Physicians Tower University	14,770	1 Month LIBOR	3.69 %	9/1/2010	3/1/2019	271	-	-	-
Physicians MOB & Outpatient Clinic	10,439	1 Month LIBOR	3.70 %	10/1/2010	4/1/2019	217	-	-	-
						\$ 488	\$ 5,893	\$ -	\$ 10,521

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The following tables show the effect of the Company's derivative instruments designated as cash flow hedges for the year ended December 31, 2009 (in thousands):

	Gain or (Loss) Recognized in AOCI, Noncontrolling Interests in Operating Partnership, and Noncontrolling Interests in Real Estate Partnerships - Effective Portion (1)	Location of Gain or (Loss) Reclassified from AOCI, Noncontrolling Interests in Operating Partnership, and Noncontrolling Interests in Real Estate Partnerships into Income - Effective Portion	Interest rate swap agreements		Gain or (Loss) Recognized - Ineffective Portion and Amount Excluded from Effectiveness Testing
			Gain or (Loss) Reclassified from AOCI, Noncontrolling Interests in Operating Partnership, and Noncontrolling Interests in Real Estate Partnerships into Income - Effective Portion (1)	Location of Gain or (Loss) Recognized - Ineffective Portion and Amount Excluded from Effectiveness Testing	
Interest rate swap agreements	\$ 5,185	Interest Expense	\$ (4,890)	Debt extinguishment and interest rate derivative expense	\$ (1,549)

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2009, and indicates the fair value hierarchy referenced in Note 2 within these consolidated financial statements, of the valuation techniques utilized by the Company to determine such fair value (in thousands):

	Fair Value Measurements as of December 31, 2009			
	Total	Level 1	Level 2	Level 3
Assets:				
Derivative financial instruments	\$ 488	\$ -	\$ 488	\$ -
Liabilities:				
Derivative financial instruments	\$ (5,893)	\$ -	\$ (5,893)	\$ -

The valuation of derivative financial instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. The fair values of variable to fixed interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates forward curves derived from observable market interest rate curves. To comply with GAAP, the Company incorporates credit valuation adjustments to appropriately reflect both its nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

The Company previously entered into a \$100.0 million interest rate swap agreement in 2008 that fixed the floating rate portion of the \$100.0 million Term Loan. Due to the repayment and the amendment to the Term Loan in June 2009, approximately \$2.2 million related to swap derivative hedge ineffectiveness was charged to debt extinguishment and interest rate derivative expense during 2009. The non-cash charge represents the portion of the mark to market fair value liability of the interest rate swap agreement for which there are no more future interest payments under the Term Loan. During 2009, the Company recorded an income tax benefit of approximately \$0.9 million related to this charge, resulting in after-tax charge of approximately \$1.3 million.

The \$100.0 million interest rate swap agreement was designated as a hedge instrument from its inception through June 3, 2009, the date of the \$50.0 million repayment and amendment of the Term Loan. The agreement was not designated as a hedge instrument from June 4, 2009, through July 19, 2009. On July 20, 2009, the agreement was re-designated as a hedge instrument and will be used to fix the floating rate portion on \$50.0 million outstanding on the Term Loan and \$50.0 million outstanding under the Credit Facility.

11. Commitments and Contingencies

Construction in Progress

Construction in progress at December 31, 2009, consisted of the following (dollars in thousands):

Property	Location	Estimated Completion Date	Net Rentable Square Feet (unaudited)	Investment to Date	Estimated Total Investment
Medical Center Physicians Tower	Jackson, TN	1Q 2010	107,000	\$19,280	\$21,100
HealthPartners Medical Office Building	St. Cloud, MN	2Q 2010	60,000	11,126	18,300
Lancaster Rehabilitation Hospital (1)	Lancaster, PA	2Q 2010	4,600	414	2,100
University Physicians MOB & Outpatient Clinic	Brandon, MS	2Q 2010	50,600	10,070	13,900
Land and pre-construction developments			-	2,448	-
			222,200	\$43,338	\$55,400

(1) Represents 4,600 square foot expansion to the existing property.

As of December 31, 2009, the Company has remaining purchase commitments totaling \$3.7 million to be paid during 2010 and none thereafter.

Operating Leases

The Company makes payments under operating lease agreements relating to building leases, 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:

2010	\$ 5,884
2011	5,206
2012	4,414
2013	3,604

2014	3,654
Thereafter	35,045
	\$ 57,807

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. Many of the ground leases have extension options. At December 31, 2009, the Company holds 29 ground leases that are due to expire between the years 2017 and 2062. Rent expense for the year ended December 31, 2009 was \$6.0 million.

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Tax Protection Agreements

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

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 Company’s initial public offering, which was in 2005, unless:

- 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
- 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
- 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.

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.

Employees

The Company has employment agreements with its executive officers, the terms of which expire at various times through 2013. Such agreements, which have been revised from time to time, provide for salary amounts and cash and equity incentive bonuses that are payable if specified annual management goals or project completions are attained. The aggregate commitment for future salaries at December 31, 2009, excluding bonuses, was approximately \$4.1 million.

In December 2008, the Company implemented a reduction in force plan and approximately 115 jobs were eliminated in January 2009. In December 2008, the Company recorded an accrued restructuring and severance expense of approximately \$1.5 million related to this plan. The expense was recorded to selling, general, and administrative expense.

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12. Equity

Shares and Units

An OP 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 OP Unit may be tendered for redemption for cash, however, the Company has sole discretion and the authorized common stock to exchange for shares of common stock on a one-for-one basis.

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 for tax purposes 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. Subject to any agreed upon exceptions, once vested, LTIP units are convertible into OP Units in the Operating Partnership on a one for one basis.

As of December 31, 2009, there were 50.5 million OP Units outstanding, of which 42.7 million, or 84.6%, were owned by the Company and 7.8 million, or 15.4%, were owned by other partners, including certain directors, officers and other members of senior management. As of December 31, 2009, the fair market value of the OP Units not owned by the Company was \$44.1 million, based on a market value of \$5.66 per unit, which was the closing stock price of the Company's shares on December 31, 2009.

In October 2009, the Company issued 331,812 alternative units relating to the final escrow release related to the Merger. See Note 4 within these consolidated financial statements for additional information.

In 2008, the Company, through the Operating Partnership, redeemed 46,231 units for cash payments, at the Company's election, totaling \$0.8 million. The per unit redemption prices ranged from \$8.78 to \$18.64, based on the preceding 10 day average of the Company's common stock price per share. There were no redemption for cash payments in 2009.

The following is net loss attributable to Cogdell Spencer Inc. and the issuance of common stock in exchange for redemptions of OP Units for the years ended December 31, 2009, 2008, and 2007 (in thousands):

	For the Year Ended		
	December 31, 2009	December 31, 2008	December 31, 2007
Net loss attributable to Cogdell Spencer Inc.	\$(69,728)	\$(5,773)	\$(6,341)
Increase in Cogdell Spencer Inc. additional paid-in capital for the conversion of OP units into common stock	18,830	1,843	6
Change from net loss attributable to Cogdell Spencer Inc. and transfers from noncontrolling interests	\$(50,898)	\$(3,930)	\$(6,335)

The following is a summary of changes of the Company's common stock for the years ended December 31, 2009, 2008, and 2007 (in thousands):

	For the Year Ended		
	December 31, 2009	December 31, 2008	December 31, 2007
Common stock shares at beginning of period	17,699	11,948	8,000
Issuance of common stock	23,000	5,608	3,950
Conversion of OP Units to common stock	2,017	137	-
Issuance of restricted stock grants	13	6	(2)
Common stock shares at end of period	42,729	17,699	11,948

Dividends and Distributions

During 2009, the Company paid two quarterly dividends of \$0.225 per share or unit and two quarterly dividends of \$0.10 per share or unit, totaling \$0.65 per share or unit for the year. These quarterly distributions were paid in January, April, July, and October 2009. Total dividends paid to common stockholders during 2009 were \$16.9 million. Total distributions paid to OP Unit holders, excluding inter-company distributions, during 2009 totaled \$5.2 million.

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On December 17, 2009, the Company announced that its Board of Directors had declared a quarterly dividend of \$0.10 per share and operating partnership unit that was paid in cash on January 21, 2010 to holders of record on December 31, 2009.

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 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.

Noncontrolling Interests in Real Estate Partnerships

Noncontrolling interests in real estate partnerships at December 31, 2009 and 2008 relate to Rocky Mount MOB, LLC, Mebane Medical Investors, LLC, Cogdell General Health Campus MOB, LP, and Genesis Property Holdings, LLC. See Note 5 for additional information regarding the Company's investments in real estate partnerships.

13. Income Taxes

TRS Holdings is a taxable entity and its consolidated provision for income taxes consisted of the following for the years ended December 31 (in thousands):

	2009	2008	2007
Current:			
Federal	\$(566)	\$3,710	\$123
State	(131)	710	24
Deferred tax expense on intersegment profits	(2,813)	(7)	-
Total current	(3,510)	4,413	147
Deferred:			
Federal	(15,679)	(4,765)	(25)
State	(2,935)	(892)	(5)
Total deferred	(18,614)	(5,657)	(30)
Income tax expense (benefit)	\$(22,124)	\$(1,244)	\$117

The effective income tax rate is 18.2%, 39.3%, and 39.0% for the years ended December 31, 2009, 2008, and 2007, respectively. The actual tax provision differed from that computed at the federal statutory corporate rate as follows (in thousands):

	2009	2008	2007
Federal tax (benefit) at 35% statutory rate	\$(42,505)	\$(1,109)	\$105
State income taxes, net of federal benefit	(1,955)	(71)	12
Nondeductible expenses, primarily goodwill	25,016	72	-
Deferred tax expense on intersegment profits	(2,813)	(7)	-
Other, net	133	(129)	-
Income tax expense (benefit)	\$(22,124)	\$(1,244)	\$117

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The income tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are presented below (in thousands):

	2009	2008
Deferred tax assets:		
Deferred interest expense	\$1,433	\$1,094
Allowance for doubtful accounts receivable	1,071	29
Unrealized loss on interest rate swap agreement	626	1,349
Accrued expenses and other items	2,942	4,092
Total deferred tax assets	6,072	6,564
Deferred tax liabilities:		
Intangibles	(20,779)	(39,993)
Other items	(1,286)	(747)
Total deferred tax liabilities	(22,065)	(40,740)
Net deferred tax liability	\$(15,993)	\$(34,176)

When goodwill is impaired, such impairment is treated as being of permanent in character (meaning it has no effect on deferred taxes) unless the amount that the goodwill is being impaired down to is less than the original amount of tax basis in goodwill. If the amount that goodwill is impaired down to is less than the original amount of tax basis in the goodwill there will be an adjustment to deferred taxes. As it relates to the impairment in the current period, there is no provision benefit under the policy described above.

At December 31, 2009, there was \$1.4 million of deferred tax assets related to inter-company interest expense carry forward, which has an unlimited carry forward period. No valuation allowance has been recorded against the deferred tax assets because the Company believes that these deferred tax assets will, more likely than not, be realized. This determination is based largely upon the TRS Holdings' anticipated future taxable income, as well as the availability of taxable income in the carry back period and the reversal of deferred tax liabilities.

There was an insignificant amount of penalties or interest recorded during the years ended December 31, 2009, 2008 and 2007. The Company and TRS Holdings have an insignificant amount of unrecognized tax benefits. For tax years 2006, 2007, 2008, and 2009, the United States federal and state tax returns are open for examination.

14. Incentive and Share-Based Compensation

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 units, 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 unit 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.

In January 2009, the Company issued 500 LTIP units that vested upon issuance to one employee. The LTIP units were valued at \$8.70 per unit, which was the Company's closing stock price on the NYSE on the grant date. The Company

has recorded compensation expense of less than \$0.1 million in connection with this issuance.

In February 2009, each non-employee member of the Company's Board of Directors was granted 6,569 shares of the Company's restricted stock or LTIP units, at each director's option, that all vested upon issuance. Messrs. Georgius, Lee, Lubar, and Neugent each elected to receive LTIP units and Mr. Jennings and Dr. Smoak each elected to receive shares of restricted stock. The restricted stock and LTIP units were valued at \$6.09 per share, which was the Company's closing stock price on the NYSE on the grant date. The Company has recorded compensation expense of \$0.2 million in connection with these issuances

In February 2009, 3,334 LTIP units previously issued, but unvested, became vested based on 2008 Company performance. Compensation expense of \$0.1 million was recorded for the year ended December 31, 2008. As of December 31, 2009, there were 114,535 unvested LTIP units that will vest if, and when, the Company achieves certain performance standards as provided in the awards. Any portions of the unvested LTIP units that are not vested as of December 2015 are forfeited. As of December 31, 2009, the Company assessed the probability of the performance conditions being achieved and has recorded no compensation expenses associated with 2009 Company performance.

COGDELL SPENCER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In February 2009, the Company issued an aggregate of 80,586 LTIP units, all of which vested upon issuance, to certain employees based on 2008 performance goals. The LTIP units were valued at \$6.09 per unit, which was the Company's closing stock price on the grant date. The Company accrued compensation expense in 2008 in connection with this issuance.

In February 2009, the Company issued 4,926 LTIP units to one employee that will vest in February 2010 if such employee's employment is maintained through February 2010. The LTIP units were valued at \$6.09 per unit, which was the Company's closing stock price on the grant date. The Company recorded compensation expense for the year ended December 31, 2009 of less than \$0.1 million in connection with this issuance.

In December 2009, the Company issued an aggregate of 106,756 LTIP units, all of which vested upon issuance, to certain employees based on specific performance goals. The LTIP units were valued at \$4.93 per unit, which was the Company's closing stock price on the grant date. The Company recorded compensation expense of \$0.4 million and capitalized \$0.1 million as a development project cost.

In February 2008, each non-employee member of the Company's Board of Directors was granted shares of restricted stock or LTIP units in the Operating Partnership that all vested upon issuance. Messrs. Georgius and Lee and Dr. Smoak were each granted 3,135 LTIP units and Messrs. Jennings and Neugent were each granted 3,135 shares of restricted stock. The restricted stock and LTIP units were valued at \$15.00 per share, which was the Company's closing stock price on the grant date. The Company recorded compensation expense of \$0.2 million during the year ended December 31, 2008.

In March 2008, the Company issued an aggregate 156,740 LTIP units, of which 20%, or 31,347, vested upon issuance. The remaining 80% will vest if, and when, the Company achieves certain performance standards as provided in the awards. The one time award was granted in recognition of the role played by certain employees in guiding the Company through the Merger. The LTIP units were valued at \$15.72 per unit, which was the Company's closing stock price on the grant date. The Company recorded compensation expense of \$0.5 million in March 2008 related to the 20% of the grant that vested. The value of the unvested LTIP units was \$2.0 million. Any portions of the unvested LTIP units that are not vested as of December 2015 are forfeited. During 2008, 7,524 LTIP units were forfeited due to a termination of employment. The Company has assessed the probability of the performance conditions being achieved and as a result has accrued and expensed \$0.1 million related to expected vesting associated with 2008 Company performance.

In May 2008, Mr. Cogdell, the Chairman of the Board of Directors of the Company elected to forego his remaining 2008 annual salary. In lieu of receiving his annual salary, Mr. Cogdell was awarded 18,579 LTIP units in the Operating Partnership, under the 2005 Incentive Plan. The LTIP units were valued at \$17.62 per unit, which was the Company's closing stock price on the grant date. The Company recorded compensation expense of \$0.3 million.

In July 2008, the Company issued an aggregate of 5,153 LTIP units, all of which vested upon issuance, to certain employees based on specific performance goals. The LTIP units were valued at \$15.72 per unit, which was the Company's closing stock price on the grant date. The Company recorded compensation expense of less than \$0.1 million and capitalized \$0.1 million as a development project cost.

During 2007, the Company issued 2,500 vested LTIP units. The LTIP units were valued at \$21.07 per unit and \$0.1 million of compensation expense was recorded.

No other stock options, dividend equivalents, or stock appreciation rights were issued or outstanding in 2009, 2008, and 2007.

COGDELL SPENCER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of restricted stock and LTIP unit activity for the ended December 31, 2009 (in thousands, except weighted average grant price):

	Restricted Stock	LTIP Units	Weighted Average Grant Price
Unvested balance at December 31, 2008	12	118	\$15.89
Granted	13	219	5.56
Vested	(19)	(217)	6.00
Forfeited	(1)	-	17.00
Unvested balance at December 31, 2009	5	120	\$15.43

15. 401(k) Savings Plans

Cogdell Spencer LP sponsors a 401(k) plan covering substantially all of its employees. The plan provides for 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 2009, 2008, or 2007. The Company matched 100% of the employees' contributions to the plan up to a maximum of 4% of compensation in 2009, 2008, or 2007. The 401(k) matching expense for the year ended December 31, 2009, 2008, and 2007 was approximately \$0.1 million, \$0.1 million, and \$0.1 million, respectively.

MEA sponsors a 401(k)/profit sharing plan covering substantially all salaried employees. MEA's contribution to the plan is determined annually by management and is limited, by law, to 25% of the annual aggregate compensation of those employees eligible for participation in the plan. There were no profit sharing contributions made during the year ended 2009. The total expense charged to "Costs related to contract and other revenues" and "Selling, general, and administrative expenses" for this plan for the year ended December 31, 2008 was approximately \$2.7 million and \$0.8 million, respectively. The 401(k) matching expense for the year ended December 31, 2009 and 2008 was approximately \$0.9 million and \$1.5 million, respectively.

16. Related Party Transactions

The Fork Farm, a working farm owned by the Company's Chairman and founder, periodically hosts events on behalf of the Company. Charges of less than \$25,000 for each year ended December 31, 2009, 2008, and 2007 are reflected in "Selling, general, and administrative" expenses in the consolidated statement of operations.

The Company has certain design-build contracts for the construction of medical facilities with certain entities in which Mr. Lubar, a member of the Company's Board of Directors, has an indirect ownership interest and is a director. Mr. Lubar resigned as an officer of the entity in 2008. In addition, Mr. Ransom, a member of the Board of Directors and our President, and certain members of senior management have direct ownership in the entities. The total contract amount is \$30.7 million and construction was in process at the time of the MEA transaction. During 2008, construction was completed on one medical facility. For the year ended December 31, 2008, the Company recognized \$16.0 million of revenue and at December 31, 2008 had accounts receivable of \$2.1 million and billings in excess of costs and estimated earnings on uncompleted contracts of \$2.1 million related to both projects. During 2009, construction was completed on the second medical facility and the Company recognized \$3.0 million in 2009. As of December 31, 2009, the Company had no accounts receivable or billings in excess of costs and estimated earnings on uncompleted contracts.

17. Additional Information

During 2009, the Company explored a range of strategic alternatives that included: an assessment of potential change of control transactions; asset dispositions and acquisitions; business and portfolio combinations; debt financings and refinancings. For the year ended December 31, 2009, the selling, general and administrative expense associated with this exercise totaled approximately \$2.6 million and included fees for consultants, accountants, attorneys, and other service providers.

During 2008, the Company incurred after-tax restructuring and severance charges of \$1.3 million related to severance paid to a member of the senior management team and severance and restructuring due to a planned reduction in force that was announced in 2008 and occurred in 2009. This expense is included in selling, general and administrative.

COGDELL SPENCER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Selected Quarterly Financial Information (unaudited)

The tables below reflect the Company's selected quarterly information for the Company for the years ended December 31, 2009 and 2008 (in thousands, except per share amounts):

	Three Months Ended			
	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Total revenue	\$ 51,296	\$ 51,313	\$ 57,376	\$ 69,616
Income (loss) from continuing operations	\$ 3,356	\$ 1,496	\$ (3,006)	\$ (102,281)
Total discontinued operations	(1,400)	(40)	(44)	(43)
Net income (loss)	\$ 1,956	\$ 1,456	\$ (3,050)	\$ (102,324)
Net income (loss) attributable to Cogdell				
Spencer Inc.	\$ 1,556	\$ 1,248	\$ (2,315)	\$ (70,218)
Per share - basic and diluted:				
Income (loss) from continuing operations attributable to Cogdell Spencer Inc.	\$ 0.06	\$ 0.03	\$ (0.08)	\$ (3.90)
Weighted average shares - basic and diluted	42,615	42,539	27,088	17,995
	Three Months Ended			
	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
Total revenue	\$ 99,884	\$ 93,935	\$ 98,171	\$ 43,372
Loss from continuing operations	\$ (1,471)	\$ (699)	\$ (2,941)	\$ (2,534)
Total discontinued operations	(34)	(107)	(38)	(33)
Net loss	\$ (1,505)	\$ (806)	\$ (2,979)	\$ (2,567)
Net loss attributable to Cogdell				
Spencer Inc.	\$ (1,042)	\$ (1,087)	\$ (1,842)	\$ (1,802)
Per share - basic and diluted:				
Loss from continuing operations attributable to Cogdell Spencer Inc.	\$ (0.06)	\$ (0.06)	\$ (0.12)	\$ (0.12)
Weighted average shares - basic and diluted	17,557	15,747	15,393	14,364

COGDELL SPENCER INC.
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION

(in thousands)

Property Name	Location	Encumbrance	Initial Costs (I)			Gross Amount at Which Carried at December 31, 2009				
			Land	Building and Improvements (A)	Cost Capitalized Subsequent to Acquisition or Development	Land	Building and Improvements (A)	Total (B)	Ac De	
Verdugo Hills Professional Bldg I	California	(H)	\$1,218	\$8,228	\$1,536	\$1,226	\$9,756	\$10,982	\$2,1	
Verdugo Hills Professional Bldg II	California	(H)	3,531	8,915	1,282	3,555	10,173	13,728	1,7	
Woodlands Center for Specialized Med (J)	Florida		15,786	4,038	18,431	-	4,038	18,431	22,469	65
Augusta POB I	Georgia	(H)	259	8,431	1,700	260	10,130	10,390	2,3	
Augusta POB II	Georgia	(H)	602	10,646	839	605	11,482	12,087	2,8	
Augusta POB III	Georgia	(H)	339	3,986	386	341	4,370	4,711	1,0	
Augusta POB IV	Georgia	(H)	551	4,672	527	554	5,196	5,750	1,2	
Summit Professional Plaza I	Georgia		5,096	1,180	6,021	15	1,181	6,035	7,216	528
Summit Professional Plaza II	Georgia		10,829	2,000	12,684	199	2,001	12,882	14,883	1,0
Methodist Professional Center One	Indiana		25,466	-	37,830	2,286	-	40,116	40,116	6,2
OLBH Same Day Surgery Ctr, MOB, Garage	Kentucky	(H)	-	13,938	209	-	14,147	14,147	2,8	
East Jefferson Medical Plaza	Louisiana		11,600	-	16,525	94	-	16,619	16,619	1,1
East Jefferson MOB	Louisiana		8,968	-	12,239	791	-	13,030	13,030	2,8
Central New York Medical Center and Garage	New York		24,500	2,112	32,700	156	2,113	32,855	34,968	2,2
Alamance Regional Mebane North Outpatient Ctr (J)	Carolina		13,732	-	15,757	2,005	-	17,762	17,762	1,0
Barclay Downs			4,378	2,084	3,363	358	2,097	3,708	5,805	1,5

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	North Carolina								
Birkdale II	North Carolina	(H)	142	992	65	142	1,057	1,199	238
Birkdale Wellness, Bldgs C,D, E	North Carolina	(H)	1,087	5,829	205	1,095	6,026	7,121	1,440
Copperfield Medical Mall	North Carolina	(D)	1,380	4,047	121	1,389	4,159	5,548	1,440
East Rocky Mount Center	North Carolina	(H)	260	1,194	15	261	1,208	1,469	340
English Road Medical Center, formerly known as Rocky Mount MOB (J)	North Carolina		5,265	228	4,990	50	228	5,040	1,800
Gaston Professional Center, Gaston Ambulatory Surgery Center, Gaston Parking	North Carolina	(H)	-	21,358	1,842	-	23,200	23,200	8,900
Gateway Medical Office Building - formerly known as Copperfield MOB	North Carolina	(H)	-	9,281	1,563	-	10,844	10,844	2,300
Harrisburg Family Physicians	North Carolina	-	270	509	100	271	608	879	243
Harrisburg Medical Mall	North Carolina	(D)	441	1,722	18	443	1,738	2,181	460
Lincoln/Lakemont Family Practice Center	North Carolina	(I)	270	1,025	286	271	1,310	1,581	483
Mallard Crossing Medical Park	North Carolina	(H)	1,256	4,626	375	1,266	4,991	6,257	1,200
Medical Arts Building, formerly known as Cabarrus POB	North Carolina	(H)	-	7,446	979	-	8,425	8,425	1,700
Midland Medical Park	North Carolina	(D)	288	1,134	302	289	1,435	1,724	373
Mulberry Medical Park	North Carolina		924	-	2,283	164	-	2,447	833
Northercross Family Physicians	North Carolina	(I)	270	498	148	271	645	916	252
Randolph Medical Park	North Carolina	(I)	1,621	5,366	2,469	1,631	7,825	9,456	1,900
Rocky Mount Kidney Center	North Carolina		1,000	198	1,366	72	199	1,437	384

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Rocky Mount Medical Park	North Carolina	6,794	982	9,854	1,650	990	11,496	12,486	3,2
Rowan Outpatient Surgery Center	North Carolina	3,237	399	4,666	39	401	4,703	5,104	955
Weddington Internal & Pediatric Medicine	North Carolina	(D)	489	838	21	491	857	1,348	253
Lancaster ASC MOB, formerly known as Cogdell General Health Campus MOB (J)	Pennsylvania	10,445	-	12,859	1,486	-	14,345	14,345	1,9
Lancaster Rehabilitation Hospital	Pennsylvania	9,647	-	11,748	83	-	11,831	11,831	963
200 Andrews	South Carolina	(H)	-	2,663	1,216	-	3,879	3,879	931
Beaufort Medical Plaza	South Carolina	4,763	-	7,399	150	-	7,549	7,549	1,2
Carolina Forest Medical Plaza	South Carolina	(H)	-	7,416	160	-	7,576	7,576	1,0
Mary Black Westside Medical Office Bldg	South Carolina	(H)	-	3,922	800	-	4,722	4,722	852

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COGDELL SPENCER INC.
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION

(in thousands)

Medical Arts Center of Orangeburg	South Carolina	2,365	605	4,172	395	608	4,564	5,172	1,060	1984	2005
One Medical Park	South Carolina	5,095	-	8,767	986	-	9,753	9,753	1,778	1984	2005
Palmetto Health Parkridge	South Carolina	13,500	-	16,353	689	-	17,042	17,042	2,011	2003	2006
Providence MOB I	South Carolina	(E)	-	5,152	163	1	5,314	5,315	1,108	1979	2005
Providence MOB II	South Carolina	(E)	-	2,441	156	-	2,597	2,597	440	1985	2005
Providence MOB III	South Carolina	(E)	-	5,459	369	1	5,827	5,828	957	1990	2005
River Hills Medical Plaza	South Carolina	3,795	1,428	4,202	90	1,437	4,283	5,720	870	1999	2005
Roper Medical Office Building	South Carolina	9,430	-	11,586	1,880	-	13,466	13,466	3,244	1990	2005
Roper Mount Pleasant Medical Office (Long Point)	South Carolina	(H)	-	3,320	521	-	3,841	3,841	1,018	2001	2005
St Francis Medical Plaza (Charleston), formerly known as West Medical I	South Carolina	(H)	-	3,792	2,201	-	5,993	5,993	2,068	2003	2005
St. Francis CMOB	South Carolina	(F)	-	5,934	815	-	6,749	6,749	1,879	2001	2005
St. Francis Medical Plaza (Greenville)	South Carolina	(G)	-	8,007	383	-	8,390	8,390	1,396	1998	2005
St. Francis Professional Medical Center	South Carolina	(F)	-	5,522	1,222	-	6,744	6,744	1,715	1984	2005
St. Francis Women's	South Carolina	(G)	-	7,352	654	-	8,006	8,006	1,247	1991	2005
Three Medical Park	South Carolina	7,673	-	10,405	1,751	-	12,156	12,156	2,129	1988	2005
Health Park Medical	Tennessee	7,000	1,862	13,223	55	1,862	13,278	15,140	927	2004	2007

Office Building Peerless Crossing Medical Center	Tennessee	7,354	645	8,722	14	645	8,736	9,381	494	2006	2007
MRMC MOB I, formerly known as Hanover MOB	Virginia	5,993	970	9,890	1,133	976	11,017	11,993	1,435	1993	2006
St. Mary's MOB North 6th & 7th floor	Virginia	-	-	3,880	304	-	4,184	4,184	456	1968	2008
Total		(L)	\$33,005	\$487,576	\$40,543	\$33,139	\$527,985	\$561,124	\$93,247		

Discontinued Operations

Harbison Medical Office Building (formerly known

as Baptist Northwest)	South Carolina	2,129	398	2,534	1,469	1,574	2,827	4,401	657	1986	2005
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(A) - Includes building and improvements, site improvements, furniture, fixtures, and equipment, construction in progress and deferred income tax expense on intersegment profits.

Excludes Harbison Medical Office Building, formerly known as Baptist Northwest, being held in discontinued operations with a book value of \$2.2 million

(B) - The aggregate cost for federal income tax purposes was \$549.9 million as of December 31, 2009. 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 \$8.3 million at December 31, 2009.

(E) - Collateral for fixed rate mortgage which had a balance of \$8.3 million at December 31, 2009.

(F) - Collateral for variable rate mortgage which had a balance of \$6.9 million at December 31, 2009.

(G) - Collateral for variable rate mortgage which had a balance of \$7.4 million at December 31, 2009.

(H) - Collateral for the Credit Facility

(I) - Collateral for fixed rate mortgage which had a balance of \$7.5 million at December 31, 2009.

(J) - A consolidated, less than 100% owned, real estate partnership.

(K) - Represents development property, thus Date Acquired reflects the initiation of the first phase of construction and Date Constructed reflects when property began operations.

(L) - Total mortgage notes payable on operational properties as of December 31, 2009 was \$263 million. In addition, the company had financing of \$2 million on Harbison MOB held in discontinued operations and the Company had construction financing with a balance of \$17.8 million for Medical Center Physicians Tower, HealthPartners Medical Office Building, and University Physicians MOB & Outpatient Clinic

COGDELL SPENCER INC.
NOTES TO SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION

(in thousands)

A summary of activity for real estate properties and accumulated depreciation is as follows:

	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Real estate properties:			
Balance, beginning of period	\$531,932	\$486,279	\$361,982
Property acquisitions	-	20,405	81,076
Development projects (1)	22,469	15,757	32,096
Purchases of minority interests in Operating Partnership	-	121	2,488
Improvements	10,946	9,370	8,637
Discontinued Operations	(4,223)	-	-
Balance, end of period	\$561,124	\$531,932	\$486,279
Accumulated depreciation:			
Balance, beginning of period	\$69,285	\$44,596	\$23,664
Depreciation	24,483	24,689	20,932
Discontinued Operations	(521)	-	-
Balance, end of period	\$93,247	\$69,285	\$44,596

(1) Includes deferred income tax expense on intersegment profits of \$2.8 million for the year end

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 reports that it files under the Exchange Act 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 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

Management 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 based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the Company concluded that its internal control over financial reporting was effective as of December 31, 2009.

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 Company's internal control over financial reporting as of December 31, 2009, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its report which is included below.

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, 2009, 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, 2009, 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 statement schedule as of and for the year ended December 31, 2009 of the Company and our report dated March 16, 2010 expressed an unqualified opinion on those financial statements and financial statement schedule, and included an explanatory paragraph relating to the Company changing its method of accounting for noncontrolling interests on January 1, 2009, and retrospectively adjusting all periods

presented in the consolidated financial statements.

DELOITTE & TOUCHE LLP

McLean, Virginia

March 16, 2010

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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 2010 Annual Meeting of Stockholders to be filed within 120 days after December 31, 2009.

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 www.cogdell.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 Website at the address and location specified above.

The Board of Directors has adopted Corporate Governance Guidelines and charters for its Audit Committee, Compensation Committee and 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: Jaime Buell 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 2010 Annual Meeting of Stockholders to be filed within 120 days after December 31, 2009.

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 2010 Annual Meeting of Stockholders to be filed within 120 days after December 31, 2009 under the captions "Election of Directors — Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management."

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 2010 Annual Meeting of Stockholders to be filed within 120 days after December 31, 2009.

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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 2010 Annual Meeting of Stockholders to be filed within 120 days after December 31, 2009.

PART IV

Item 15. Exhibits and Financial Statement Schedules

- 1.1 Underwriting Agreement dated September 10, 2008, by and among Cogdell Spencer Inc., Cogdell Spencer LP, Banc of America Securities LLC, KeyBanc Capital Markets Inc. and Citigroup Global Markets Inc., incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 8-K filed with the SEC on September 16, 2008.
- 1.2 Underwriting Agreement dated May 27, 2009, by and among Cogdell Spencer Inc., Cogdell Spencer LP, Citigroup Global Markets Inc. and KeyBanc Capital Markets Inc., as representatives of the several underwriters named in Schedule I thereto, incorporated by reference to Exhibit 1.1 of the Company's Current Report on Form 8-K filed with the SEC on June 2, 2009.
- 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 First Amendment to First Amended and Restated Agreement of Limited Partnership of Cogdell Spencer LP., incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- 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).

- 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).

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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).
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 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., incorporated by reference to Exhibit 10.26 of the Company's Annual Report on Form 10-K for the year ended December 31, 2007.
- 10.27 Agreement and Plan of Merger, dated January 23, 2008, by and among Cogdell Spencer LP, Goldenboy Acquisitions Corp., MEA Holdings, Inc., Marshall Erdman & Associates, Inc., Marshall Erdman Development, LLC, David Pelisek, David Lubar and Scott Ransom, incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008..
- 10.28 Amendment to Agreement and Plan of Merger, dated March 10, 2008, by and among Cogdell Spencer LP, Goldenboy Acquisitions Corp., MEA Holdings, Inc., Marshall Erdman & Associates, Inc., Marshall Erdman Development, LLC, David Pelisek, David Lubar and Scott Ransom, incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- 10.29 Escrow Agreement, dated March 10, 2008, by and between Cogdell Spencer LP, David Pelisek, David Lubar, Scott Ransom and Mellon Investor Services LLC, incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- 10.30 Exchange Agent Agreement, dated March 10, 2008, by and between Cogdell Spencer LP, David Pelisek, David Lubar, Scott Ransom and Mellon Investor Services LLC, incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- 10.31 Voting Agreement, dated January 23, 2008, by and among the Shareholders (as defined therein) of MEA Holdings, Inc. for the benefit of Cogdell Spencer LP and Goldenboy Acquisitions Corp, incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- 10.32 Voting Agreement, dated January 23, 2008, by and among Baird Capital Partners III Limited Partnership, BCP III Affiliates Fund Limited Partnership, BCP III Special Affiliates Fund Limited Partnership, Lubar Capital LLC, James Cogdell and Frank Spencer, incorporated by reference to Exhibit 10.6 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- 10.33 Contributing Shareholders Voting Agreement, dated March 10, 2008, by and among James Cogdell, Frank Spencer, David Pelisek, David Lubar and Scott Ransom, incorporated by reference to Exhibit 10.7 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- 10.34 Director Designation Agreement, dated March 10, 2008, by and between Cogdell Spencer Inc. and David Lubar incorporated by reference to Exhibit 10.8 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- 10.35 Registration Rights Agreement, dated March 10, 2008, by and among Cogdell Spencer Inc. and certain persons listed on Schedule I thereto, incorporated by reference to Exhibit 10.9 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- 10.36 Registration Rights Agreement, dated January 28, 2008, by and among Cogdell Spencer Inc. and KeyBanc Capital Markets Inc. on behalf of the persons listed on Schedule I thereto, incorporated by reference to Exhibit 10.10 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- 10.37 Guaranty Agreement, dated March 10, 2008, among each of the Guarantors named therein and Bank of America, N.A, incorporated by reference to Exhibit 10.11 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- 10.38 Intercreditor Agreement, dated March 10, 2008, between Bank of America, N.A. and KeyBank National Association, incorporated by reference to Exhibit 10.12 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- 10.39 Credit Agreement, dated March 10, 2008, among Cogdell Spencer LP, Cogdell Spencer Inc., Bank of America, N.A., KeyBank National Association, Branch Banking & Trust Company, Wachovia Bank, National Association, each lender signatory thereto and Banc of America Securities LLC, incorporated by reference to Exhibit 10.13 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.

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- 10.40 Employment Agreement, dated March 1, 2008, between Marshall Erdman & Associates, Inc. and Scott A. Ransom, incorporated by reference to Exhibit 10.14 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- 10.41 Form of Contribution Agreement by and among Cogdell Spencer Inc., Cogdell Spencer LP and each of the persons set forth on Schedule 1 to Exhibit 10.15 incorporated by reference to Exhibit 10.15 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- 10.42 Contribution Agreement Side Letter, dated March 10, 2008, by Cogdell Spencer Inc. and Cogdell Spencer LP delivered to David Pelisek, David Lubar and Scott Ransom, incorporated by reference to Exhibit 10.16 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- 10.43 Senior Secured Term Loan Agreement dated as of March 10, 2008 among Goldenboy Acquisition Corp, the Company, KeyBank National Association, current and future lenders, Bank of America, N.A., Wachovia Bank, National Association, Branch Banking and Trust Company and KeyBank Capital Markets, incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.
- 10.44 Employment Agreement, dated December 1, 2008, by and between Cogdell Spencer Inc., Cogdell Spencer LP and Charles M. Handy, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on December 4, 2008.
- 10.45 Separation and Release Agreements, dated July 8, 2008, by and between Cogdell Spencer Inc., Cogdell Spencer LP and Heidi Wilson, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on July 14, 2008.
- 10.46 First Amendment to Senior Secured Term Loan Agreement dated as of June 3, 2009, by and among MEA Holdings, Inc., the Company, KeyBank National Association and each of the undersigned Lenders, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on June 9, 2009.
- 14.1 Code of Ethics, incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2005.
- 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

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

Date: March 16, 2010

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

Date: March 16, 2010

/s/ Charles M. Handy
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 16, 2010

/s/ James W. Cogdell
James W. Cogdell
Chairman of the Board of Directors

Date: March 16, 2010

/s/ Frank C. Spencer
Frank C. Spencer
President, Chief Executive Officer and
Director

Date: March 16, 2010

/s/ Scott A. Ransom
Scott A. Ransom
President and Chief Executive Officer of
Erdman

Date: March 16, 2010

/s/ John R. Georgius
John R. Georgius
Director

Date: March 16, 2010

/s/ Richard B. Jennings
Richard B. Jennings
Director

Date: March 16, 2010

/s/ Christopher E. Lee
Christopher E. Lee
Director

Date: March 16, 2010

/s/ David J. Lubar

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David J. Lubar
Director

Date: March 16, 2010

/s/ Richard C. Neugent
Richard C. Neugent
Director

Date: March 16, 2010

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

