

TIDELANDS OIL & GAS CORP/WA
Form 10-Q/A
January 23, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q/A

(Mark one)

Quarterly Report Under Section 13 or 15(d) of The Securities Exchange Act of 1934

For the quarterly period ending March 31, 2007

Transition Report Under Section 13 or 15(d) of The Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 0-29613

TIDELANDS OIL & GAS CORPORATION
(Exact name of small business issuer as specified in its charter)

Nevada
(State of incorporation)

66-0549380
(IRS Employer ID Number)

1862 West Bitters Rd., San Antonio, TX 78248
(Address of principal executive offices)

(210) 764-8642
(Issuer's telephone number)

Securities registered under Section 12 (b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:
Common Stock - \$0.001 par value

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Check whether the issuer has (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period the Company was 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definitions of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer , Accelerated filer , Non-accelerated filer

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

APPLICABLE ONLY TO CORPORATE ISSUERS

As of May 18, 2007, there were 102,633,706 shares of Common Stock issued and outstanding.

Transitional Small Business Disclosure Format: Yes No

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EXPLANATORY NOTE

As previously disclosed in our report on Form 8-K filed on November 19, 2007, the Board of Directors of Tidelands Oil & Gas Corporation, after discussions with our registered independent public accounting firm, determined that the accounting treatment of certain options issued to its directors (the "Options") originally reported on its Quarterly Report of Form 10-Q for the three months ended March 31, 2007 was incorrect and required revision. We are filing this amendment to the prior report on Form 10-Q for the period ended March 31, 2007 to make this correction.

This Amendment corrects the accounting treatment of the Options to comply with the provisions of Financial Accounting Standards Board Statement No. 123 Share Based Payment (FAS 123(R)). FAS 123(R) was adopted by the Company on January 1, 2006; however, with respect to the Options, the Company inadvertently failed to record the appropriate expense for such Options in accordance with FAS 123(R).

The Company uses the Black-Scholes option pricing model to compute the fair value of stock options, which requires the Company to make the following assumptions:

- § The risk-free interest rate is based on the short-term Treasury bond at date of grant.
- § The dividend yield on the Company's common stock is assumed to be zero since the Company does not pay dividends and has no current plans to do so.

- § The market price volatility of the Company's common stock is based on daily historical prices for the twelve months previous to the grant date.
- § The term of the grants is the current year since all grants are vested at the time of the grants; therefore, the entire fair value of stock-based compensation was recorded in 2007.

We have also revised the related narrative as it relates to these changes in the condensed consolidated financial statements, including additional disclosure in the Notes thereto under the heading "Summary of Restated Interim Report" and have revised the disclosure in Part I, Item 2 "Management's Discussion and Analysis" and Part I, Item 4 "Controls and Procedures". In addition, currently-dated certifications from our Chief Executive Officer and Chief Financial Officer have been included as exhibits to this Amendment.

Other than as set forth above, there are no other significant changes to the original 10-Q and this 10-Q/A does not reflect events occurring after the filing of the original 10-Q, or modify or update disclosures therein in any other way.

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TIDELANDS OIL & GAS CORPORATION
FORM 10-Q

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TIDELANDS OIL & GAS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 2007 (Restated—Note 5) (Unaudited)	December 31, 2006
Current Assets:		
Cash	\$ 302,202	\$ 367,437
Accounts and Other Receivable	284,951	388,754
Inventory	119,478	84,030
Prepaid Expenses	95,634	148,551
Total Current Assets	802,265	988,772
Property Plant and Equipment, Net	13,147,781	12,364,359
Other Assets:		
Deposits	56,858	56,708
Cash Restricted	53,250	52,642
Deferred Charges	256,392	565,221
Goodwill	1,158,937	1,158,937
Total Other Assets	1,525,437	1,833,508
Total Assets	\$ 15,475,483	\$ 15,186,639

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Current Maturities - Note Payable	\$ 2,599,291	\$ 225,000
Accounts Payable and Accrued Expenses	1,988,261	1,624,752
Customer Deposits	8,100	0
Reserve for Litigation	2,250,000	2,250,000
Total Current Liabilities	6,845,652	4,099,752
Due to Related Party	100,000	0
Long-Term Debt	4,586,315	8,934,294
Total Liabilities	11,531,967	13,034,046
Stockholders' Equity:		
Common Stock, \$.001 Par Value per Share, 250,000,000 Shares Authorized, 98,688,909 and 86,457,922 Shares Issued and Outstanding at March 31, 2007 and December 31, 2006 Respectively	98,690	86,459

Additional Paid-in Capital	53,490,250	46,703,202
Subscriptions Receivable	(110,000)	(220,000)
Minority Interest	-	-

5. Mortgages, Notes Payable and Guarantees

In March 2007, Cogdell Health Campus MOB, LP, a consolidated real estate partnership, obtained construction financing related to the Lancaster General Health Campus MOB project. The credit facility provides financing up to \$11.0 million and will convert to permanent financing at the date of occupancy. The interest rate during the construction period is LIBOR plus 1.05% (6.17% as of September 30, 2007). The mortgage note payable will mature five or seven years, at the Company's option, from the date of occupancy and provides for principal payments based on a 25-year amortization. As of September 30, 2007, there was \$8.2 million drawn on the facility.

In May 2007, Mebane Medical Investors, LLC, a consolidated real estate partnership, obtained construction financing related to the Mebane Medical Office Building project. The credit facility provides financing up to \$13.0 million with an interest rate equal to LIBOR plus 1.3% (6.42% as of September 30, 2007). The mortgage note payable will mature in May 2010 and provides for interest-only payments through May 2009 and principal payments based on a 30-year amortization from June 2009 through the maturity date in May 2010. This facility has two one-year extension options. As of September 30, 2007, there was \$3.8 million drawn on the facility.

In May 2007, the Company refinanced the Parkridge MOB mortgage note payable. The \$13.5 million note payable requires interest-only payments through June 2012 and principal and interest payment of \$84,359 per month from July 2012 through the maturity date in June 2017. This note payable has a fixed interest rate of 5.68%.

In June 2007, in connection with the acquisition of the Central New York Medical Center, the Company obtained a \$24.5 million, ten-year, interest-only mortgage note payable. The note payable has a fixed interest rate of 6.22%.

In August 2007, in connection with the acquisition of Summit Professional Plaza I and II in Brunswick, Georgia, the Company obtained a \$15.9 million, ten-year, interest-only mortgage note payable. The note payable has a fixed interest rate of 6.18%.

At September 30, 2007, the Company received a waiver related to a violation of the consolidated secured indebtedness to consolidated total asset value ratio financial covenant contained in the Company's \$130.0 million unsecured revolving credit facility (the Credit Facility).

6. Derivative Financial Instruments

Interest rate swap agreements are utilized to reduce exposure to variable interest rates associated with certain mortgage notes payable. These agreements involve an exchange of fixed and floating interest payments without the exchange of the underlying principal amount (the notional amount). The interest rate swap agreements are reported at fair value in the consolidated balance sheet within Other assets or Accounts payable and other liabilities and changes in the fair value

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are reported in accumulated other comprehensive income (loss) exclusive of ineffectiveness amounts, which are reported in interest expense.

In August 2007, the Company entered into two interest rate swap agreements associated with a \$3.0 and \$27.0 million tranche under the Credit Facility. These instruments are designated and qualify as cash flow hedges under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133), as amended and interpreted, and are due to expire in October 2008.

In September 2007, the Company entered into two interest rate swap agreements associated with mortgage loans collateralized by properties owned by St. Francis Medical Plaza, LLC and St. Francis Community MOB, LLC. These instruments are designated and qualify as cash flow hedges under SFAS No. 133, and are based on notional amounts of \$7.7 million and \$7.1 million, respectively. Both are due to expire in June 2008.

The following table summarizes the terms of the agreements and their fair values at September 30, 2007 and December 31, 2006 (dollars in thousands):

Entity	Notional Amount as of September 30,	Receive Rate	Pay Rate	Effective Date	Expiration Date	September 30,		December 31,	
						2007	2006	2007	2006
Beaufort Medical Plaza	\$ 4,955	1 Month LIBOR	5.01%	10/25/2006	7/25/2008	\$ 12	\$ 6	\$ 12	\$ 6
Gaston MOB	15,972	1 Month LIBOR	5.18%	11/3/2006	11/22/2007	8	8	8	8
Medical Investors I, LLC	8,676	1 Month LIBOR	5.15%	10/10/2006	12/10/2007	3	6	3	6
River Hills Medical Associates	2,998	1 Month LIBOR	4.97%	10/16/2006	12/15/2008		12	12	4
Roper MOB	9,617	1 Month LIBOR	6.45%	10/10/2006	7/10/2009		65	65	12
Methodist Professional Center I	30,000	1 Month LIBOR	4.95%	11/6/2006	10/31/2009	248	34	248	34
Cogdell Spencer LP	3,000	1 Month LIBOR	5.06%	8/14/2007	10/31/2008		13		13
Cogdell Spencer LP	27,000	1 Month LIBOR	5.06%	8/20/2007	10/31/2008		121		121
St. Francis Medical Plaza, LLC	7,673	1 Month LIBOR	5.11%	9/18/2007	6/15/2008		11		11
St. Francis Community MOB, LLC	7,144	1 Month LIBOR	5.11%	9/18/2007	6/15/2008		10		10
						\$ 11	\$ 492	\$ 70	\$ 70

7. Minority Interests

Minority interests in the Operating Partnership at September 30, 2007 and December 31, 2006 were \$47.2 million and \$53.8 million, respectively.

As of September 30, 2007, there were 16,533,313 Operating Partnership units outstanding, of which 11,948,245, or 72.3%, were owned by the Company and 4,585,068, or 27.7%, were owned by other partners (including certain of our tenants, directors, and senior management).

8. Dividends and Distributions

On September 14, 2007, the Company declared a dividend to common stockholders of record and the Operating Partnership declared a distribution to holders of Operating Partnership units of record, in each case as of October 5, 2007, totaling \$5.8 million, or \$0.35 per share or Operating Partnership unit, covering the period from July 1, 2007 through September 30, 2007. The dividend and distribution were paid on October 19, 2007. The dividend and distribution were equivalent to an annual rate of \$1.40 per share or Operating Partnership unit.

9. Loss per Share

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

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	Three Months Ended		Nine Months Ended	
	September	September	September	September
	30,	30,	30,	30,
	2007	2006	2007	2006
Loss from continuing operations	\$ (1,601)	\$ (2,622)	\$ (5,005)	\$ (6,306)
Income from discontinued operations		283		276
Net loss	\$ (1,601)	\$ (2,339)	\$ (5,005)	\$ (6,030)
Per share data – basic and diluted:				
Loss from continuing operations	\$ (0.13)	\$ (0.33)	\$ (0.47)	\$ (0.79)
Income from discontinued operations		0.04		0.03
Net loss	\$ (0.13)	\$ (0.29)	\$ (0.47)	\$ (0.76)
Weighted average shares outstanding – basic and diluted	11,934	7,976	10,755	7,975

The following potentially dilutive securities were outstanding, but were not included in the computation of diluted earnings per share because the effects of their inclusion would be anti-dilutive (in thousands):

	Three Months Ended		Nine Months Ended	
	September	September	September	September
	30,	30,	30,	30,
	2007	2006	2007	2006
Operating Partnership units	4,596	4,371	4,562	4,367
Unvested restricted stock	15	20	18	23

10. Related Party Transactions

The Fork Farm, a working farm owned by the Company's Chairman, James W. Cogdell, periodically hosts events on behalf of the Company. Charges for such events are reflected in general and administrative expenses in the consolidated statements of operations. For the period January 1, 2007 through September 30, 2007, approximately \$14,900 was paid to The Fork Farm.

11. Segment Reporting

The Company defines business segments by their distinct customer base and service provided based on the financial information used by our chief operating decision maker to make resource allocation decisions and assess performance. There are two identified reportable segments: (1) property operations and (2) real estate services. Management evaluates each segment's performance based on net operating income, which is defined as income before corporate general and administrative expenses, depreciation, amortization, interest expense, loss on early extinguishment of debt, gain on sale of real estate partnership interests, equity in earnings (loss) of unconsolidated real estate partnerships, and minority interests. Intersegment revenues and expenses are reflected at the contractually stipulated amounts and eliminated in consolidation or combination. The following table represents the segment information for the three months ended September 30, 2007 and 2006 (in thousands):

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	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Property operations:				
Rental revenues	\$ 16,389	\$ 13,394	\$ 45,314	\$ 38,492
Interest and other income	147	158	447	491
Intersegment revenues	93	83	270	250
Property operating expenses	(5,190)	(4,071)	(13,714)	(11,026)
Intersegment expenses	(1,041)	(881)	(3,079)	(2,563)
Net operating income	\$ 10,398	\$ 8,683	\$ 29,238	\$ 25,644
Total segment assets, end of period	\$ 468,035	\$ 384,080	\$ 468,035	\$ 384,080
Real estate services:				
Fee revenue	\$ 551	\$ 207	\$ 1,897	\$ 856
Expense reimbursements	315	89	989	398
Interest and other income	79	44	380	245
Intersegment revenues	1,041	881	3,079	2,563
Real estate services operating expenses	(1,717)	(987)	(5,422)	(3,365)
Intersegment expenses	(93)	(83)	(270)	(250)
Net operating income	\$ 176	\$ 151	\$ 653	\$ 447
Total segment assets, end of period	\$ 7,617	\$ 8,821	\$ 7,617	\$ 8,821
Reconciliations:				
Total segment revenues	\$ 18,615	\$ 14,856	\$ 52,376	\$ 43,295
Elimination of intersegment revenues	(1,134)	(964)	(3,349)	(2,813)
Total revenues	\$ 17,481	\$ 13,892	\$ 49,027	\$ 40,482
Total segment net operating income	\$ 10,574	\$ 8,842	\$ 29,891	\$ 26,343
Corporate general and administrative expenses	(1,403)	(1,379)	(5,077)	(4,570)
Depreciation and amortization expense	(7,273)	(7,737)	(20,664)	(21,663)
Interest expense	(4,101)	(4,195)	(11,324)	(9,979)
Prepayment penalty on early extinguishment of debt		(37)		(37)
Equity in earnings (loss) of unconsolidated real estate partnerships	2	2	(2)	7
Gain from sale of real estate partnership interests		484		484
Minority interests	599	1,406	2,171	3,361
Total discontinued operations		283		276

Net loss	\$ (1,602)	\$ (2,339)	\$ (5,005)	\$ (6,030)
Total assets, end of period	\$ 475,652	\$ 392,901	\$ 475,652	\$ 392,901

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

When used in this discussion and elsewhere in this Quarterly Report on Form 10-Q, 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 obtain future financing arrangements;
- estimates relating to the Company's future distributions;
- the Company's understanding of the Company's competition;
- the Company's ability to renew the Company's ground leases;
- changes in the reimbursement available to the Company's tenants by government or private payors;
- the Company's tenants' ability to make rent payments;
- defaults by tenants;
- market trends; and
- projected capital expenditures.

Forward-looking statements are based on estimates as of the date of this report. Cogdell Spencer Inc. (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.

Overview

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

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

As of September 30, 2007, the Company owned and/or managed 117 medical office buildings and healthcare related facilities, serving 30 hospital systems in 12 states. The Company's aggregate portfolio was comprised of:

- 55 wholly owned properties;
- five joint venture properties; and

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57 other properties owned by third parties which the Company manages.

At September 30, 2007, the Company's aggregate portfolio contained approximately 5.7 million net rentable square feet, consisting of approximately 2.9 million net rentable square feet from wholly-owned properties, approximately 0.3 million net rentable square feet from joint venture properties, and approximately 2.5 million net rental square feet from properties owned by third parties and managed by the Company. Approximately 81% of the net rentable square feet of the wholly-owned properties are situated on hospital campuses. As such, the Company believes that its assets occupy a premier franchise location in relation to local hospitals, providing the Company's properties with a distinct competitive advantage over alternative medical office space in an area. As of September 30, 2007, the Company's in-service, wholly-owned properties were approximately 94.2% occupied, with a weighted average remaining lease term of approximately 4.4 years.

Factors Which May Influence Future Results of Operations

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

Related to the Company's interest rate swap agreements that do not qualify for hedge accounting, changes in fair values, which vary from period to period based on changes in market interest rates, are recorded in interest expense. Generally, increases (decreases) in market interest rates will increase (decrease) the fair value of the derivative, which will decrease (increase) current period interest expense for the change in fair value. During the fourth quarter of 2006, the Company terminated several derivative transactions and entered into new agreements with the appropriate hedge documentation in place, which reduced the variances previously experienced in interest expense. The Company will continue to have interest expense variability for variable rate mortgages that do not have interest rate swap agreements.

Critical Accounting Policies

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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses in the reporting period. The Company's actual results may differ from these estimates. Management has provided a summary of the Company's significant accounting policies in Note 2 to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2006. Critical accounting policies are those judged to involve accounting estimates or assumptions that may be material due to the levels of subjectivity and judgment necessary to account for uncertain matters or susceptibility of such matters to change. Other companies in similar businesses may utilize different estimation policies and methodologies, which may impact the comparability of the Company's results of operations and financial condition to those companies.

Investments in Real Estate

Acquisition of real estate. The price that the Company pays to acquire a property is impacted by many factors, including the condition of the buildings and improvements, the occupancy of the building, the existence of above and below market tenant leases, the creditworthiness of the tenants, favorable or unfavorable financing, above or below market ground leases and numerous other factors. Accordingly, the Company is required to make subjective assessments to allocate the purchase price paid to acquire investments in real estate among the assets acquired and liabilities assumed based on the Company's estimate of the fair values of such assets and liabilities. This includes determining the value of the buildings and improvements, land, any ground leases, tenant improvements, in-place tenant leases, tenant relationships, the value (or negative value) of above (or below) market leases and any debt assumed from the seller or loans made by the seller to the Company. Each of these estimates requires significant judgment and some of the estimates involve complex calculations. The Company's calculation methodology is summarized in Note 2 to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2006. 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

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much longer period of time, since the amounts allocated to buildings are depreciated over the estimated lives of the buildings whereas amounts allocated to tenant leases are amortized over the terms of the leases. Additionally, the amortization of value (or negative value) assigned to above (or below) market rate leases is recorded as an adjustment to rental revenue as compared to amortization of the value of in-place leases and tenant relationships, which is included in depreciation and amortization in the Company's consolidated and combined statements of operations.

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

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

Revenue Recognition

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

income shown in the statement of operations, generally includes interest income, primarily from the amortization of unearned income on a sales-type capital lease recognized in accordance with Statement of Financial Accounting Standards No. 13 (SFAS 13), and other income incidental to the Company s operations and is recognized when earned. The Company must make subjective estimates as to when the Company s revenue is earned and the collectibility of the Company s accounts receivable related to minimum rent, deferred rent, expense reimbursements, lease termination fees and

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other income. The Company specifically analyzes accounts receivable and historical bad debts, tenant concentrations, tenant creditworthiness, and current economic trends when evaluating the adequacy of the allowance for bad debts. These estimates have a direct impact on the Company's net income because a higher bad debt allowance would result in lower net income, and recognizing rental revenue as earned in one period versus another would result in higher or lower net income for a particular period.

REIT Qualification Requirements

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

Changes in Financial Condition

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

Results of Operations

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

Property Summary

The following is an activity summary of the Company's property portfolio (excluding unconsolidated real estate partnerships) for the three and nine months ended September 30, 2007 and 2006 and the year ended December 31, 2006:

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Properties at beginning of the period	52	49	50	44
Consolidation of Rocky Mount MOB LLC				1
Acquisitions	2	2	3	6
In-service development			1	
Dispositions		(1)		(1)
Properties at end of the period	54	50	54	50
Lease-up development property	2		2	
				Year Ended December 31, 2006
Properties at January 1				44
Consolidation of Rocky Mount MOB LLC				1
Acquisitions				6
Dispositions				(1)

Properties at December 31

50

The above tables exclude East Jefferson Medical Specialty Building, which is accounted for as a sales-type capital lease, and include the consolidated real estate partnerships of Rocky Mount MOB LLC and Cogdell Health Campus MOB, LP, 34.5% and 89.4%, respectively, owned by the Company.

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

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is available for its intended use.

Comparison of the three months ended September 30, 2007 and September 30, 2006

Revenue. Total revenue increased \$3.6 million, or 25.8%, for the three months ended September 30, 2007 compared to the three months ended September 30, 2006. This increase was primarily due to an increase in revenue of \$3.0 million related to rental revenue from properties acquired from July 1, 2006 to September 30, 2007, developments that began operations in 2007, and management fee and expense reimbursement revenue from Consera Healthcare Real Estate, LLC (Consera), which was acquired in September 2006. There was a \$0.6 million increase in same-property revenue.

Property operating and management expenses. Property operating and management expenses increased \$1.7 million, or 34.6%, for the three months ended September 30, 2007 compared to the three months ended September 30, 2006. This increase was primarily due to \$1.2 million of operating expenses related to properties acquired from July 1, 2006 to September 30, 2007, developments that began operations in 2007, and personnel and management costs at Consera. There was a \$0.5 million increase in same-property property operating and management expenses.

General and administrative expenses. General and administrative expenses increased \$0.1 million, or 9.1%, for the three months ended September 30, 2007 compared to the same period in 2006 primarily due to increased personnel costs.

Interest expense. Interest expense, excluding changes in fair values of the interest rate swap agreements, for the three months ended September 30, 2007 was \$4.1 million compared to \$3.8 million for the three months ended September 30, 2006, an increase of \$0.3 million, or 12.1%. This increase was primarily due to an increase in borrowings. At September 30, 2007, the Company had \$279.7 million of debt outstanding compared to \$253.3 million at September 30, 2006, an increase of \$26.4 million, or 10.4%.

Changes in interest rate swap fair values were recorded as a decrease or increase to interest expense until the swaps were terminated in November 2006. For the three months ended September 30, 2006, the interest rate swap agreements fair values decreased by approximately \$0.4 million, which resulted in an increase of interest expense for the same amount.

Comparison of the nine months ended September 30, 2007 and September 30, 2006

Revenue. Total revenue increased \$8.5 million, or 21.1%, for the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006. This increase was primarily due to an increase in revenue of \$7.4 million related to rental revenue from properties acquired during 2006 and 2007, developments that began operations in 2007, and management fee and expense reimbursement revenue from Consera. There was a \$1.1 million increase in same-property revenue.

Property operating and management expenses. Property operating and management expenses increased \$4.6 million, or 32.7%, for the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006. This increase was primarily due to \$3.3 million of operating expenses related to properties acquired during 2006 and 2007, developments that began operations in 2007, and personnel and management costs at Consera. There was a \$1.3 million increase in same-property property operating and management expenses.

General and administrative expenses. General and administrative expenses increased \$0.6 million, or 13.0%, for the nine months ended September 30, 2007 compared to the same period in 2006 primarily due to tax professional services, income tax accruals related to development and management fees earned by the Company's taxable REIT subsidiaries, and expensing of previously capitalized costs associated with a development project that was discontinued. The reimbursement of these expensed costs is included in development fee revenue.

Interest expense. Interest expense, excluding changes in fair values of the interest rate swap agreements, for the nine months ended September 30, 2007 was \$11.3 million compared to \$10.0 million for the nine months ended September 30, 2006, an increase of \$1.3 million, or 13.0%. This increase was primarily due to the timing of property and business acquisitions and the repayment of debt using proceeds from the March 2007 common stock equity issuance.

Changes in interest rate swap fair values were recorded as a decrease or increase to interest expense until the swaps were terminated in November 2006. For the nine months ended September 30, 2006, the interest rate swap agreements fair values increased by approximately \$0.1 million, which resulted in a reduction of interest expense of the same

amount.

Table of Contents**Cash Flows****Comparison of the nine months ended September 30, 2007 and September 30, 2006**

Cash provided by operating activities was \$17.6 million and \$12.7 million during the nine months ended September 30, 2007 and 2006, respectively. The increase of \$4.9 million was primarily due to (1) a \$2.4 million increase in earnings before non-cash depreciation and amortizations and changes in fair value of interest rate swap agreements and (2) a \$2.5 million net increase due to changes in operating assets and liabilities primarily resulting from increased accrued expenses and prepaid rent as of September 30, 2007 as compared to the prior period.

Cash used in investing activities was \$96.3 million and \$94.8 million during the nine months ended September 30, 2007 and 2006, respectively. The increase of \$1.5 million is primarily due to the acquisition of three properties and increased development activity during the nine months ended September 30, 2007 compared to the acquisition of six properties, offset by a property disposition and sale of real estate partnership interests during the same period in 2006.

Cash provided by financing activities was \$80.9 million and \$74.6 million for the nine months ended September 30, 2007 and 2006, respectively. The increase of \$6.3 million was primarily due to the timing of quarterly distributions. During 2007, there were three distributions paid to stockholders and holders of Operating Partnership units compared to two distribution payments in 2006. For the period November 2005 (the commencement of operations) through December 2005, the distribution was paid in December 2005, whereas for the period October 2006 through December 2006, the distribution was paid in January 2007. Net cash provided by financing activities in 2006 was mainly due to proceeds from the Credit Facility. In March 2007, proceeds from the issuance of common stock were used to repay borrowing from the Credit Facility. Net cash provided by financing activities in 2007 was mainly due to borrowing from the Credit Facility and from mortgage note payables.

Construction in Progress

During the three months ended September 30, 2007, the Company completed a 64,276 square foot ambulatory surgery center and medical office building (ASC/MOB) in Lancaster, Pennsylvania. This facility, located on the Lancaster General Health Campus includes The Physicians Surgery Center, which occupies the first floor; The Westphal Group, a local orthopedic practice; and various outpatient services associated with Lancaster General Hospital.

Construction in progress at September 30, 2007, consisted of the Mebane Medical Office Building. The following is a summary of the construction in progress balance (dollars in thousands):

		Estimated Completion Date	Estimated Net Rentable Square Feet	Investment to Date	Estimated Total Investment
Mebane Medical Office Building	Mebane, NC	2Q 2008	60,000	\$ 8,813	\$ 16,200
Land and pre-construction developments				1,297	
			60,000	\$ 10,110	\$ 16,200

Mebane Medical Investors, LLC, which will own Mebane Medical Office Building, is a real estate partnership between the Company and Alamance Regional Medical Center, Inc. The Company currently has a 49% ownership in the real estate partnership and consolidates the partnership in accordance with EITF 04-5.

In May 2007, Mebane Medical Investors, LLC, a consolidated real estate partnership, obtained construction financing related to the Mebane Medical Office Building project. The facility provides financing up to \$13.0 million with an interest rate equal to LIBOR plus 1.3% (6.42% as of September 30, 2007). The mortgage note payable will mature in three years and provides for interest-only payments through May 2009 and principal payments based on a 30 year amortization from June 2009 through the maturity

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date in May 2010. This facility has two one-year extension options. As of September 30, 2007, there was \$3.8 million drawn on the facility.

Liquidity and Capital Resources

As of September 30, 2007, the Company had \$3.2 million available in cash and cash equivalents. The Company will be required to distribute at least 90% of the Company's net taxable income, excluding net capital gains, to the Company's stockholders on an annual basis due to qualification requirements as a REIT. Therefore, as a general matter, it is unlikely that the Company will have any substantial cash balances that could be used to meet the Company's liquidity needs. Instead, these needs must be met from cash generated from operations and external sources of capital.

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

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

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

As of September 30, 2007, there was \$82.0 million available under the Credit Facility. There was \$46.1 million outstanding at September 30, 2007 and \$1.9 million of availability is restricted related to outstanding letters of credit.

The Company believes that it will have sufficient capital resources as a result of operations and the borrowings in place to fund ongoing operations.

On September 14, 2007, the Company declared a dividend to common stockholders of record and the Operating Partnership declared a distribution to holders of Operating Partnership units of record, in each case as of October 5, 2007, totaling \$5.8 million, or \$0.35 per share or Operating Partnership unit, covering the period from July 1, 2007 through September 30, 2007. The dividend and distribution were paid on October 19, 2007. The dividend and distribution were equivalent to an annual rate of \$1.40 per share and Operating Partnership unit.

Long-Term Liquidity Needs

The Company's principal long-term liquidity needs consist primarily of new property development, property acquisitions, principal payments under various mortgages and other credit facilities and non-recurring capital expenditures. The Company does not expect that its net cash provided by operations will be sufficient to meet all of these long-term liquidity needs. Instead, the Company expects to finance new property developments through modest cash equity capital contributed by the Company together with construction loan proceeds, as well as through cash equity investments by its tenants. The Company expects to fund property acquisitions through a combination of

borrowings under its Credit Facility and traditional secured mortgage financing. In addition, the Company expects to use Operating Partnership units issued by the

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Operating Partnership to acquire properties from existing owners seeking a tax deferred transaction. The Company expects to meet other long-term liquidity requirements through net cash provided by operations and through additional equity and debt financings, including loans from banks, institutional investors or other lenders, bridge loans, letters of credit, and other lending arrangements, most of which will be secured by mortgages. The Company may also issue unsecured debt in the future. However, in view of the Company's strategy to grow its portfolio over time, the Company does not, in general, expect to meet its long-term liquidity needs through sales of its properties. In the event that, notwithstanding this intent, the Company was in the future to consider sales of its properties from time to time, the proceeds that would be available to the Company from such sales, may be reduced by amounts that the Company may owe under the tax protection agreements or those properties would need to be sold in a tax deferred transaction which would require reinvestment of the proceeds in another property. In addition, the Company's ability to sell certain of its assets could be adversely affected by the general illiquidity of real estate assets and certain additional factors particular to the Company's portfolio such as the specialized nature of its target property type, property use restrictions and the need to obtain consents or waivers of rights of first refusal or rights of first offers from ground lessors in the case of sales of its properties that are subject to ground leases.

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

Contractual Obligations

The following table summarizes the Company's contractual obligations as of September 30, 2007, including the maturities and scheduled principal repayments and the commitments due in connection with the Company's ground leases and operating leases for the periods indicated (in thousands):

Obligation:	Through Remainder of 2007	2008	2009	2010	2011	Thereafter	Total
Long-term debt principal payments and maturities ⁽¹⁾	\$ 25,273	\$ 90,244	\$ 46,701	\$ 6,209	\$ 3,674	\$ 107,267	\$ 279,368
Standby letters of credit ⁽²⁾		1,908					1,908
Interest payments ⁽³⁾	4,158	13,488	9,018	6,692	6,431	26,964	66,751
Ground leases ⁽⁴⁾	111	228	228	228	228	9,224	10,247
Operating leases ⁽⁵⁾	85	409	412	356	360	31	1,653
Total	\$ 29,627	\$ 106,277	\$ 56,359	\$ 13,485	\$ 10,693	\$ 143,486	\$ 359,927

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

(2)

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

- (3) Assumes one-month LIBOR 5.12% and Prime Rate of 7.75%
- (4) Substantially all of the ground 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 lease.

- (5) 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.

Off-Balance Sheet Arrangements

The Company guarantees debt in connection with certain of its development activities, including joint ventures. The Company has guaranteed, in the event of a default, the mortgage note payable for one unconsolidated real estate joint venture. An initial liability of \$0.1 million has been recorded for the guarantee using expected present value measurement techniques. The guarantee, which has a principal balance of \$8.9 million at September 30, 2007, will be released upon the full repayment of the mortgage note payable, which matures in December 2007. The mortgage is collateralized by property and the collateral will revert to the guarantor in the event the guarantee is performed.

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Management believes the probability the Company will have to perform on the guarantee in the future is minimal and therefore the Company does not expect the Company's guarantee to have a material impact on the Company's financial statements.

Real Estate Taxes

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

Inflation

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

Seasonality

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

Recent Accounting Pronouncements

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

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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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 September 30, 2007, the Company had \$279.4 million of consolidated debt outstanding (excluding any discounts or premiums related to assumed debt). Of the Company's total consolidated debt, \$36.9 million, or 13.2%, was variable rate debt that is not subject to variable to fixed rate interest rate swap agreements. Of the Company's total indebtedness, \$242.5 million, or 86.8%, 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 6.3% at September 30, 2007.

If LIBOR were to increase by 100 basis points, the increase in interest expense on the Company's variable rate debt would decrease future annual earnings and cash flows by approximately \$0.4 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 4. CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer, based on the evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended) required by paragraph (b) of Rule 13a-15 or Rule 15d-15, have concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information relating to the Company that would potentially be subject to disclosure under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

During the three and nine month periods ended September 30, 2007, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in our periodic reports.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

See the Company's Annual Report on Form 10-K for the year ended December 31, 2006, for risk factors. There have been no material changes to the Company's risk factors during the three and nine months ended September 30, 2007.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Table of Contents**Issuer Purchases of Equity Securities**

Below is a summary of equity repurchases by month for the nine months ended September 30, 2007:

For the Month Ended	Total Number of Equity Securities Purchased	Average Price Paid Per Equity Security	Total Number of Equity Securities Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Equity Securities that May Yet Be Purchased Under the Plan
July 1 - July 31, 2007		\$	N/A	N/A
August 1 - August 31, 2007	2,948	\$ 19.91	N/A	N/A
September 1 - September 30, 2007	9,779	\$ 17.72	N/A	N/A
Total	12,727	\$ 18.23	N/A	N/A

These figures only relate to repurchases of Operating Partnership units by the Operating Partnership. The Company did not repurchase shares of Common Stock during the nine months ended September 30, 2007.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

None.

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ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

- 3.1 Articles of Amendment and Restatement of Cogdell Spencer Inc., incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 3.2 Bylaws of Cogdell Spencer Inc., incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 3.3 Amended and Restated Agreement of Limited Partnership of Cogdell Spencer LP, incorporated by reference to Exhibit 3.3 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 3.4 Declaration of Trust of CS Business Trust I., incorporated by reference to Exhibit 3.4 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 3.5 Declaration of Trust of CS Business Trust II, incorporated by reference to Exhibit 3.5 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 4.1 Form of stock certificate, incorporated by reference to Exhibit 4.0 of the Company's Registration Statement on Form S-11 (File No. 333-127396).
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adapted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements 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: November 9, 2007

/s/ Frank C. Spencer

Frank C. Spencer

President and Chief Executive Officer

Date: November 9, 2007

/s/ Charles M. Handy

Charles M. Handy

*Senior Vice President and Chief Financial
Officer*

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