

BRANDYWINE REALTY TRUST

Form 10-K

March 01, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K**

(Mark One)

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

**For the fiscal year ended December 31, 2006**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 001-9106 (Brandywine Realty Trust)  
000-24407 (Brandywine Operating Partnership, L.P.)  
Brandywine Realty Trust  
Brandywine Operating Partnership, L.P.  
(Exact name of registrant as specified in its charter)**

|   |                                      |
|---|--------------------------------------|
| <b>MARYLAND</b> (Brandywine Realty Trust)                         | <b>23-2413352</b>                    |
| <b>DELAWARE</b> (Brandywine Operating Partnership L.P.)           | <b>23-2862640</b>                    |
| (State or other jurisdiction of<br>Incorporation or organization) | (I.R.S. Employer Identification No.) |

|   |              |
|---|--------------|
| <b>555 East Lancaster Avenue<br/>Radnor, Pennsylvania</b> | <b>19087</b> |
|---|--------------|

|   |                       |
|---|-----------------------|
| (Address of principal executive offices)                    | (Zip Code)            |
| Registrant's telephone number, including area code          | <b>(610) 325-5600</b> |
| Securities registered pursuant to Section 12(b) of the Act: |                       |

| <b>Title of each class</b>   | <b>Name of each exchange<br/>on which registered</b> |
|--|--|
| Common Shares of Beneficial Interest,<br>par value \$0.01 per share<br>(Brandywine Realty Trust)   | New York Stock Exchange                              |
| 7.50% Series C Cumulative Redeemable<br>Preferred Shares of Beneficial Interest<br>par value \$0.01 per share<br>(Brandywine Realty Trust) | New York Stock Exchange                              |
| 7.375% Series D Cumulative Redeemable<br>Preferred Shares of Beneficial Interest<br>par value \$0.01 per share                             | New York Stock Exchange                              |

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(Brandywine Realty Trust)

Securities registered pursuant to Section 12(g) of the Act:  
Units of General Partnership Interest (Brandywine Operating Partnership, L.P.)

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Brandywine Realty Trust Yes  No   
Brandywine Operating Partnership, L.P. 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.

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

Brandywine Realty Trust Yes  No   
Brandywine Operating Partnership, L.P. 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 to this Form 10-K.   
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Brandywine Realty Trust Large accelerated filer  Accelerated filer  Non-accelerated filer   
Brandywine Operating Partnership, L.P. Large accelerated filer  Accelerated filer  Non-accelerated filer   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Brandywine Realty Trust Yes  No   
Brandywine Operating Partnership, L.P. Yes  No   
The aggregate market value of the Common Shares of Beneficial Interest held by non-affiliates of Brandywine Realty Trust as of the last day of the registrant's most recently completed second fiscal quarter was \$2.9 billion. The aggregate market value has been computed by reference to the closing price of the Common Shares of Beneficial Interest on the New York Stock Exchange on such date. An aggregate of 88,599,963 Common Shares of Beneficial Interest were outstanding as of February 22, 2007.  
As of June 30, 2006, the aggregate market value of the 2,309,051 common units of limited partnership ( Units ) held by non-affiliates of Brandywine Operating Partnership, L.P. was \$74.3 million based upon the last report sale price of \$32.17 per share on the New York Stock Exchange on June 30, 2006 of the Common Shares of Beneficial Interest of Brandywine Realty Trust, the sole general partner of Brandywine Operating Partnership, L.P. (For this computation, the Registrant has excluded the market value of all Units beneficially owned by Brandywine Realty Trust.)

Documents Incorporated By Reference

Portions of the proxy statement for the Annual Meeting of Shareholders of Brandywine Realty Trust to be held on May 9, 2007 are incorporated by reference into Part III of this Form 10-K.  
The exhibit index as required by Item 601(a) of Regulation S-K is included in Item 15 of Part IV of this report.

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Statement re Computation of Ratios of Brandywine Realty Trust

Statement re Computation of Ratios of Brandywine Operating Partnership, L.P.

List of Subsidiaries

Consent of Independent Registered Public Accounting Firm

Consent of Independent Registered Public Accounting Firm

Certification Pursuant to Rules 13a-14(a) and 15d-14(a)

Certification Pursuant to Rules 13a-14(a) and 15d-14(a)

Certification Pursuant to Rules 13a-14(a) and 15d-14(a)

Certification Pursuant to Rules 13a-14(a) and 15d-14(a)

Rule 13(a)-14(b) Certification

Rule 13(a)-14(b) Certification

Rule 13(a)-14(b) Certification

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**Filing Format**

This combined Form 10-K is being filed separately by Brandywine Realty Trust and Brandywine Operating Partnership, L.P.

**Forward-Looking Statements**

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. This Annual Report on Form 10-K and other materials filed by us with the SEC (as well as information included in oral or other written statements made by us) contain statements that are forward-looking, including statements relating to business and real estate development activities, acquisitions, dispositions, future capital expenditures, financing sources, governmental regulation (including environmental regulation) and competition. We intend such forward-looking statements to be covered by the safe-harbor provisions of the 1995 Act. The words "anticipate," "believe," "estimate," "expect," "intend," "will," "should" and similar expressions, as they relate to us, are intended to identify forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be achieved. As forward-looking statements, these statements involve important risks, uncertainties and other factors that could cause actual results to differ materially from the expected results and, accordingly, such results may differ from those expressed in any forward-looking statements made by us or on our behalf. Factors that could cause actual results to differ materially from our expectations include, but are not limited to:

changes in general economic conditions;

changes in local real estate conditions (including changes in rental rates and the number of properties that compete with our properties);

changes in the economic conditions affecting industries in which our principal tenants compete;

our failure to lease unoccupied space in accordance with our projections;

our failure to re-lease occupied space upon expiration of leases;

the bankruptcy of major tenants;

changes in prevailing interest rates;

the unavailability of equity and debt financing;

failure of acquisitions to perform as expected;

unanticipated costs associated with, and integration of, our acquisitions;

unanticipated costs to complete and lease-up pending developments;

impairment charges;

increased costs for, or lack of availability of, adequate insurance, including for terrorist acts;

demand for tenant services beyond those traditionally provided by landlords;

potential liability under environmental or other laws;

earthquakes and other natural disasters;

complex regulations relating to our status as a REIT and to our acquisition, disposition and development activities;

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the adverse consequences of our failure to qualify as a REIT; and

the impact of newly adopted accounting principles on our accounting policies and on period-to-period comparisons of financial results.

Given these uncertainties, and the other risks identified in the Risk Factors section and elsewhere in this Annual Report on Form 10-K, we caution readers not to place undue reliance on forward-looking statements. We assume no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

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The terms we, us, our or the Company refer to Brandywine Realty Trust, a Maryland real estate investment trust, individually or together with its consolidated subsidiaries, including Brandywine Operating Partnership, L.P. (the Operating Partnership), a Delaware limited partnership.

We are a self-administered and self-managed real estate investment trust, or REIT, active in acquiring, developing, redeveloping, leasing and managing office and industrial properties. As of December 31, 2006, we owned 261 office properties, 23 industrial facilities and one mixed-use property (which we refer to collectively, the Properties) containing an aggregate of approximately 28.2 million net rentable square feet. We also have six properties under development, three properties under redevelopment and four lease-up properties containing an aggregate of 2.1 million net rentable square feet. As of December 31, 2006, we owned economic interests in 11 unconsolidated real estate ventures that contain approximately 2.7 million net rentable square feet and in four consolidated real estate ventures that own 15 office properties containing approximately 1.5 million net rentable square feet (which we refer to collectively as the Real Estate Ventures). In addition, as of December 31, 2006, we owned approximately 490 acres of undeveloped land. The Properties are located in and surrounding Philadelphia, Wilmington, Southern and Central New Jersey, Richmond, Metropolitan Washington, D.C., Dallas/Fort Worth, Austin, Oakland, San Diego and Los Angeles. In addition to managing properties that we own, as of December 31, 2006, we were managing approximately 13.0 million square feet of office and industrial properties for third parties and Real Estate Ventures. Unless otherwise indicated, all references to square feet represent net rentable area.

**Organization**

Brandywine Realty Trust was organized and commenced its operations in 1986 as a Maryland REIT. Brandywine Realty Trust owns its assets and conducts its operations through the Operating Partnership and subsidiaries of the Operating Partnership. Brandywine Realty Trust controls the Operating Partnership as its sole general partner and as of December 31, 2006 owned a 95.7% interest in the Operating Partnership. The holders of the remaining interests in the Operating Partnership, consisting of Class A units of limited partnership interest, have the right to require redemption of their units at any time. At our option, we may satisfy the redemption either for an amount, per unit, of cash equal to the then market price of one Brandywine common share (based on the prior ten-day trading average) or for one Brandywine common share. Our structure as an UPREIT is designed, in part, to permit persons contributing properties to us to defer some or all of the tax liability they might otherwise incur in a sale of properties.

Our executive offices are located at 555 East Lancaster Avenue, Radnor, Pennsylvania 19087 and our telephone number is (610) 325-5600. We have regional offices in Mount Laurel, New Jersey; Philadelphia, Pennsylvania; Richmond, Virginia; Falls Church, Virginia; Austin, Texas; Dallas, Texas; Oakland, California; and Carlsbad, California. We have an internet website at [www.brandywinerealty.com](http://www.brandywinerealty.com). We are not incorporating by reference into this Annual Report on Form 10-K any material from our website. The reference to our website is an inactive textual reference to the uniform resource locator (URL) and is for your reference only.

**Acquisition of Prentiss Properties Trust in January 2006**

On January 5, 2006, we acquired Prentiss Properties Trust (Prentiss) under an agreement and plan of merger that we entered into with Prentiss on October 3, 2005. In conjunction with our acquisition of Prentiss, designees of The Prudential Insurance Company of America (Prudential) acquired Prentiss properties that contain an aggregate of approximately 4.32 million net rentable square feet for total consideration of approximately \$747.7 million. Through our acquisition of Prentiss (and after giving effect to the Prudential acquisition of Prentiss properties), we acquired a portfolio of 79 office properties (including 13 properties that are owned by consolidated Real Estate Ventures and seven properties that are owned by unconsolidated Real Estate Ventures) that contain an aggregate of 14.0 million net rentable square feet. In addition, through our acquisition of Prentiss we entered into new geographic markets, primarily Southern and Northern California, Dallas/Fort Worth and Austin, Texas and

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Metropolitan Washington, D.C. and decreased our relative concentration in Philadelphia and the Mid-Atlantic region. In our acquisition of Prentiss, each then outstanding Prentiss common share was converted into the right to receive 0.69 of a Brandywine common share and \$21.50 in cash (the Per Share Merger Consideration ) except that 497,884 Prentiss common shares held in the Prentiss deferred compensation plan converted solely into 720,737 Brandywine common shares. In addition, each then outstanding unit (each, a Prentiss OP Unit ) of limited partnership interest in Prentiss's operating partnership subsidiary was, at the option of the holder, converted into Prentiss Common Shares with the right to receive the Per Share Merger Consideration or 1.3799 Class A units of our Operating Partnership. Accordingly, based on 49,375,723 Prentiss common shares outstanding at closing of the acquisition, we issued 34,446,446 Brandywine common shares and paid an aggregate of approximately \$1.05 billion in cash for the accounts of the former Prentiss shareholders. Based on 1,572,612 Prentiss OP Units outstanding at closing of the acquisition, we issued 2,170,047 Class A units. In addition, options issued by Prentiss that were exercisable for an aggregate of 342,662 Prentiss common shares were converted into options exercisable for an aggregate of 496,037 Brandywine common shares at a weighted average exercise price of \$22.00 per share. Through our acquisition of Prentiss we also assumed approximately \$647.3 million in aggregate principal amount of Prentiss debt.

We funded the approximately \$1.05 billion cash portion of the merger consideration, related transaction costs and prepayments of approximately \$543.3 million in Prentiss mortgage debt at the closing of the acquisition through (i) a \$750 million unsecured term loan that we repaid in full on March 28, 2006; (ii) approximately \$676.5 million of cash received from Prudential's acquisition of the Prentiss properties; and (iii) approximately \$195.0 million through borrowing under our revolving credit facility.

**2006 Transactions***Real Estate Acquisitions/Dispositions*

In addition to our January 2006 acquisition of properties through our merger with Prentiss, and the concurrent disposition of properties to Prudential, in 2006 we acquired five office properties that contain an aggregate of 839,704 net rentable square feet and 93.4 acres of land, and we sold 23 office properties that contain an aggregate of 3,364,215 net rentable square feet and 76.7 acres of land, as indicated below:

- § In January 2006, we sold 850/950 Warrenville Road, two properties totaling 99,470 square feet in Chicago, Illinois for a sales price of \$15.3 million.
- § In February 2006, we acquired 100 Lenox Drive, a property totaling 92,980 square feet in Lawrenceville, New Jersey for a purchase price of \$10.2 million.
- § In February 2006, we sold 550/650 Warrenville Road, 1050 Warrenville Road, 701 Warrenville Road and 801 Cherry Street, five properties totaling 1,316,744 square feet in Chicago, Illinois and Fort Worth, Texas for an aggregate sales price of \$207.3 million.
- § In March 2006, we sold 8755 W. Higgins Road, a property totaling 237,320 square feet in Chicago, Illinois for a sales price of \$30.0 million.
- § In April 2006, we acquired One Paragon, a property totaling 145,127 square feet in Richmond, Virginia for a purchase price of \$24.0 million. We also acquired a 47.9 acre land parcel in Mt. Laurel, New Jersey and a 5.5 acre land parcel in Newtown (Delaware County), Pennsylvania for a total purchase price of \$8.6 million.
- § In April 2006, we sold 1.3 acres of land in Radnor, Pennsylvania for a sales price of \$4.5 million.
- § In June 2006, we acquired a 23.2 acre land parcel in Goochland County, Virginia for a purchase price of \$4.6 million.
- § In June 2006, we sold 505 Millenium Drive, a property totaling 98,586 square feet in Allen, Texas and 5.5 acres of land in Westampton, New Jersey for a an aggregate sales price of \$6.4 million.



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- § In July 2006, we sold 110 Summit Drive, a property totaling 43,660 square feet in Exton, Pennsylvania for a sales price of \$3.7 million.
- § In August 2006, we acquired 2340 Dulles Corner Boulevard, a property totaling 264,405 square feet in Herndon, Virginia, for a purchase price of \$79.0 million and 2355 Dulles Corner Boulevard, a property totaling 179,176 square feet in Herndon, Virginia for a purchase price of \$55.0 million.
- § In August 2006, we sold 8144 Walnut Hill Lane, property totaling 464,470 square feet in Dallas, Texas, 111 Presidential Boulevard, a property totaling 172,894 square feet in Bala Cynwyd, Pennsylvania, 220 Cabot Drive, a property totaling 124,327 square feet in Lisle, Texas and 10.9 acres of land in Sacramento, California for an aggregate sales price of \$127.6 million.
- § In October 2006, we acquired a 16.8 acre land parcel in Austin, Texas for a purchase price of \$2.5 million.
- § In November 2006, we sold King & Harvard Drive and One South Union Avenue, two properties totaling 167,017 square feet in Cherry Hill, New Jersey and 1255 Corporate Drive, a property totaling 150,019 square feet in Irving, Texas for an aggregate sales price of \$37.8 million.
- § In November 2006, we acquired 2251 Corporate Park Drive, a property totaling 158,016 square feet in Herndon, Virginia for a purchase price of \$59.0 million.
- § In December 2006, we sold 2110 Walnut Hill Lane, three properties totaling 164,782 square feet in Irving, Texas, 105/140 Terry Drive, two properties totaling 128,666 square feet in Newtown, Pennsylvania and 3890/3860 West Northwest Highway, two properties totaling 196,260 square feet in Dallas, Texas for an aggregate sales price of \$45.0 million. We also sold 59.0 acres of land in Newtown, Pennsylvania for a sales price of \$19.0 million.

*Developments*

In 2006 we placed in service two office properties that we developed and that contain an aggregate of 782,595 net rentable square feet. We place a property in services at the earlier of (i) the date at which we estimate the property to be 95% occupied and (ii) one year from the project completion date. At December 31, 2006 we had nine properties under development or redevelopment that contain an aggregate of 1.4 million net rentable square feet at an estimated total development cost of \$304.3 million. We expect to place these projects in service at dates between between the second quarter of 2007 and the fourth quarter of 2008.

*Unsecured Debt Financings*

On March 28, 2006, we completed an underwritten public offering of (1) \$300,000,000 aggregate principal amount of floating rate guaranteed notes due 2009, (2) \$300,000,000 aggregate principal amount of 5.75% guaranteed notes due 2012 and (3) \$250,000,000 aggregate principal amount of 6.00% guaranteed notes due 2016. We used proceeds from these notes to repay a term loan that we obtained to finance a portion of the consideration that we paid in the Prentiss merger and to reduce borrowings under our revolving credit facility.

On October 4, 2006, we completed an offering of \$300.0 million aggregate principal amount of 3.875% senior convertible notes due 2026 in an offering made in reliance upon an exemption from registration rights under Rule 144A under the Securities Act of 1933 and issued an additional \$45 million of exchangeable notes on October 16, 2006 to cover over-allotments. At certain times and upon the occurrence of certain events, the notes are exchangeable into cash up to their principal amount and, with respect to the remainder, if any, of the exchange value in excess of such principal amount, cash or shares of the Company's common shares. The initial exchange rate is 25.4065 shares per \$1,000 principal amount of notes (which is equivalent to an initial conversion price of \$39.36 per share). The notes may not be redeemed by us prior to October 20, 2011 (except to preserve the Company's status as a REIT), but are redeemable anytime thereafter, in whole or in part, at a redemption price equal to the principal amount of the notes plus any accrued and unpaid interest (including additional interest), if any. In addition, on October 20, 2011,

October 15, 2016, and October 15, 2021, or upon the occurrence of certain change in control transactions prior to October 20, 2011, note holders may require us to repurchase all or a portion of the notes at a purchase price equal to the principal amount plus any accrued and unpaid interest on the notes. Net

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proceeds from the October 2006 note offering were used to repurchase approximately \$60.0 million of common shares at an average price of \$32.80 per share and for general corporate purposes, including the repayment of outstanding borrowings under our unsecured revolving credit facility.

**Business Objective and Strategies for Growth**

Our business objective is to deploy capital effectively to maximize our return on investment and thereby maximize our total return to shareholders. To accomplish this objective we seek to:

maximize cash flow through leasing strategies designed to capture rental growth as rental rates increase and as below-market leases are renewed;

attain a high tenant retention rate by providing a full array of property management and maintenance services and tenant service programs responsive to the varying needs of our diverse tenant base;

increase the economic diversification of our tenant base while maximizing economies of scale;

as warranted by market conditions, deploy our land inventory and seek new land parcels on which to develop high-quality office and industrial properties to service our tenant base;

capitalize on our redevelopment expertise to selectively acquire, redevelop and reposition properties in desirable locations;

acquire high-quality office and industrial properties and portfolios of such properties at attractive yields in markets that we expect will experience economic growth;

form joint venture opportunities with high-quality partners having attractive real estate holdings or significant financial resources; and

utilize our reputation as a full-service real estate development and management organization to identify opportunities that will expand our business and create long-term value.

We expect to concentrate our real estate activities in markets where we believe that:

current and projected market rents and absorption statistics justify construction activity;

we can maximize market penetration by accumulating a critical mass of properties and thereby enhance operating efficiencies;

barriers to entry (such as zoning restrictions, utility availability, infrastructure limitations, development moratoriums and limited developable land) will create supply constraints on office and industrial space; and

there is potential for economic growth, particularly job growth and industry diversification.

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**Operating Strategy**

We believe that we are well positioned in our current markets and have the expertise to take advantage of both development and acquisition opportunities in new markets that have healthy long-term fundamentals and strong growth projections. This capability, combined with what we believe is a conservative financial structure, allows us to concentrate our growth efforts towards selective development alternatives and acquisition opportunities. These abilities are integral to our strategy of having a geographically and physically diverse portfolio of assets, which will meet the needs of our tenants. Through our merger with Prentiss and our 2006 development and disposition activities, we commenced operations in Southern and Northern California, Austin and Dallas, TX and Metropolitan Washington D.C. metropolitan region and have decreased our relative concentrations in Philadelphia and the Mid-Atlantic region. We have also expanded our overall development pipeline and are pursuing acquisitions of sites on which we can capitalize on our own development and market expertise.

We expect that selective development of new office properties will continue to be important to the growth of our portfolio over the next several years. We use experienced on site construction superintendents, operating under the supervision of project managers and senior management, to control the construction process and mitigate the various risks associated with real estate development. We believe we understand and effectively manage the risks associated with development and construction, and these risks are justified by higher potential yields.

We expect to continue to operate in markets where we have a concentration advantage due to economies of scale. We believe that where possible, it is best to operate with a strong base of properties in order to benefit from the personnel allocation and the market strength associated with managing several properties in the same market. However, we intend to selectively dispose of properties and redeploy capital if we determine a property cannot meet long term earnings growth expectations. We believe that recycling capital is an important aspect of maintaining the overall quality of our portfolio.

**Policies With Respect To Certain Activities**

The following is a discussion of our investment, financing and other policies. These policies have been determined by our Board of Trustees and our Board may revise these policies without a vote of shareholders.

*Investments in Real Estate or Interests in Real Estate*

We may develop, purchase or lease income-producing properties for long-term investment, expand and improve the properties presently owned or other properties purchased, or sell such properties, in whole or in part, as circumstances warrant. Although there is no limitation on the types of development activities that we may undertake, we expect that our development activities will meet current market demand and will generally be on a build-to-suit basis for particular tenants, or where a significant portion of the building is pre-leased before construction begins. We may also participate with other entities in property ownership through joint ventures or other types of co-ownership. Our equity investments may be subject to existing or future mortgage financing and other indebtedness that will have priority over our equity investments.

*Securities of or Interests in Entities Primarily Engaged in Real Estate Activities and Other Issuers*

Subject to the percentage of ownership limitations and gross income tests necessary for REIT qualification, we may invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers. We may enter into joint ventures or partnerships for the purpose of obtaining an equity interest in a particular property. We do not currently intend to invest in the securities of other issuers except in connection with joint ventures or acquisitions of indirect interests in properties.

*Investments in Real Estate Mortgages*

While our current portfolio consists of, and our business objectives emphasize, equity investments in commercial real estate, we may, at the discretion of management or our Board of Trustees, invest in other types of equity real estate investments, mortgages and other real estate interests. We do not presently intend to invest to a significant extent in mortgages or deeds of trust, but may invest in participating mortgages if we conclude that we may benefit from the cash flow or any appreciation in the value of the property securing a mortgage.

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### *Dispositions*

Our disposition of properties is based upon management's periodic review of our portfolio and the determination by management or our Board of Trustees that a disposition would be in our best interests.

### *Financing Policies*

A primary objective of our financing policy has been to manage our financial position to allow us to raise capital from a variety of sources at competitive rates. Our mortgages, credit facilities and unsecured debt securities contain customary restrictions and limitations on our ability to incur indebtedness. Our charter documents do not limit the indebtedness that we may incur. Our financing strategy is to maintain a strong and flexible financial position by limiting our debt to a prudent level and minimizing our variable interest rate exposure. We intend to finance future growth with the most advantageous source of capital available to us at the time of an acquisition. These sources may include selling common stock, preferred stock, debt securities, depository shares or warrants through public offerings or private placements, utilizing availability under our unsecured revolving credit facilities or incurring additional indebtedness through secured or unsecured borrowings either or through mortgages with recourse limited to specific properties. To qualify as a REIT, we must distribute to our shareholders each year at least ninety percent of our net taxable income, excluding any net capital gain. This distribution requirement makes it unlikely that we will be able to fund future capital needs, including for acquisitions and developments, substantially from income from operations. Therefore, we expect to continue to rely on third party sources of capital to fund future capital needs.

### *Working Capital Reserves*

We maintain working capital reserves and access to borrowings in amounts that our management determines to be adequate to meet our normal contingencies.

### *Policies with Respect to Other Activities*

We expect to issue additional common and preferred shares of beneficial interest in the future and may authorize our Operating Partnership to issue additional common and preferred units of limited partnership interest, including to persons who contribute their interests in properties to us in exchange for such units. We have not engaged in trading, underwriting or agency distribution or sale of securities of unaffiliated issuers and we do not intend to do so. At all times, we intend to make investments consistent with our qualification as a REIT, unless because of circumstances or changes in the Internal Revenue Code of 1986, as amended (or the Treasury Regulations), our Board of Trustees determines that it is no longer in our best interests to qualify as a REIT. We may make loans to third parties, including to joint ventures in which we participate. We intend to make investments in such a way that we will not be treated as an investment company under the Investment Company Act of 1940.

## **Management Activities**

We provide third-party real estate management services primarily through four subsidiaries (collectively, the Management Companies): Brandywine Realty Services Corporation (BRSCO), BTRS, Inc. (BTRS), Brandywine Properties I Limited, Inc. (BPI) and Brandywine Properties Management, L.P. (BPM). BRSCO, BTRS and BPI are taxable REIT subsidiaries. The Operating Partnership owns a 95% interest in BRSCO and the remaining 5% interest is owned by a partnership comprised of a current executive and former executive of the Company, each of whom is a member of our Board of Trustees. The Operating Partnership owns, directly and indirectly, 100% of each of BTRS, BPI and BPM.

As of December 31, 2006, the Management Companies were managing properties containing an aggregate of approximately 42.3 million net rentable square feet, of which approximately 28.2 million net rentable square feet related to Properties owned by us and approximately 13.0 million net rentable square feet related to properties owned by third parties and unconsolidated Real Estate Ventures.

## **Geographic Segments**

As of December 31, 2006 we were managing our portfolio within nine segments: (1) Pennsylvania West, (2) Pennsylvania North, (3) New Jersey, (4) Urban, (5) Richmond, Virginia, (6) California North, (7) California South, (8) Mid-Atlantic and (9) Southwest. The Pennsylvania West segment includes properties in Chester, Delaware and Montgomery counties in the Philadelphia suburbs of Pennsylvania. The Pennsylvania North segment includes properties north of Philadelphia in Berks, Bucks, Cumberland, Dauphin, Lehigh and Montgomery





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counties. The New Jersey segment includes properties in counties in the southern and central part of New Jersey including Burlington, Camden and Mercer counties and in Bucks County, Pennsylvania. The Urban segment includes properties in the City of Philadelphia, Pennsylvania and the state of Delaware. The Richmond, Virginia segment includes properties primarily in Albemarle, Chesterfield and Henrico counties, the City of Richmond and Durham, North Carolina. The California North segment includes properties in the City of Oakland and Concord. The California South segment includes properties in the City of Carlsbad and San Diego. The Mid-Atlantic segment includes properties in Northern Virginia and the suburban Maryland. The Southwest segment includes properties in Dallas and Travis counties of Texas. Our corporate group is responsible for cash and investment management, development of certain real estate properties during the construction period and general support functions.

### **Competition**

The real estate business is highly competitive. Our properties compete for tenants with similar properties primarily on the basis of location, total occupancy costs (including base rent and operating expenses), services provided, and the design and condition of the improvements. We also face competition when attempting to acquire or develop real estate, including competition from domestic and foreign financial institutions, other REITs, life insurance companies, pension funds, partnerships and individual investors. Additionally, our ability to compete depends upon trends in the economies of our markets, investment alternatives, financial condition and operating results of current and prospective tenants, availability and cost of capital, construction and renovation costs, land availability, completion of construction approvals, taxes, governmental regulations, legislation and population trends.

### **Insurance**

We maintain comprehensive liability and property insurance on our properties, including for liability, fire and flood. We intend to obtain similar coverage for properties we acquire in the future. There are types of losses, generally of a catastrophic nature, such as losses from terrorism, environmental issues, floods, hurricanes or earthquakes that may be subject to limitations in certain areas. We exercise our discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance on our investments at a reasonable cost and on suitable terms. If we suffer a substantial loss, our insurance coverage may not be sufficient to pay the full current market value or current replacement cost of our lost investment. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make it impractical to use insurance proceeds to fully replace or restore a property after it has been damaged or destroyed.

### **Employees**

As of December 31, 2006, we had 599 full-time employees, including 40 union employees.

### **Government Regulations Relating to the Environment**

Many laws and governmental regulations relating to the environment apply to us and changes in these laws and regulations, or their interpretation by agencies and the courts, occur frequently and may adversely affect us.

*Existing conditions at some of our Properties.* Independent environmental consultants have conducted Phase I or similar environmental site assessments on all of our properties. We generally obtain these assessments prior to the acquisition of a property and may later update them as required for subsequent financing of the property or as requested by a tenant. Site assessments are generally performed to ASTM standards then existing for Phase I site assessments, and typically include a historical review, a public records review, a visual inspection of the surveyed site, and the issuance of a written report. These assessments do not generally include any soil samplings or subsurface investigations. Depending on the age of the property, the Phase I may have included an assessment of asbestos-containing materials. For properties where asbestos-containing materials were identified or suspected, an operations and maintenance plan was generally prepared and implemented. See Note 2 to our consolidated financial statements for our evaluation in accordance with FIN 47, *Accounting for Conditional Asset Retirement Obligations*. Historical operations at or near some of our properties, including the operation of underground storage tanks, may have caused soil or groundwater contamination. We are not aware of any such condition, liability or concern by any other means that would give rise to material environmental liability. However, the assessments may have failed to reveal all environmental conditions, liabilities or compliance concerns; there may be material environmental

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conditions, liabilities or compliance concerns that arose at a property after the review was completed; future laws, ordinances or regulations may impose material additional environmental liability; and current environmental conditions at our Properties may be affected in the future by tenants, third parties or the condition of land or operations near our Properties, such as the presence of underground storage tanks. We cannot be certain that costs of future environmental compliance will not affect our ability to make distributions to our shareholders.

*Use of hazardous materials by some of our tenants.* Some of our tenants handle hazardous substances and wastes on our properties as part of their routine operations. Environmental laws and regulations may subject these tenants, and potentially us, to liability resulting from such activities. We generally require our tenants, in their leases, to comply with these environmental laws and regulations and to indemnify us for any related liabilities. These tenants are primarily involved in the life sciences and the light industrial and warehouse business. We are not aware of any material noncompliance, liability or claim relating to hazardous or toxic substances or petroleum products in connection with any of our Properties, and we do not believe that on-going activities by our tenants will have a material adverse effect on our operations.

*Costs related to government regulation and private litigation over environmental matters.* Under environmental laws and regulations, we may be liable for the costs of removal, remediation or disposal of hazardous or toxic substances present or released on our Properties. These laws could impose liability without regard to whether we are responsible for, or knew of, the presence or release of the hazardous materials. Government investigations and remediation actions may entail substantial costs and the presence or release of hazardous substances on a property could result in governmental cleanup actions or personal injury or similar claims by private plaintiffs.

*Potential environmental liabilities may exceed our environmental insurance coverage limits.* We carry what we believe to be sufficient environmental insurance to cover potential liability for soil and groundwater contamination and the presence of asbestos-containing materials at the affected sites identified in our environmental site assessments. Our insurance policies are subject to conditions, qualifications and limitations. Therefore, we cannot provide any assurance that our insurance coverage will be sufficient to cover all liabilities for losses.

### **Other**

We do not have any foreign operations and our business is not seasonal. Our operations are not dependent on a single tenant or a few tenants and no single tenant accounted for more than 10% of our total 2006 revenue.

### **Code of Conduct**

We maintain a Code of Business Conduct and Ethics applicable to our Board and all of our officers and employees, including our principal executive officer, principal financial officer, principal accounting officer, controller and persons performing similar functions. A copy of our Code of Business Conduct and Ethics is available on our website, [www.brandywinerealty.com](http://www.brandywinerealty.com). In addition to being accessible through our website, copies of our Code of Business Conduct and Ethics can be obtained, free of charge, upon written request to Investor Relations, 555 East Lancaster Avenue, Suite 100, Radnor, PA 19087. Any amendments to or waivers of our Code of Business Conduct and Ethics that apply to our principal executive officer, principal financial officer, principal accounting officer, controller and persons performing similar functions and that relate to any matter enumerated in Item 406(b) of Regulation S-K promulgated by the SEC will be disclosed on our website.

### **Corporate Governance Principles and Board Committee Charters**

Our Corporate Governance Principles and the charters of the Audit Committee, Compensation Committee and Corporate Governance Committee of the Board of Trustees of Brandywine Realty Trust and additional information regarding our corporate governance are available on our website, [www.brandywinerealty.com](http://www.brandywinerealty.com). In addition to being accessible through our website, copies of our Corporate Governance Principles and charters of our Board Committees can be obtained, free of charge, upon written request to Investor Relations, 555 Lancaster Avenue, Radnor, PA 19087.

### **Availability of SEC Reports**

We file annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and other information with the SEC. Members of the public may read and copy materials that we file with the SEC at the

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SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Members of the public may also obtain information on the Public Reference Room by calling the SEC at 1-800-732-0330. The SEC also maintains an Internet web site that contains reports, proxy and information statements and other information regarding issuers, including us, that file electronically with the SEC. The address of that site is <http://www.sec.gov>. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and other information filed by us with the SEC are available, without charge, on our Internet web site, <http://www.brandywinerealty.com>, as soon as reasonably practicable after they are filed electronically with the SEC. Copies are also available, without charge, from Secretary, Brandywine Realty Trust, 555 East Lancaster Avenue, Suite 100, Radnor, PA 19087.

**Item 1A. Risk Factors**

***Our performance is subject to risks associated with our properties and with the real estate industry.***

Our economic performance and the value of our real estate assets, and consequently the value of our securities, are subject to the risk that if our properties do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay distributions to our shareholders will be adversely affected. Events or conditions beyond our control that may adversely affect our operations or the value of our properties include:

downturns in the national, regional and local economic climate;

competition from other office, industrial and commercial buildings;

local real estate market conditions, such as oversupply or reduction in demand for office, or other commercial or industrial space;

changes in interest rates and availability of financing;

vacancies, changes in market rental rates and the need to periodically repair, renovate and re-lease space;

increased operating costs, including insurance expense, utilities, real estate taxes, state and local taxes and heightened security costs;

civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses;

significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property; and

declines in the financial condition of our tenants and our ability to collect rents from our tenants.

***We may experience increased operating costs, which might reduce our profitability.***

Our properties are subject to increases in operating expenses such as for cleaning, electricity, heating, ventilation and air conditioning, administrative costs and other costs associated with security, landscaping and repairs and maintenance of our properties. In general, under our leases with tenants, we pass on all or a portion of these costs to them. We cannot assure you, however, that tenants will actually bear the full burden of these higher costs, or that such increased costs will not lead them, or other prospective tenants, to seek office space elsewhere. If operating expenses increase, the availability of other comparable office space in our core geographic markets might limit our ability to increase rents; if operating expenses increase without a corresponding increase in revenues, our profitability could diminish and limit our ability to make distributions to shareholders.

***Our investment in property development or redevelopment may be more costly than we anticipate.***

We intend to continue to develop properties where market conditions warrant such investment. Once made, these investments may not produce results in accordance with our expectations. Risks associated with our development and

construction activities include:

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the unavailability of favorable financing alternatives in the private and public debt markets;

construction costs exceeding original estimates due to rising interest rates and increases in the costs of materials and labor;

construction and lease-up delays resulting in increased debt service, fixed expenses and construction or renovation costs;

expenditure of funds and devotion of management's time to projects that we do not complete;

the unavailability of utilities;

occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, resulting in lower than projected rental rates and a corresponding lower return on our investment; and

complications (including building moratoriums and anti-growth legislation) in obtaining necessary zoning, occupancy and other governmental permits.

***We may not successfully integrate our historic operations with those of Prentiss and the intended benefits of our acquisition of Prentiss may not be realized.***

Our January 2006 acquisition of Prentiss presents challenges to management, including the integration of our historic operations, properties and personnel with those of Prentiss. The acquisition also poses other risks commonly associated with similar transactions, including unanticipated liabilities, unexpected costs and the diversion of management's attention to the integration of the operations of the combined companies. Any difficulties that our combined company encounters in the transition and integration processes, and any level of integration that is not successfully achieved, could have an adverse effect on our revenue, level of expenses and operating results. We may also experience operational interruptions or the loss of key employees, tenants and customers. As a result, notwithstanding our expectations, we may not realize any of the anticipated benefits or cost savings of the Prentiss acquisition.

***We face risks associated with property acquisitions.***

We have in the past acquired, and intend in the future to acquire, properties and portfolios of properties, including large portfolios, such as our acquisition of Prentiss, that would increase our size and potentially alter our capital structure. Although we believe that the acquisitions that we have completed in the past and that we expect to undertake in the future have, and will, enhance our future financial performance, the success of such transactions is subject to a number of factors, including the risk that:

we may not be able to obtain financing for acquisitions on favorable terms;

acquired properties may fail to perform as expected;

the actual costs of repositioning or redeveloping acquired properties may be higher than our estimates;

acquired properties may be located in new markets where we may have limited knowledge and understanding of the local economy, an absence of business relationships in the area or unfamiliarity with local governmental and permitting procedures; and

we may not be able to efficiently integrate acquired properties, particularly portfolios of properties, into our organization and to manage new properties in a way that allows us to realize cost savings and synergies.

We have acquired in the past and in the future may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in our Operating Partnership. This acquisition structure

has the effect, among others, of reducing the amount of tax depreciation we can deduct over

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the tax life of the acquired properties, and typically requires that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions on dispositions could limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

***Acquired properties may subject us to unknown liabilities.***

Properties that we acquire may be subject to unknown liabilities for which we would have no recourse, or only limited recourse, to the former owners of such properties. As a result, if a liability were asserted against us based upon ownership of an acquired property, we might be required to pay significant sums to settle it, which could adversely affect our financial results and cash flow. Unknown liabilities relating to acquired properties could include:

liabilities for clean-up of undisclosed environmental contamination;

claims by tenants, vendors or other persons arising on account of actions or omissions of the former owners of the properties; and

liabilities incurred in the ordinary course of business.

***We have agreed not to sell certain of our properties and to maintain indebtedness subject to guarantees.***

We have agreed not to sell some of our properties for varying periods of time, in transactions that would trigger taxable income to the former owners, and we may enter into similar arrangements as a part of future property acquisitions. One of these tax protection agreements is with one of our current trustees. These agreements generally provide that we may dispose of the subject properties only in transactions that qualify as tax-free exchanges under Section 1031 of the Internal Revenue Code or in other tax deferred transactions. Such transactions can be difficult to complete and can result in the property acquired in exchange for the disposed of property inheriting the tax attributes (including tax protection covenants) of the disposed of property. Violation of these tax protection agreements would impose significant costs on us. As a result, we are restricted with respect to decisions related to financing, encumbering, expanding or selling of these properties.

We have also entered into agreements that provide prior owners of properties with the right to guarantee specific amounts of indebtedness and, in the event that the specific indebtedness that they guarantee is repaid or reduced, we would be required to provide substitute indebtedness for them to guarantee. These agreements may hinder actions that we may otherwise desire to take to repay or refinance guaranteed indebtedness because we would be required to make payments to the beneficiaries of such agreements if we violate these agreements.

***We may be unable to renew leases or re-lease space as leases expire.***

If tenants do not renew their leases upon expiration, we may be unable to re-lease the space. Even if the tenants do renew their leases or if we can re-lease the space, the terms of renewal or re-leasing (including the cost of required renovations) may be less favorable than current lease terms. Certain leases grant the tenants an early termination right upon payment of a termination penalty.

***We face significant competition from other real estate developers.***

We compete with real estate developers, operators and institutions for tenants and acquisition and development opportunities. Some of these competitors have significantly greater financial resources than we have. Such competition may reduce the number of suitable investment opportunities available to us, may interfere with our ability to attract and retain tenants and may increase vacancies, which could result in increased supply and lower market rental rates, reducing our bargaining leverage and adversely affect our ability to improve our operating leverage. In addition, some of our competitors may be willing (because their properties may have vacancy rates higher than those for our properties) to make space available at lower prices than available space in our properties or for other reasons. We cannot assure you that this competition will not adversely affect our cash flow and our ability to make distributions to shareholders.



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***Changes in market conditions including capitalization rates applied in real estate acquisitions could impact our ability to grow through acquisitions.***

We selectively pursue acquisitions in our core markets when long-term yields make acquisitions attractive. We compete with numerous property owners for the acquisition of real estate properties. Some of these competitors may be willing to accept lower yields on their investments impacting our ability to acquire real estate assets and thus limit our external growth. We cannot assure you that this competition will not adversely affect our cash flow and our ability to make distributions to shareholders.

***Property ownership through joint ventures may limit our ability to act exclusively in our interest.***

We develop and acquire properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. As of December 31, 2006, we had investments in eleven unconsolidated real estate ventures and four additional real estate ventures that are consolidated in our financial statements. Our investments in the eleven unconsolidated real estate ventures aggregated approximately \$74.6 million (net of returns of investment amounts) as of December 31, 2006. We could become engaged in a dispute with one or more of our joint venture partners that might affect our ability to operate a jointly-owned property. Moreover, our joint venture partners may, at any time, have business, economic or other objectives that are inconsistent with our objectives, including objectives that relate to the appropriate timing and terms of any sale or refinancing of a property. In some instances, our joint venture partners may have competing interests in our markets that could create conflicts of interest. If the objectives of our joint venture partners are inconsistent with our own objectives, we will not be able to act exclusively in our interests.

***Because real estate is illiquid, we may not be able to sell properties when appropriate.***

Real estate investments generally, and in particular large office and industrial properties like those that we own, often cannot be sold quickly. Consequently, we may not be able to alter our portfolio promptly in response to changes in economic or other conditions. In addition, the Internal Revenue Code limits our ability to sell properties that we have held for fewer than four years without resulting in adverse consequences to our shareholders. Furthermore, properties that we have developed and have owned for a significant period of time or that we acquired in exchange for partnership interests in our operating partnership often have a low tax basis. If we were to dispose of any of these properties in a taxable transaction, we may be required under provisions of the Internal Revenue Code applicable to REITs to distribute a significant amount of the taxable gain to our shareholders and this could, in turn, impact our cash flow. In some cases, tax protection agreements with third parties will prevent us from selling certain properties in a taxable transaction without incurring substantial costs. In addition, purchase options and rights of first refusal held by tenants or partners in joint ventures may also limit our ability to sell certain properties. All of these factors reduce our ability to respond to changes in the performance of our investments and could adversely affect our cash flow and ability to make distributions to shareholders as well as the ability of someone to purchase us, even if a purchase were in our shareholders' best interests.

***We may suffer adverse consequences due to the financial difficulties, bankruptcy or insolvency of our tenants.***

If one or more of our tenants were to experience financial difficulties, including bankruptcy, insolvency or a general downturn of business, there could be an adverse effect on our financial performance and distributions to shareholders. We cannot assure you that any tenant that files for bankruptcy protection will continue to pay us rent. A bankruptcy filing by or relating to one of our tenants or a lease guarantor would bar efforts by us to collect pre-bankruptcy debts from that tenant or lease guarantor, or its property, unless we receive an order permitting us to do so from the bankruptcy court. In addition, we cannot evict a tenant solely because of bankruptcy. The bankruptcy of a tenant or lease guarantor could delay our efforts to collect past due balances under the relevant leases, and could ultimately preclude collection of these sums. If a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances due under the lease must be paid to us in full. If, however, a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages. Any such unsecured claim would only be paid to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims. Restrictions under the bankruptcy laws further limit the amount of any other claims that we can make if a lease is rejected. As a result, it is likely that we would recover substantially less than the full value of any such unsecured claims that we might hold.



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***Some potential losses are not covered by insurance.***

We currently carry comprehensive liability, fire, extended coverage and rental loss insurance on all of our properties. We believe the policy specifications and insured limits of these policies are adequate and appropriate. There are, however, types of losses, such as lease and other contract claims and terrorism and acts of war that generally are not insured. We cannot assure you that we will be able to renew insurance coverage in an adequate amount or at reasonable prices. In addition, insurance companies may no longer offer coverage against certain types of losses, such as losses due to terrorist acts and mold, or, if offered, these types of insurance may be prohibitively expensive. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. In such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. We cannot assure you that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Such events could adversely affect our cash flow and ability to make distributions to shareholders.

***Terrorist attacks and other acts of violence or war may adversely impact our performance and may affect the markets on which our securities are traded.***

Terrorist attacks against our properties, or against the United States or our interests, may negatively impact our operations and the value of our securities. Attacks or armed conflicts could result in increased operating costs; for example, it might cost more in the future for building security, property/casualty and liability insurance, and property maintenance. As a result of terrorist activities and other market conditions, the cost of insurance coverage for our properties could also increase. We might not be able to pass along the increased costs associated with such increased security measures and insurance to our tenants, which could reduce our profitability and cash flow. Furthermore, any terrorist attacks or armed conflicts could result in increased volatility in or damage to the United States and worldwide financial markets and economy. Such adverse economic conditions could affect the ability of our tenants to pay rent and our costs of capitals, which could have a negative impact on our results.

***Our ability to make distributions is subject to various risks.***

Historically, we have paid quarterly distributions to our shareholders. Our ability to make distributions in the future will depend upon:

the operational and financial performance of our properties;

capital expenditures with respect to existing and newly acquired properties;

general and administrative costs associated with our operation as a publicly-held REIT;

the amount of, and the interest rates on, our debt; and

the absence of significant expenditures relating to environmental and other regulatory matters.

Certain of these matters are beyond our control and any significant difference between our expectations and actual results could have a material adverse effect on our cash flow and our ability to make distributions to shareholders.

***Changes in the law may adversely affect our cash flow.***

Because increases in income and service taxes are generally not passed through to tenants under leases, such increases may adversely affect our cash flow and ability to make expected distributions to shareholders. Our properties are also subject to various regulatory requirements, such as those relating to the environment, fire and safety. Our failure to comply with these requirements could result in the imposition of fines and damage awards and default under some of our tenant leases. Moreover, the costs to comply with any new or different regulations could adversely affect our cash flow and our ability to make distributions. Although we believe that our properties are in material compliance with all such requirements, we cannot assure you that these requirements will not change or that newly imposed requirements will not require significant expenditures.



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***The terms and covenants relating to our indebtedness could adversely impact our economic performance.***

Like other real estate companies which incur debt, we are subject to risks associated with debt financing, such as the insufficiency of cash flow to meet required debt service payment obligations and the inability to refinance existing indebtedness. If our debt cannot be paid, refinanced or extended at maturity, in addition to our failure to repay our debt, we may not be able to make distributions to shareholders at expected levels or at all. Furthermore, an increase in our interest expense could adversely affect our cash flow and ability to make distributions to shareholders. If we do not meet our debt service obligations, any properties securing such indebtedness could be foreclosed on, which would have a material adverse effect on our cash flow and ability to make distributions and, depending on the number of properties foreclosed on, could threaten our continued viability.

Our credit facilities and the indenture governing our unsecured public debt securities contain (and any new or amended facility will contain) customary restrictions, requirements and other limitations on our ability to incur indebtedness, including total debt to asset ratios, secured debt to total asset ratios, debt service coverage ratios and minimum ratios of unencumbered assets to unsecured debt which we must maintain. Our ability to borrow under our credit facilities is (and any new or amended facility will be) subject to compliance with such financial and other covenants. In the event that we fail to satisfy these covenants, we would be in default under the credit facilities and indenture and may be required to repay such debt with capital from other sources. Under such circumstances, other sources of capital may not be available to us, or may be available only on unattractive terms.

Increases in interest rates on variable rate indebtedness would increase our interest expense, which could adversely affect our cash flow and ability to make distributions to shareholders. Rising interest rates could also restrict our ability to refinance existing debt when it matures. In addition, an increase in interest rates could decrease the amounts that third parties are willing to pay for our assets, thereby limiting our ability to alter our portfolio promptly in relation to economic or other conditions. We have entered into and may, from time to time, enter into agreements such as interest rate hedges, swaps, floors, caps and other interest rate hedging contracts with respect to a portion of our variable rate debt. Although these agreements may lessen the impact of rising interest rates on us, they also expose us to the risk that other parties to the agreements will not perform or that we cannot enforce the agreements.

***Our degree of leverage could limit our ability to obtain additional financing or affect the market price of our equity shares or debt securities.***

Our degree of leverage could affect our ability to obtain additional financing for working capital expenditures, development, acquisitions or other general corporate purposes. Our senior unsecured debt is currently rated investment grade by the three major rating agencies. We cannot, however, assure you that we will be able to maintain this rating. In the event that our unsecured debt is downgraded from the current rating, we would likely incur higher borrowing costs and the market prices of our common shares and debt securities might decline. Our degree of leverage could also make us more vulnerable to a downturn in business or the economy generally.

***Potential liability for environmental contamination could result in substantial costs.***

Under various federal, state and local laws, ordinances and regulations, we may be liable for the costs to investigate and remove or remediate hazardous or toxic substances on or in our properties, often regardless of whether we know of or are responsible for the presence of these substances. These costs may be substantial. Also, if hazardous or toxic substances are present on a property, or if we fail to properly remediate such substances, our ability to sell or rent the property or to borrow using that property as collateral may be adversely affected.

Additionally, we develop, manage, lease and/or operate various properties for third parties. Consequently, we may be considered to have been or to be an operator of these properties and, therefore, potentially liable for removal or remediation costs or other potential costs that could relate to hazardous or toxic substances.

***An earthquake or other natural disasters could adversely affect our business.***

Some of our properties are located in California which is a high risk geographical area for earthquakes or other natural disasters. Depending upon its magnitude, an earthquake could severely damage our properties which would adversely affect our business. We maintain earthquake insurance for our California properties and the resulting business interruption. We cannot assure you that our insurance will be sufficient if there is a major earthquake.

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***Americans with Disabilities Act compliance could be costly.***

The Americans with Disabilities Act of 1990 ( ADA ) requires that all public accommodations and commercial facilities, including office buildings, meet certain federal requirements related to access and use by disabled persons. Compliance with ADA requirements could involve the removal of structural barriers from certain disabled persons entrances which could adversely affect our financial condition and results of operations. Other federal, state and local laws may require modifications to or restrict further renovations of our properties with respect to such accesses. Although we believe that our properties are in material compliance with present requirements, noncompliance with the ADA or similar or related laws or regulations could result in the United States government imposing fines or private litigants being awarded damages against us. In addition, changes to existing requirements or enactments of new requirements could require significant expenditures. Such costs may adversely affect our cash flow and ability to make distributions to shareholders.

***Our status as a REIT (or any of our REIT subsidiaries) is dependent on compliance with federal income tax requirements.***

If we (or any of our REIT subsidiaries) fail to qualify as a REIT, we or the affected REIT subsidiary would be subject to federal income tax at regular corporate rates. Also, unless the IRS granted us or our affected REIT subsidiary, as the case may be, relief under certain statutory provisions, we or it would remain disqualified as a REIT for four years following the year it first failed to qualify. If we or any of our REIT subsidiaries fails to qualify as a REIT, we or they would be required to pay significant income taxes and would, therefore, have less money available for investments or for distributions to shareholders. This would likely have a material adverse effect on the value of the combined company s securities. In addition, we or our affected REIT subsidiaries would no longer be required to make any distributions to shareholders.

Failure of the Operating Partnership (or a subsidiary partnership) to be treated as a partnership would have serious adverse consequences to our shareholders. If the IRS were to successfully challenge the tax status of the Operating Partnership or any of its subsidiary partnerships for federal income tax purposes, the Operating Partnership or the affected subsidiary partnership would be taxable as a corporation. In such event we would cease to qualify as a REIT and the imposition of a corporate tax on the Operating Partnership or a subsidiary partnership would reduce the amount of cash available for distribution from the Operating Partnership to us and ultimately to our shareholders. Even if we qualify as a REIT, we will be required to pay certain federal, state and local taxes on our income and properties. In addition, our taxable REIT subsidiaries will be subject to federal, state and local income tax at regular corporate rates on their net taxable income derived from management, leasing and related service business. If we have net income from a prohibited transaction, such income will be subject to a 100% tax.

***We face possible state and local tax audits.***

Because we are organized and qualify as a REIT, we are generally not subject to federal income taxes, but are subject to certain state and local taxes. In the normal course of business, certain entities through which we own real estate either have undergone, or are currently undergoing, tax audits. Although we believe that we have substantial arguments in favor of our positions in the ongoing audits, in some instances there is no controlling precedent or interpretive guidance on the specific point at issue. Collectively, tax deficiency notices received to date from the jurisdictions conducting the ongoing audits have not been material. However, there can be no assurance that future audits will not occur with increased frequency or that the ultimate result of such audits will not have a material adverse effect on our results of operations.

***Competition for skilled personnel could increase labor costs.***

We compete with various other companies in attracting and retaining qualified and skilled personnel. We depend on our ability to attract and retain skilled management personnel who are responsible for the day-to-day operations of our company. Competitive pressures may require that we enhance our pay and benefits package to compete effectively for such personnel. We may not be able to offset such added costs by increasing the rates we charge tenants. If there is an increase in these costs or if we fail to attract and retain qualified and skilled personnel, our business and operating results could be harmed.

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***We are dependent upon our key personnel.***

We are dependent upon our key personnel whose continued service is not guaranteed. We are dependent on our executive officers for strategic business direction and real estate experience. In connection with the acquisition of Prentiss, we entered into employment agreements with several former officers of Prentiss. Although we believe that we could find replacements for these key personnel (including the former Prentiss officers), loss of their services could adversely affect our operations.

Although we have an employment agreement with Gerard H. Sweeney, our President and Chief Executive Officer, for a term extending to February 9, 2010, this agreement does not restrict his ability to become employed by a competitor following the termination of his employment. We do not have key man life insurance coverage on our executive officers.

***Certain limitations will exist with respect to a third party's ability to acquire us or effectuate a change in control.***

***Limitations imposed to protect our REIT status.*** In order to protect us against the loss of our REIT status, our Declaration of Trust limits any shareholder from owning more than 9.8% in value of our outstanding shares, subject to certain exceptions. The ownership limit may have the effect of precluding acquisition of control of us. If anyone acquires shares in excess of the ownership limit, we may:

consider the transfer to be null and void;

not reflect the transaction on our books;

institute legal action to stop the transaction;

not pay dividends or other distributions with respect to those shares;

not recognize any voting rights for those shares; and

consider the shares held in trust for the benefit of a person to whom such shares may be transferred.

**Limitation due to our ability to issue preferred shares.** Our Declaration of Trust authorizes our Board of Trustees to cause us to issue preferred shares, without limitation as to amount and without shareholder consent. Our Board of Trustees is able to establish the preferences and rights of any preferred shares issued and these shares could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our shareholders' best interests.

**Limitation imposed by the Maryland Business Combination Law.** The Maryland General Corporation Law, as applicable to Maryland REITs, establishes special restrictions against business combinations between a Maryland REIT and interested shareholders or their affiliates unless an exemption is applicable. An interested shareholder includes a person who beneficially owns, and an affiliate or associate of the trust who, at any time within the two-year period prior to the date in question, was the beneficial owner of, ten percent or more of the voting power of our then-outstanding voting shares. Among other things, Maryland law prohibits (for a period of five years) a merger and certain other transactions between a Maryland REIT and an interested shareholder unless the board of trustees had approved the transaction before the party became an interested shareholder. The five-year period runs from the most recent date on which the interested shareholder became an interested shareholder. Thereafter, any such business combination must be recommended by the board of trustees and approved by two super-majority shareholder votes unless, among other conditions, the common shareholders receive a minimum price for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for our shares or unless the board of trustees approved the transaction before the party in question became an interested shareholder. The business combination statute could have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating any such offers, even if the acquisition would be in our shareholders' best interests.

**Maryland Control Share Acquisition Act.** Maryland law provides that control shares of a REIT acquired in a control share acquisition shall have no voting rights except to the extent approved by a vote of two-thirds of the vote eligible to be cast on the matter under the Maryland Control Share Acquisition Act. Control Shares means





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shares that, if aggregated with all other shares previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing trustees within one of the following ranges of voting power: one-tenth or more but less than one-third, one-third or more but less than a majority or a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions. If voting rights or control shares acquired in a control share acquisition are not approved at a shareholder's meeting, then subject to certain conditions and limitations the issuer may redeem any or all of the control shares for fair value. If voting rights of such control shares are approved at a shareholder's meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. Any control shares acquired in a control share acquisition which are not exempt under our Bylaws are subject to the Maryland Control Share Acquisition Act. Our Bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our shares. We cannot assure you that this provision will not be amended or eliminated at any time in the future.

**Advance Notice Provisions for Shareholder Nominations and Proposals.** Our bylaws require advance notice for shareholders to nominate persons for election as trustees at, or to bring other business before, any meeting of our shareholders. This bylaw provision limits the ability of shareholders to make nominations of persons for election as trustees or to introduce other proposals unless we are notified in a timely manner prior to the meeting.

***Many factors can have an adverse effect on the market value of our securities.***

A number of factors might adversely affect the price of our securities, many of which are beyond our control. These factors include:

- increases in market interest rates, relative to the dividend yield on our shares. If market interest rates go up, prospective purchasers of our securities may require a higher yield. Higher market interest rates would not, however, result in more funds for us to distribute and, to the contrary, would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common shares to go down;

- anticipated benefit of an investment in our securities as compared to investment in securities of companies in other industries (including benefits associated with tax treatment of dividends and distributions);

- perception by market professionals of REITs generally and REITs comparable to us in particular;

- level of institutional investor interest in our securities;

- relatively low trading volumes in securities of REITs;

- our results of operations and financial condition; and

- investor confidence in the stock market generally.

The market value of our common shares is based primarily upon the market's perception of our growth potential and our current and potential future earnings and cash distributions. Consequently, our common shares may trade at prices that are higher or lower than our net asset value per common share. If our future earnings or cash distributions are less than expected, it is likely that the market price of our common shares will diminish.

***Additional issuances of equity securities may be dilutive to shareholders.***

The interests of our shareholders could be diluted if we issue additional equity securities to finance future developments or acquisitions or to repay indebtedness. Our Board of Trustees may authorize the issuance of additional equity securities without shareholder approval. Our ability to execute our business strategy depends upon our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including the issuance of common and preferred equity.



**Table of Contents*****The issuance of preferred securities may adversely affect the rights of holders of our common shares.***

Because our Board of Trustees has the power to establish the preferences and rights of each class or series of preferred shares, we may afford the holders in any series or class of preferred shares preferences, distributions, powers and rights, voting or otherwise, senior to the rights of holders of common shares. Our Board of Trustees also has the power to establish the preferences and rights of each class or series of units in Brandywine Operating Partnership, and may afford the holders in any series or class of preferred units preferences, distributions, powers and rights, voting or otherwise, senior to the rights of holders of common units.

***The acquisition of new properties which lack operating history with us may give rise to difficulties in predicting revenue potential.***

We will continue to acquire additional properties. These acquisitions could fail to perform in accordance with expectations. If we fail to accurately estimate occupancy levels, operating costs or costs of improvements to bring an acquired property up to the standards established for our intended market position, the performance of the property may be below expectations. Acquired properties may have characteristics or deficiencies affecting their valuation or revenue potential that we have not yet discovered. We cannot assure you that the performance of properties acquired by us will increase or be maintained under our management.

***Our performance is dependent upon the economic conditions of the markets in which our properties are located.***

Our properties are located in the Mid-Atlantic, Southwest, Northern California and Southern California markets. Like other real estate markets, these commercial real estate markets have experienced economic downturns in the past, and future declines in any of these economies or real estate markets could adversely affect cash available for distribution. Our financial performance and ability to make distributions to our shareholders will be particularly sensitive to the economic conditions in these markets. The local economic climate, which may be adversely impacted by business layoffs or downsizing, industry slowdowns, changing demographics and other factors, and local real estate conditions, such as oversupply of or reduced demand for office, industrial and other competing commercial properties, may affect revenues and the value of properties, including properties to be acquired or developed. We cannot assure you that these local economies will grow in the future.

**Item 1B. Unresolved Staff Comments**

None

**Item 2. Properties****Property Acquisitions**

We acquired the following properties during the year ended December 31, 2006:

| Month of Acquisition | Property/Portfolio Name                 | Location                    | # of Buildings | Rentable Square Feet/ Acres | Purchase Price (in 000 s) |
|----------------------|---|-----------------------------|----------------|-----------------------------|---------------------------|
| <b>Office:</b>       |   |                             |                |                             |                           |
| Jan-06               | Prentiss Properties                     | Various                     | 79             | 14,043,326                  | \$ 2,701,652              |
| Feb-06               | 100 Lenox Drive                         | Lawrenceville, NJ           | 1              | 92,980                      | 10,150                    |
| Apr-06               | One Paragon Place<br>2340 Dulles Corner | Richmond, VA<br>Herndon, VA | 1              | 145,127                     | 24,000                    |
| Aug-06               | Boulevard<br>2355 Dulles Corner         | Herndon, VA                 | 1              | 264,405                     | 79,000                    |
| Aug-06               | Boulevard                               |                             | 1              | 179,176                     | 55,000                    |
| Nov-06               | 2251 Corporate Park Drive               | Herndon, VA                 | 1              | 158,016                     | 59,000                    |
|                      | Total Office Properties<br>Acquired     |                             | 84             | 14,883,030                  | \$ 2,928,802              |

**Land****Parcels:**

|        |                        |                               |      |           |
|--------|------------------------|-------------------------------|------|-----------|
|        | 101-103 Juniper Street | Philadelphia, PA              |      |           |
| Mar-06 | (parking garage)       |                               | \$   | 2,250     |
| Apr-06 | Bishops Gate South     | Mount Laurel, NJ              | 47.9 | 6,700     |
| Apr-06 | Gradyville Road        | Newtown (Delaware County), PA | 5.5  | 1,900     |
| Jun-06 | West Creek Land        | Goochland County, VA          | 23.2 | 4,636     |
| Oct-06 | Rob Roy Land           | Austin, TX                    | 16.8 | 2,475     |
|        | Total Land Acquired    |                               | 93.4 | \$ 17,961 |

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The purchase prices above do not include transaction costs, excluding the Prentiss properties.

**Development Properties Placed in Service**

We placed in service the following properties during the year ended December 31, 2006:

| Month Placed<br>in Service | Property/Portfolio Name            | Location           | # of<br>Buildings | Rentable<br>Square Feet |
|----------------------------|------------------------------------|--------------------|-------------------|-------------------------|
| <b>Office:</b>             |                                    |                    |                   |                         |
| Nov-06                     | Cira Centre                        | Philadelphia, PA   | 1                 | 731,852                 |
| Dec-06                     | 855 Springdale Drive               | West Whiteland, PA | 1                 | 52,500                  |
|                            | Total Properties Placed in Service |                    | 2                 | 784,352                 |

We place a property under development in service once a property reaches 95% occupancy or one year after the completion of shell construction, whichever is earlier.

**Table of Contents****Property Sales**

We sold the following properties during the year ended December 31, 2006:

| Month of Sale   | Property/Portfolio Name      | Location                   | # of Bldgs. | Rentable Square Feet/ Acres | Sales Price<br>(in 000 s) |
|-----------------|------------------------------|----------------------------|-------------|-----------------------------|---------------------------|
| <b>Office:</b>  |                              |                            |             |                             |                           |
| Jan-06          | 850/950 Warrenville Road     | Chicago, IL                | 2           | 99,470                      | \$ 15,250                 |
| Feb-06          | 550/650 Warrenville Road     | Chicago, IL                | 2           | 169,115                     | 22,250                    |
| Feb-06          | 1050 Warrenville Road        | Chicago, IL                | 1           | 53,982                      | 3,500                     |
| Feb-06          | 701 Warrenville Road         | Chicago, IL                | 1           | 68,046                      | 9,500                     |
| Feb-06          | 801 Cherry Street            | Fort Worth, TX             | 1           | 1,025,601                   | 172,000                   |
| Mar-06          | 8755 W. Higgins Road         | Chicago, IL                | 1           | 237,320                     | 30,000                    |
| Jun-06          | 505 Millenium Drive          | Allen, TX                  | 1           | 98,586                      | 5,943                     |
| Jul-06          | 110 Summit Drive             | Exton, PA                  | 1           | 43,660                      | 3,690                     |
| Aug-06          | 8144 Walnut Hill Lane        | Dallas, TX                 | 1           | 464,470                     | 63,300                    |
| Aug-06          | 111 Presidential Boulevard   | Bala Cynwyd, PA            | 1           | 172,894                     | 34,868                    |
| Aug-06          | 2200 Cabot Drive             | Lisle, IL                  | 1           | 124,327                     | 24,250                    |
| Nov-06          | King & Harvard Drive         | Cherry Hill, NJ            | 1           | 67,444                      | 6,600                     |
| Nov-06          | One South Union Avenue       | Cherry Hill, NJ            | 1           | 99,573                      | 11,000                    |
| Nov-06          | 1255 Corporate Drive         | Irving, TX                 | 1           | 150,019                     | 20,200                    |
| Dec-06          | 2110 Walnut Hill Lane        | Irving, TX                 | 3           | 164,782                     | 11,825                    |
| Dec-06          | 105/140 Terry Drive          | Newtown (Bucks County), PA | 2           | 128,666                     | 16,150                    |
| Dec-06          | 3890 West Northwest Highway  | Dallas, TX                 | 1           | 126,132                     | 11,000                    |
| Dec-06          | 3860 West Northwest Highway  | Dallas, TX                 | 1           | 70,128                      | 6,000                     |
|                 | Total Office Properties Sold |                            | 23          | 3,364,215                   | \$ 467,326                |
| <b>Land</b>     |                              |                            |             |                             |                           |
| <b>Parcels:</b> |                              |                            |             |                             |                           |
| Apr-06          | Radnor Chester Road          | Radnor, PA                 |             | 1.3                         | \$ 4,500                  |
| Jun-06          | Highland Drive               | Westampton, NJ             |             | 5.5                         | 427                       |
| Aug-06          | Natomas Land                 | Sacramento, CA             |             | 10.9                        | 5,223                     |
| Dec-06          | Newtown Land                 | Newtown (Bucks County), PA |             | 59.0                        | 19,000                    |
|                 | Total Land Sold              |                            |             | 76.7                        | \$ 29,150                 |

**Properties**

As of December 31, 2006, we owned 261 office properties, 23 industrial facilities and one mixed-use property that contain an aggregate of approximately 28.2 million net rentable square feet. We also have 6 properties under development, 3 properties under redevelopment and 4 lease-up properties containing an aggregate 2.1 million net rentable square feet. The properties are located in and surrounding Philadelphia, Wilmington, Southern and Central New Jersey, Richmond, Metropolitan Washington, D.C., Dallas/Fort Worth, Austin, Oakland, San Diego and Los Angeles. As of December 31, 2006, the Properties were approximately 91.5% occupied by 1,623 tenants and had an average age of approximately 17.8 years. The office properties are primarily two to three story suburban office buildings containing an average of approximately 108,019 net rentable square feet. The industrial properties accommodate a variety of tenant uses, including light manufacturing, assembly, distribution and warehousing. We

carry comprehensive liability, fire, extended coverage and rental loss insurance covering all of the Properties, with policy specifications and insured limits which we believe are adequate.

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We had the following projects in development or redevelopment as of December 31, 2006:

| Project Name                | Location             | Rentable<br>Square Feet | %<br>Leased<br>as of<br>12/31/06 | Projected<br>In-Service<br>Date (a) |
|-----------------------------|----------------------|-------------------------|----------------------------------|-------------------------------------|
| <b>Under Development:</b>   |                      |                         |                                  |                                     |
| Three Paragon               | Richmond, VA         | 72,561                  | 71%                              | Jun-07                              |
| Metroplex                   | Plymouth Meeting, PA | 120,877                 | 0%                               | Apr-08                              |
| 1200 Lenox Drive            | Lawrenceville, NJ    | 71,250                  | 0%                               | Apr-08                              |
| Park on Barton Creek        | Austin, TX           | 213,255                 | 0%                               | Jun-08                              |
| 2150 Franklin               | Oakland, CA          | 215,000                 | 0%                               | Oct-08                              |
| South Lake at Dulles        | Herndon, VA          | 267,350                 | 0%                               | Aug-08                              |
|                             |                      | 960,293                 |                                  |                                     |
| <b>Under Redevelopment:</b> |                      |                         |                                  |                                     |
| 555 East Lancaster Avenue   | Radnor, PA           | 242,032                 | 92%(b)                           | May-07                              |
| 500 Office Center Drive     | Fort Washington, PA  | 104,303                 | 36%                              | Oct-07                              |
| 100 Lenox Drive             | Lawrenceville, NJ    | 92,980                  | 0%                               | May-08                              |
|                             |                      | 439,315                 |                                  |                                     |
|                             |                      | 1,399,608               |                                  |                                     |

(a) Projected in-service date represents the earlier of (i) the date at which the property is estimated to be 95% occupied or (ii) one year from the project completion date.

(b) Includes the portion of the building we occupied in the second quarter of 2006.

As of December 31, 2006, the above nine projects accounted for \$141.2 million of the \$217.9 million of construction in process on our consolidated balance sheet.

As of December 31, 2006, we expect our total investment in these nine projects, including an estimate of the tenant improvement costs, to be approximately \$304.3 million.



The following table sets forth information with respect to our operating properties at December 31, 2006:

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| Property Name               | Location   | State | Year<br>Renovated | Net<br>Rentable<br>Square<br>Feet | Percentage<br>Leased as<br>of<br>December<br>31,<br>2006 (a) | Total Base  | Average  |
|-----------------------------|------------|-------|-------------------|-----------------------------------|--|---|--|
|                             |            |       |                   |                                   |  | Rent<br>for the<br>Twelve<br>Months<br>Ended<br>December<br>31,<br>2006 (b) | Annualized<br>Rental<br>Rate<br>as of<br>December<br>31,<br>2006 (c) |
| <b>CALIFORNIA</b>           |            |       |                   |                                   |  |   |  |
| <b>NORTH</b>                |            |       |                   |                                   |  |   |  |
| <b>SEGMENT</b>              |            |       |                   |                                   |  |   |  |
| 1 Kaiser Plaza              | Oakland    | CA    | 1970              | 530,887                           | 98.1%  | \$ 16,028   | \$ 34.34   |
| 2101 Webster Street         | Oakland    | CA    | 1985              | 464,424                           | 93.2%  | 11,538  | 29.01  |
| 1901 Harrison Street        | Oakland    | CA    | 1985              | 272,100                           | 95.3%  | 7,565   | 32.05  |
| 1220 Concord<br>Avenue      | Concord    | CA    | 1984              | 175,153                           | 100.0%   | 2,944   | 22.06  |
| 1200 Concord<br>Avenue      | Concord    | CA    | 1984              | 175,103                           | 100.0%   | 4,161   | 24.47  |
| <b>MID-ATLANTIC</b>         |            |       |                   |                                   |  |   |  |
| <b>REGION</b>               |            |       |                   |                                   |  |   |  |
| <b>SEGMENT</b>              |            |       |                   |                                   |  |   |  |
| 7101 Wisconsin<br>Avenue    | Bethesda   | MD    | 1975              | 223,054                           | 76.1%  | 4,640   | 21.88  |
| 6600 Rockledge<br>Drive     | Bethesda   | MD    | 1981              | 156,325                           | 100.0%   | 4,993   | 36.27  |
| 2273 Research<br>Boulevard  | Rockville  | MD    | 1999              | 147,689                           | 85.0%  | 2,751   | 24.53  |
| 2275 Research<br>Boulevard  | Rockville  | MD    | 1990              | 147,267                           | 91.2%  | 2,993   | 23.17  |
| 2277 Research<br>Boulevard  | Rockville  | MD    | 1986              | 137,045                           | 100.0%   | 3,012   | 24.29  |
| 11720 Beltsville<br>Drive   | Beltsville | MD    | 1987              | 132,252                           | 58.8%  | 875   | 17.72  |
| 7735 Old<br>Georgetown Road | Bethesda   | MD    | 1964/1997         | 124,480                           | 98.4%  | 3,233   | 30.38  |
| 11700 Beltsville<br>Drive   | Beltsville | MD    | 1981              | 95,983                            | 71.1%  | 1,517   | 21.75  |
| 11710 Beltsville<br>Drive   | Beltsville | MD    | 1987              | 77,869                            | 80.0%  | 1,586   | 25.05  |
| 11740 Beltsville<br>Drive   | Beltsville | MD    | 1987              | 6,783                             | 100.0%   | 160   | 26.41  |
| 1676 International<br>Drive | McLean     | VA    | 1999              | 299,413                           | 100.0%   | 9,152   | 31.59  |
|                             | Herndon    | VA    | 1987              | 264,405                           | 96.8%  | 2,443   | 26.04  |

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|                                    |              |    |      |         |        |       |       |
|------------------------------------|--------------|----|------|---------|--------|-------|-------|
| 2340 Dulles Corner Boulevard       | Vienna       | VA | 1989 | 202,684 | 100.0% | 4,244 | 23.65 |
| 1900 Gallows Road                  | Falls Church | VA | 1999 | 183,111 | 72.4%  | 5,213 | 30.96 |
| 3130 Fairview Park Drive           | Falls Church | VA | 1988 | 180,041 | 92.9%  | 3,886 | 24.36 |
| 3141 Fairview Park Drive           | Herndon      | VA | 1988 | 179,074 | 98.7%  | 1,311 | 15.63 |
| 2355 Dulles Corner Boulevard       | Herndon      | VA | 1990 | 177,072 | 95.4%  | 5,078 | 30.10 |
| 2411 Dulles Corner Park            | Reston       | VA | 1985 | 172,448 | 100.0% | 3,110 | 19.78 |
| 1880 Campus Commons Drive          | Herndon      | VA | 2000 | 161,274 | 100.0% | 4,435 | 27.74 |
| 2121 Cooperative Way               | McLean       | VA | 1980 | 161,229 | 93.3%  | 3,667 | 25.03 |
| 8260 Greensboro Drive              | Herndon      | VA | 2000 | 158,016 | 100.0% | 664   | 32.93 |
| 2251 Corporate Park Drive          | Herndon      | VA | 1997 | 151,747 | 100.0% | 4,686 | 30.83 |
| 13880 Dulles Corner Lane           | Vienna       | VA | 1984 | 150,919 | 92.2%  | 3,161 | 24.54 |
| 8521 Leesburg Pike                 | Fairfax      | VA | 1985 | 150,432 | 92.7%  | 3,335 | 24.52 |
| 12015 Lee Jackson Memorial Highway | Herndon      | VA | 1990 | 138,545 | 100.0% | 3,829 | 28.41 |
| 2201 Cooperative Way               | Fairfax      | VA | 1982 | 127,227 | 96.8%  | 3,048 | 24.26 |
| 11781 Lee Jackson Memorial Highway | Herndon      | VA | 1989 | 104,466 | 100.0% | 2,484 | 24.67 |
| 13825 Sunrise Valley Drive         | Fairfax      | VA | 1988 | 55,972  | 98.7%  | 1,573 | 24.13 |
| 4401 Fair Lakes Court              |              |    |      |         |        |       |       |

**PENNSYLVANIA  
NORTH  
SEGMENT**

|                            |                  |    |           |         |        |       |       |
|----------------------------|------------------|----|-----------|---------|--------|-------|-------|
| 100-300 Gundy Drive        | Reading          | PA | 1970      | 452,902 | 100.0% | 7,222 | 15.64 |
| 401 Plymouth Road          | Plymouth Meeting | PA | 2001      | 201,528 | 100.0% | 5,880 | 27.08 |
| 300 Corporate Center Drive | Camp Hill        | PA | 1989      | 175,280 | 91.3%  | 1,920 | 10.23 |
| 7535 Windsor Drive         | Allentown        | PA | 1988/2004 | 132,375 | 76.0%  | 1,372 | 16.01 |
| 100 Kachel Blvd            | Reading          | PA | 1970      | 131,082 | 100.0% | 2,960 | 21.45 |
| 501 Office Center Drive    | Fort Washington  | PA | 1974/2005 | 114,795 | 98.0%  | 2,340 | 20.83 |
| 7130 Ambassador Drive      | (f) Allentown    | PA | 1991      | 114,049 | 100.0% | 430   | 3.76  |
| 7350 Tilghman Street       | Allentown        | PA | 1987      | 111,500 | 100.0% | 1,983 | 20.11 |
| 7450 Tilghman Street       | Allentown        | PA | 1986      | 100,000 | 100.0% | 1,545 | 18.02 |



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| Property Name                            | Location         | State | Year<br>Renovated/<br>Built/ | Net<br>Rentable<br>Square<br>Feet | Percentage<br>Leased as of<br>December<br>31,<br>2006 (a) | Total Base  | Average  |
|--|------------------|-------|------------------------------|-----------------------------------|---|---|--|
|  |                  |       |                              |                                   |   | Rent<br>for the<br>Twelve<br>Months<br>Ended<br>December<br>31,<br>2006 (b) | Annualized<br>Rental<br>Rate<br>as of<br>December<br>31,<br>2006 (c) |
| 620 West<br>Germantown Pike              | Plymouth Meeting | PA    | 1990                         | 90,175                            | 89.3%   | 1,772   | 27.91  |
| 610 West<br>Germantown Pike              | Plymouth Meeting | PA    | 1987                         | 90,152                            | 100.0%  | 2,406   | 30.12  |
| 630 West<br>Germantown Pike              | Plymouth Meeting | PA    | 1988                         | 89,925                            | 88.8%   | 1,768   | 24.05  |
| 600 West<br>Germantown Pike              | Plymouth Meeting | PA    | 1986                         | 89,681                            | 97.4%   | 2,237   | 20.77  |
| 3331 Street Road<br>-Greenwood<br>Square | Bensalem         | PA    | 1986                         | 81,575                            | 98.8%   | 1,447   | 20.45  |
| One Progress<br>Drive                    | Horsham          | PA    | 1986                         | 79,204                            | 100.0%  | 848   | 13.40  |
| 323 Norristown<br>Road                   | Lower Gwyned     | PA    | 1988                         | 76,287                            | 100.0%  | 1,447   | 19.16  |
| 160 - 180 West<br>Germantown Pike        | East Norriton    | PA    | 1982                         | 73,394                            | 69.4%   | 902   | 17.15  |
| 500 Enterprise<br>Road                   | Horsham          | PA    | 1990                         | 66,751                            | 100.0%  | 506   | 13.53  |
| 925 Harvest Drive                        | Blue Bell        | PA    | 1990                         | 62,957                            | 100.0%  | 1,060   | 19.22  |
| 980 Harvest Drive                        | Blue Bell        | PA    | 1988                         | 62,379                            | 100.0%  | 1,317   | 21.32  |
| 3329 Street Road<br>-Greenwood<br>Square | Bensalem         | PA    | 1985                         | 60,705                            | 100.0%  | 1,146   | 21.02  |
| 200 Corporate<br>Center Drive            | Camp Hill        | PA    | 1989                         | 60,000                            | 100.0%  | 1,051   | 17.23  |
| 321 Norristown<br>Road                   | Lower Gwyned     | PA    | 1971                         | 59,994                            | 95.0%   | 1,056   | 19.22  |
| 520 Virginia Drive                       | Fort Washington  | PA    | 1987                         | 56,454                            | 100.0%  | 704   | 13.72  |
| 910 Harvest Drive                        | Blue Bell        | PA    | 1990                         | 52,611                            | 100.0%  | 1,119   | 20.96  |
| 2240/50 Butler<br>Pike                   | Plymouth Meeting | PA    | 1984                         | 51,894                            | 77.8%   | 554   | 17.71  |
| 920 Harvest Drive                        | Blue Bell        | PA    | 1990                         | 51,388                            | 94.2%   | 803   | 18.55  |
| 1155 Business<br>Center Drive            | Horsham          | PA    | 1990                         | 51,236                            | 100.0%  | 598   | 15.71  |
| 800 Business<br>Center Drive             | Horsham          | PA    | 1986                         |                                   |   |   |  |

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|                                    |                  |    |      |        |        |     |       |
|------------------------------------|------------------|----|------|--------|--------|-----|-------|
| 7150 Windsor Drive                 | Allentown        | PA | 1988 | 49,420 | 100.0% | 542 | 14.41 |
| 6575 Snowdrift Road                | Allentown        | PA | 1988 | 47,091 | 100.0% | 396 | 13.31 |
| 220 Commerce Drive                 | Fort Washington  | PA | 1985 | 46,080 | 94.5%  | 794 | 21.39 |
| 6990 Snowdrift Road (A)            | Allentown        | PA | 2003 | 44,200 | 100.0% | 763 | 18.30 |
| 7248 Tilghman Street               | Allentown        | PA | 1987 | 43,782 | 73.2%  | 535 | 17.56 |
| 7360 Windsor Drive                 | Allentown        | PA | 2001 | 43,600 | 100.0% | 935 | 24.41 |
| 300 Welsh Road Building I          | Horsham          | PA | 1980 | 40,042 | 100.0% | 679 | 18.65 |
| 7310 Tilghman Street               | Allentown        | PA | 1985 | 40,000 | 83.5%  | 472 | 17.73 |
| 150 Corporate Center Drive         | Camp Hill        | PA | 1987 | 39,401 | 94.1%  | 703 | 18.84 |
| 755 Business Center Drive          | Horsham          | PA | 1998 | 38,050 | 100.0% | 576 | 24.98 |
| 7010 Snowdrift Road                | Allentown        | PA | 1991 | 33,029 | 60.5%  | 145 | 15.67 |
| 2260 Butler Pike                   | Plymouth Meeting | PA | 1984 | 31,892 | 100.0% | 654 | 14.59 |
| 700 Business Center Drive          | Horsham          | PA | 1986 | 30,773 | 100.0% | 434 | 14.78 |
| 120 West Germantown Pike           | Plymouth Meeting | PA | 1984 | 30,574 | 100.0% | 562 | 20.10 |
| 650 Dresher Road                   | Horsham          | PA | 1984 | 30,071 | 100.0% | 684 | 23.71 |
| 655 Business Center Drive          | Horsham          | PA | 1997 | 29,849 | 94.3%  | 399 | 19.70 |
| 630 Dresher Road                   | Horsham          | PA | 1987 | 28,894 | 100.0% | 717 | 25.95 |
| 6990 Snowdrift Road (B)            | Allentown        | PA | 2004 | 27,900 | 100.0% | 401 | 17.71 |
| 140 West Germantown Pike           | Plymouth Meeting | PA | 1984 | 25,357 | 100.0% | 488 | 23.09 |
| 3333 Street Road -Greenwood Square | Bensalem         | PA | 1988 | 25,000 | 100.0% | 539 | 23.89 |
| 800 Corporate Circle Drive         | Harrisburg       | PA | 1979 | 24,862 | 49.7%  | 197 | 17.80 |
| 500 Nationwide Drive               | Harrisburg       | PA | 1977 | 18,027 | 75.5%  | 211 | 18.85 |
| 600 Corporate Circle Drive         | Harrisburg       | PA | 1978 | 17,858 | 100.0% | 287 | 18.41 |
| 300 Welsh Road Building II         | Horsham          | PA | 1980 | 17,750 | 100.0% | 333 | 17.29 |
| 2404 Park Drive                    | Harrisburg       | PA | 1983 | 11,000 | 100.0% | 215 | 19.00 |
| 2401 Park Drive                    | Harrisburg       | PA | 1984 | 10,074 | 100.0% | 183 | 18.74 |

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| Property Name   | Location                           | State | Renovated<br>Year | Net<br>Rentable<br>Square<br>Feet | Percentage<br>Leased as<br>of<br>December<br>31,<br>2006 (a) | Total<br>Base<br>Rent<br>for the<br>Twelve<br>Months<br>Ended<br>December<br>31,<br>2006 (b) | Average<br>Annualized<br>Rental<br>Rate<br>as of<br>December<br>31,<br>2006 (c) |
|---|------------------------------------|-------|-------------------|-----------------------------------|--|--|---|
| George Kachel<br>Farmhouse                            | Reading                            | PA    | 2000              | 1,664                             | 0.0%   |  |   |
| <b>PENNSYLVANIA<br/>WEST SEGMENT</b>                  |                                    |       |                   |                                   |  |  |   |
| 101 West Elm Street<br>One Radnor<br>Corporate Center | W. Conshohocken<br>Radnor          | PA    | 1999              | 185,774                           | 77.2%  | 3,371  | 25.18   |
| Four Radnor<br>Corporate Center                       | Radnor                             | PA    | 1995              | 185,166                           | 65.9%  | 4,743  | 31.86   |
| Five Radnor<br>Corporate Center                       | Radnor                             | PA    | 1998              | 165,138                           | 78.5%  | 2,988  | 21.02   |
| 751-761 Fifth<br>Avenue                               | King Of Prussia                    | PA    | 1967              | 158,000                           | 100.0%   | 532  | 3.39  |
| 630 Allendale Road                                    | King of Prussia                    | PA    | 2000              | 150,000                           | 100.0%   | 3,722  | 25.40   |
| 640 Freedom<br>Business Center                        | (d) King Of Prussia                | PA    | 1991              | 132,000                           | 84.1%  | 2,796  | 25.65   |
| 52 Swedesford<br>Square                               | East Whiteland Twp.                | PA    | 1988              | 131,017                           | 100.0%   | 2,677  | 21.18   |
| 400 Berwyn Park<br>Three Radnor<br>Corporate Center   | Berwyn<br>Radnor                   | PA    | 1999              | 124,182                           | 100.0%   | 3,256  | 26.72   |
| 101 Lindenwood<br>Drive                               | Malvern                            | PA    | 1988              | 119,194                           | 80.0%  | 2,635  | 28.38   |
| 300 Berwyn Park<br>442 Creamery Way                   | Berwyn<br>Exton                    | PA    | 1989              | 118,121                           | 100.0%   | 2,114  | 19.36   |
| Two Radnor<br>Corporate Center                        | (f) Radnor                         | PA    | 1998              | 109,919                           | 98.8%  | 2,180  | 24.12   |
| 301 Lindenwood<br>Drive                               | Malvern                            | PA    | 1984              | 104,500                           | 100.0%   | 598  | 6.28  |
| 1 West Elm Street<br>555 Croton Road                  | W. Conshohocken<br>King of Prussia | PA    | 1999              | 100,973                           | 69.0%  | 2,156  | 30.10   |
| 500 North Gulph<br>Road                               | King Of Prussia                    | PA    | 1979              | 97,813                            | 99.3%  | 1,766  | 18.63   |
| 630 Freedom<br>Business Center                        | (d) King Of Prussia                | PA    | 1989              | 97,737                            | 100.0%   | 2,744  | 28.44   |
|   |                                    |       |                   | 96,909                            | 100.0%   | 2,696  | 29.74   |
|   |                                    |       |                   | 93,082                            | 80.8%  | 2,184  | 19.09   |
|   |                                    |       |                   | 86,683                            | 97.0%  | 1,986  | 25.71   |

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|                             |     |                 |    |      |        |        |       |       |
|-----------------------------|-----|-----------------|----|------|--------|--------|-------|-------|
| 620 Freedom Business Center | (d) | King Of Prussia | PA | 1986 |        |        |       |       |
| 1200 Swedesford Road        |     | Berwyn          | PA | 1994 | 86,570 | 100.0% | 1,569 | 16.93 |
| 595 East Swedesford Road    |     | Wayne           | PA | 1998 | 86,000 | 100.0% | 2,111 | 26.99 |
| 1050 Westlakes Drive        |     | Berwyn          | PA | 1984 | 81,890 | 100.0% | 1,573 | 21.35 |
| 1060 First Avenue           |     | King Of Prussia | PA | 1987 | 80,000 | 100.0% | 719   |       |
| 741 First Avenue            |     | King Of Prussia | PA | 1966 | 77,718 | 90.6%  | 1,380 | 22.03 |
| 1040 First Avenue           |     | King Of Prussia | PA | 1985 | 77,184 | 100.0% | 580   | 8.85  |
| 200 Berwyn Park             |     | Berwyn          | PA | 1987 | 75,488 | 93.6%  | 1,321 | 21.97 |
| 1020 First Avenue           |     | King Of Prussia | PA | 1984 | 75,025 | 100.0% | 1,574 | 23.40 |
| 1000 First Avenue           |     | King Of Prussia | PA | 1984 | 74,556 | 100.0% | 1,639 | 23.37 |
| 436 Creamery Way            |     | Exton           | PA | 1980 | 74,139 | 56.8%  | 921   | 23.38 |
| 14 Campus Boulevard         |     | Newtown Square  | PA | 1991 | 72,300 | 87.8%  | 616   | 13.53 |
| 575 East Swedesford Road    |     | Wayne           | PA | 1998 | 69,542 | 100.0% | 1,466 | 25.83 |
| 429 Creamery Way            |     | Exton           | PA | 1985 | 66,265 | 100.0% | 1,251 | 21.43 |
| 610 Freedom Business Center | (d) | King Of Prussia | PA | 1996 | 63,420 | 100.0% | 777   | 14.94 |
| 426 Lancaster Avenue        |     | Devon           | PA | 1985 | 62,991 | 100.0% | 1,420 | 26.90 |
| 1180 Swedesford Road        |     | Berwyn          | PA | 1990 | 61,102 | 100.0% | 1,213 | 17.63 |
| 1160 Swedesford Road        |     | Berwyn          | PA | 1987 | 60,371 | 100.0% | 1,847 | 32.05 |
| 100 Berwyn Park             |     | Berwyn          | PA | 1986 | 60,099 | 100.0% | 1,413 | 24.49 |
| 440 Creamery Way            |     | Exton           | PA | 1986 | 57,731 | 98.0%  | 1,087 | 22.66 |
| 640 Allendale Road          | (f) | King of Prussia | PA | 1991 | 57,218 | 100.0% | 446   | 7.78  |
| 565 East Swedesford Road    |     | Wayne           | PA | 2000 | 56,034 | 100.0% | 350   | 7.83  |
| 650 Park Avenue             |     | King Of Prussia | PA | 1984 | 55,979 | 100.0% | 1,010 | 19.95 |
| 855 Springdale Drive        |     | Exton           | PA | 1968 | 54,338 | 97.1%  | 796   | 15.36 |
|                             |     |                 | PA | 1986 | 53,500 | 33.3%  | 44    |       |

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| Property Name            | Location            | State | Year<br>Renovated/<br>Built/ | Net<br>Rentable<br>Square<br>Feet | Percentage<br>Leased as<br>of<br>December<br>31,<br>2006 (a) | Total Base<br>Rent<br>for the<br>Twelve<br>Months<br>Ended<br>December<br>31,<br>2006 (b)<br>(000 s) | Average<br>Annualized<br>Rental<br>Rate<br>as of<br>December<br>31,<br>2006 (c) |
|--------------------------|---------------------|-------|------------------------------|-----------------------------------|--|--|---|
| 680 Allendale Road       | King Of Prussia     | PA    | 1962                         | 52,528                            | 100.0%   | 544  | 13.34   |
| 486 Thomas Jones Way     | Exton               | PA    | 1990                         | 51,372                            | 81.6%  | 677  | 19.83   |
| 660 Allendale Road       | (f) King of Prussia | PA    | 1962                         | 50,635                            | 100.0%   | 365  | 9.17  |
| 875 First Avenue         | King of Prussia     | PA    | 1966                         | 50,000                            | 100.0%   | 1,038  | 21.15   |
| 630 Clark Avenue         | King of Prussia     | PA    | 1960                         | 50,000                            | 100.0%   | 301  | 7.36  |
| 620 Allendale Road       | King of Prussia     | PA    | 1961                         | 50,000                            | 100.0%   | 978  | 21.38   |
| 15 Campus Boulevard      | Newtown Square      | PA    | 2002                         | 49,621                            | 100.0%   | 991  | 21.56   |
| 479 Thomas Jones Way     | Exton               | PA    | 1988                         | 49,264                            | 100.0%   | 765  | 17.30   |
| 17 Campus Boulevard      | Newtown Square      | PA    | 2001                         | 48,565                            | 100.0%   | 1,224  | 28.52   |
| 11 Campus Boulevard      | Newtown Square      | PA    | 1998                         | 47,700                            | 100.0%   | 1,064  | 18.64   |
| 456 Creamery Way         | Exton               | PA    | 1987                         | 47,604                            | 100.0%   | 364  | 7.89  |
| 585 East Swedesford Road | Wayne               | PA    | 1998                         | 43,683                            | 100.0%   | 1,018  | 24.76   |
| 1100 Cassett Road        | Berwyn              | PA    | 1997                         | 43,480                            | 100.0%   | 1,106  | 29.65   |
| 467 Creamery Way         | Exton               | PA    | 1988                         | 42,000                            | 100.0%   | 554  | 18.20   |
| 1336 Enterprise Drive    | West Goshen         | PA    | 1989                         | 39,330                            | 100.0%   | 796  | 22.43   |
| 600 Park Avenue          | King of Prussia     | PA    | 1964                         | 39,000                            | 100.0%   | 536  | 15.02   |
| 412 Creamery Way         | Exton               | PA    | 1999                         | 38,098                            | 77.3%  | 677  | 23.33   |
| 18 Campus Boulevard      | Newtown Square      | PA    | 1990                         | 37,374                            | 52.6%  | 740  | 21.94   |
| 457 Creamery Way         | Exton               | PA    | 1990                         | 36,019                            | 100.0%   | 386  | 14.70   |
| 100 Arrandale Boulevard  | Exton               | PA    | 1997                         | 34,931                            | 100.0%   | 550  | 20.01   |
|                          | Malvern             | PA    | 1991                         | 33,000                            | 0.0%   | 376  |   |

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|                                |                 |    |      |         |        |       |       |
|--------------------------------|-----------------|----|------|---------|--------|-------|-------|
| 300 Lindenwood Drive           |                 |    |      |         |        |       |       |
| 468 Thomas Jones Way           | Exton           | PA | 1990 | 28,934  | 100.0% | 483   | 18.00 |
| 1700 Paoli Pike                | Malvern         | PA | 2000 | 28,000  | 100.0% | 504   | 20.65 |
| 2490 Boulevard of the Generals | King of Prussia | PA | 1975 |         |        |       |       |
| 481 John Young Way             | Exton           | PA | 1997 | 20,600  | 100.0% | 434   | 20.77 |
| 100 Lindenwood Drive           | Malvern         | PA | 1985 | 19,275  | 100.0% | 405   | 22.50 |
| 748 Springdale Drive           | Exton           | PA | 1986 | 18,400  | 100.0% | 319   | 19.79 |
| 200 Lindenwood Drive           | Malvern         | PA | 1984 | 13,950  | 77.7%  | 209   | 18.62 |
| 111 Arrandale Road             | Exton           | PA | 1996 | 12,600  | 65.3%  | 148   | 18.39 |
|                                |                 |    |      | 10,479  | 100.0% | 196   | 17.76 |
| <b>NEW JERSEY SEGMENT</b>      |                 |    |      |         |        |       |       |
| 50 East State Street           | Trenton         | NJ | 1989 |         |        |       |       |
| 1009 Lenox Drive               | Lawrenceville   | NJ | 1989 | 305,884 | 91.3%  | 5,278 | 29.88 |
| 10000 Midlantic Drive          | Mt. Laurel      | NJ | 1990 | 180,460 | 89.8%  | 3,777 | 28.42 |
| 33 West State Street           | Trenton         | NJ | 1988 | 179,098 | 90.0%  | 2,727 | 22.82 |
| 525 Lincoln Drive West         | Marlton         | NJ | 1986 | 167,774 | 99.6%  | 2,987 | 31.17 |
| Main Street Plaza 1000         | Voorhees        | NJ | 1988 | 165,956 | 96.7%  | 2,562 | 20.28 |
| 457 Haddonfield Road           | Cherry Hill     | NJ | 1990 | 162,364 | 94.6%  | 3,247 | 24.44 |
| 2000 Midlantic Drive           | Mt. Laurel      | NJ | 1989 | 121,737 | 100.0% | 2,689 | 24.13 |
| 700 East Gate Drive            | Mt. Laurel      | NJ | 1984 | 121,658 | 100.0% | 2,022 | 24.06 |
| 2000 Lenox Drive               | Lawrenceville   | NJ | 2000 | 119,272 | 79.2%  | 2,061 | 24.45 |
| 989 Lenox Drive                | Lawrenceville   | NJ | 1984 | 119,114 | 100.0% | 3,208 | 30.57 |
| 993 Lenox Drive                | Lawrenceville   | NJ | 1985 | 112,055 | 91.3%  | 2,734 | 30.46 |
| 1000 Howard Boulevard          | Mt. Laurel      | NJ | 1988 | 111,124 | 100.0% | 2,882 | 29.00 |
| 100 Brandywine Boulevard       | Newtown         | PA | 2002 | 105,312 | 100.0% | 1,934 | 22.85 |
| 997 Lenox Drive                | Lawrenceville   | NJ | 1987 | 102,000 | 100.0% | 2,681 | 25.73 |
| 1000 Atrium Way                | Mt. Laurel      | NJ | 1989 | 97,277  | 100.0% | 2,387 | 27.27 |
|                                |                 |    |      | 97,158  | 47.7%  | 1,020 | 21.48 |

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| Property Name            | Location    | State | Year<br>Renovated/<br>Built/ | Net<br>Rentable<br>Square<br>Feet | Percentage<br>Leased as<br>of<br>December<br>31,<br>2006 (a) | Total Base<br>Rent<br>for the<br>Twelve<br>Months<br>Ended<br>December<br>31,<br>2006 (b)<br>(000 s) | Average<br>Annualized<br>Rental<br>Rate<br>as of<br>December<br>31,<br>2006 (c) |
|--------------------------|-------------|-------|------------------------------|-----------------------------------|--|--|---|
| 1120 Executive Boulevard | Mt. Laurel  | NJ    | 1987                         | 95,278                            | 98.8%  | 1,503  | 17.14   |
| 15000 Midlantic Drive    | Mt. Laurel  | NJ    | 1991                         | 84,056                            | 100.0%   | 1,355  | 19.75   |
| 220 Lake Drive East      | Cherry Hill | NJ    | 1988                         | 78,509                            | 76.1%  | 1,198  | 22.95   |
| 1007 Laurel Oak Road     | Voorhees    | NJ    | 1996                         | 78,205                            | 100.0%   | 621  | 7.94  |
| 10 Lake Center Drive     | Marlton     | NJ    | 1989                         | 76,359                            | 95.2%  | 1,117  | 20.10   |
| 200 Lake Drive East      | Cherry Hill | NJ    | 1989                         | 76,352                            | 96.0%  | 1,609  | 22.92   |
| 1400 Howard Boulevard    | Mt. Laurel  | NJ    | 1995/2005                    | 75,590                            | 100.0%   | 1,431  | 23.20   |
| Three Greentree Centre   | Marlton     | NJ    | 1984                         | 69,300                            | 96.1%  | 1,313  | 22.66   |
| 9000 Midlantic Drive     | Mt. Laurel  | NJ    | 1989                         | 67,299                            | 100.0%   | 836  | 22.86   |
| 6 East Clementon Road    | Gibbsboro   | NJ    | 1980                         | 66,236                            | 87.1%  | 981  | 18.75   |
| 701 East Gate Drive      | Mt. Laurel  | NJ    | 1986                         | 61,794                            | 100.0%   | 1,280  | 22.55   |
| 210 Lake Drive East      | Cherry Hill | NJ    | 1986                         | 60,604                            | 94.2%  | 1,214  | 22.25   |
| 308 Harper Drive         | Moorestown  | NJ    | 1976                         | 59,500                            | 79.5%  | 1,001  | 22.57   |
| 305 Fellowship Drive     | Mt. Laurel  | NJ    | 1980                         | 56,824                            | 100.0%   | 1,068  | 22.14   |
| Two Greentree Centre     | Marlton     | NJ    | 1983                         | 56,075                            | 69.6%  | 836  | 22.86   |
| 309 Fellowship Drive     | Mt. Laurel  | NJ    | 1982                         | 55,911                            | 100.0%   | 1,217  | 26.19   |
| One Greentree Centre     | Marlton     | NJ    | 1982                         | 55,838                            | 95.1%  | 1,072  | 20.96   |
| 8000 Lincoln Drive       | Marlton     | NJ    | 1997                         | 54,923                            | 100.0%   | 1,003  | 18.47   |
| 307 Fellowship Drive     | Mt. Laurel  | NJ    | 1981                         | 54,485                            | 93.6%  | 1,047  | 24.71   |

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|                           |               |    |      |           |        |        |       |
|---------------------------|---------------|----|------|-----------|--------|--------|-------|
| 303 Fellowship Drive      | Mt. Laurel    | NJ | 1979 | 53,768    | 100.0% | 1,037  | 22.43 |
| 1000 Bishops Gate         | Mt. Laurel    | NJ | 2005 | 53,281    | 100.0% | 1,167  | 22.53 |
| 1000 Lenox Drive          | Lawrenceville | NJ | 1982 | 52,264    | 100.0% | 1,329  | 28.83 |
| 2 Foster Avenue (f)       | Gibbsboro     | NJ | 1974 | 50,761    | 100.0% | 165    | 5.11  |
| 4000 Midlantic Drive      | Mt. Laurel    | NJ | 1998 | 46,945    | 100.0% | 657    | 22.34 |
| Five Eves Drive           | Marlton       | NJ | 1986 | 45,564    | 100.0% | 815    | 19.68 |
| 161 Gaither Drive         | Mount Laurel  | NJ | 1987 | 44,739    | 96.0%  | 647    | 16.64 |
| Main Street Piazza        | Voorhees      | NJ | 1990 | 44,708    | 97.3%  | 725    | 17.92 |
| 30 Lake Center Drive      | Marlton       | NJ | 1986 | 40,287    | 48.1%  | 750    | 22.14 |
| 20 East Clementon Road    | Gibbsboro     | NJ | 1986 | 38,260    | 100.0% | 549    | 17.77 |
| Two Eves Drive            | Marlton       | NJ | 1987 | 37,532    | 82.9%  | 564    | 17.98 |
| 304 Harper Drive          | Moorestown    | NJ | 1975 | 32,978    | 97.5%  | 655    | 23.39 |
| Main Street Promenade     | Voorhees      | NJ | 1988 | 31,445    | 96.5%  | 502    | 17.58 |
| Four B Eves Drive         | Marlton       | NJ | 1987 | 27,011    | 82.8%  | 376    | 16.59 |
| 815 East Gate Drive       | Mt. Laurel    | NJ | 1986 | 25,500    | 100.0% | 246    | 11.72 |
| 817 East Gate Drive       | Mt. Laurel    | NJ | 1986 | 25,351    | 38.5%  | 142    | 16.16 |
| Four A Eves Drive         | Marlton       | NJ | 1987 | 24,687    | 100.0% | 327    | 15.49 |
| 1 Foster Avenue (f)       | Gibbsboro     | NJ | 1972 | 24,255    | 100.0% | 62     | 4.45  |
| 4 Foster Avenue (f)       | Gibbsboro     | NJ | 1974 | 23,372    | 100.0% | 150    | 8.65  |
| 7 Foster Avenue           | Gibbsboro     | NJ | 1983 | 22,158    | 100.0% | 367    | 21.19 |
| 10 Foster Avenue          | Gibbsboro     | NJ | 1983 | 18,651    | 100.0% | 259    | 17.26 |
| 305 Harper Drive          | Moorestown    | NJ | 1979 | 14,980    | 100.0% | 127    | 9.61  |
| 5 U.S. Avenue (f)         | Gibbsboro     | NJ | 1987 | 5,000     | 100.0% | 23     | 4.40  |
| 50 East Clementon Road    | Gibbsboro     | NJ | 1986 | 3,080     | 100.0% | 145    | 47.01 |
| 5 Foster Avenue           | Gibbsboro     | NJ | 1968 | 2,000     | 100.0% | 7      |       |
| <b>SOUTHWEST SEGMENT</b>  |               |    |      |           |        |        |       |
| 2711 North Haskell Avenue | Dallas        | TX | 1988 | 1,303,161 | 90.4%  | 19,900 | 18.65 |

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| Property Name                             | Location         | State | Renovated<br>Year | Net<br>Rentable<br>Square<br>Feet | Percentage<br>Leased as of<br>December<br>31,<br>2006 (a) | Total Base<br>Rent<br>for the<br>Twelve<br>Months<br>Ended<br>December<br>31,<br>2006 (b)<br>(000 s) | Average<br>Annualized<br>Rental<br>Rate<br>as of<br>December<br>31,<br>2006 (c) |
|---|------------------|-------|-------------------|-----------------------------------|---|--|---|
| 1501/1503 LBJ<br>Freeway                  | Dallas           | TX    | 1985              | 355,895                           | 72.1%   | 4,891  | 19.60   |
| 1505/1507 LBJ<br>Freeway                  | Dallas           | TX    | 1989              | 352,177                           | 94.1%   | 7,414  | 24.23   |
| 1250 Capital of<br>Texas Highway<br>South | Austin           | TX    | 1984              | 269,321                           | 90.1%   | 3,232  | 22.62   |
| 1301 Mopac<br>Expressway                  | Austin           | TX    | 2001              | 222,581                           | 99.1%   | 4,441  | 29.60   |
| 1603 LBJ Freeway                          | Dallas           | TX    | 1985              | 200,375                           | 69.4%   | 2,049  | 12.22   |
| 1601 Mopac<br>Expressway                  | Austin           | TX    | 2000              | 195,639                           | 100.0%  | 2,562  | 25.20   |
| 1501 South Mopac<br>Expressway            | Austin           | TX    | 1999              | 195,164                           | 100.0%  | 3,026  | 25.76   |
| 1601 LBJ Freeway                          | Dallas           | TX    | 1982              | 182,739                           | 100.0%  | 3,085  | 15.60   |
| 1221 Mopac<br>Expressway                  | Austin           | TX    | 2001              | 173,302                           | 96.0%   | 3,541  | 30.62   |
| 1801 Mopac<br>Expressway                  | Austin           | TX    | 1999              | 58,576                            | 100.0%  | 974  | 29.13   |
| <b>URBAN<br/>SEGMENT</b>                  |                  |       |                   |                                   |   |  |   |
| 2929 Arch Street                          | Philadelphia     | PA    | 2006              | 729,723                           | 99.4%   | 16,653   | 22.61   |
| 100 North 18th<br>Street                  | (e) Philadelphia | PA    | 1988              | 701,645                           | 99.1%   | 20,235   | 31.52   |
| 130 North 18th<br>Street                  | Philadelphia     | PA    | 1998              | 594,361                           | 100.0%  | 12,852   | 29.54   |
| Philadelphia<br>Marine Center             | (d) Philadelphia | PA    | Various           | 181,900                           | 100.0%  | 1,491  | 5.45  |
| 300 Delaware<br>Avenue                    | Wilmington       | DE    | 1989              | 310,929                           | 79.5%   | 3,613  | 15.08   |
| 920 North King<br>Street                  | Wilmington       | DE    | 1989              | 203,328                           | 100.0%  | 4,604  | 24.61   |
| 400 Commerce<br>Drive                     | Newark           | DE    | 1997              | 154,086                           | 100.0%  | 2,229  | 15.82   |
| One Righter<br>Parkway                    | (d) Wilmington   | DE    | 1989              | 105,237                           | 93.1%   | 1,719  | 18.40   |

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|                                |     |            |    |      |         |        |       |       |
|--------------------------------|-----|------------|----|------|---------|--------|-------|-------|
| Two Righter Parkway            | (d) | Wilmington | DE | 1987 | 95,514  | 0.0%   | 1,759 |       |
| 200 Commerce Drive             |     | Newark     | DE | 1998 | 68,034  | 100.0% | 1,327 | 18.51 |
| 100 Commerce Drive             |     | Newark     | DE | 1989 | 62,787  | 99.8%  | 1,106 | 15.35 |
| 111/113 Pencader Drive         |     | Newark     | DE | 1990 | 52,665  | 100.0% | 505   | 12.73 |
| <b>VIRGINIA SEGMENT</b>        |     |            |    |      |         |        |       |       |
| 600 East Main Street           |     | Richmond   | VA | 1986 | 420,575 | 93.8%  | 6,957 | 19.14 |
| 300 Arboretum Place            |     | Richmond   | VA | 1988 | 212,647 | 100.0% | 3,822 | 18.97 |
| 6800 Paragon Place             |     | Richmond   | VA | 1986 | 145,127 | 98.9%  | 2,075 | 19.22 |
| 6802 Paragon Place             |     | Richmond   | VA | 1989 | 143,585 | 87.4%  | 2,311 | 18.07 |
| 2511 Brittons Hill Road        | (f) | Richmond   | VA | 1987 | 132,548 | 100.0% | 673   | 6.20  |
| 2100-2116 West Laburnam Avenue |     | Richmond   | VA | 1976 | 127,287 | 95.6%  | 1,929 | 16.01 |
| 1957 Westmoreland Street       | (f) | Richmond   | VA | 1975 | 121,815 | 100.0% | 656   | 8.25  |
| 2201-2245 Tomlynn Street       | (f) | Richmond   | VA | 1989 | 85,860  | 100.0% | 543   | 5.30  |
| 100 Gateway Centre Parkway     |     | Richmond   | VA | 2001 | 74,585  | 0.0%   | 1,348 |       |
| 9011 Arboretum Parkway         |     | Richmond   | VA | 1991 | 72,949  | 98.0%  | 1,225 | 17.52 |
| 4805 Lake Brooke Drive         |     | Glen Allen | VA | 1996 | 61,347  | 94.8%  | 878   | 15.50 |
| 9100 Arboretum Parkway         |     | Richmond   | VA | 1988 | 57,838  | 100.0% | 1,005 | 19.02 |
| 2812 Emerywood Parkway         |     | Henrico    | VA | 1980 | 56,984  | 100.0% | 841   | 15.49 |
| 2277 Dabney Road               | (f) | Richmond   | VA | 1986 | 50,400  | 100.0% | 267   | 7.28  |
| 9200 Arboretum Parkway         |     | Richmond   | VA | 1988 | 49,542  | 71.4%  | 523   | 14.06 |
| 9210 Arboretum Parkway         |     | Richmond   | VA | 1988 | 48,012  | 100.0% | 670   | 13.85 |
| 2212-2224 Tomlynn Street       | (f) | Richmond   | VA | 1985 | 45,353  | 100.0% | 215   | 6.91  |
| 2221-2245 Dabney Road          | (f) | Richmond   | VA | 1994 | 45,250  | 100.0% | 274   | 8.28  |
| 2251 Dabney Road               | (f) | Richmond   | VA | 1983 | 42,000  | 100.0% | 183   | 5.85  |
|                                | (f) | Richmond   | VA | 1985 | 41,550  | 100.0% | 245   | 7.95  |

2161-2179

Tomlynn Street

2256 Dabney

Road

(f)

Richmond

VA

1982

33,600

86.0%

185

7.85

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**Table of Contents**

| Property Name  |     | Location     | State | Year<br>Renovated | Net<br>Rentable<br>Square<br>Feet | Percentage<br>Leased as<br>of<br>December<br>31,<br>2006 (a) | Total<br>Base<br>Rent<br>for the<br>Twelve<br>Months<br>Ended<br>December<br>31,<br>2006 (b) | Average<br>Annualized<br>Rental<br>Rate<br>as of<br>December<br>31,<br>2006 (c) |
|--|-----|--------------|-------|-------------------|-----------------------------------|--|--|---|
| 2246 Dabney Road   | (f) | Richmond     | VA    | 1987              | 33,271                            | 100.0%   | 280  | 10.29   |
| 2244 Dabney Road   | (f) | Richmond     | VA    | 1993              | 33,050                            | 100.0%   | 297  | 10.53   |
| 9211 Arboretum<br>Parkway  |     | Richmond     | VA    | 1991              | 30,791                            | 100.0%   | 438  | 14.23   |
| 2248 Dabney Road   | (f) | Richmond     | VA    | 1989              | 30,184                            | 100.0%   | 207  | 8.23  |
| 2130-2146 Tomlynn<br>Street  | (f) | Richmond     | VA    | 1988              | 29,700                            | 100.0%   | 249  | 10.66   |
| 2120 Tomlyn Street   | (f) | Richmond     | VA    | 1986              | 23,850                            | 100.0%   | 142  | 8.07  |
| 2240 Dabney Road   | (f) | Richmond     | VA    | 1984              | 15,389                            | 100.0%   | 139  | 10.88   |
| 4364 South Alston<br>Avenue  |     | Durham       | NC    | 1985              | 56,601                            | 100.0%   | 1,132  | 20.14   |
| <b>SUBTOTAL FULLY<br/>OWNED<br/>PROPERTIES /<br/>WEIGHTED AVG.</b> |     |              |       |                   | 28,180,705                        | 93.2%  |  |   |
| 1333 Broadway  |     | Oakland      | CA    | 1972              | 238,392                           | 93.7%  | 5,822  | 25.94   |
| 5780 & 5790 Feet Street  |     | Carlsbad     | CA    | 1999              | 121,381                           | 97.3%  | 3,406  | 32.02   |
| 5900 & 5950 La Place<br>Court                                      |     | Carlsbad     | CA    | 1988              | 80,506                            | 98.4%  | 1,675  | 24.08   |
| 16870 West Bernardo<br>Drive                                       |     | San Diego    | CA    | 2002              | 68,708                            | 100.0%   | 2,175  | 34.68   |
| 5963 La Place Court  |     | Carlsbad     | CA    | 1987              | 61,587                            | 87.4%  | 1,321  | 26.02   |
| 2035 Corte Del Nogal   |     | Carlsbad     | CA    | 1991              | 53,982                            | 88.5%  | 1,040  | 21.23   |
| 5973 Avendia Encinas   |     | Carlsbad     | CA    | 1986              | 51,695                            | 100.0%   | 1,325  | 26.88   |
| 2291 Wood Oak Drive  |     | Herndon      | VA    | 1999              | 227,574                           | 100.0%   | 5,152  | 27.70   |
| 198 Van Buren Street   |     | Herndon      | VA    | 1996              | 99,214                            | 80.2%  | 2,119  | 29.92   |
| 196 Van Buren Street   |     | Herndon      | VA    | 1991              | 97,781                            | 87.2%  | 2,081  | 26.78   |
| 1177 East Belt Line<br>Road  |     | Coppell      | TX    | 1998              | 150,000                           | 100.0%   | 1,728  | 12.87   |
| 200 Barr Harbour Drive   |     | Conshohocken | PA    | 1998              | 85,867                            | 77.7%  | 2,251  | 31.90   |
| 181 Washington Street  |     | Conshohocken | PA    | 1999              | 115,122                           | 100.0%   | 3,078  | 28.51   |
|  |     |              |       |                   | 1,451,809                         | 94.2%  |  |   |



**SUBTOTAL  
CONSOLIDATED  
JOINT VENTURES /  
WEIGHTED AVG.**

|                         |                 |    |      |         |       |       |       |
|-------------------------|-----------------|----|------|---------|-------|-------|-------|
| 500 Office Center Drive | Fort Washington | PA | 1974 | 104,303 | 35.7% | 357   | 21.50 |
| 555 Lancaster Avenue    | Radnor          | PA | 1973 | 242,099 | 92.5% | 2,700 | 17.89 |
| 100 Lenox Drive         | Lawrenceville   | NJ | 1991 | 92,980  | 0.0%  | 225   |       |

**SUBTOTAL  
REDEVELOPMENT  
PROPERTIES /  
WEIGHTED AVG.**

|                          |        |    |      |         |       |       |       |
|--------------------------|--------|----|------|---------|-------|-------|-------|
|                          |        |    |      | 439,382 | 59.4% |       |       |
| 150 Radnor Chester Road  | Radnor | PA | 1983 | 335,458 | 78.5% | 5,419 | 23.20 |
| 201 King of Prussia Road | Radnor | PA | 2001 | 251,372 | 57.1% | 3,352 | 33.71 |
| 170 Radnor Chester Road  | Radnor | PA | 1983 | 72,962  | 88.6% | 115   | 5.34  |
| 130 Radnor Chester Road  | Radnor | PA | 1983 | 71,349  | 32.2% | 270   | 11.75 |

**SUBTOTAL  
LEASE-UP  
PROPERTIES /  
WEIGHTED AVG.**

|  |  |  |  |         |       |  |  |
|--|--|--|--|---------|-------|--|--|
|  |  |  |  | 395,683 | 59.4% |  |  |
|--|--|--|--|---------|-------|--|--|

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- (a) Calculated by dividing net rentable square feet included in leases signed on or before December 31, 2006 at the property by the aggregate net rentable square feet of the property.
- (b) Total Base Rent for the twelve months ended December 31, 2006 represents base rents received during such period, excluding tenant reimbursements, calculated in accordance with generally accepted accounting principles (GAAP) determined on a straight-line basis.
- (c) Average Annualized Rental Rate is calculated as follows: (i) for office leases written on a triple net basis, the sum of the annualized contracted base rental rates payable for all space leased as of December 31, 2006 (without giving effect to free rent or scheduled rent increases that would be taken into account under GAAP) plus the 2006 budgeted operating expenses excluding tenant electricity; and (ii) for office leases written on a full service basis, the annualized contracted base rent payable for all space leased as of December 31, 2006. In both cases, the annualized rental rate is divided by the total square footage leased as of December 31, 2006 without giving effect to free rent or scheduled rent increases that would be taken into account under GAAP.
- (d) These properties are subject to a ground lease with a third party.
- (e) We hold our interest in Two Logan Square (100 North 18<sup>th</sup> Street) primarily through our ownership of second and third mortgages that are secured by this property and that are junior to a first mortgage. Our ownership of these two mortgages currently provides us with all of the cash flows from Two Logan Square after the payment of operating expenses and debt service on the first mortgage.
- (f) These properties are industrial facilities.

The following table shows information regarding rental rates and lease expirations for the Properties at December 31, 2006 and assumes that none of the tenants exercises renewal options or termination rights, if any, at or prior to scheduled expirations:

| Year of Lease Expiration December 31, | Number of Leases Expiring Within the Year | Rentable Square Footage Subject to Expiring Leases | Final Annualized Base Rent Under Expiring Leases (a) | Final Annualized Base Rent Per Square Foot Under Expiring Leases | Percentage of Total Final Annualized Base Rent Under Expiring Leases | Cumulative Total |
|---------------------------------------|---|--|--|--|--|------------------|
| 2007                                  | 405                                       | 3,093,670  | \$ 65,018,414  | \$ 21.02   | 11.2%  | 11.2%            |
| 2008                                  | 319                                       | 3,224,632  | 68,055,879   | 21.11  | 11.8%  | 23.0%            |
| 2009                                  | 340                                       | 3,651,654  | 79,335,298   | 21.73  | 13.7%  | 36.7%            |
| 2010                                  | 274                                       | 3,669,111  | 80,071,219   | 21.82  | 13.9%  | 50.6%            |
| 2011                                  | 248                                       | 3,377,304  | 73,218,213   | 21.68  | 12.7%  | 63.3%            |
| 2012                                  | 99  | 1,620,205  | 39,995,511   | 24.69  | 6.9%   | 70.2%            |
| 2013                                  | 49  | 1,109,288  | 24,415,811   | 22.01  | 4.2%   | 74.4%            |
| 2014                                  | 43  | 1,463,277  | 31,220,832   | 21.34  | 5.4%   | 79.8%            |
| 2015                                  | 31  | 1,346,511  | 33,219,278   | 24.67  | 5.7%   | 85.5%            |
| 2016                                  | 35  | 630,168  | 15,738,836   | 24.98  | 2.7%   | 88.2%            |

|                     |       |            |                |          |        |        |
|---------------------|-------|------------|----------------|----------|--------|--------|
| 2017 and thereafter | 51    | 2,608,623  | 67,760,193     | 25.98    | 11.8%  | 100.0% |
|                     | 1,894 | 25,794,443 | \$ 578,049,484 | \$ 22.41 | 100.0% |        |

(a) Final Annualized Base Rent for each lease scheduled to expire represents the cash rental rate of base rents, excluding tenant reimbursements, in the final month prior to expiration multiplied by 12. Tenant reimbursements generally include payment of real estate taxes, operating expenses and common area maintenance and utility charges.

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At December 31, 2006, the Properties were leased to 1,623 tenants that are engaged in a variety of businesses. The following table sets forth information regarding leases at the Properties with the 20 tenants with the largest amounts leased based upon Annualized Escalated Rent as of December 31, 2006:

| Tenant Name (a)                            | Number<br>of<br>Leases | Weighted<br>Average<br>Remaining<br>Lease<br>Term<br>in<br>Months | Aggregate<br>Square<br>Feet<br>Leased | Percentage<br>of<br>Aggregate<br>Leased<br>Square<br>Feet | Annualized<br>Escalated<br>Rent (in<br>000) (b) | Percentage<br>of<br>Aggregate<br>Annualized<br>Escalated<br>Rent |
|--|------------------------|---|---------------------------------------|---|---|--|
| Kaiser Foundation Health Plan              | 2                      | 47  | 483,693                               | 1.8%  | \$ 17,682                                       | 2.9%   |
| Northrop Grumman Corporation               | 5                      | 63  | 519,493                               | 2.0%  | 15,379  | 2.5%   |
| State of New Jersey                        | 7                      | 33  | 441,488                               | 1.7%  | 13,323  | 2.2%   |
| 7-Eleven, Inc.                             | 1                      | 4   | 504,351                               | 1.9%  | 12,222  | 2.0%   |
| Pepper Hamilton LLP                        | 2                      | 94  | 295,873                               | 1.1%  | 11,101  | 1.8%   |
| Lockheed Martin                            | 9                      | 48  | 548,579                               | 2.1%  | 10,385  | 1.7%   |
| Wells Fargo Bank, N.A.                     | 6                      | 43  | 368,879                               | 1.4%  | 9,379   | 1.5%   |
| Verizon                                    | 6                      | 46  | 409,574                               | 1.6%  | 8,990   | 1.5%   |
| Dechert LP                                 | 2                      | 139   | 242,288                               | 0.9%  | 8,086   | 1.3%   |
| IBM  | 5                      | 43  | 284,940                               | 1.1%  | 7,811   | 1.3%   |
| Bearingpoint, Inc.                         | 2                      | 95  | 243,122                               | 0.9%  | 7,655   | 1.2%   |
| AT&T                                       | 8                      | 25  | 335,223                               | 1.3%  | 7,397   | 1.2%   |
| General Services Administration U.S. Govt. | 17                     | 40  | 330,242                               | 1.3%  | 7,374   | 1.2%   |
| Drinker Biddle & Reath                     | 2                      | 87  | 218,743                               | 0.8%  | 6,476   | 1.0%   |
| Blank Rome LLP                             | 1                      | 181   | 223,886                               | 0.8%  | 6,419   | 1.0%   |
| Penske Truck Leasing                       | 1                      | 198   | 352,641                               | 1.3%  | 6,006   | 1.0%   |
| Marsh USA, Inc.                            | 3                      | 30  | 154,797                               | 0.6%  | 5,344   | 0.9%   |
| World Savings & Loan Corporation           | 1                      | 132   | 148,175                               | 0.6%  | 5,265   | 0.9%   |
| Computer Sciences                          | 5                      | 71  | 252,765                               | 1.0%  | 5,130   | 0.8%   |
| Vignette Corporation                       | 2                      | 49  | 142,745                               | 0.5%  | 4,927   | 0.8%   |
| Consolidated Total/Weighted Average        | 87                     | 66  | 6,501,497                             | 24.7%   | \$ 176,351                                      | 28.7%  |

(a) The identified tenant includes affiliates in certain circumstances.

(b)

Annualized Escalated Rent represents the monthly Escalated Rent for each lease in effect at December 31, 2006 multiplied by 12. Escalated Rent represents fixed base rental amounts plus tenant reimbursements which include payment of real estate taxes, operating expenses and common area maintenance and utility charges. We estimate operating expense reimbursements based on historical amounts and comparable market data.

### **Real Estate Ventures**

As of December 31, 2006, we had an aggregate investment of approximately \$74.6 million in eleven unconsolidated Real Estate Ventures (net of returns of investment). We formed these ventures with unaffiliated third parties to develop office properties or to acquire land in anticipation of possible development of office properties. Nine of the Real Estate Ventures own fifteen office buildings that contain an aggregate of approximately 2.7 million net rentable square feet, one Real Estate Venture developed a hotel property that contains 137 rooms and one Real Estate Venture is developing an office property located in Charlottesville, Virginia.

As of December 31, 2006, we also had investments in three Real Estate Ventures that are considered to be variable interest entities under FIN 46R and of which we are the primary beneficiary. We also have an investment in one Real Estate Venture where we serve as the general partner and are deemed to control the entity based on the fact that the limited partner does not have substantive participating rights in accordance with EITF 04-05. The financial information for two of these four Real Estate Ventures (Four and Six Tower Bridge) was consolidated into our consolidated financial statements effective March 31, 2004. Prior to March 31, 2004, we accounted for our investment in these two Real Estate Ventures under the equity method.

We account for our remaining non-controlling interests in the Real Estate Ventures using the equity method. Our non-controlling ownership interests range from 6% to 50%, subject to specified priority allocations in certain of the Real Estate Ventures. Our investments, initially recorded at cost, are subsequently adjusted for our share of the Real Estate Ventures' income or loss and contributions to capital and distributions.



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As of December 31, 2006, we had guaranteed repayment of approximately \$0.6 million of loans for the Real Estate Ventures. We also provide customary environmental indemnities and completion guarantees in connection with construction and permanent financing both for our own account and on behalf of the Real Estate Ventures.

**Item 3. Legal Proceedings**

We are involved from time to time in litigation, including in disputes with tenants and arising out of agreements to purchase or sell properties. Given the nature of our business activities, we generally consider these lawsuits to be routine to the conduct of our business. Because of the very nature of litigation, including its adversarial nature and the jury system, we cannot predict the result of any lawsuit.

Lawsuits have been brought against owners and managers of multifamily and office properties that assert claims of personal injury and property damage caused by the presence of mold in the properties. We have been named as a defendant in two lawsuits in the State of New Jersey that allege personal injury as a result of the presence of mold. In 2005, one of these lawsuits was dismissed by way of summary judgment with prejudice. The plaintiffs seek unspecified damages in the remaining lawsuit. We referred this lawsuit to our environmental insurance carrier and, as of the date of this Form 10-K, the insurance carrier is defending this claim.

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

No matters were submitted to a vote of our shareholders during the fourth quarter of the year ended December 31, 2006.

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

Our common shares are traded on the New York Stock Exchange ( NYSE ) under the symbol BDN. There is no established trading market for the Class A units of the Operating Partnership. On February 22, 2007, there were 720 holders of record of our common shares and 51 holders of record of the Class A units (in addition to Brandywine Realty Trust). On February 22, 2007, the last reported sales price of the common shares on the NYSE was \$35.18. The following table sets forth the quarterly high and low closing sales price per common share reported on the NYSE for the indicated periods and the distributions paid by us with respect to each such period.

|                     | Share Price | Share Price | Distributions |
|---------------------|-------------|-------------|---------------|
|                     | High        | Low         | Declared For  |
|                     |             |             | Quarter       |
| First Quarter 2005  | \$30.06     | \$27.61     | \$ 0.44       |
| Second Quarter 2005 | \$30.90     | \$27.49     | \$ 0.44       |
| Third Quarter 2005  | \$32.71     | \$29.56     | \$ 0.44       |
| Fourth Quarter 2005 | \$29.69     | \$26.30     | \$ 0.44       |
| First Quarter 2006  | \$31.90     | \$28.94     | \$ 0.44       |
| Second Quarter 2006 | \$32.17     | \$27.65     | \$ 0.44       |
| Third Quarter 2006  | \$33.83     | \$30.98     | \$ 0.44       |
| Fourth Quarter 2006 | \$35.37     | \$31.55     | \$ 0.44       |

In connection with our merger with Prentess, we declared a dividend of \$0.02 per common share on December 21, 2005, paid on January 17, 2006 to shareholders of record on January 4, 2006.

For each quarter during 2006 and 2005, the Operating Partnership paid a cash distribution to holders of its Class A units equal in amount to the dividends paid on the Company's common shares for such quarter.

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In order to maintain the status of Brandywine Realty Trust as a REIT, we must make annual distributions to shareholders of at least 90% of its taxable income (not including net capital gains). Future distributions will be declared at the discretion of our Board of Trustees and will depend on our actual cash flow, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986 and such other factors as our Board deems relevant.

The following table provides information as of December 31, 2006 with respect to compensation plans under which our equity securities are authorized for issuance:

| Plan category  | (a)<br>Number of securities to be issued upon exercise of outstanding options, warrants and rights | (b)<br>Weighted-average price of outstanding options, warrants and rights | (c)<br>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|--|--|---|--|
| Equity compensation plans approved by security holders (1) | 1,286,075  | \$ 26.45(2)   | 4,129,630  |
| Equity compensation plans not approved by security holders |  |   |  |
| Total  | 1,286,075  | \$ 26.45(2)   | 4,129,630  |

(1) Relates to our Amended and Restated 1997 Long-Term Incentive Plan and the Prentiss Properties Trust 2005 Share Incentive Plan that we assumed in our January 2006 merger with Prentiss Properties Trust. Under each of these two plans,



the Compensation Committee of our Board of Trustees may award restricted or unrestricted common shares, options to acquire common shares and performance shares or units or other instruments that have a value tied to our common shares.

In May 2005, our shareholders authorized an increase to the number of common shares that may be issued or subject to award under the 1997

Long-Term Incentive Plan, from 5,000,000 to 6,600,000. The May 2005 amendment provides that 500,000 of the shares under the 1997 Plan are available solely for awards under options and share appreciation rights that have an exercise or strike price not less than the market price of our common shares on the date of award, and the remaining 6,100,000 shares are available for any type of award

under the Plan.

- (2) Weighted-average exercise price of outstanding options; excludes restricted common shares.

The following table presents information related to our share repurchases:

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| <b>Period</b> | <b>Total Number<br/>of<br/>Shares<br/>Purchased</b> | <b>Average<br/>Price Paid<br/>per Share</b> | <b>Purchased<br/>as Part of<br/>Publicly<br/>Announced<br/>Plans or<br/>Programs</b> | <b>Shares that May<br/>Yet Be<br/>Purchased Under<br/>the<br/>Plans or<br/>Programs (a)<br/>(in thousands)</b> |
|---------------|---|---|--|--|
| October 2006  | 1,829,000   | \$ 32.80                                    |  | 2,319,800  |
| November 2006 |   |   |  | 2,319,800  |
| December 2006 |   |   |  | 2,319,800  |
| Total         | 1,829,000   |   |  |  |

(a) On May 2, 2006, our Board of Trustees authorized an increase in the number of common shares that we may repurchase, whether in open-market or privately negotiated transactions. The Board authorized us to purchase up to an aggregate of 3,500,000 common shares (inclusive of remaining share repurchase availability under the Board's prior authorization from September 2001). There is no expiration date on the share repurchase program. The 1,829,000 shares

shown above were  
purchased with  
proceeds of our  
3.875%  
exchangeable  
notes and did not  
reduce capacity  
under the share  
repurchase plan.

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**Table of Contents****SHARE PERFORMANCE GRAPH**

The Securities and Exchange Commission requires us to present a chart comparing the cumulative total shareholder return on the common shares with the cumulative total shareholder return of (i) a broad equity index and (ii) a published industry or peer group index. The following chart compares the cumulative total shareholder return for the common shares with the cumulative shareholder return of companies on (i) the S&P 500 Index (ii) the Russell 2000 and (iii) the NAREIT ALL-REIT Total Return Index as provided by NAREIT for the period beginning December 31, 2001 and ending December 31, 2006.

| <i>Index</i>                 | <i>Period Ending</i> |                 |                 |                 |                 |                 |
|------------------------------|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                              | <b>12/31/01</b>      | <b>12/31/02</b> | <b>12/31/03</b> | <b>12/31/04</b> | <b>12/31/05</b> | <b>12/31/06</b> |
| Brandywine Realty Trust      | 100.00               | 111.81          | 147.33          | 171.86          | 173.68          | 215.51          |
| S&P 500                      | 100.00               | 77.90           | 100.24          | 111.14          | 116.59          | 135.00          |
| Russell 2000                 | 100.00               | 79.52           | 117.09          | 138.55          | 144.86          | 171.47          |
| NAREIT All Equity REIT Index | 100.00               | 103.82          | 142.37          | 187.33          | 210.12          | 283.78          |

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

The following table sets forth selected financial and operating data and should be read in conjunction with the financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Annual Report on Form 10-K. The selected data have been revised to reflect the reclassification of losses from early extinguishments of debt, in accordance with SFAS No. 145, and the disposition of all properties since January 1, 2002, which have been reclassified as discontinued operations for all periods presented in accordance with SFAS No. 144.

**Brandywine Realty Trust**

(in thousands, except per common share data and number of properties)

| <b>Year Ended December 31,</b>                           | <b>2006</b>  | <b>2005</b>  | <b>2004</b>  | <b>2003</b>  | <b>2002</b>  |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Operating Results</b>                                 |              |              |              |              |              |
| Total revenue  | \$ 662,801   | \$ 380,624   | \$ 316,557   | \$ 293,108   | \$ 277,553   |
| Income (loss) from continuing operations                 | (14,031)     | 38,179       | 56,483       | 72,774       | 43,445       |
| Net income   | 10,482       | 42,766       | 60,301       | 86,678       | 62,984       |
| Income allocated to Common Shares                        | 2,490        | 34,774       | 55,081       | 54,174       | 51,078       |
| Income from continuing operations per Common Share       |              |              |              |              |              |
| Basic  | \$ (0.25)    | \$ 0.54      | \$ 1.07      | \$ 1.05      | \$ 0.85      |
| Diluted  | \$ (0.24)    | \$ 0.54      | \$ 1.07      | \$ 1.05      | \$ 0.84      |
| Earnings per Common Share                                |              |              |              |              |              |
| Basic  | \$ 0.03      | \$ 0.62      | \$ 1.15      | \$ 1.43      | \$ 1.40      |
| Diluted  | \$ 0.03      | \$ 0.62      | \$ 1.15      | \$ 1.43      | \$ 1.39      |
| Cash distributions declared per Common Share             | \$ 1.76      | \$ 1.78 (a)  | \$ 1.76      | \$ 1.76      | \$ 1.76      |
| <b>Balance Sheet Data</b>                                |              |              |              |              |              |
| Real estate investments, net of accumulated depreciation | \$ 4,739,726 | \$ 2,541,486 | \$ 2,363,865 | \$ 1,695,355 | \$ 1,745,981 |
| Total assets   | 5,508,263    | 2,805,745    | 2,633,984    | 1,855,776    | 1,919,288    |
| Total indebtedness                                       | 3,152,230    | 1,521,384    | 1,306,669    | 867,659      | 1,004,729    |
| Total liabilities  | 3,486,346    | 1,663,022    | 1,444,116    | 950,431      | 1,097,793    |
| Minority interest  | 123,991      | 37,859       | 42,866       | 133,488      | 135,052      |
| Convertible preferred shares                             |              |              |              | 37,500       | 132,300      |
| Beneficiaries' equity                                    | 1,897,926    | 1,104,864    | 1,147,002    | 771,857      | 686,443      |
| <b>Other Data</b>  |              |              |              |              |              |
| Cash flows from:   |              |              |              |              |              |
| Operating activities                                     | 241,566      | 125,147      | 152,890      | 118,793      | 128,836      |
| Investing activities                                     | (915,794)    | (252,417)    | (682,652)    | (34,068)     | 5,038        |
| Financing activities                                     | 692,433      | 119,098      | 536,556      | (102,974)    | (120,532)    |
| <b>Property Data</b>                                     |              |              |              |              |              |
| Number of properties owned at year end                   | 313          | 251          | 246          | 234          | 238          |
| Net rentable square feet owned at year end               | 31,764       | 19,600       | 19,150       | 15,733       | 16,052       |

- (a) Includes \$0.02 special distribution declared in December 2005 for shareholders of record for the period January 1, 2006 through January 4, 2006 (pre-Prentiss merger period).

**Table of Contents****Brandywine Operating Partnership, L.P.**

(in thousands, except per unit data and number of properties)

| <b>Year Ended December 31,</b>                                | <b>2006</b>  | <b>2005</b>  | <b>2004</b>  | <b>2003</b>  | <b>2002</b>  |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Operating Results</b>                                      |              |              |              |              |              |
| Total revenue   | \$ 662,801   | \$ 380,624   | \$ 316,557   | \$ 293,108   | \$ 277,553   |
| Income (loss) from continuing operations                      | (15,059)     | 39,262       | 59,118       | 82,068       | 52,820       |
| Net income  | 10,626       | 44,013       | 63,081       | 96,467       | 73,136       |
| Income from continuing operations per Common Partnership Unit |              |              |              |              |              |
| Basic   | \$ (0.25)    | \$ 0.54      | \$ 1.07      | \$ 1.06      | \$ 0.86      |
| Diluted   | \$ (0.24)    | \$ 0.54      | \$ 1.07      | \$ 1.06      | \$ 0.86      |
| Earnings per Common Partnership Units                         |              |              |              |              |              |
| Basic   | \$ 0.03      | \$ 0.62      | \$ 1.15      | \$ 1.43      | \$ 1.41      |
| Diluted   | \$ 0.03      | \$ 0.62      | \$ 1.14      | \$ 1.43      | \$ 1.40      |
| Cash distributions declared per Common Partnership Unit       | \$ 1.76      | \$ 1.78 (a)  | \$ 1.76      | \$ 1.76      | \$ 1.76      |
| <b>Balance Sheet Data</b>                                     |              |              |              |              |              |
| Real estate investments, net of accumulated depreciation      | \$ 4,739,726 | \$ 2,541,486 | \$ 2,363,865 | \$ 1,695,355 | \$ 1,745,981 |
| Total assets  | 5,508,263    | 2,805,745    | 2,633,984    | 1,855,776    | 1,919,288    |
| Total indebtedness  | 3,152,230    | 1,521,384    | 1,306,669    | 867,659      | 1,004,729    |
| Total liabilities   | 3,486,346    | 1,662,967    | 1,443,934    | 951,484      | 1,098,846    |
| Series B Preferred Units                                      |              |              |              | 97,500       | 97,500       |
| Redeemable limited partnership units                          | 131,711      | 54,300       | 60,586       | 46,505       | 38,984       |
| Partners equity   | 1,855,770    | 1,088,478    | 1,129,464    | 760,287      | 683,958      |
| <b>Other Data</b>   |              |              |              |              |              |
| Cash flows from:  |              |              |              |              |              |
| Operating activities  | 241,566      | 125,147      | 152,890      | 118,793      | 128,836      |
| Investing activities  | (915,794)    | (252,417)    | (682,652)    | (34,068)     | 5,038        |
| Financing activities  | 692,433      | 119,098      | 536,556      | (102,974)    | (120,532)    |
| <b>Property Data</b>  |              |              |              |              |              |
| Number of properties owned at year end                        | 313          | 251          | 246          | 234          | 238          |
| Net rentable square feet owned at year end                    | 31,764       | 19,600       | 19,150       | 15,733       | 16,052       |

(a) Includes \$0.02 special distribution declared in December 2005



for unitholders  
of record for the  
period  
January 1, 2006  
through  
January 4, 2006  
(pre-Prentiss  
merger period).

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

The following discussion should be read in conjunction with the consolidated financial statements appearing elsewhere herein and is based primarily on our consolidated financial statements for the years ended December 31, 2006, 2005 and 2004.

***OVERVIEW***

As of December 31, 2006 we managed our portfolio within nine geographic segments: (1) Pennsylvania West, (2) Pennsylvania North, (3) New Jersey, (4) Urban, (5) Richmond, Virginia, (6) California North, (7) California South, (8) Mid-Atlantic and (9) Southwest. The Pennsylvania West segment includes properties in Chester, Delaware and Montgomery counties in the Philadelphia suburbs of Pennsylvania. The Pennsylvania North segment includes properties north of Philadelphia in Berks, Bucks, Cumberland, Dauphin, Lehigh and Montgomery counties. The New Jersey segment includes properties in counties in the southern and central parts of New Jersey including Burlington, Camden and Mercer counties and in Bucks County, Pennsylvania. The Urban segment includes properties in the City of Philadelphia, Pennsylvania and the state of Delaware. The Richmond, Virginia segment includes properties primarily in Albemarle, Chesterfield and Henrico counties, the Cities of Richmond and Durham, North Carolina. The California North segment includes properties in the Cities of Oakland and Concord. The California South segment includes properties in the Cities of Carlsbad and San Diego. The Mid-Atlantic segment includes properties in Northern Virginia and the Cities of Bethesda and Rockville, Maryland. The Southwest segment includes properties in Dallas and Travis counties of Texas.

We receive income primarily from rental revenue (including tenant reimbursements) from our properties and, to a lesser extent, from the management of properties owned by third parties and from investments in the Real Estate Ventures.

Our financial performance is dependent upon the demand for office, industrial and other commercial space in our markets and prevailing interest rates.

Through our January 2006 acquisition of Prentiss, we acquired interests in properties that contain an aggregate of 14.0 million net rentable square feet. Through this acquisition, we also entered into new markets, including markets in California, Metropolitan Washington, D.C., and Texas. Accordingly, the reported historical financial information for periods prior to this transaction is not believed to be fully indicative of our future operating results or financial condition.

As we seek to increase revenue through our operating activities, our management also seeks to minimize operating risks, including (i) tenant rollover risk, (ii) tenant credit risk and (iii) development risk.

**Tenant Rollover Risk:**

We are subject to the risk that tenant leases, upon expiration, are not renewed, that space may not be relet, or that the terms of renewal or reletting (including the cost of renovations) may be less favorable to us than the current lease terms. Leases accounting for approximately 11.2% of our aggregate annualized base rents as of December 31, 2006 (representing approximately 11.0% of the net rentable square feet of the Properties) expire without penalty in 2007. We maintain an active dialogue with our tenants in an effort to maximize lease renewals. Our retention rate for leases that were scheduled to expire in 2006 was 78.7%. If we are unable to renew leases or relet space under expiring leases, at anticipated rental rates, our cash flow would be adversely impacted.

**Tenant Credit Risk:**

In the event of a tenant default, we may experience delays in enforcing our rights as a landlord and may incur substantial costs in protecting our investment. Our management regularly evaluates our accounts receivable reserve policy in light of our tenant base and general and local economic conditions. Our accounts receivable allowance was \$9.3 million or 9.0% of total receivables (including accrued rent

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receivable) as of December 31, 2006 compared to \$4.9 million or 7.6% of total receivables (including accrued rent receivable) as of December 31, 2005.

**Development Risk:**

As of December 31, 2006, we had in development or redevelopment nine sites aggregating approximately 1.4 million square feet. We estimate the total cost of these projects to be \$304.4 million and we had incurred \$141.2 million of these costs as of December 31, 2006. We are actively marketing space at these projects to prospective tenants but can provide no assurance as to the timing or terms of any leases of space at these projects. As of December 31, 2006, we owned approximately 490 acres of undeveloped land. Risks associated with development of this land include construction cost increases or overruns and construction delays, insufficient occupancy rates, building moratoriums and inability to obtain necessary zoning, land-use, building, occupancy and other required governmental approvals.

***CRITICAL ACCOUNTING POLICIES AND ESTIMATES***

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting periods. Certain accounting policies are considered to be critical accounting policies, as they require management to make assumptions about matters that are highly uncertain at the time the estimate is made and changes in the accounting estimate are reasonably likely to occur from period to period. Management believes the following critical accounting policies reflect our more significant judgments and estimates used in the preparation of our consolidated financial statements. For a summary of all of our significant accounting policies, see Note 2 to our consolidated financial statements included elsewhere in this report.

**Revenue Recognition**

We recognize rental revenue on the straight-line basis from the later of the date of the commencement of the lease or the date of acquisition of the property subject to existing leases, which averages minimum rents over the terms of the leases. Certain lease agreements contain provisions that require tenants to reimburse a pro rata share of real estate taxes and common area maintenance costs.

**Real Estate Investments**

Real estate investments are carried at cost. We record acquisition of real estate investments under the purchase method of accounting and allocate the purchase price to land, buildings and intangible assets on a relative fair value basis. Depreciation is computed using the straight-line method over the useful lives of buildings and capital improvements (5 to 55 years) and over the shorter of the lease term or the life of the asset for tenant improvements. Direct construction costs related to the development of Properties and land holdings are capitalized as incurred. We expense routine repair and maintenance expenditures and capitalize those items that extend the useful lives of the underlying assets.

**Real Estate Ventures**

When we obtain an economic interest in an entity, we evaluate the entity to determine if the entity is deemed a variable interest entity ( VIE ), and if we are deemed to be the primary beneficiary, in accordance with FASB Interpretation No.46 R, Consolidation of Variable Interest Entities ( FIN 46R ). If the entity is not deemed to be a VIE, and we serve as the general partner within the entity, we evaluate to determine if our presumed control as the general partner is overcome by the kick out rights and other substantive participating rights of the limited partners in accordance with EITF 04-05, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights ( EITF 04-05 ).

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We consolidate (i) entities that are VIEs and of which we are deemed to be the primary beneficiary and (ii) entities that are non-VIEs which we control. Entities that we account for under the equity method (i.e. at cost, increased or decreased by our share of earnings or losses, less distributions) include (i) entities that are VIEs and of which we are not deemed the primary beneficiary and (ii) entities that are non-VIEs which we do not control, but over which we have the ability to exercise significant influence. We will reconsider our determination of whether an entity is a VIE and who the primary beneficiary is if events occur that are likely to cause a change in the original determinations.

**Impairment of Long-Lived Assets**

Our management reviews investments in real estate and real estate ventures for impairment if facts and circumstances indicate that the carrying value of such assets may not be recoverable. Measurement of any impairment loss is based on the fair value of the asset, determined using customary valuation techniques, such as the present value of expected future cash flows.

In accordance with SFAS No. 144 ( SFAS 144 ), *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets, such as real estate investments and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities relating to assets classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

**Income Taxes**

The Company has elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code ). In addition, we have several subsidiary REITs. In order to maintain their qualification as a REIT, the Company and its REIT subsidiaries are required to, among other things, distribute at least 90% of its REIT taxable income to its stockholders and meet certain tests regarding the nature of its income and assets. As REITs, the Company and its REIT subsidiaries are not subject to federal income tax with respect to the portion of its income that meets certain criteria and is distributed annually to the stockholders. Accordingly, no provision for federal income taxes is included in the accompanying consolidated financial statements with respect to the operations of these operations. The Company and its REIT subsidiaries intend to continue to operate in a manner that allows them to continue to meet the requirements for taxation as REITs. Many of these requirements, however, are highly technical and complex. If the Company or one of its REIT subsidiaries were to fail to meet these requirements, the Company would be subject to federal income tax. The Company is subject to certain state and local taxes. Provision for such taxes has been included in general and administrative expenses in the Company's Consolidated Statements of Operations and Comprehensive Income.

We may elect to treat one or more of our subsidiaries as a taxable REIT subsidiary ( TRS ). In general, a TRS of the Company may perform additional services for our tenants and generally may engage in any real estate or non-real estate related business (except for the operation or management of health care facilities or lodging facilities or the provision to any person, under a franchise, license or otherwise, of rights to any brand name under which any lodging facility or health care facility is operated). A TRS is subject to corporate federal income tax. We have elected to treat certain of our corporate subsidiaries as TRSs, these entities provide third party property management services and certain services to tenants that could not otherwise be provided. At December 31, 2006, our TRSs had tax net operating loss ( NOL ) carryforward of approximately \$3.0 million, expiring from 2013 to 2020. We have ascribed a full valuation allowance to our net deferred tax assets.

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**Allowance for Doubtful Accounts**

We maintain an allowance for doubtful accounts that represents an estimate of losses that may be incurred from the inability of tenants to make required payments. The allowance is an estimate based on two calculations that are combined to determine the total amount reserved. First, we evaluate specific accounts where we have determined that a tenant may have an inability to meet its financial obligations. In these situations, we use our judgment, based on the facts and circumstances, and records a specific reserve for that tenant against amounts due to reduce the receivable to the amount that we expect to collect. These reserves are re-evaluated and adjusted as additional information becomes available. Second, a reserve is established for all tenants based on a range of percentages applied to receivable aging categories. If the financial condition of our tenants were to deteriorate, additional allowances may be required.

**Deferred Costs**

We incur direct costs related to the financing, development and leasing of our properties. Management exercises judgment in determining whether such costs meet the criteria for capitalization or must be expensed. Capitalized financing fees are amortized over the related loan term and capitalized leasing costs are amortized over the related lease term. Management re-evaluates the remaining useful lives of leasing costs as the creditworthiness of our tenants and economic and market conditions change.

**Purchase Price Allocation**

We allocate the purchase price of properties to net tangible and identified intangible assets acquired based on fair values. Above-market and below-market in-place lease values for acquired properties are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) our estimate of the fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancellable term of the lease. Capitalized above-market lease values are amortized as a reduction of rental income over the remaining non-cancellable terms of the respective leases. Capitalized below-market lease values are amortized as an increase of rental income over the remaining non-cancellable terms of the respective leases, including any fixed-rate renewal periods.

Other intangible assets also include amounts representing the value of tenant relationships and in-place leases based on our evaluation of the specific characteristics of each tenant's lease and our overall relationship with the respective tenant. We estimate the cost to execute leases with terms similar to the remaining lease terms of the in-place leases, include leasing commissions, legal and other related expenses. This intangible asset is amortized to expense over the remaining term of the respective leases. We estimate fair value through methods similar to those used by independent appraisers or by using independent appraisals. Factors that we consider in our analysis include an estimate of the carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. We also consider information obtained about each property as a result of our pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired. In estimating carrying costs, we include real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, which primarily range from three to twelve months. Characteristics that we consider in allocating value to our tenant relationships include the nature and extent of our business relationship with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals. The value of tenant relationship intangibles is amortized over the remaining initial lease term and expected renewals, but in no event longer than the remaining depreciable life of the building. The value of in-place leases is amortized over the remaining non-cancellable term of the respective leases and any fixed-rate renewal periods.

In the event that a tenant terminates its lease, the unamortized portion of each intangible, including market rate adjustments, in-place lease values and tenant relationship values, would be charged to expense.

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***RESULTS OF OPERATIONS***

***Comparison of the Year Ended December 31, 2006 to the Year Ended December 31, 2005***

The table below shows selected operating information for the Same Store Properties and the Total Portfolio. The Same Store Properties consists of 234 properties containing an aggregate of approximately 17.5 million net rentable square feet that we owned for the entire twelve-month periods ended December 31, 2006 and 2005. This table also includes a reconciliation from the Same Store Properties to the Total Portfolio (i.e., all properties owned by us as of December 31, 2006 and 2005) by providing information for the properties which were acquired, sold, or placed into service and administrative/elimination information for the years ended December 31, 2006 and 2005.

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|  | Same Store Properties |            |                      |          | Acquired Properties |          | Development Properties (a) |            | Other/ Eliminations (b) |            | All Properties |            |
|--|-----------------------|------------|----------------------|----------|---------------------|----------|----------------------------|------------|-------------------------|------------|----------------|------------|
|  | 2006                  | 2005       | Increase/ (Decrease) | % Change | 2006                | 2005     | 2006                       | 2005       | 2006                    | 2005       | 2006           | 2005       |
|  | \$ 296,811            | \$ 292,439 | \$ 4,372             | 1.5%     | \$ 200,753          | \$ 1,342 | \$ 24,163                  | \$ 8,400   | \$ (912)                | \$ 297     | \$ 520,815     | \$ 302,478 |
|  | 8,636                 | 11,141     | (2,505)              | -22.5%   | 9,111               | 165      | 11,504                     | 2,984      |                         |            | 29,251         | 14,290     |
|  | 2,713                 | 1,546      | 1,167                | 75.5%    | 7,405               | (33)     | (249)                      | (243)      | 1                       | 180        | 9,870          | 1,450      |
|  | 308,160               | 305,126    | 3,034                | 1.0%     | 217,269             | 1,474    | 35,418                     | 11,141     | (911)                   | 477        | 559,936        | 318,218    |
|  | 48,086                | 46,705     | 1,381                | 3.0%     | 28,698              | 98       | 3,007                      | 1,130      | 679                     | 629        | 80,470         | 48,562     |
|  | 9,499                 | 8,153      | 1,346                | 16.5%    | 2,195               |          | 108                        | 613        | 10,593                  | 5,078      | 22,395         | 13,844     |
|  | 365,745               | 359,984    | 5,761                | 1.6%     | 248,162             | 1,572    | 38,533                     | 12,884     | 10,361                  | 6,184      | 662,801        | 380,624    |
|  | 114,455               | 112,656    | 1,799                | 1.6%     | 72,798              | 552      | 14,454                     | 7,614      | (13,706)                | (9,630)    | 188,001        | 111,192    |
|  | 36,682                | 34,387     | 2,295                | 6.7%     | 24,422              | 190      | 4,124                      | 3,320      | 356                     | 283        | 65,584         | 38,180     |
|  | 151,137               | 147,043    | 4,094                | 2.8%     | 97,220              | 742      | 18,578                     | 10,934     | (13,350)                | (9,347)    | 253,585        | 149,372    |
|  | 214,608               | 212,941    | 1,667                | 0.8%     | 150,942             | 830      | 19,955                     | 1,950      | 23,711                  | 15,531     | 409,216        | 231,252    |
|  |                       |            |                      | 0.0%     |                     |          |                            |            | 29,647                  | 17,982     | 29,647         | 17,982     |
|  | 113,247               | 101,074    | 12,173               | 12.0%    | 117,175             | 461      | 15,313                     | 5,326      | 2,394                   | 2,257      | 248,129        | 109,118    |
|  | \$ 101,361            | \$ 111,867 | \$ (10,506)          | -9.4%    | \$ 33,767           | \$ 369   | \$ 4,642                   | \$ (3,376) | \$ (8,330)              | \$ (4,708) | \$ 131,440     | \$ 104,152 |
|  | 234                   |            |                      |          | 62                  |          | 17                         |            |                         |            | 313            |            |
|  | 17,533                |            |                      |          | 11,261              |          | 2,970                      |            |                         |            | 31,764         |            |
|  |                       |            |                      |          |                     |          |                            |            |                         |            | 9,513          | 1,370      |
|  |                       |            |                      |          |                     |          |                            |            |                         |            | (171,177)      | (70,152)   |
|  |                       |            |                      |          |                     |          |                            |            |                         |            | (4,607)        | (3,766)    |
|  |                       |            |                      |          |                     |          |                            |            |                         |            | 2,165          | 3,172      |
|  |                       |            |                      |          |                     |          |                            |            |                         |            | 14,190         | 4,640      |

|  |           |           |         |
|--|-----------|-----------|---------|
|  |           | 3,147     |         |
|  | (15,329)  |           | 39,416  |
|  |           | 270       |         |
|  | 1,028     |           | (1,237) |
|  | (14,031)  |           | 38,179  |
|  |           | 24,513    | 4,588   |
|  | \$ 10,482 | \$ 42,767 | \$      |
|  | \$ 0.03   | \$ 0.62   | \$      |

EXPLANATORY NOTES

(a) - Results include: nine developments/redevelopments, four lease-up assets and three properties placed in service

(b) - Represents certain revenues and expenses at the corporate level as well as various intercompany costs that are eliminated in consolidation and third-party management fees

(c) - Includes net termination fee income of \$6,133 for 2006 and \$5,583 for 2005 for the same store property portfolio and \$948 for 2006 for the acquired properties



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*Total Revenue*

Revenue increased by \$282.2 million primarily due to the acquired properties (primarily Prentiss), which represents \$246.6 million of this increase. The increase is also the result of 4 properties placed in service, including Cira Centre, which contributed \$25.7 million to this increase.

The increase in total revenue from our same store properties of \$5.8 million is primarily attributable to increased occupancy as well as increased tenant reimbursements resulting from higher property operating expenses.

*Operating Expenses and Real Estate Taxes*

Property operating expenses increased by \$76.3 million primarily due to the acquisition of Prentiss and other properties, which represents \$72.2 million of this increase. Property operating expenses attributable to the increased occupancy of Cira Centre and other completed developments resulted in an additional \$6.8 million of property operating expense.

Real estate taxes increased by \$27.4 million primarily due to the acquisition of Prentiss and other properties, which represents \$24.2 million of this increase. The remainder of the increase primarily is the result of increased real estate tax assessments in our same store portfolio and properties placed in service.

*Depreciation and Amortization Expense*

Depreciation and amortization increased by \$139.0 million primarily due to the acquisition of Prentiss and other properties, which increased total portfolio depreciation expense by \$116.7 million. A significant portion of the increase, \$11.9 million, is also due to accelerated depreciation expense associated with the demolition of one of our properties as part of an office park development in suburban Philadelphia. This property was part of our same store portfolio; therefore the remaining increase in depreciation and amortization for our same store portfolio is \$0.3 million. This increase resulted from the timing of assets being placed in service upon completion of tenant improvement and capital improvement projects subsequent to the end of the nine month period ending September 30, 2005. The depreciation and amortization for our development properties increased by \$10.0 million as a result of timing of the properties being completed and placed into service.

*Administrative Expenses*

Administrative expenses increased by approximately \$11.9 million primarily due to the acquisition of Prentiss. Of this increase, \$3.6 million was primarily attributable to increased payroll and related costs associated with employees that we hired as part of the acquisition of Prentiss. We also incurred an additional \$4.1 million in professional fees in connection with our merger integration activities. The remainder of the increase reflects other increased costs of the combined companies which includes an increase in deferred compensation expense of \$2.2 million.

*Interest Income/ Expense*

Interest expense and deferred financing costs increased by approximately \$101.9 million primarily as a result of 14 fixed rate mortgages, three unsecured notes, and one note secured by U.S. treasury notes ( PPREFI debt ) that we assumed or entered into to finance the Prentiss merger. The mortgages assumed have maturity dates ranging from 2009 through 2016 and the unsecured notes have maturities ranging from 2008 through 2035.

The PPREFI debt had a maturity of February 2007, but we elected to prepay this debt in November 2006. The PPREFI debt was defeased by Prentiss in the fourth quarter of 2005 and was secured by an investment in U.S. treasury notes. The interest earned on the treasury notes is included in interest income and

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substantially offsets the amount of interest expense incurred on the PPREFI debt, resulting in an immaterial amount of net interest expense incurred. The increase of \$8.1 million in interest income is primarily attributable to the interest income earned on these treasury notes.

See the Notes to Consolidated Financial in Part IV, Item 15 for details of our mortgage indebtedness and unsecured notes outstanding.

*Gain on termination of purchase contract*

We held a fifty percent economic interest in an approximately 141,724 square foot office building located at 101 Paragon Drive, Montvale, New Jersey. The remaining fifty percent interest was held by Donald E. Axinn, one of the Company's Trustees. Although we and Mr. Axinn had each committed to provide one half of the \$11 million necessary to repay the mortgage loan secured by this property at the maturity of the loan, in February 2006 an unaffiliated third party entered into an agreement to purchase this property for \$18.3 million. As a result of the purchase by an unaffiliated third party during August 2006, we recognized a \$3.1 million gain on termination of its rights under a 1998 contribution agreement, modified in 2005, that entitled the Partnership to the 50% interest in the joint venture to operate the property.

*Minority Interest-partners' share of consolidated real estate ventures*

Minority interest-partners' share of consolidated real estate ventures represents the portion of income from our consolidated joint ventures that is allocated to our minority interest partners.

As of December 31, 2006 we held an ownership interest in 15 properties through consolidated Real Estate Ventures, compared to two properties owned by consolidated Real Estate Ventures at December 31, 2005.

*Minority Interest attributable to continuing operations' LP units*

Minority interest attributable to continuing operations' LP units represents the equity in loss (income) attributable to the portion of the Operating Partnership not owned by us. The increase from the prior year is primarily the result of the fact that at December 31, 2006 the LP units share in our net loss from continuing operations compared to their share of net income from continuing operations in the prior year. Minority interests owned 4.6% and 3.4% of the Operating Partnership as of December 31, 2006 and 2005, respectively. The change in minority interest ownership is primarily the result of the Class A units that we issued in the Prentiss acquisition.

*Discontinued Operations*

Income from discontinued operations increased by \$19.9 million from the prior year as a result of the sale of eight properties in Chicago, IL, five in Dallas, TX, and one in Allen, TX that we acquired in the Prentiss acquisition. We also sold five properties that were previously included in our same store portfolio. These 19 properties combined had net income of \$7.7 million and gain on sale of \$20.2 million during the year ended December 31, 2006 before minority interest. Included in the gain on sale amount was \$1.8 million attributable to minority interest in the Chicago property that was sold by one of our consolidated Real Estate Ventures.

*Net Income*

Net income declined by \$32.3 million in the year ended December 31, 2006, compared to the same period in 2005 as increased revenues in 2006 were offset by increases in operating expenses (primarily depreciation and amortization) and financing costs. All major financial statement captions increased as a result of our acquisition of Prentiss and the related financing required to complete the transaction. A significant element of these increases relate to additional depreciation and amortization charges from the significant property additions (including both the TRC acquisition in 2004 and the Prentiss acquisition) and

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the values ascribed to related acquired intangibles (e.g., in-place leases). These charges do not affect our ability to pay dividends and may not be comparable to those of other real estate companies that have not made such acquisitions. Such charges can be expected to continue until the values ascribed to the lease intangibles are fully amortized. These intangibles are amortizing over the related lease terms or estimated tenant relationship. In addition, a significant portion of the decrease in net income is attributable to the \$11.9 million in depreciation expense described in the Depreciation and Amortization Expense section above.

*Earnings per Common Share*

Earnings per common share of \$0.03 for the year ended December 31, 2006 as compared to earnings per common share of \$0.62 in 2005 declined as a result of the factors described in *Net Income* above and an increase in the average number of common shares outstanding. We issued 34.6 million common shares in our acquisition of Prentiss.

***Comparison of the Year Ended December 31, 2005 to the Year Ended December 31, 2004***

The table below shows selected operating information for the Same Store Property Portfolio and the Total Portfolio. The Same Store Property Portfolio consists of 226 Properties containing an aggregate of approximately 15.0 million net rentable square feet that we owned for the entire twelve-month periods ended December 31, 2005 and 2004. This table also includes a reconciliation from the Same Store Property Portfolio to the Total Portfolio (i.e., all properties owned by us as of December 31, 2005 and 2004) by providing information for the properties which were acquired, sold, or placed into service and administrative/elimination information for the years ended December 31, 2005 and 2004.

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|        | Same Store Properties |            |                      |          | Acquired Properties (a) |           | Development Properties |          | Other/ Eliminations (b) |         | All Properties |            |            |
|--------|-----------------------|------------|----------------------|----------|-------------------------|-----------|------------------------|----------|-------------------------|---------|----------------|------------|------------|
|        | 2005                  | 2004       | Increase/ (Decrease) | % Change | 2005                    | 2004      | 2005                   | 2004     | 2005                    | 2004    | 2005           | 2004       | (Decrease) |
| lands) | \$ 245,234            | \$ 248,725 | (3,491)              | -1.4%    | \$ 75,500               | \$ 22,177 | \$ 7,338               | \$ 4,729 | \$ 0                    | \$ 0    | \$ 328,072     | \$ 275,631 | \$ 5       |
|        | 37,071                | 34,037     | 3,034                | 8.9%     | 11,460                  | 3,040     | 753                    | 549      | 225                     | (54)    | 49,509         | 37,572     | 1          |
|        | 7,329                 | 3,967      | 3,362                | 84.7%    | 907                     | 326       | 594                    | 60       | 5,049                   | 7,665   | 13,879         | 12,018     |            |
|        | 289,634               | 286,729    | 2,905                | 1.0%     | 87,867                  | 25,543    | 8,685                  | 5,338    | 5,274                   | 7,611   | 391,460        | 325,221    | 6          |
| uses:  |                       |            |                      |          |                         |           |                        |          |                         |         |                |            |            |
| ng     | 91,423                | 88,266     | 3,157                | 3.6%     | 30,079                  | 7,883     | 3,615                  | 2,218    | (10,241)                | (8,510) | 114,876        | 89,857     | 2          |
|        | 28,814                | 27,399     | 1,415                | 5.2%     | 9,402                   | 2,563     | 1,164                  | 1,069    | 31                      | 31      | 39,411         | 31,062     |            |
|        | 120,237               | 115,665    | 4,572                | 4.0%     | 39,481                  | 10,446    | 4,779                  | 3,287    | (10,210)                | (8,479) | 154,287        | 120,919    | 3          |
| ome    | 169,397               | 171,064    | (1,667)              | -1.0%    | 48,386                  | 15,097    | 3,906                  | 2,051    | 15,484                  | 16,090  | 237,173        | 204,302    | 3          |
|        |                       |            |                      | 0.0%     |                         |           |                        |          | 17,982                  | 15,100  | 17,982         | 15,100     |            |
|        | 68,744                | 63,968     | 4,776                | 7.5%     | 38,776                  | 13,221    | 3,313                  | 1,669    | 1,053                   | 1,046   | 111,886        | 79,904     | 3          |
| e      | 100,653               | 107,096    | (6,443)              | -6.0%    | 9,610                   | 1,876     | 593                    | 382      | (3,551)                 | (56)    | 107,305        | 109,298    | 6          |
|        |                       |            |                      |          |                         |           |                        |          |                         |         | 1,376          | 840        |            |
| e of   |                       |            |                      |          |                         |           |                        |          |                         |         | (74,363)       | (55,061)   | (1         |
| res    |                       |            |                      |          |                         |           |                        |          |                         |         | 3,172          | 2,024      |            |
| s of   |                       |            |                      |          |                         |           |                        |          |                         |         | 4,640          | 2,975      |            |
| state  |                       |            |                      |          |                         |           |                        |          |                         |         | 42,130         | 60,076     | (1         |
|        |                       |            |                      |          |                         |           |                        |          |                         |         | (1,331)        | (2,472)    |            |
| tions  |                       |            |                      |          |                         |           |                        |          |                         |         | 40,799         | 57,604     | (1         |
|        |                       |            |                      |          |                         |           |                        |          |                         |         | 1,968          | 2,699      |            |

Common

|    |        |        |      |
|----|--------|--------|------|
|    | 42,767 | 60,303 | (1   |
| \$ | 0.62   | \$     | 1.15 |

EXPLANATORY NOTES

(a) - Represents the operations of properties acquired that are not included in the definition of the Same Store Property Portfolio, primarily the TRC properties acquired on September 21, 2004.

(b) - Represents certain revenue and expenses at the corporate level as well as various intercompany costs that are eliminated in consolidation.

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*Revenue*

Revenue increased by \$66.2 million primarily due to properties that were acquired in 2005 and a full year of operations of those properties acquired in 2004, primarily the TRC Properties acquired in September 2004. Revenue for Same Store Properties increased by \$2.9 million due to increased tenant reimbursement revenue resulting from increased property operating expenses in 2005 as compared to 2004. Other revenue represents lease termination fees, bankruptcy settlement proceeds, leasing commissions and third-party management fees. Total Portfolio other revenue increased by \$1.9 million in 2005 primarily due to an increase in net termination fees associated with tenant terminations in 2005 offset by the settlement of a previously disclosed litigation in 2004 (\$1.0 million plus accrued interest on our security deposit that was released).

*Operating Expenses and Real Estate Taxes*

Property operating expenses increased by \$25.0 million in 2005 primarily due to properties acquired in 2005 and a full year of operations of properties acquired in 2004 as well as increased repairs and maintenance costs, snow removal costs, electric expense, security expense, janitorial costs and HVAC maintenance expense at existing properties in our same store property portfolio and our development properties.

Real estate taxes increased by \$8.3 million primarily due to properties acquired in 2005 and a full year of real estate taxes for our properties acquired in 2004 as well as increased real estate tax assessments in 2005 at existing properties in our same store property portfolio and our development properties as a result of higher tax rates and property assessments.

*Interest Expense*

Interest expense increased by \$19.3 million in 2005 primarily due to: (i) an increase in average debt as a result of debt incurred to finance our acquisitions in 2005/2004 and our increased development activity and (ii) an increase in average rates on debt outstanding as a result of the increase in LIBOR rates on our credit facilities. These increases were partially offset by an increase in the amount of interest capitalized which is primarily attributable to our development of Cira Centre.

*Depreciation and Amortization Expense*

Depreciation and amortization expense increased by \$32.0 million in 2005 primarily due to properties acquired in 2005, a full year of depreciation and amortization of properties acquired during 2004 and additional amortization from tenant improvements and leasing commissions paid during 2005. Depreciation and amortization expense for the same store properties increased by \$4.8 million primarily as a result of the write-off of tenant improvements and intangibles for spaces that were vacated during 2005.

*Administrative Expenses*

Administrative expenses increased by \$2.9 million in 2005 primarily due to increased payroll and related costs associated with employees that we hired as part of our TRC acquisition in September 2004, higher compensation and benefits costs for employees and increased spending on process and technology improvements.

*Equity in Income of Real Estate Ventures*

Equity in income of Real Estate Ventures increased by \$1.1 million in 2005 as a result of increased net income from the Real Estate Ventures. The increased net income resulted from the sale of condominium units by one of the Real Estate Venture in 2005.

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*Net Gains on Sales of Interests in Real Estate*

During 2005, we sold three parcels of land, realizing net gains totaling \$4.6 million. The increase from the prior year of \$1.6 million is a result of the value of the land parcels sold in each year compared to their carrying values at the time of sale.

*Minority Interest*

Minority interest from continuing operations represents the equity in income attributable to the portion of the Operating Partnership and the consolidated Real Estate Ventures not owned by us. Minority interest from continuing operations decreased by \$1.1 million in 2005 primarily due to decreased net income from our Operating Partnership and a decrease in the minority interest ownership percentage.

*Discontinued Operations*

Discontinued operations decreased by \$0.7 million in 2005 primarily due to the timing of property sales for assets included in discontinued operations in 2005 as compared to 2004.

*Net Income*

Net income declined in 2005 by \$17.5 million as increased revenues were not sufficient to offset increases in operating and financing costs. All major financial statement captions increased as a result of the Company's significant property acquisitions in fiscal 2004 and 2005 and the related financing required to complete those transactions. It should be noted that a significant element of these costs relate to additional depreciation and amortization charges relating to the significant property additions and the values ascribed to related acquired intangibles (e.g., in-place leases). These charges do not affect the Company's ability to pay dividends and may not be comparable to those of other real estate companies that have not made such acquisitions. Such charges can be expected to continue until the values ascribed to the lease intangibles are fully amortized. These intangibles are amortizing over the related lease terms or estimated tenant relationship. The size of these non-cash charges are expected to increase in the future as a result of the Prentiss transaction.

*Earnings per Common Share*

Earnings per common share of \$0.62 in 2005 as compared to earnings per common share of \$1.15 in 2004 as a result of the factors described in net income above and an increase in the average number of shares outstanding as a result of offerings completed in 2004.

**LIQUIDITY AND CAPITAL RESOURCES**

***General***

Our principal liquidity needs for the next twelve months are as follows:

fund normal recurring expenses,

meet debt service requirements,

fund capital expenditures, including capital and tenant improvements and leasing costs,

fund current development and redevelopment costs, and

fund distributions declared by our Board of Trustees.

We believe that our liquidity needs will be satisfied through cash flows generated by operations and financing activities. Rental revenue, expense recoveries from tenants, and other income from operations are our principal sources of cash that we use to pay operating expenses, debt service, recurring capital expenditures and the minimum distributions required to maintain our REIT qualification. Our revenue also

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includes third-party fees generated by our property management, leasing, development and construction businesses. We believe our revenue, together with proceeds from equity and debt financings, will continue to provide funds for our short-term liquidity needs. However, material changes in our operating or financing activities may adversely affect our net cash flows. Such changes, in turn, would adversely affect our ability to fund distributions, debt service payments and tenant improvements. In addition, a material adverse change in our cash provided by operations would affect our compliance with covenants under our unsecured credit facility and unsecured notes.

Our principal liquidity needs for periods beyond twelve months are for costs of developments, redevelopments, property acquisitions, scheduled debt maturities, major renovations, expansions and other non-recurring capital improvements. We draw on multiple financing sources to fund our long-term capital needs. We use our credit facility for general business purposes, including the acquisition, development and redevelopment of properties and the repayment of other debt.

As a result of our acquisition of Prentiss, we have additional short and long-term liquidity requirements. Historically, we have satisfied these requirements principally through the most advantageous source of capital at that time, including public offerings of unsecured debt and private placements of secured and unsecured debt, sales of common and preferred equity, capital raised through the disposition of assets, and joint venture transactions. We believe these sources of capital will continue to be available to fund our capital needs.

We funded the approximately \$1.05 billion cash portion of the Prentiss merger consideration, related transaction costs and prepayments of approximately \$543.3 million in Prentiss mortgage debt at the closing of the merger through (i) a \$750 million unsecured term loan that we repaid in March 2006; (ii) approximately \$676.5 million of cash from Prudentia's acquisition of Prentiss properties; and (iii) approximately \$195.0 million through our revolving credit facility.

Our ability to incur additional debt is dependent upon a number of factors, including our credit ratings, the value of our unencumbered assets, our degree of leverage and borrowing restrictions imposed by our current lenders. We currently have investment grade ratings for prospective unsecured debt offerings from three major rating agencies. If a rating agency were to downgrade our credit rating, our access to capital in the unsecured debt market would be more limited and the interest rate under our existing credit facility would increase.

Our ability to sell common and preferred shares is dependent on, among other things, general market conditions for REITs, market perceptions about us and the current trading price of our shares. We regularly analyze which source of capital is most advantageous to us at any particular point in time. The equity markets may not be consistently available on terms that we consider attractive.

***Cash Flows***

The following summary discussion of our cash flows is based on the consolidated statement of cash flows included in our consolidated financial statements and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented.

As of December 31, 2006 and 2005, we maintained cash and cash equivalents of \$25.4 million and \$7.2 million, respectively. This \$18.2 million increase was the result of the following changes in cash flow from our various activities:



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| <b>Activity</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> |
|-----------------|-------------|-------------|-------------|
| Operating       | \$ 241,566  | \$ 125,147  | \$ 152,890  |
| Investing       | (915,794)   | (252,417)   | (682,652)   |
| Financing       | 692,433     | 119,098     | 536,556     |
| Net cash flows  | \$ 18,205   | \$ (8,172)  | \$ 6,794    |

Our principal source of cash flows is from the operation of our properties. Our increased cash flow from operating activities is primarily attributable our acquisition of Prentiss.

The increase in our investing activities in 2006 over 2005 is primarily attributable to our acquisition of Prentiss in January 2006 and other property and land acquisitions totaling \$1,167.1 million. In addition, we incurred approximately \$242.5 million of capital expenditures for the properties that we own. These increases in investing activities are offset by the net proceeds of \$257.6 million received from the sale of eight properties in Chicago and seven properties in Texas that we acquired in our acquisition of Prentiss and subsequently sold. We received net proceeds of \$92.0 million from sales of properties and land in our same store portfolio. We redeemed marketable securities of \$181.6 million that had been escrowed to secure a secured notes payable.

The increase in our financing activities in 2006 as compared to 2005 is primarily attributable to the issuance in 2006 of \$1,195.0 million of unsecured notes resulting in net proceeds of \$1,186.0 million. The proceeds were used to repay the \$750.0 million term loan that we obtained in connection with our acquisition of Prentiss, as well as to repay a portion of the outstanding borrowings on our credit facility. This cash inflow is offset by our repurchase of common shares totaling \$94.5 million and our four distribution payments totaling \$151.1 million.

**Capitalization****Indebtedness**

As of December 31, 2006, we had approximately \$3.16 billion of outstanding indebtedness. The table below summarizes our mortgage notes payable, our unsecured notes, and our revolving credit facility at December 31, 2006 and 2005:

|  | <b>December 31</b>     |              |
|--|------------------------|--------------|
|  | <b>2006</b>            | <b>2005</b>  |
|  | (dollars in thousands) |              |
| <b>Balance:</b>                                      |                        |              |
| Fixed rate   | \$ 2,718,171           | \$ 1,417,611 |
| Variable rate  | 439,162                | 103,773      |
| Total  | \$ 3,157,333           | \$ 1,521,384 |
| <b>Percent of Total Debt:</b>                        |                        |              |
| Fixed rate   | 86.1%                  | 93.2%        |
| Variable rate  | 13.9%                  | 6.8%         |
| Total  | 100%                   | 100%         |
| <b>Weighted-average interest rate at period end:</b> |                        |              |
| Fixed rate   | 5.6%                   | 5.9%         |
| Variable rate  | 6.0%                   | 5.3%         |

The variable rate debt shown above generally bears interest based on various spreads over LIBOR (the term of which we select). The December 31, 2006 fixed rate balance includes \$90.0 million of variable rate debt that is effectively fixed at 6% via an interest rate hedge.

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**Table of Contents****Unsecured Credit Facility**

We use credit facility borrowings for general business purposes, including the acquisition, development and redevelopment of properties and the repayment of other debt. In December 2005, we replaced our then existing unsecured credit facility with a \$600 million unsecured credit facility (the Credit Facility) that matures in December 2009, subject to a one year extension option upon payment of a fee and the absence of any defaults. Borrowings under the new Credit Facility generally bear interest at LIBOR (LIBOR was 5.33% as of December 31, 2006) plus a spread over LIBOR ranging from 0.55% to 1.10% based on our unsecured senior debt rating. We have an option to increase the maximum borrowings under the Credit Facility to \$800 million subject to the absence of any defaults and our ability to obtain additional commitments from our existing or new lenders.

As of December 31, 2006, we had \$60 million of borrowings and \$24 million of letters of credit outstanding under the Credit Facility, leaving \$516 million of unused availability. On January 2, 2007, we used \$300 million of borrowings under the Credit Facility to payoff the \$300 million unsecured floating rate notes due 2009; notice of this payoff was given in November 2006. For the years ended December 31, 2006 and 2005, our weighted average interest rates, including the effects of interest rate hedges discussed in Note 12 to the consolidated financial statements included herein, and including both the new Credit Facility and prior credit facility, were 5.93% and 4.58 % per annum, respectively.

The Credit Facility contains financial and non-financial covenants, including covenants that relate to our incurrence of additional debt; the granting of liens; consummation of mergers and consolidations; the disposition of assets and interests in subsidiaries; the making of loans and investments; and the payment of dividends. The restriction on dividends permits us to pay dividends in the amount required for us to retain our qualification as a REIT and otherwise limits dividends to 90% of our funds from operations. The Credit Facility also contains financial covenants that require us to maintain an interest coverage ratio, a fixed charge coverage ratio, an unsecured debt ratio and an unencumbered cash flow ratio above certain specified minimum levels; to maintain net worth above an amount determined on a specified formula; and to maintain a leverage ratio and a secured debt ratio below certain maximum levels. Another financial covenant limits the ratio of unsecured debt to unencumbered properties. We were in compliance with all financial covenants as of December 31, 2006.

**Unsecured Notes**

On March 28, 2006, the Operating Partnership consummated the public offering of (1) \$300,000,000 aggregate principal amount of its unsecured floating rate notes due 2009, (2) \$300,000,000 aggregate principal amount of its 5.75% notes due 2012 and (3) \$250,000,000 aggregate principal amount of its 6.00% notes due 2016. The Company guaranteed the payment of principal and interest on these notes.

On October 4, 2006, we completed an offering of \$300.0 million aggregate principal amount of 3.875% senior convertible notes due 2026 in an offering made in reliance upon an exemption from registration rights under Rule 144A under the Securities Act of 1933 and issued an additional \$45 million of exchangeable notes on October 16, 2006 to cover over-allotments. At certain times and upon the occurrence of certain events, the notes are convertible into cash up to their principal amount and, with respect to the remainder, if any, of the conversion value in excess of such principal amount, cash or shares of the Company's common stock. The initial conversion rate will be 25.4065 shares per \$1,000 principal amount of notes (which is equivalent to an initial conversion price of \$39.36 per share). The notes may not be redeemed by us prior to October 20, 2011 (except to preserve the Company's status as a REIT for U.S. federal income tax purposes), but are redeemable anytime thereafter, in whole or in part, at a redemption price equal to the principal amount of the notes plus any accrued and unpaid interest (including additional interest), if any. In addition, on October 20, 2011, October 15, 2016, and October 15, 2021, or upon the occurrence of certain change in control transactions prior to October 20, 2011, note holders may require us to repurchase all or a portion of the notes at a purchase price equal to the principal amount plus any accrued and unpaid interest on the notes. Net proceeds from the October 2006 Debt Offering were used to repurchase approximately \$60.0 million of the Company's common stock at a price of \$32.80 per share and for general corporate purposes, including the repayment of outstanding borrowings under our unsecured revolving credit facility.

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On November 29, 2006, we gave notice of redemption of the \$300 million floating rate guaranteed notes due 2009 issued by the Operating Partnership and repaid these notes on March 28, 2006. The Operating Partnership repaid the 2009 Notes on January 2, 2007 and incurred accelerated amortization of the associated deferred financing costs of \$1.4 million in the fourth quarter 2006 after giving prepayment notice in November 2006.

The indenture relating to our unsecured notes contains various financial restrictions and requirements, including (1) a leverage ratio not to exceed 60%, (2) a secured debt leverage ratio not to exceed 40%, (3) a debt service coverage ratio of greater than 1.5 to 1.0, and (4) an unencumbered asset value of not less than 150% of unsecured debt. In addition, the note purchase agreement relating to our \$113 million unsecured notes that mature in 2008 contains covenants that are similar to the above covenants.

**Unsecured Term Loans**

On March 28, 2006, we terminated and repaid all amounts outstanding under the \$750 million term loan agreement that we had entered into on January 5, 2006 in connection with our acquisition of Prentiss.

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The following table sets forth information regarding our mortgage indebtedness outstanding at December 31, 2006 and 2005:

| Property / Location                        | December<br>31,<br>2006 | December<br>31,<br>2005 | Effective<br>Interest<br>Rate<br>@<br>12/31/06 | Maturity<br>Date |
|--|-------------------------|-------------------------|--|------------------|
| 111 Arrandale Blvd                         | \$                      | \$ 1,043                |  | Aug-06           |
| 429 Creamery Way                           |                         | 2,927                   |  | Sep-06           |
| Interstate Center                          | 552                     | 766                     | 6.19%(b)                                       | Mar-07           |
| 440 & 442 Creamery Way                     | 5,421                   | 5,581                   | 8.55%  | Jul-07           |
| Norriton Office Center                     |                         | 5,191                   | 8.50%  | Oct-07           |
| 481 John Young Way                         | 2,294                   | 2,360                   | 8.40%  | Nov-07           |
| 400 Commerce Drive                         | 11,797                  | 11,989                  | 7.12%  | Jun-08           |
| Two Logan Square                           | 71,348                  | 72,468                  | 5.78%(a)                                       | Jul-09           |
| The Bluffs                                 | 10,700                  |                         | 6.00%(a)                                       | Jul-09           |
| Pacific Ridge                              | 14,500                  |                         | 6.00%(a)                                       | Aug-09           |
| Pacific View/Camino                        | 26,000                  |                         | 6.00%(a)                                       | Aug-09           |
| Computer Associates Building               | 31,000                  |                         | 6.00%(a)                                       | Aug-09           |
| 200 Commerce Drive                         | 5,841                   | 5,911                   | 7.12%(a)                                       | Jan-10           |
| Presidents Plaza                           | 30,900                  |                         | 6.00%(a)                                       | May-10           |
| 1333 Broadway                              | 24,418                  |                         | 5.18%(a)                                       | May-10           |
| The Ordway                                 | 46,199                  |                         | 7.95%(a)                                       | Aug-10           |
| World Savings Center                       | 27,524                  |                         | 7.91%(a)                                       | Nov-10           |
| Plymouth Meeting Exec.                     | 44,103                  | 44,687                  | 7.00%(a)                                       | Dec-10           |
| Four Tower Bridge                          | 10,626                  | 10,763                  | 6.62%  | Feb-11           |
| Arboretum I, II, III & V                   | 22,750                  | 23,238                  | 7.59%  | Jul-11           |
| Midlantic Drive/Lenox Drive/DCC I          | 62,678                  | 63,803                  | 8.05%  | Oct-11           |
| Research Office Center                     | 42,205                  |                         | 7.64%(a)                                       | Oct-11           |
| Concord Airport Plaza                      | 38,461                  |                         | 7.20%(a)                                       | Jan-12           |
| Six Tower Bridge                           | 14,744                  | 15,083                  | 7.79%  | Aug-12           |
| Newtown Square/Berwyn Park/Libertyview     | 63,231                  | 64,429                  | 7.25%  | May-13           |
| Coppell Associates                         | 3,737                   |                         | 6.89%  | Dec-13           |
| Southpoint III                             | 4,949                   | 5,431                   | 7.75%  | Apr-14           |
| Tyson's Corner                             | 100,000                 |                         | 4.84%(a)                                       | Aug-15           |
| Coppell Associates                         | 16,600                  |                         | 5.75%  | Mar-16           |
| Grande A                                   | 59,513                  | 61,092                  | 7.48%  | Jul-27           |
| Grande A                                   |                         | 11,456                  |  | Jul-27           |
| Grande A                                   |                         | 1,551                   |  | Jul-27           |
| Grande B                                   | 77,535                  | 79,036                  | 7.48%  | Jul-27           |
| Principal balance outstanding              | 869,626                 | 488,805                 |  |                  |
| Plus: unamortized fixed-rate debt premiums | 14,294                  | 5,972                   |  |                  |
| Total mortgage indebtedness                | \$ 883,920              | \$ 494,777              |  |                  |

- (a) Loans were assumed upon acquisition of the related property. Interest rates presented above reflect the market rate at the time of acquisition.
- (b) For loans that bear interest at a variable rate, the rates in effect at December 31, 2006 have been presented.

The mortgage note payable balance of \$5.1 million for Norriton Office Center as of December 31, 2006, not included in the table above, is included in Mortgage notes payable and other liabilities held for sale on the balance sheet.

*Guaranties.* As of December 31, 2006, we had guaranteed repayment of approximately \$0.6 million of loans on behalf of certain Real Estate Ventures. See Item 2. Properties – Real Estate Ventures. We also provide customary environmental indemnities and completion guarantees in connection with construction and permanent financing both for our own account and on behalf of Real Estate Ventures.

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***Share Repurchases***

We maintain a share repurchase program under which our Board has authorized us to repurchase our common shares from time to time. Our Board initially authorized this program in 1998 and has periodically replenished capacity under the program, including, most recently, on May 2, 2006 when our Board restored capacity to 3.5 million common shares. During the year ended December 31, 2006, we repurchased approximately 1.2 million common shares under this program at an average price of \$29.22 per share, leaving approximately 2.3 million in remaining capacity. Our Board has not limited the duration of the program.

On October 4, 2006 we repurchased 1,829,000 common shares with a portion of the proceeds of our 3.875% Exchangeable Guaranteed Notes at an average purchase price of \$32.80 per share (approximately \$60.0 million in aggregate). We repurchased these shares under a separate Board authorization that provided that the shares repurchased did not reduce capacity under the share repurchase program.

***Off-Balance Sheet Arrangements***

We are not dependent on any off-balance sheet financing arrangements for liquidity. Our off-balance sheet arrangements are discussed in Note 4 to the financial statements, Investment in Unconsolidated Real Estate Ventures . Additional information about the debt of our unconsolidated Real Estate Ventures is included in Item 2 Properties . Our interest rate incurred under our revolving credit facility is subject to modification depending on our rating status with qualified agencies.

***Shelf Registration Statement***

We maintain a shelf registration statement for the issuance of common shares, preferred shares, depositary shares and warrants and unsecured debt securities. Subject to our ongoing compliance with securities laws, and if warranted by market conditions, we may offer and sell equity and debt securities from time to time under the registration statement.

***Short- and Long-Term Liquidity***

We believe that our cash flow from operations is adequate to fund our short-term liquidity requirements. Cash flow from operations is generated primarily from rental revenues and operating expense reimbursements from tenants and management services income from providing services to third parties. We intends to use these funds to meet short-term liquidity needs, which are to fund operating expenses, debt service requirements, recurring capital expenditures, tenant allowances, leasing commissions and the minimum distributions required to maintain the Company s REIT qualification under the Internal Revenue Code.

We expect to meet our long-term liquidity requirements, such as for property acquisitions, development, investments in real estate ventures, scheduled debt maturities, major renovations, expansions and other significant capital improvements, through cash from operations, borrowings under our Credit Facility, other long-term secured and unsecured indebtedness, the issuance of equity securities and the proceeds from the disposition of selected assets.

***Inflation***

A majority of our leases provide for reimbursement of real estate taxes and operating expenses either on a triple net basis or over a base amount. In addition, many of our office leases provide for fixed base rent increases. We believe that inflationary increases in expenses will be partially offset by expense reimbursement and contractual rent increases.

**Table of Contents****Commitments**

The following table outlines the timing of payment requirements related to our contractual commitments as of December 31, 2006.

|   | <b>Total</b> | <b>Payments by Period (in thousands)</b> |                  |                  |                          |
|---|--------------|--|------------------|------------------|--------------------------|
|   |              | <b>Less than 1 Year</b>                  | <b>1-3 Years</b> | <b>3-5 Years</b> | <b>More than 5 Years</b> |
| Mortgage notes payable (a)                                      | \$ 869,626   | \$ 20,232                                | \$ 190,733       | \$ 320,864       | \$ 337,797               |
| Mortgage notes payable on asset classified as held for sale (a) | 5,105        | 5,105                                    |                  |                  |                          |
| Revolving credit facility (b)                                   | 60,000       |  | 60,000           |                  |                          |
| Unsecured debt (a), (b)   | 2,211,610    |  | 688,000          | 945,000          | 578,610                  |
| Ground leases (c)   | 280,185      | 1,736                                    | 3,472            | 3,637            | 271,340                  |
| Other liabilities   | 2,495        |  | 1,807            |                  | 688                      |
|   | \$ 3,429,021 | \$ 27,073                                | \$ 944,012       | \$ 1,269,501     | \$ 1,188,435             |

(a) Amounts do not include unamortized discounts and/or premiums.

(b) Our revolving credit facility was used to repay the \$300 million floating rate notes due 2009 on January 2, 2007. Accordingly, these amounts are shown as payable in 2009, which is the maturity of the credit facility.

(c) Future minimum rental payments under the terms of all non-cancelable ground leases under which we



are the lessee  
are expensed on  
a straight-line  
basis regardless  
of when  
payments are  
due.

As part of our acquisition of the TRC Properties in September 2004, we agreed to issue to the sellers up to a maximum of \$9.7 million of Class A Units of the Operating Partnership if certain of the acquired properties achieve at least 95% occupancy prior to September 21, 2007. The maximum number of Units that we are obligated to issue declines monthly and, as of December 31, 2006, the maximum balance payable under this arrangement was \$1.8 million, with no amount currently due.

As part of the TRC acquisition, we acquired our interest in Two Logan Square, a 696,477 square foot office building in Philadelphia, primarily through a second and third mortgage secured by this property. We currently do not expect to take title to Two Logan Square until, at the earliest, September 2019. In the event that we take title to Two Logan Square upon a foreclosure of our mortgage, we have agreed to make a payment to an unaffiliated third party with a residual interest in the fee owner of this property. The amount of the payment would be \$0.6 million if we must pay a state and local transfer tax upon taking title, and \$2.9 million if no transfer tax is payable upon the transfer.

As part of the TRC acquisition and several of our other acquisitions, we agreed not to sell the acquired properties. In the case of the TRC Properties, we agreed not to sell the acquired properties for periods ranging from three to 15 years from the acquisition date as follows: 201 King of Prussia Road, 555 East Lancaster Avenue and 300 Delaware Avenue (three years); One Rodney Square and 130/150/170 Radnor Financial Center (10 years); and One Logan Square, Two Logan Square and Radnor Corporate Center (15 years). At December 31, 2006, we had agreed not to sell 14 properties that aggregate 1.0 million square feet for periods that expire through 2008. Our agreements generally provide that we may dispose of the subject properties only in transactions that qualify as tax-free exchanges under Section 1031 of the Internal Revenue Code or in other tax deferred transactions. In the event that we sell any of the properties within the applicable restricted period in non-exempt transactions, we would be required to pay significant tax liabilities that would be incurred by the parties who sold us the applicable property.

We invest in our properties and regularly incur capital expenditures in the ordinary course to maintain the properties. We believe that such expenditures enhance our competitiveness. We also enter into construction, utility and service contracts in the ordinary course of business which may extend beyond one year. These contracts typically provide for cancellation with insignificant or no cancellation penalties.

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***Interest Rate Risk and Sensitivity Analysis***

The analysis below presents the sensitivity of the market value of our financial instruments to selected changes in market rates. The range of changes chosen reflects our view of changes which are reasonably possible over a one-year period. Market values are the present value of projected future cash flows based on the market rates chosen.

Our financial instruments consist of both fixed and variable rate debt. As of December 31, 2006, our consolidated debt consisted of \$889.0 million (including \$90.0 million of variable interest rate debt that is fixed through interest rate swaps) in fixed rate mortgages and \$0.6 million in variable rate mortgage notes, \$60.0 million borrowings under our Credit Facility and \$2.3 billion in unsecured notes (net of discounts) of which \$1.8 billion are fixed rate borrowings and \$439.0 million are variable rate borrowings. All financial instruments were entered into for other than trading purposes and the net market value of these financial instruments is referred to as the net financial position. Changes in interest rates have different impacts on the fixed and variable rate portions of our debt portfolio. A change in interest rates on the fixed portion of the debt portfolio impacts the net financial instrument position, but has no impact on interest incurred or cash flows. A change in interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows, but does not impact the net financial instrument position.

If market rates of interest on our variable rate debt increase by 1%, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by approximately \$4.4 million. If market rates of interest on our variable rate debt decrease by 1%, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by approximately \$4.4 million.

If market rates of interest increase by 1%, the fair value of our outstanding fixed-rate debt would decrease by approximately \$102.8 million. If market rates of interest decrease by 1%, the fair value of our outstanding fixed-rate mortgage debt would increase by approximately \$109.9 million.

As of December 31, 2006, based on prevailing interest rates and credit spreads, the fair value of our unsecured notes was \$1.83 billion.

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

See discussion in Management's Discussion and Analysis included in Item 7 herein.

**Item 8. Financial Statements and Supplementary Data**

The financial statements and supplementary financial data of Brandywine Realty Trust and Brandywine Operating Partnership, L.P. and the reports thereon of PricewaterhouseCoopers LLP with respect thereto are listed under Item 15(a) and filed as part of this Annual Report on Form 10-K. See Item 15.

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

None

**Item 9A. Controls and Procedures**

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

Under the supervision and with the participation of each registrant's management, including its principal executive officer and principal financial officer, each registrant's management conducted an evaluation of the registrant's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, the principal executive officer and the principal financial officer of each registrant concluded

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that each registrant's disclosure controls and procedures were effective as of the end of the period covered by this annual report. There were no changes in the internal control over financial reporting of each registrant that occurred during the three-month period ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

**Management's Report on Internal Control Over Financial Reporting**

The management of each registrant is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f).

Under the supervision and with the participation of each registrant's management, including its principal executive officer and principal financial officer, each registrant's management conducted an evaluation of the effectiveness of the registrant's 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 this evaluation under the framework in *Internal Control - Integrated Framework*, each registrant's management concluded that the registrant's internal control over financial reporting was effective as of December 31, 2006.

Management of each registrant has excluded our investments in Four and Six Tower Bridge Associates from its evaluation of the effectiveness of internal control over financial reporting as of December 31, 2006 because we do not have the right or authority to assess the internal controls of the individual entities and we also lack the ability, in practice, to make the assessment. Four and Six Tower Bridge Associates are two real estate partnerships, created prior to December 15, 2003, which we consolidate under Financial Accounting Standards Board Interpretation (FIN) 46R,

Consolidation of Variable Interest Entities. We started consolidating Four and Six Tower Bridge Associates on March 31, 2004. The total assets and total revenue of Four and Six Tower Bridge Associates represent, in the aggregate, less than 1% of our consolidated total assets and consolidated total revenue as of and for the year ended December 31, 2006.

The management assessment of the effectiveness of each registrant's internal control over financial reporting as of December 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their reports which are included herein.

**Changes in Internal Control over Financial Reporting.**

There have not been any changes in either registrant's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, either registrant's internal control over financial reporting.

**Item 9B. Other Information**

None

**PART III**

**Item 10. Directors and Executive Officers of the Registrant**

Incorporated herein by reference to the Company's definitive proxy statement to be filed with respect to its Annual Meeting of Shareholders expected to be held on May 9, 2007.

**Item 11. Executive Compensation**

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Incorporated herein by reference to the Company's definitive proxy statement to be filed with respect to its Annual Meeting of Shareholders expected to be held on May 9, 2007.

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

Incorporated herein by reference to the Company's definitive proxy statement to be filed with respect to its Annual Meeting of Shareholders expected to be held on May 9, 2007.

**Item 13. Certain Relationships and Related Transactions**

Incorporated herein by reference to the Company's definitive proxy statement to be filed with respect to its Annual Meeting of Shareholders expected to be held on May 9, 2007.

**Item 14. Principal Accountant Fees and Services**

Incorporated herein by reference to the Company's definitive proxy statement to be filed with respect to its Annual Meeting of Shareholders expected to be held on May 9, 2007.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules.**

(a) 1. and 2. Financial Statements and Schedules

The financial statements and schedules of Brandywine Realty Trust and Brandywine Operating Partnership listed below are filed as part of this annual report on the pages indicated.

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| <u>Consolidated Statements of Other Comprehensive (Loss) Income for the Years Ended December 31, 2006, 2005 and 2004</u> | F-51 |
| <u>Consolidated Statements of Partners' Equity for the Years Ended December 31, 2006, 2005 and 2004</u>                  | F-52 |
| <u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2006, 2005 and 2004</u>                        | F-53 |
| <u>Notes to Consolidated Financial Statements</u>  | F-54 |
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**3. Exhibits**

***Exhibits No. Description***

- 2 Agreement and Plan of Merger dated as of October 3, 2005 by and among Brandywine Realty Trust, Brandywine Operating Partnership, L.P., Brandywine Cognac I, LLC, Brandywine Cognac II, LLC, Prentiss Properties Trust and Prentiss Properties Acquisition Partners, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 4, 2005 and incorporated herein by reference)
- 3.1.1 Amended and Restated Declaration of Trust of Brandywine Realty Trust (amended and restated as of May 12, 1997) (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated June 9, 1997 and incorporated herein by reference)
- 3.1.2 Articles of Amendment to Declaration of Trust of Brandywine Realty Trust (September 4, 1997) (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated September 10, 1997 and incorporated herein by reference)
- 3.1.3 Articles of Amendment to Declaration of Trust of Brandywine Realty Trust (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated June 3, 1998 and incorporated herein by reference)
- 3.1.4 Articles Supplementary to Declaration of Trust of Brandywine Realty Trust (September 28, 1998) (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 13, 1998 and incorporated herein by reference)
- 3.1.5 Articles of Amendment to Declaration of Trust of Brandywine Realty Trust (March 19, 1999) (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference)
- 3.1.6 Articles Supplementary to Declaration of Trust of Brandywine Realty Trust (April 19, 1999) (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated April 26, 1999 and incorporated herein by reference)
- 3.1.7 Articles Supplementary to Declaration of Trust of Brandywine Realty Trust (December 30, 2003) (previously filed as an exhibit to Brandywine Realty Trust's Form 8-A dated December 29, 2003 and incorporated herein by reference)
- 3.1.8 Articles Supplementary to Declaration of Trust of Brandywine Realty Trust (February 5, 2004) (previously filed as an exhibit to Brandywine Realty Trust's Form 8-A dated February 5, 2004 and incorporated herein by reference)
- 3.1.9 Articles of Amendment to Declaration of Trust of Brandywine Realty Trust (October 3, 2005) (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 4, 2005 and incorporated herein by reference)
- 3.1.10 Second Amended and Restated Partnership Agreement of Brandywine Realty Services Partnership (previously filed as an exhibit to Brandywine Realty Trust's Registration statement of Form S-11 (File No. 33-4175) and incorporated herein by reference)

- 3.1.11 Amended and Restated Articles of Incorporation of Brandywine Realty Services Corporation (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2002 and incorporated herein by reference)
- 3.1.12 Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (the Operating Partnership) (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated December 17, 1997 and incorporated herein by reference)
- 3.1.13 First Amendment to Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated December 17, 1997 and incorporated herein by reference)
- 3.1.14 Second Amendment to the Amended and Restated Agreement of Limited Partnership Agreement of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated April 13, 1998 and incorporated herein by reference)
- 3.1.15 Third Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated May 14, 1998 and incorporated herein by reference)
- 3.1.16 Fourth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 13, 1998 and incorporated herein by reference)
- 3.1.17 Fifth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 13, 1998 and incorporated herein by reference)
- 3.1.18 Sixth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 13, 1998 and incorporated herein by reference)
- 3.1.19 Seventh Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)
- 3.1.20 Eighth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)

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***Exhibits No. Description***

- 3.1.21 Ninth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)
- 3.1.22 Tenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)
- 3.1.23 Eleventh Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)
- 3.1.24 Twelfth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)
- 3.1.25 Thirteenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated September 21, 2004 and incorporated herein by reference)
- 3.1.26 Fourteenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 3.1.27 Fifteenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated August 18, 2006 and incorporated herein by reference)
- 3.1.28 List of partners of Brandywine Operating Partnership, L.P.
- 3.2 Amended and Restated Bylaws of Brandywine Realty Trust (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 14, 2003 and incorporated herein by reference)
- 4.1 Form of 7.50% Series C Cumulative Redeemable Preferred Share Certificate (previously filed as an exhibit to Brandywine Realty Trust's Form 8-A dated December 29, 2003 and incorporated herein by reference)
- 4.2 Form of 7.375% Series D Cumulative Redeemable Preferred Share Certificate (previously filed as an exhibit to Brandywine Realty Trust's Form 8-A dated February 5, 2004 and incorporated herein by reference)
- 4.3.1 Indenture dated October 22, 2004 by and among Brandywine Operating Partnership, L.P., Brandywine Realty Trust, certain subsidiaries of Brandywine Operating Partnership, L.P. named therein and The Bank of New York, as Trustee (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 22, 2004 and incorporated herein by reference)



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- 4.3.2 First Supplemental Indenture dated as of May 25, 2005 by and among Brandywine Operating Partnership, L.P., Brandywine Realty Trust, certain subsidiaries of Brandywine Operating Partnership, L.P. named therein and The Bank of New York, as Trustee (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated May 26, 2005 and incorporated herein by reference)
- 4.3.3 Second Supplemental Indenture dated as of October 4, 2006 by and among Brandywine Operating Partnership, L.P., Brandywine Realty Trust and the Bank of New York, as Trustee (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 4, 2006 and incorporated herein by reference)
- 4.4 Form of \$275,000,000 4.50% Guaranteed Note due 2009 (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 22, 2004 and incorporated herein by reference)
- 4.5 Form of \$250,000,000 5.40% Guaranteed Note due 2014 (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 22, 2004 and incorporated herein by reference)
- 4.6 Form of \$300,000,000 5.625% Guaranteed Note due 2010 (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated December 20, 2005 and incorporated herein by reference)
- 4.7 Form of \$300,000,000 aggregate principal amount of Floating Rate Guaranteed Note due 2009 (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated March 28, 2006 and incorporated herein by reference).
- 4.8 Form of \$300,000,000 aggregate principal amount of 5.75% Guaranteed Note due 2012 (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated March 28, 2006 and incorporated herein by reference).
- 4.9 Form of \$250,000,000 aggregate principal amount of 6.00% Guaranteed Note due 2016 (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated March 28, 2006 and incorporated herein by reference).
- 4.10 Form of 3.875% Exchangeable Guaranteed Notes due 2026 (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 4, 2006 and incorporated herein by reference)
- 10.1 Amended and Restated Revolving Credit Agreement dated as of December 22, 2005 (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated December 23, 2005 and incorporated herein by reference)
- 10.2 Term Loan Agreement dated as of January 5, 2006 (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.3 Note Purchase Agreement dated as of November 15, 2004 (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated November 15, 2004 and incorporated herein by reference)
- 10.4 Tax Indemnification Agreement dated May 8, 1998, by and between Brandywine Operating Partnership, L.P. and the parties identified on the signature page (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated May 14, 1998 and incorporated herein by reference)
- 10.5 Contribution Agreement dated as of July 10, 1998 (with Donald E. Axinn) (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated July 30, 1998 and incorporated herein by reference)



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***Exhibits No. Description***

|       |  |
|-------|--|
| 10.6  | First Amendment to Contribution Agreement (with Donald E. Axinn) (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 13, 1998 and incorporated herein by reference)  |
| 10.7  | Form of Donald E. Axinn Options** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated July 30, 1998 and incorporated herein by reference)  |
| 10.8  | Modification Agreement dated as of June 20, 2005 between Brandywine Operating Partnership, L.P. and Donald E. Axinn (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated June 21, 2005 and incorporated herein by reference)        |
| 10.9  | Consent and Confirmation Agreement with Donald E. Axinn (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated February 15, 2006 and incorporated herein by reference)  |
| 10.10 | Contribution Agreement dated August 18, 2004 with TRC Realty, Inc.-GP, TRC-LB LLC and TRC Associates Limited Partnership (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated August 19, 2004 and incorporated herein by reference) |
| 10.11 | Registration Rights Agreement (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated September 21, 2004 and incorporated herein by reference)   |
| 10.12 | Tax Protection Agreement (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated September 21, 2004 and incorporated herein by reference)  |
| 10.13 | Alternative Asset Purchase Agreement (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)  |
| 10.14 | Registration Rights Agreement dated as of October 3, 2005 (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 4, 2005 and incorporated herein by reference)  |
| 10.15 | Letter to Cohen & Steers Capital Management, Inc. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference)   |
| 10.16 | Sales Agreement with Brinson Patrick Securities Corporation (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated November 29, 2004 and incorporated herein by reference)  |
| 10.17 | Registration Rights Agreement dated as of October 4, 2006 relating to 3.875% Exchangeable Guaranteed Notes due 2026 (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 4, 2006 and incorporated herein by reference)      |
| 10.18 | Common Share Delivery Agreement (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 4, 2006 and incorporated herein by reference)  |
| 10.19 | 2006 Amended and Restated Agreement dated as of January 5, 2006 with Anthony A. Nichols, Sr.** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)                          |

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- 10.20 Amended and Restated Employment Agreement dated as of February 9, 2007 of Gerard H. Sweeney\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated February 14, 2007 and incorporated herein by reference)
- 10.21 Employment Agreement with Robert K. Wiberg (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated as of November 2, 2005 and incorporated herein by reference)
- 10.22 Employment Agreement with Daniel K. Cushing (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated as of November 2, 2005 and incorporated herein by reference)
- 10.23 Employment Agreement with Christopher M. Hipps (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated as of November 2, 2005 and incorporated herein by reference)
- 10.24 Employment Agreement with Michael J. Cooper (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated as of November 2, 2005 and incorporated herein by reference)
- 10.25 Employment Agreement with Gregory S. Imhoff\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.26 Employment Agreement with Howard M. Sipzner\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated December 12, 2006 and incorporated herein by reference)
- 10.27 Employment Agreement with Darryl M. Dunn\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2007 and incorporated herein by reference)
- 10.28 Consulting Agreement with Michael V. Prentiss\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.29 Consulting Agreement with Thomas F. August\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.30 Third Amended and Restated Employment Agreement with Michael V. Prentiss\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.31 First Amendment to the Third Amended and Restated Employment Agreement with Michael V. Prentiss\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.32 Second Amendment to the Third Amended and Restated Employment Agreement with Michael V. Prentiss\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.33 Amended and Restated Employment Agreement with Thomas F. August\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.34 First Amendment to the Amended and Restated Employment Agreement with Thomas F. August\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)



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***Exhibits No. Description***

- 10.35 Second Amendment to the Amended and Restated Employment Agreement with Thomas F. August\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.36 Form of Acknowledgment and Waiver Agreement\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.37 1997 Long-Term Incentive Plan (previously filed as an exhibit to Brandywine Realty Trust's Form 10-Q for the quarter ended March 31, 2005 and incorporated herein by reference)
- 10.38 Amended and Restated Executive Deferred Compensation Plan effective March 25, 2004\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 10-Q for the quarter ended March 31, 2004 and incorporated herein by reference)
- 10.39 Amended and Restated Executive Deferred Compensation Plan effective January 1, 2006\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated December 26, 2006 and incorporated herein by reference)
- 10.40 Amended and Restated Non-Qualified Stock Option Award to Gerard H. Sweeney\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference)
- 10.41 2002 Restricted Share Award for Gerard H. Sweeney\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 10-Q for the quarter ended June 30, 2002 and incorporated herein by reference)
- 10.42 2002 Form of Restricted Share Award for Executive Officers (other than the President and Chief Executive Officer)\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 10-Q for the quarter ended June 30, 2002 and incorporated herein by reference)
- 10.43 2002 Restricted Share Award to Christopher P. Marr\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated August 27, 2002 and incorporated herein by reference)
- 10.44 2002 Non-Qualified Option to Gerard H. Sweeney\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 10-Q for the quarter ended September 30, 2002 and incorporated herein by reference)
- 10.45 2003 Restricted Share Award to Gerard H. Sweeney\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2002 and incorporated herein by reference)
- 10.46 2003 Restricted Share Award to Anthony S. Rimikis\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2002 and incorporated herein by reference)
- 10.47 2003 Restricted Share Award to H. Jeffrey De Vuono\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2002 and incorporated herein by reference)

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reference)

- 10.48 2003 Restricted Share Award to George D. Sowa\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2002 and incorporated herein by reference)
- 10.49 2003 Restricted Share Award to Brad A. Molotsky\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2002 and incorporated herein by reference)
- 10.50 2003 Restricted Share Award to Christopher P. Marr\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2002 and incorporated herein by reference)
- 10.51 2004 Restricted Share Award to Gerard H. Sweeney\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 10-Q for the quarter ended March 31, 2004 and incorporated herein by reference)
- 10.52 Form of 2004 Restricted Share Award to executive officers (other than the President and Chief Executive Officer)\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 10-Q for the quarter ended March 31, 2004 and incorporated herein by reference)
- 10.53 Form of 2004 Restricted Share Award to non-executive trustees\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference)
- 10.54 Form of 2004 Restricted Share Award to non-executive trustee (Wyche Fowler)\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated December 22, 2004 and incorporated herein by reference)
- 10.55 2005 Restricted Share Award to Gerard H. Sweeney\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated February 15, 2005 and incorporated herein by reference)
- 10.56 Form of 2005 Restricted Share Award to executive officers (other than the President and Chief Executive Officer)\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated February 15, 2005 and incorporated herein by reference)
- 10.57 Form of 2005 Restricted Share Award to non-executive trustees\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated May 26, 2005 and incorporated herein by reference)
- 10.58 2006 Restricted Share Award to Gerard H. Sweeney\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated February 15, 2006 and incorporated herein by reference)
- 10.59 Form of 2006 Restricted Share Award to executive officers (other than the President and Chief Executive Officer)\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated February 15, 2006 and incorporated herein by reference)
- 10.60 Form of 2006 Restricted Share Award to non-executive trustees\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 10-Q for the quarter ended March 31, 2006 and incorporated herein by reference)
- 10.61

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Performance Share Award to Howard M. Sipzner \*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated December 12, 2006 and incorporated herein by reference)

10.62 2007 Performance Share Award to Gerard H. Sweeney\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated February 14, 2007 and incorporated herein by reference)

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***Exhibits No. Description***

- 10.63 Form of 2007 Performance Share Award to executive officers (other than the President and Chief Executive Officer)\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated February 14, 2007 and incorporated herein by reference)
- 10.64 Form of Severance Agreement for executive officers\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated February 15, 2005 and incorporated herein by reference)
- 10.65 Change of Control Agreement with Howard M. Sipzner\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated December 12, 2006 and incorporated herein by reference)
- 10.66 Summary of Trustee Compensation\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated March 17, 2006 and incorporated herein by reference)
- 10.67 Prentiss Properties Trust 1996 Share Incentive Plan\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.68 First Amendment to the Prentiss Properties Trust 1996 Share Incentive Plan\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.69 Second Amendment to the Prentiss Properties Trust 1996 Share Incentive Plan\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.70 Amendment No. 3 to the Prentiss Properties Trust 1996 Share Incentive Plan\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.71 Fourth Amendment to the Prentiss Properties Trust 1996 Share Incentive Plan\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.72 Amendment No. 5 to the Prentiss Properties Trust 1996 Share Incentive Plan\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.73 Sixth Amendment to the Prentiss Properties Trust 1996 Share Incentive Plan\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.74 Prentiss Properties Trust 2005 Share Incentive Plan\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.75 Amended and Restated Prentiss Properties Trust Trustees' Share Incentive Plan\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)

- 10.76 Amendment No. 1 to the Amended and Restated Prentiss Properties Trust Trustees Share Incentive Plan\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.77 Second Amendment to the Amended and Restated Prentiss Properties Trust Trustees Share Incentive Plan\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.78 Form of Restricted Share Award\*\* (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
- 10.79 2006 Long-Term Outperformance Compensation Program (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated September 1, 2006 and incorporated herein by reference)
- 12.1 Statement re Computation of Ratios of Brandywine Realty Trust
- 12.2 Statement re Computation of Ratios of Brandywine Operating Partnership, L.P.
- 14.1 Code of Business Conduct and Ethics (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated December 22, 2004 and incorporated herein by reference)
- 21 List of subsidiaries
- 23.1 Consent of PricewaterhouseCoopers LLP relating to financial statements of Brandywine Realty Trust
- 23.2 Consent of PricewaterhouseCoopers LLP relating to financial statements of Brandywine Operating Partnership, L.P.
- 31.1 Certifications of the Chief Executive Officer of Brandywine Realty Trust required by Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 31.2 Certifications of the Chief Financial Officer of Brandywine Realty Trust required by Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 31.3 Certifications of the Chief Executive Officer of Brandywine Realty Trust in its capacity as the general partner of Brandywine Operating Partnership, L.P., required by Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 31.4 Certifications of the Chief Financial Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., required by Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 32.1 Certifications of the Chief Executive Officer of Brandywine Realty Trust required under Rule 13a-14(b) of the Securities Exchange Act of 1934.
- 32.2 Certifications of the Chief Financial Officer of Brandywine Realty Trust required by Rule 13a-14(b) under the Securities Exchange Act of 1934.
- 32.3 Certifications of the Chief Executive Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., required by Rule 13a-14(b) under the Securities

Exchange Act of 1934.

32.4 Certifications of the Chief Financial Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., required by Rule 13a-14(b) under the Securities Exchange Act of 1934.

\*\* Management contract or compensatory plan or arrangement.

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

BRANDYWINE REALTY TRUST

By: /s/ Gerard H. Sweeney

Gerard H. Sweeney  
President and Chief Executive Officer

Date: February 28, 2007

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

| <i>Signature</i>                           | <i>Title</i>  | <i>Date</i>          |
|--|---|----------------------|
| /s/ Walter D Alessio<br>Walter D Alessio   | Chairman of the Board and Trustee   | February 28,<br>2007 |
| /s/ Gerard H. Sweeney<br>Gerard H. Sweeney | President, Chief Executive Officer and Trustee<br>(Principal Executive Officer)           | February 28,<br>2007 |
| /s/ Howard M. Sipzner<br>Howard M. Sipzner | Executive Vice President and Chief Financial<br>Officer (Principal Financial Officer)     | February 28,<br>2007 |
| /s/ Darryl M. Dunn<br>Darryl M. Dunn       | Vice President, Chief Accounting Officer &<br>Treasurer<br>(Principal Accounting Officer) | February 28,<br>2007 |
| /s/ D. Pike Aloian<br>D. Pike Aloian       | Trustee   | February 28,<br>2007 |
| /s/ Thomas F. August<br>Thomas F. August   | Trustee   | February 28,<br>2007 |
| /s/ Donald E. Axinn<br>Donald E. Axinn     | Trustee   | February 28,<br>2007 |
| /s/ Wyche Fowler<br>Wyche Fowler           | Trustee   | February 28,<br>2007 |
| /s/ Michael J. Joyce                       | Trustee   |                      |

|                             |         |                      |
|-----------------------------|---------|----------------------|
| Michael J. Joyce            |         | February 28,<br>2007 |
| /s/ Anthony A. Nichols, Sr. | Trustee | February 28,<br>2007 |
| Anthony A. Nichols, Sr.     |         |                      |
| /s/ Charles P. Pizzi        | Trustee | February 28,<br>2007 |
| Charles P. Pizzi            |         |                      |
| /s/ Michael V. Prentiss     | Trustee | February 28,<br>2007 |
| Michael V. Prentiss         |         |                      |

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**SIGNATURES**

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

BRANDYWINE OPERATING PARTNERSHIP,  
L.P.

By: Brandywine Realty Trust, its General Partner

By: /s/ Gerard H. Sweeney

Gerard H. Sweeney  
President and Chief Executive Officer

Date: February 28, 2007

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

| <i>Signature</i>                           | <i>Title</i>  | <i>Date</i>          |
|--|---|----------------------|
| /s/ Walter D Alessio<br>Walter D Alessio   | Chairman of the Board and Trustee   | February 28,<br>2007 |
| /s/ Gerard H. Sweeney<br>Gerard H. Sweeney | President, Chief Executive Officer and Trustee<br>(Principal Executive Officer)           | February 28,<br>2007 |
| /s/ Howard M. Sipzner<br>Howard M. Sipzner | Executive Vice President and Chief Financial<br>Officer (Principal Financial Officer)     | February 28,<br>2007 |
| /s/ Darryl M. Dunn<br>Darryl M. Dunn       | Vice President, Chief Accounting Officer &<br>Treasurer<br>(Principal Accounting Officer) | February 28,<br>2007 |
| /s/ D. Pike Aloian<br>D. Pike Aloian       | Trustee   | February 28,<br>2007 |
| /s/ Thomas F. August<br>Thomas F. August   | Trustee   | February 28,<br>2007 |
| /s/ Donald E. Axinn<br>Donald E. Axinn     | Trustee   | February 28,<br>2007 |
| /s/ Wyche Fowler                           | Trustee   | February 28,<br>2007 |

Wyche Fowler

/s/ Michael J. Joyce

Trustee

February 28,  
2007

Michael J. Joyce

/s/ Anthony A. Nichols, Sr.

Trustee

February 28,  
2007

Anthony A. Nichols, Sr.

/s/ Charles P. Pizzi

Trustee

February 28,  
2007

Charles P. Pizzi

/s/ Michael V. Prentiss

Trustee

February 28,  
2007

Michael V. Prentiss

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**Report of Independent Registered Public Accounting Firm**

To the Board of Trustees and Shareholders of Brandywine Realty Trust:

We have completed integrated audits of Brandywine Realty Trust and its subsidiaries (collectively the Company) consolidated financial statements and of its internal control over financial reporting as of December 31, 2006, in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

**Consolidated financial statements and financial statement schedules**

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(2) present fairly, in all material respects, the financial position of Brandywine Realty Trust and its subsidiaries (collectively the Company) at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the index appearing under Item 15(a)(2) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements 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 of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

**Internal control over financial reporting**

Also, in our opinion, management's assessment, included in the accompanying Form 10-K appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting 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. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the



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company; (ii) 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 (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded the Company's investments in Four and Six Tower Bridge Associates from its assessment of internal control over financial reporting as of December 31, 2006 because the Company does not have the right and authority to assess the internal control over financial reporting of the individual entities and it lacks the ability to influence or modify the internal control over financial reporting of the individual entities. Four and Six Tower Bridge are two real estate partnerships, created prior to December 13, 2003, which the Company started consolidating under Financial Accounting Standards Board Interpretation No. 46R, Consolidation of Variable Interest Entities on March 31, 2004. We have also excluded Four and Six Tower Bridge Associates from our audit of internal control over financial reporting. Four and Six Tower Bridge are two consolidated real estate partnerships whose total assets and total revenues represent less than 1% and 1%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2006.

/s/ PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
February 28, 2007

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**BRANDYWINE REALTY TRUST**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share information)

|   | <b>December 31,</b> |              |
|---|---------------------|--------------|
|   | <b>2006</b>         | <b>2005</b>  |
| <b>ASSETS</b>   |                     |              |
| Real estate investments:  |                     |              |
| Operating properties  | \$ 4,927,305        | \$ 2,560,061 |
| Accumulated depreciation  | (515,698)           | (390,333)    |
| Operating real estate investments, net  | 4,411,607           | 2,169,728    |
| Construction-in-progress  | 217,886             | 273,240      |
| Land held for development   | 110,233             | 98,518       |
| Total real estate investments, net  | 4,739,726           | 2,541,486    |
| Cash and cash equivalents   | 25,379              | 7,174        |
| Restricted cash   | 22,557              | 18,498       |
| Accounts receivable, net  | 19,957              | 12,874       |
| Accrued rent receivable, net  | 71,589              | 47,034       |
| Asset held for sale   | 126,016             |              |
| Investment in real estate ventures, at equity   | 74,574              | 13,331       |
| Deferred costs, net   | 73,708              | 37,602       |
| Intangible assets, net  | 281,251             | 78,097       |
| Other assets  | 73,506              | 49,649       |
| Total assets  | \$ 5,508,263        | \$ 2,805,745 |
| <b>LIABILITIES AND BENEFICIARIES EQUITY</b>   |                     |              |
| Mortgage notes payable  | \$ 883,920          | \$ 494,777   |
| Unsecured notes   | 2,208,310           | 936,607      |
| Unsecured credit facility   | 60,000              | 90,000       |
| Accounts payable and accrued expenses   | 108,400             | 52,635       |
| Distributions payable   | 42,760              | 28,880       |
| Tenant security deposits and deferred rents   | 55,697              | 20,953       |
| Acquired below market leases, net of accumulated amortization of \$26,009 and \$6,931 | 92,527              | 34,704       |
| Other liabilities   | 13,906              | 4,466        |
| Mortgage notes payable and other liabilities held for sale                            | 20,826              |              |
| Total liabilities   | 3,486,346           | 1,663,022    |
| Minority interest partners share of consolidated real estate ventures                 | 34,428              |              |
| Minority interest attributable to continuing operations LP units                      | 89,563              | 37,859       |
| Commitments and contingencies (Note 22)   |                     |              |

Beneficiaries equity:

Preferred Shares (shares authorized-20,000,000):

|   |                  |                  |
|---|------------------|------------------|
| 7.50% Series C Preferred Shares, \$0.01 par value; issued and outstanding 2,000,000 in 2006 and 2005  | 20               | 20               |
| 7.375% Series D Preferred Shares, \$0.01 par value; issued and outstanding 2,300,000 in 2006 and 2005   | 23               | 23               |
| Common Shares of beneficial interest, \$0.01 par value; shares authorized 200,000,000; issued and outstanding 88,327,041 in 2006 and 56,179,075 in 2005 | 883              | 562              |
| Additional paid-in capital  | 2,311,541        | 1,369,913        |
| Cumulative earnings   | 423,764          | 413,282          |
| Accumulated other comprehensive income (loss)   | 1,576            | (3,169)          |
| Cumulative distributions  | (839,881)        | (675,767)        |
| <br>Total beneficiaries equity  | <br>1,897,926    | <br>1,104,864    |
| <br>Total liabilities, minority interest and beneficiaries equity   | <br>\$ 5,508,263 | <br>\$ 2,805,745 |

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

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**BRANDYWINE REALTY TRUST**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except share and per share information)

|   | Years ended December 31, |                   |                   |
|---|--------------------------|-------------------|-------------------|
|   | 2006                     | 2005              | 2004              |
| <b>Revenue:</b>   |                          |                   |                   |
| Rents   | \$ 559,936               | \$ 318,218        | \$ 267,710        |
| Tenant reimbursements   | 80,470                   | 48,562            | 36,849            |
| Other   | 22,395                   | 13,844            | 11,998            |
| <br>Total revenue   | <br>662,801              | <br>380,624       | <br>316,557       |
| <b>Operating Expenses:</b>  |                          |                   |                   |
| Property operating expenses   | 188,001                  | 111,192           | 86,358            |
| Real estate taxes   | 65,584                   | 38,180            | 29,895            |
| Depreciation and amortization   | 248,132                  | 109,118           | 77,521            |
| Administrative expenses   | 29,644                   | 17,982            | 15,100            |
| <br>Total operating expenses  | <br>531,361              | <br>276,472       | <br>208,874       |
| <b>Operating income</b>   | <b>131,440</b>           | <b>104,152</b>    | <b>107,683</b>    |
| <b>Other Income (Expense):</b>  |                          |                   |                   |
| Interest income   | 9,513                    | 1,370             | 841               |
| Interest expense  | (171,177)                | (70,152)          | (52,642)          |
| Interest expense    Deferred financing costs                                | (4,607)                  | (3,766)           | (1,968)           |
| Equity in income of real estate ventures                                    | 2,165                    | 3,172             | 2,023             |
| Net gain on sale of interests in real estate                                | 14,190                   | 4,640             | 2,975             |
| Gain on termination of purchase contract                                    | 3,147                    |                   |                   |
| <br><b>Income (loss) before minority interest</b>                           | <br><b>(15,329)</b>      | <br><b>39,416</b> | <br><b>58,912</b> |
| Minority interest    partners    share of consolidated real estate ventures | 270                      |                   |                   |
| Minority interest attributable to continuing operations    LP units         | 1,028                    | (1,237)           | (2,429)           |
| <br><b>Income (loss) from continuing operations</b>                         | <br><b>(14,031)</b>      | <br><b>38,179</b> | <br><b>56,483</b> |
| <b>Discontinued operations:</b>   |                          |                   |                   |
| Income from discontinued operations   | 7,681                    | 2,555             | 827               |
| Net gain on disposition of discontinued operations                          | 20,243                   | 2,196             | 3,137             |
| Minority interest    partners    share of consolidated real estate ventures | (2,239)                  |                   |                   |
| Minority interest attributable to discontinued operations    LP units       | (1,172)                  | (163)             | (144)             |
| <br>Income from discontinued operations                                     | <br>24,513               | <br>4,588         | <br>3,820         |
| <br><b>Net income</b>   | <br><b>10,482</b>        | <br><b>42,767</b> | <br><b>60,303</b> |

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|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| Income allocated to Preferred Shares               | (7,992)           | (7,992)           | (9,720)           |
| Preferred Share redemption gain                    |                   |                   | 4,500             |
| <b>Income allocated to Common Shares</b>           | <b>\$ 2,490</b>   | <b>\$ 34,775</b>  | <b>\$ 55,083</b>  |
| <b>Basic earnings per Common Share:</b>            |                   |                   |                   |
| Continuing operations                              | \$ (0.25)         | \$ 0.54           | \$ 1.07           |
| Discontinued operations                            | 0.27              | 0.08              | 0.08              |
|  | \$ 0.03           | \$ 0.62           | \$ 1.15           |
| <b>Diluted earnings per Common Share:</b>          |                   |                   |                   |
| Continuing operations                              | \$ (0.24)         | \$ 0.54           | \$ 1.07           |
| Discontinued operations                            | 0.27              | 0.08              | 0.08              |
|  | \$ 0.03           | \$ 0.62           | \$ 1.15           |
| <b>Dividends declared per common share</b>         | <b>\$ 1.76</b>    | <b>\$ 1.78</b>    | <b>\$ 1.76</b>    |
| <b>Basic weighted average shares outstanding</b>   | <b>89,552,301</b> | <b>55,846,268</b> | <b>47,781,789</b> |
| <b>Diluted weighted average shares outstanding</b> | <b>90,070,825</b> | <b>56,104,588</b> | <b>48,018,704</b> |

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

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**BRANDYWINE REALTY TRUST**  
**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE (LOSS) INCOME**  
(in thousands)

|  | Years ended December 31, |           |           |
|--|--------------------------|-----------|-----------|
|  | 2006                     | 2005      | 2004      |
| Net income   | \$ 10,482                | \$ 42,767 | \$ 60,303 |
| Other comprehensive income:  |                          |           |           |
| Unrealized gain (loss) on derivative financial instruments   | 1,330                    | (713)     | 309       |
| Less: minority interest consolidated real estate venture partner's share of unrealized gain (loss) on derivative financial instruments | (302)                    |           |           |
| Settlement of treasury locks   |                          |           | (3,238)   |
| Settlement of forward starting swaps   | 3,266                    | 240       |           |
| Realized gain on derivative financial instruments  |                          | 450       | 2,809     |
| Reclassification of realized (gains)/losses on derivative financial instruments to operations, net                                     | 122                      |           |           |
| Unrealized gain (loss) on available-for-sale securities  | 328                      | (16)      | (852)     |
| Total other comprehensive income (loss)  | 4,744                    | (39)      | (972)     |
| Comprehensive income   | \$ 15,226                | \$ 42,728 | \$ 59,331 |

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

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**BRANDYWINE REALTY TRUST  
CONSOLIDATED STATEMENTS OF BENEFICIARIES EQUITY  
For the years ended December 31, 2006, 2005 and 2004  
(in thousands, except number of shares)**

| Number of Preferred A Shares | Par Value of Preferred A Shares | Number of Preferred C Shares | Par Value of Preferred C Shares | Number of Preferred D Shares | Par Value of Preferred D Shares | Number of Common Shares | Par Value of Common Shares | Additional Paid-in Capital | Employee Stock Loans | Share Warrants | Cumulative Earnings | Accumulated                 |                          |         |
|------------------------------|---------------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------|-------------------------|----------------------------|----------------------------|----------------------|----------------|---------------------|-----------------------------|--------------------------|---------|
|                              |                                 |                              |                                 |                              |                                 |                         |                            |                            |                      |                |                     | Comprehensive Income (Loss) | Cumulative Distributions |         |
| 750,000                      | \$ 8                            | 2,000,000                    | \$ 20                           |                              | \$                              | 41,040,710              | \$ 411                     | \$ 938,262                 | \$(1,533)            | \$ 401         | \$ 310,212          | 60,303                      | \$(2,158)                | \$(473) |
|                              |                                 |                              |                                 | 2,300,000                    | 23                              | 88,406                  | 1                          | 1,642                      |                      |                |                     |                             | (972)                    |         |
| (750,000)                    | (8)                             |                              |                                 |                              |                                 | 1,339,286               | 13                         | (6)                        |                      |                |                     |                             |                          |         |
|                              |                                 |                              |                                 |                              |                                 | 12,235,000              | 122                        | 336,562                    |                      |                |                     |                             |                          |         |
|                              |                                 |                              |                                 |                              |                                 | 2,191                   |                            | 55                         |                      |                |                     |                             |                          |         |
|                              |                                 |                              |                                 |                              |                                 |                         |                            |                            | 1,112                |                |                     |                             |                          |         |
|                              |                                 |                              |                                 |                              |                                 | 587,159                 | 6                          | 14,940                     |                      | (401)          |                     |                             |                          |         |
|                              |                                 |                              |                                 |                              |                                 |                         |                            | 102                        |                      |                |                     |                             |                          |         |
|                              | \$                              | 2,000,000                    | \$ 20                           | 2,300,000                    | \$ 23                           | 55,292,752              | \$ 553                     | \$ 1,347,072               | \$ (421)             | \$             | \$ 370,515          | 60,303                      | \$(3,130)                | \$(567) |

|    |           |       |           |             |            |           |              |          |        |            |            |          |
|----|-----------|-------|-----------|-------------|------------|-----------|--------------|----------|--------|------------|------------|----------|
|    |           |       |           |             |            |           |              |          | 42,767 |            |            |          |
|    |           |       |           |             |            |           |              |          |        | (39)       |            |          |
|    |           |       |           | 69,746      | 1          | 1,539     |              |          |        |            |            |          |
|    |           |       |           | 107,692     | 1          | 2,584     |              |          |        |            |            |          |
|    |           |       |           | 3,204       |            | 90        |              |          |        |            |            |          |
|    |           |       |           |             |            |           |              | 50       |        |            |            |          |
|    |           |       |           | 705,681     | 7          | 18,999    |              |          |        |            |            |          |
|    |           |       |           |             |            |           |              |          |        | (7)        |            |          |
|    |           |       |           |             |            |           |              |          |        | (100)      |            |          |
| \$ | 2,000,000 | \$ 20 | 2,300,000 | \$ 23       | 56,179,075 | \$ 562    | \$ 1,370,284 | \$ (371) | \$     | \$ 413,282 | \$ (3,169) | \$ (675) |
|    |           |       |           |             |            |           |              |          |        | 10,482     |            |          |
|    |           |       |           |             |            |           |              |          |        |            | 4,745      |          |
|    |           |       |           | 81,142      | 1          | 1,886     |              |          |        |            |            |          |
|    |           |       |           | 14,700      |            | 488       |              |          |        |            |            |          |
|    |           |       |           | 34,542,151  | 345        | 1,021,828 |              |          |        |            |            |          |
|    |           |       |           | (3,009,200) | (30)       | (94,443)  |              |          |        |            |            |          |
|    |           |       |           | 3,257       |            | 90        |              |          |        |            |            |          |
|    |           |       |           |             |            |           |              | 371      |        |            |            |          |
|    |           |       |           | 515,916     | 5          | 11,408    |              |          |        |            |            |          |



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\$ 2,000,000 \$ 20 2,300,000 \$ 23 88,327,041 \$ 883 \$ 2,311,541 \$ \$ \$ 423,764 \$ 1,576 \$ (839

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

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**BRANDYWINE REALTY TRUST**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

|   | Years ended December 31, |           |           |
|---|--------------------------|-----------|-----------|
|   | 2006                     | 2005      | 2004      |
| <b>Cash flows from operating activities:</b>  |                          |           |           |
| Net income (loss)   | \$ 10,482                | \$ 42,767 | \$ 60,303 |
| Adjustments to reconcile net income (loss) to net cash from operating activities:         |                          |           |           |
| Depreciation  | 186,454                  | 84,561    | 64,175    |
| Amortization:   |                          |           |           |
| Deferred financing costs  | 4,607                    | 3,721     | 5,088     |
| Deferred leasing costs  | 12,258                   | 8,895     | 7,841     |
| Acquired above (below) market leases, net   | (9,034)                  | (1,542)   | (406)     |
| Acquired lease intangibles  | 66,317                   | 18,573    | 8,112     |
| Deferred compensation costs   | 3,447                    | 2,764     | 2,114     |
| Straight-line rent  | (31,326)                 | (14,952)  | (6,023)   |
| Provision for doubtful accounts   | 3,510                    | 792       | 467       |
| Real estate venture income in excess of distributions                                     | (15)                     | (769)     | (293)     |
| Net gain on sale of interests in real estate  | (34,433)                 | (6,820)   | (6,111)   |
| Gain on termination of purchase contract  | (3,147)                  |           |           |
| Minority interest   | 2,113                    | 1,400     | 2,573     |
| Changes in assets and liabilities:  |                          |           |           |
| Accounts receivable   | 1,365                    | (598)     | (1,769)   |
| Other assets  | (4,855)                  | (11,810)  | 9,840     |
| Accounts payable and accrued expenses   | (1,154)                  | (2,407)   | 3,199     |
| Tenant security deposits and deferred rents   | 29,209                   | (40)      | 3,750     |
| Other liabilities   | 5,768                    | 612       | 30        |
| Net cash from operating activities  | 241,566                  | 125,147   | 152,890   |
| <b>Cash flows from investing activities:</b>  |                          |           |           |
| Acquisition of Prentiss   | (935,856)                |           |           |
| Acquisition of properties   | (231,244)                | (92,674)  | (569,343) |
| Sales of properties, net  | 347,652                  | 29,428    | 22,283    |
| Proceeds from termination of purchase contract  | 3,147                    |           |           |
| Capital expenditures  | (242,516)                | (177,035) | (131,998) |
| Investment in marketable securities   | 181,556                  | 423       |           |
| Investment in unconsolidated Real Estate Ventures   | (753)                    | (269)     | (233)     |
| Restricted cash   | (2,981)                  | (518)     | (1,320)   |
| Cash distributions from unconsolidated Real Estate Ventures in excess of equity in income | 3,762                    | 462       | 1,402     |
| Increase in cash due to consolidation of variable interest entities                       |                          |           | 426       |
| Proceeds from repayment of mortgage notes receivable                                      |                          |           | 6,470     |
| Leasing costs   | (38,561)                 | (12,234)  | (10,339)  |
| Net cash from investing activities  | (915,794)                | (252,417) | (682,652) |
| <b>Cash flows from financing activities:</b>  |                          |           |           |
| Proceeds from Credit Facility borrowings  | 726,000                  | 372,142   | 570,000   |

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|   |            |           |           |
|---|------------|-----------|-----------|
| Repayments of Credit Facility borrowings  | (756,000)  | (434,142) | (723,000) |
| Proceeds from mortgage notes payable  | 20,520     |           |           |
| Repayments of secured debt  | (213,338)  | (23,457)  | (50,165)  |
| Proceeds from term loan   | 750,000    |           | 433,000   |
| Repayments of term loan   | (750,000)  |           | (533,000) |
| Proceeds from unsecured notes   | 1,193,217  | 299,976   | 636,398   |
| Proceeds from forward starting swap termination   | 3,266      |           |           |
| Repayments on employee stock loans  | 371        | 50        | 1,112     |
| Proceeds from issuance of shares, net   |            |           | 406,767   |
| Debt financing costs  | (14,319)   | (4,026)   | (13,580)  |
| Exercise of stock options   | 11,414     | 18,999    |           |
| Repurchases of Common Shares and minority interest units                                | (94,472)   | (239)     | (95,436)  |
| Distributions paid to shareholders  | (151,102)  | (106,608) | (90,457)  |
| Distributions to minority interest holders  | (33,124)   | (3,597)   | (5,083)   |
| Net cash from financing activities  | 692,433    | 119,098   | 536,556   |
| Increase (decrease) in cash and cash equivalents  | 18,205     | (8,172)   | 6,794     |
| Cash and cash equivalents at beginning of period  | 7,174      | 15,346    | 8,552     |
| Cash and cash equivalents at end of period  | \$ 25,379  | \$ 7,174  | \$ 15,346 |
| Supplemental disclosure:  |            |           |           |
| Cash paid for interest, net of capitalized interest                                     | \$ 154,258 | \$ 53,450 | \$ 43,281 |
| Supplemental disclosure of non-cash activity:   |            |           |           |
| Common shares issued in the Prentiss acquisition  | 1,022,173  |           |           |
| Operating Partnership units issued in Prentiss acquisitions                             | 64,103     |           |           |
| Operating Partnership units issued in property acquisitions                             | 13,819     |           | 10,000    |
| Debt assumed in property acquisitions   |            |           | 79,330    |
| Debt, minority interest and other liabilities, net, assumed in the Prentiss acquisition | 679,520    |           |           |

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

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**BRANDYWINE REALTY TRUST  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2006, 2005 AND 2004**

**1. ORGANIZATION AND NATURE OF OPERATIONS**

Brandywine Realty Trust, a Maryland real estate investment trust, or REIT, is a self-administered and self-managed real estate investment trust, or REIT, active in acquiring, developing, redeveloping, leasing and managing office and industrial properties. Brandywine Realty Trust owns its assets and conducts its operations through Brandywine Operating Partnership, L.P. a Delaware limited partnership (the Operating Partnership ) and subsidiaries of the Operating Partnership. Brandywine Realty Trust, the Operating Partnership and their consolidated subsidiaries are collectively referred to below as the Company.

As of December 31, 2006, the Company owned 261 office properties, 23 industrial facilities and one mixed-use property (collectively, the Properties ) containing an aggregate of approximately 28.2 million net rentable square feet. The Company also has six properties under development, three properties under redevelopment and four lease-up properties containing an aggregate 2.1 million net rentable square feet. As of December 31, 2006, the Company owned economic interests in 11 unconsolidated real estate ventures that contain approximately 2.7 million net rentable square feet and in four consolidated real estate ventures that own 15 office properties containing approximately 1.5 million net rentable square feet (collectively, the Real Estate Ventures ). In addition, as of December 31, 2006, the Company owned approximately 490 acres of undeveloped land. The Properties and the properties owned by the Real Estate Ventures are located in and surrounding Philadelphia, Wilmington, Southern and Central New Jersey, Richmond, Metropolitan Washington, D.C., Dallas/Fort Worth, Austin, Oakland, San Diego and Los Angeles. In addition to managing properties that the Company owns, as of December 31, 2006, the Company was managing approximately 11.0 million net rentable square feet of office and industrial properties for third parties.

All references to building square footage, acres, occupancy percentage and the number of buildings are unaudited. As more fully described in Note 3, on January 5, 2006, the Company acquired Prentiss Properties Trust ( Prentiss ) pursuant to an Agreement and Plan of Merger (the Merger Agreement ) that the Company entered into with Prentiss on October 3, 2005.

Brandywine Realty Trust is the sole general partner of the Operating Partnership and, as of December 31, 2006, owned a 95.7% interest in the Operating Partnership. The Company conducts its third-party real estate management services business primarily through four management companies (collectively, the Management Companies ): Brandywine Realty Services Corporation ( BRSCO ), BTRS, Inc., ( BTRS ) Brandywine Properties I Limited, Inc. ( BPI ) and Brandywine Properties Management, L.P. ( BPM ). Each of BRSCO, BTRS and BPI is a taxable REIT subsidiaries. The Operating Partnership owns a 95% interest in BRSCO and the remaining 5% interest is owned by a partnership comprised of a current executive and former executive of the Company, each of whom is a member of the Company s Board of Trustees. The Operating Partnership owns, directly and indirectly, 100% of each of BTRS, BPI and BPM.

As of December 31, 2006, the Management Companies were managing properties containing an aggregate of approximately 42.3 million net rentable square feet, of which approximately 28.2 million net rentable square feet related to Properties owned by the Company and approximately 13.0 million net rentable square feet related to properties owned by third parties and Real Estate Ventures.

**Table of Contents****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Principles of Consolidation**

When the Company obtains an economic interest in an entity, the Company evaluates the entity to determine if the entity is deemed a variable interest entity ( VIE ), and if the Company is deemed to be the primary beneficiary, in accordance with FASB Interpretation No. 46R, Consolidation of Variable Interest Entities ( FIN 46R ). When an entity is not deemed to be a VIE, the Company considers the provisions of EITF 04-05, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights ( EITF 04-05 ). The Company consolidates (i) entities that are VIEs and of which the Company is deemed to be the primary beneficiary and (ii) entities that are non-VIEs which the Company controls and the limited partners do not have the ability to dissolve the entity or remove the Company without cause nor substantive participating rights. Entities that the Company accounts for under the equity method (i.e. at cost, increased or decreased by the Company's share of earnings or losses, less distributions) include (i) entities that are VIEs and of which the Company is not deemed to be the primary beneficiary (ii) entities that are non-VIEs which the Company does not control, but over which the Company has the ability to exercise significant influence and (iii) entities that are non-VIEs that the Company controls through its general partner status, but the limited partners in the entity have the substantive ability to dissolve the entity or remove the Company without cause or have substantive participating rights. The Company will reconsider its determination of whether an entity is a VIE and who the primary beneficiary is, and whether or not the limited partners in an entity have substantive rights, if certain events occur that are likely to cause a change in the original determinations. The portion of these entities not owned by the Company is presented as minority interest as of and during the periods consolidated. All intercompany accounts and transactions have been eliminated in consolidation.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Management makes significant estimates regarding revenue, impairment of long-lived assets, allowance for doubtful accounts and deferred costs.

**Operating Properties**

Operating properties are carried at historical cost less accumulated depreciation and impairment losses. The cost of operating properties reflects their purchase price or development cost. Costs incurred for the acquisition and renovation of an operating property are capitalized to the Company's investment in that property. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

**Purchase Price Allocation**

The Company allocates the purchase price of properties to net tangible and identified intangible assets acquired based on fair values. Above-market and below-market in-place lease values for acquired properties are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) the Company's estimate of the fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. Capitalized above-market lease values are amortized as a reduction of rental income over the remaining non-cancelable terms of the respective leases. Capitalized below-market lease values are amortized as an increase to rental income over the remaining non-cancelable terms of the respective leases, including any fixed-rate renewal periods.

Other intangible assets also include amounts representing the value of tenant relationships and in-place leases based on the Company's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. The Company estimates the cost to execute



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leases with terms similar to the remaining lease terms of the in-place leases, including leasing commissions, legal and other related expenses. This intangible asset is amortized to expense over the remaining term of the respective leases. Company estimates of value are made using methods similar to those used by independent appraisers or by using independent appraisals. Factors considered by the Company in this analysis include an estimate of the carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, the Company includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, which primarily range from three to twelve months. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired. The Company also uses the information obtained as a result of its pre-acquisition due diligence as part of its consideration of FIN 47, and when necessary, will record a conditional asset retirement obligation as part of its purchase price.

Characteristics considered by the Company in allocating value to its tenant relationships include the nature and extent of the Company's business relationship with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals, among other factors. The value of tenant relationship intangibles is amortized over the remaining initial lease term and expected renewals, but in no event longer than the remaining depreciable life of the building. The value of in-place leases is amortized over the remaining non-cancelable term of the respective leases and any fixed-rate renewal periods.

In the event that a tenant terminates its lease, the unamortized portion of each intangible, including market rate adjustments, in-place lease values and tenant relationship values, would be charged to expense.

**Depreciation and Amortization**

The costs of buildings and improvements are depreciated using the straight-line method based on the following useful lives: buildings and improvements (five to 55 years) and tenant improvements (the shorter of the lease term or the life of the asset).

**Construction in Progress**

Project costs directly associated with the development and construction of a real estate project are capitalized as construction in progress. In addition, interest, real estate taxes and general and administrative expenses that are directly associated with the Company's development activities are capitalized until the property is placed in service. Internal direct construction costs totaling \$4.9 million in 2006, \$3.4 million in 2005 and \$3.0 million in 2004 and interest totaling \$9.5 million in 2006, \$9.6 million in 2005 and \$3.0 million in 2004 were capitalized related to development of certain Properties and land holdings.

**Impairment of Long-Lived Assets**

Statement of Financial Accounting Standard No. 144 ( SFAS 144 ), *Accounting for the Impairment or Disposal of Long-Lived Assets*, provides a single accounting model for long-lived assets as held-for-sale, broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

In accordance with SFAS 144, long-lived assets, such as real estate investments and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The other assets and liabilities related to assets classified as held-for-sale are presented separately in the consolidated balance sheet. As of December 31, 2006, Company had two property classified as held for sale. The Company had no properties classified as held for sale at December 31, 2005.

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**Cash and Cash Equivalents**

Cash and cash equivalents are highly-liquid investments with original maturities of three months or less. The Company maintains cash equivalents in financial institutions in excess of insured limits, but believes this risk is mitigated by only investing in or through major financial institutions.

**Restricted Cash**

Restricted cash consists of cash held as collateral to provide credit enhancement for the Company's mortgage debt, cash for property taxes, capital expenditures and tenant improvements.

**Accounts Receivable**

Leases with tenants are accounted for as operating leases. Minimum annual rentals under tenant leases are recognized on a straight-line basis over the term of the related lease. The cumulative difference between lease revenue recognized under the straight-line method and contractual lease payment terms is recorded as accrued rent receivable, net on the accompanying balance sheets. Included in current tenant receivables are tenant reimbursements which are comprised of amounts recoverable from tenants for common area maintenance expenses and certain other recoverable expenses that are recognized as revenue in the period in which the related expenses are incurred. As of December 31, 2006 one tenant represented approximately 17% of accounts receivable, a significant portion of which is for reimbursements in connection with a tenant improvement project. As of December 31, 2005, no tenant represented more than 10% of accounts receivable.

Tenant receivables and accrued rent receivables are carried net of the allowances for doubtful accounts of \$4.5 million and \$4.8 million in 2006, respectively and \$1.9 million and \$3.0 million in 2005, respectively. The allowance is an estimate based on two calculations that are combined to determine the total amount reserved. First, the Company evaluates specific accounts where it has determined that a tenant may have an inability to meet its financial obligations. In these situations, the Company uses its judgment, based on the facts and circumstances, and records a specific reserve for that tenant against amounts due to reduce the receivable to the amount that the Company expects to collect. These reserves are reevaluated and adjusted as additional information becomes available. Second, a reserve is established for all tenants based on a range of percentages applied to receivable aging categories. These percentages are based on historical collection and write-off experience. If the financial condition of the Company's tenants were to deteriorate, additional allowances may be required.

**Investments in Unconsolidated Real Estate Ventures**

The Company accounts for its investments in unconsolidated Real Estate Ventures under the equity method of accounting as it is not the primary beneficiary (for VIE's) and the Company exercises significant influence, but does not control these entities under the provisions of the entities' governing agreements pursuant to EITF 04-05. These investments are recorded initially at cost, as Investments in Real Estate Ventures, and subsequently adjusted for equity in earnings and cash contributions and distributions.

On a periodic basis, management assesses whether there are any indicators that the value of the Company's investments in unconsolidated Real Estate Ventures may be other than temporarily impaired. An investment is impaired only if the value of the investment, as estimated by management, is less than the carrying value of the investment. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the value of the investment, as estimated by management.

To the extent that the Company acquires an interest in or contributes assets to a Real Estate Venture project, the difference between the Company's cost basis in the investment in venture and in the assets, intangibles and liabilities of the Real Estate Venture is amortized over the life of the related assets, intangibles and liabilities and such adjustment is included in the Company's share of equity in income of unconsolidated ventures.

**Deferred Costs**

Costs incurred in connection with property leasing are capitalized as deferred leasing costs. Deferred leasing costs consist primarily of leasing commissions that are amortized on the straight-line method over



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the life of the respective lease which generally ranges from one to 15 years. Management re-evaluates the remaining useful lives of leasing costs as economic and market conditions change.

Costs incurred in connection with debt financing are capitalized as deferred financing costs and charged to interest expense over the terms of the related debt agreements. Deferred financing costs consist primarily of loan fees which are amortized over the related loan term. Management re-evaluates the remaining useful lives of financing costs as economic and market conditions change.

### **Other Assets**

As of December 31, 2006, other assets included a direct financing lease of \$14.6 million, prepaid real estate taxes of \$9.7 million, prepaid insurance of \$4.4 million, marketable securities of \$6.8 million, deposits on properties expected to be purchased in 2007 totaling \$2.2 million, cash surrender value of life insurance of \$11.6 million, furniture, fixtures and equipment of \$5.8 million and \$6 million of other assets. Also included in this balance are a \$4.3 million note receivable with a 20 year amortization period for principal and interest (balloon payment in December 2007) that bears interest at 7.5% and an \$8.0 million note receivable with a 20 year amortization period for principal and interest (balloon payment in December 2007) that bears interest at 7.5%.

As of December 31, 2005, other assets included a direct financing lease of \$15.2 million, prepaid real estate taxes of \$8.1 million, deposits on properties to be purchased in 2006 totaling \$6.9 million, cash surrender value of life insurance of \$8.2 million, furniture, fixtures and equipment of \$2.6 million and \$4.3 million of other assets. Also included in this balance is a \$4.3 million note receivable with a 20 year amortization period for principal and interest (balloon payment in December 2007) that bears interest at 7.5%.

### **Revenue Recognition**

Rental revenue is recognized on the straight-line basis from the later of the date of the commencement of the lease or the date of acquisition of the property subject to existing leases, which averages minimum rents over the terms of the leases. The cumulative difference between lease revenue recognized under this method and contractual lease payment terms is recorded as accrued rent receivable on the accompanying balance sheets. The straight-line rent adjustment increased revenue by approximately \$31.3 million in 2006, \$15.0 million in 2005 and \$6.0 million in 2004. The leases also typically provide for tenant reimbursement of a portion of common area maintenance and other operating expenses. Other income is recorded when earned and is primarily comprised of termination fees received from tenants, bankruptcy settlement fees, third party leasing commissions, and third party management fees. During 2006, 2005, and 2004, the Company earned \$7.8 million, \$6.1 million, and \$1.5 million in termination fees. In 2004, the Company recorded approximately \$1.0 million plus accrued interest as other income relating to the settlement of litigation. Additionally, during 2004, the Company recorded approximately \$0.9 million in other income from the favorable settlement of an accrued liability. Deferred rents represent rental revenue received from tenants prior to their due dates.

No tenant represented greater than 10% of the Company's rental revenue in 2006, 2005 or 2004.

### **Income Taxes**

The Company has elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code). In addition, the Company has several subsidiary REITs. In order to maintain their qualification as a REIT, the Company and its REIT subsidiaries are required to, among other things, distribute at least 90% of its REIT taxable income to its stockholders and meet certain tests regarding the nature of its income and assets. As REITs, the Company and its REIT subsidiaries are not subject to federal income tax with respect to the portion of its income that meets certain criteria and is distributed annually to the stockholders. Accordingly, no provision for federal income taxes is included in the accompanying consolidated financial statements with respect to the operations of these operations. The Company and its REIT subsidiaries intend to continue to operate in a manner that allows them to continue to meet the requirements for taxation as REITs. Many of these requirements, however, are highly technical and complex. If the Company or one of its REIT subsidiaries were to fail to meet these requirements, the Company would be subject to federal income tax. The Company is subject to certain state and local taxes. Provision for such taxes has been included in general and administrative expenses in the Company's Consolidated Statements of Operations and Comprehensive Income.



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The tax basis in the Company's assets was \$4.2 billion as of December 31, 2006 and \$1.9 billion as of December 31, 2005.

The Company is subject to a 4% federal excise tax if sufficient taxable income is not distributed within prescribed time limits. The excise tax equals 4% of the annual amount, if any, by which the sum of (a) 85% of the Company's ordinary income and (b) 95% of the Company's net capital gain exceeds cash distributions and certain taxes paid by the Company. No excise tax was incurred in 2006, 2005, or 2004.

The Company may elect to treat one or more of its subsidiaries as a taxable REIT subsidiary ( TRS ). In general, a TRS of the Company may perform additional services for tenants of the Company and generally may engage in any real estate or non-real estate related business (except for the operation or management of health care facilities or lodging facilities or the provision to any person, under a franchise, license or otherwise, of rights to any brand name under which any lodging facility or health care facility is operated). A TRS is subject to corporate federal income tax. The Company has elected to treat certain of its corporate subsidiaries as TRSs, these entities provide third party property management services and certain services to tenants that could not otherwise be provided. At December 31, 2006, the Company's TRSs had tax net operating loss ( NOL ) carryforward of approximately \$3.0 million, expiring from 2013 to 2020. The Company has ascribed a full valuation allowance to its net deferred tax assets.

**Earnings Per Share**

Basic earnings per share is calculated by dividing income allocated to Common Shares by the weighted-average number of shares outstanding during the period. Diluted earnings per share includes the effect of common share equivalents outstanding during the period.

**Stock-Based Compensation Plans**

The Company maintains shareholder-approved equity incentive plans. The Compensation Committee of the Company's Board of Trustees authorizes awards under these plans. In May 2005, the Company's shareholders approved an amendment to the Amended and Restated 1997 Long-Term Incentive Plan (the 1997 Plan ) that increased the number of common shares that may be issued or subject to award under the 1997 Plan from 5,000,000 to 6,600,000. The May 2005 amendment provided that 500,000 of the shares under the 1997 Plan are available solely for awards under options and share appreciation rights that have an exercise or strike price not less than the market price of the common shares on the date of award, and the remaining 6,100,000 shares are available for any type of award under the 1997 Plan. Incentive stock options may not be granted at exercise prices less than fair value of the shares at the time of grant. All options awarded by the Company to date are non-qualified stock options that generally vested over two to five years. As of December 31, 2006, 2.6 million shares remained available for future award under the 1997 Plan. As part of the Company's January 2006 acquisition of Prentiss, the Company assumed Prentiss' three share incentive plans. As of December 31, 2006, approximately 1,700,000 common shares remain available for issuance or subject to award under the assumed Prentiss share incentive plans; however, any such issuances or awards under the assumed Prentiss plan may be made only to those Company employees who had been employed by Prentiss immediately prior to the Company's acquisition of Prentiss or to those Company employees hired after the Prentiss acquisition.

On January 1, 2002, the Company began to expense the fair value of stock-based compensation awards granted subsequent to January 1, 2002, over the applicable vesting period as a component of general and administrative expenses in the Company's consolidated Statements of Operations. The Company recognized stock-based compensation expense of \$3,447,000 in 2006, \$2,764,000 in 2005 and \$2,114,000 in 2004.

For stock-based compensation awards granted prior to 2002, the Company accounted for stock options issued under the recognition and measurement provisions of APB No. 25, *Accounting for Stock Issued to Employees and Related Interpretations*. Under this method, no stock-based compensation expense was recognized. Because stock options granted prior to 2002 vested over a three-year term, the resulting compensation cost based on the fair value of the awards on the date of grant, on a pro forma basis, would have been expensed in 2004, 2005, and 2006. Accordingly, had the Company applied the fair value recognition provisions of SFAS 123, the net income applicable to common shares would remain the same

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on a pro forma basis for in 2006 and would have been reduced by \$511,000 and \$556,000 in 2005 and 2004, respectively, with no change in basic or diluted net income per share.

**Comprehensive Income**

Comprehensive income or loss is recorded in accordance with the provisions of SFAS 130 ( SFAS 130 ), *Reporting Comprehensive Income*. SFAS 130 establishes standards for reporting comprehensive income and its components in financial statements. Comprehensive income includes unrealized gains and losses on available-for-sale securities and the effective portions of changes in the fair value of derivatives.

**Accounting for Derivative Instruments and Hedging Activities**

The Company accounts for its derivative instruments and hedging activities under SFAS No. 133 ( SFAS 133 ), *Accounting for Derivative Instruments and Hedging Activities*, and its corresponding amendments under SFAS No. 138, *Accounting for Certain Derivative Instruments and Hedging Activities – An Amendment of SFAS 133*. SFAS 133 requires the Company to measure every derivative instrument (including certain derivative instruments embedded in other contracts) at fair value and record them in the balance sheet as either an asset or liability. For derivatives designated as fair value hedges, the changes in fair value of both the derivative instrument and the hedged item are recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of changes in the fair value of the derivative are reported in other comprehensive income. Changes in fair value of derivative instruments and ineffective portions of hedges are recognized in earnings in the current period. For the three years ended December 31, 2005, 2004 and 2003, the Company was not party to any derivative contract designated as a fair value hedge and there are no ineffective portions of our cash flow hedges. See Note 12.

The Company actively manages its ratio of fixed-to-floating rate debt. To manage its fixed and floating rate debt in a cost-effective manner, the Company, from time to time, enters into interest rate swap agreements as cash flow hedges, under which it agrees to exchange various combinations of fixed and/or variable interest rates based on agreed upon notional amounts. See Note 12.

**Reclassifications**

Certain amounts have been reclassified in prior years to conform to the current year presentation. The reclassifications are primarily due to the treatment of sold properties as discontinued operations on the statement of operations for all periods presented.

**New Pronouncements**

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* ( SFAS No. 157 ). SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. This statement clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability. SFAS No. 157 establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data. SFAS No. 157 applies whenever other standards require assets or liabilities to be measured at fair value. This statement is effective in fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact and believes that the adoption of this standard on January 1, 2008 will not have a material effect on our consolidated financial statements.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* ( FIN 48 ). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company s financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on description, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 became effective on January 1, 2007. The Company is currently evaluating the impact of adopting FIN 48.

In October 2005, the FASB issued Staff Position No. 13-1 *Accounting for Rental Costs Incurred during a Construction Period* ( FSP FAS 13-1 ). FSP FAS 13-1 addresses the accounting for rental costs associated with operating leases that are incurred during the construction period. FSP FAS 13-1 makes no distinction between the right to use a leased asset during the construction period and the right to use that asset after the construction period. Therefore, rental costs associated with ground or building operating



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leases that are incurred during a construction period shall be recognized as rental expense, allocated over the lease term in accordance with SFAS No. 13 and Technical Bulletin 85-3. The terms of FSP FAS 13-1 are not applicable to lessees that account for the sale or rental of real estate projects in accordance with SFAS No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects. FSP FAS 13-1 was effective for the first reporting period beginning after December 15, 2005. Retrospective application in accordance with SFAS 154 is permitted but not required. The adoption of FSP FAS 13-1 did not have a material effect on the consolidated financial statements of the Company.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections ( SFAS 154 ). SFAS 154 replaces APB No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements and establishes retrospective application as the required method for reporting a change in accounting principle. SFAS 154 provides guidance for determining whether a retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company adopted SFAS 154 on January 1, 2006 and this adoption had no effect on the Company's financial position and results of operations.

In March 2005, the FASB issued FIN 47, *Accounting for Conditional Asset Retirement Obligations*, an interpretation of FASB Statement No. 143, *Asset Retirement Obligations*. FIN 47 provides clarification of the term conditional asset retirement obligation as used in SFAS 143, defined as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the company. Under this standard, a company must record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. FIN 47 became effective in the Company's fiscal quarter ended December 31, 2005. The Company adopted FIN 47 as required effective December 31, 2005 and the initial application of FIN 47 did not have a material effect on the consolidated financial statements of the Company.

**3. REAL ESTATE INVESTMENTS**

As of December 31, 2006 and 2005, the gross carrying value of the Company's Properties was as follows:

|                           | December 31,           |              |
|---------------------------|------------------------|--------------|
|                           | 2006                   | 2005         |
|                           | (amounts in thousands) |              |
| Land                      | \$ 756,400             | \$ 456,736   |
| Building and improvements | 3,807,040              | 1,951,252    |
| Tenant improvements       | 363,865                | 152,073      |
|                           | \$ 4,927,305           | \$ 2,560,061 |

**Acquisitions and Dispositions**

The Company's acquisitions were accounted for by the purchase method. The results of each acquired property are included in the Company's results of operations from their respective purchase dates.

**2006****Prentiss Acquisition**

On January 5, 2006, the Company acquired Prentiss pursuant to the Merger Agreement that the Company entered into with Prentiss on October 3, 2005. In conjunction with the Company's acquisition of Prentiss, designees of The Prudential Insurance Company of America ( Prudential ) acquired certain of Prentiss' properties that contain an aggregate of approximately 4.32 million net rentable square feet for a total consideration of approximately \$747.7 million. Through its acquisition of Prentiss (and after giving effect to the Prudential acquisition of certain of Prentiss' properties), the Company acquired a portfolio of 79 office properties (including 13 properties that are owned by consolidated Real Estate Ventures and 7 properties that are owned by an unconsolidated Real Estate Venture) that contain an aggregate of 14.0



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million net rentable square feet. The results of the operations of Prentiss have been included in the Company's condensed consolidated financial statements since January 5, 2006.

The Company funded the approximately \$1.05 billion cash portion of the merger consideration, related transaction costs and prepayments of approximately \$543.3 million in Prentiss mortgage debt at the closing of the merger through (i) a \$750 million unsecured term loan that matures on January 4, 2007; (ii) approximately \$676.5 million of cash from Prudential's acquisition of certain of the Prentiss properties; and (iii) approximately \$195.0 million through borrowing under a revolving credit facility.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

|   | <b>At January 5,<br/>2006</b> |
|---|-------------------------------|
| <b>Real estate investments</b>              |                               |
| Land operating                              | \$ 282,584                    |
| Building and improvements                   | 1,942,728                     |
| Tenant improvements                         | 120,610                       |
| Construction in progress and land inventory | 57,329                        |
| Total real estate investments acquired      | 2,403,251                     |
| <b>Rent receivables</b>                     | 6,031                         |
| <b>Other assets acquired:</b>               |                               |
| Intangible assets:                          |                               |
| In-place leases                             | 187,907                       |
| Relationship values                         | 98,382                        |
| Above-market leases                         | 26,352                        |
| Total intangible assets acquired            | 312,641                       |
| Investment in real estate ventures          | 66,921                        |
| Investment in marketable securities         | 193,089                       |
| Other assets                                | 8,868                         |
| Total other assets                          | 581,519                       |
| <b>Total assets acquired</b>                | <b>2,990,801</b>              |
| <b>Liabilities assumed:</b>                 |                               |
| Mortgage notes payable                      | 532,607                       |
| Unsecured notes                             | 78,610                        |
| Secured note payable                        | 186,116                       |
| Security deposits and deferred rent         | 6,475                         |
| Other liabilities:                          |                               |
| Below-market leases                         | 78,911                        |
| Other liabilities                           | 43,995                        |
| Total other liabilities assumed             | 122,906                       |
| Total liabilities assumed                   | 926,714                       |
| Minority interest                           | 104,658                       |



**Net assets acquired** \$ 1,959,429

In the acquisition of Prentiss, each then outstanding Prentiss common share was converted into the right to receive 0.69 of a Brandywine common share and \$21.50 in cash (the Per Share Merger Consideration ) except that 497,884 Prentiss common shares held in the Prentiss Deferred Compensation Plan converted solely into 720,737 Brandywine common shares. In addition, each then outstanding unit (each, a Prentiss OP Unit ) of limited partnership interest in the Prentiss operating partnership subsidiary was, at the option of the holder, converted into Prentiss Common Shares with the right to receive the Per Share Merger Consideration or 1.3799 Class A Units of the Operating Partnership ( Brandywine Class A Units ). Accordingly, based on 49,375,723 Prentiss common shares outstanding and 139,000 Prentiss OP Units electing to receive merger consideration at closing of the acquisition, the Company issued 34,541,946 Brandywine common shares and paid an aggregate of approximately \$1.05 billion in cash to the accounts

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of the former Prentiss shareholders. Based on 1,572,612 Prentiss OP Units outstanding at closing of the acquisition that did not elect to receive merger consideration, the Operating Partnership issued 2,170,047 Brandywine Class A Units. In addition, options issued by Prentiss that were exercisable for an aggregate of 342,662 Prentiss common shares were converted into options exercisable for an aggregate of 496,037 Brandywine common shares at a weighted average exercise price of \$22.00 per share. Through its acquisition of Prentiss the Company also assumed approximately \$611.2 million in aggregate principal amount of Prentiss debt.

Each Brandywine Class A Unit that was issued in the merger is subject to redemption at the option of the holder. The Operating Partnership may, at its option, satisfy the redemption either for an amount, per unit, of cash equal to the then market price of one Brandywine common share (based on the prior ten-day trading average) or for one Brandywine common share.

For purposes of computing the total purchase price reflected in the financial statements, the common shares, operating units, restricted shares and options that were issued in the Prentiss transaction were valued based on the average trading price per Brandywine common share of \$29.54. The average trading price was based on the average of the high and low trading prices for each of the two trading days before, the day of and the two trading days after the merger was announced (i.e., September 29, September 30, October 3, October 4 and October 5).

The Company considered the provisions of FIN 47 for these acquisitions and, where necessary, recorded a conditional asset retirement obligation as part of the purchase price. The aggregate asset retirement recorded in connection with the Prentiss acquisition was approximately \$2.7 million.

Pro forma information relating to the acquisition of Prentiss is presented below as if Prentiss was acquired and the related financing transactions occurred on January 1, 2005. These pro forma results are not necessarily indicative of the results which actually would have occurred if the acquisition had occurred on the first day of the periods presented, nor does the pro forma financial information purport to represent the results of operations for future periods (in thousands, except per share amounts):

|  | December 31, |            |
|--|--------------|------------|
|  | 2006         | 2005       |
|  | (unaudited)  |            |
| Pro forma revenue                                    | \$ 665,205   | \$ 644,273 |
| Pro forma loss from continuing operations            | (13,682)     | (19,637)   |
| Pro forma income (loss) allocated to common shares   | 2,839        | (23,041)   |
| Earnings per common share from continuing operations |              |            |
| Basic as reported                                    | \$ (0.25)    | \$ 0.54    |
| Basic as pro forma                                   | \$ (0.24)    | \$ (0.31)  |
| Diluted as reported                                  | \$ (0.24)    | \$ 0.54    |
| Diluted as pro forma                                 | \$ (0.24)    | \$ (0.31)  |
| Earnings per common share                            |              |            |
| Basic as reported                                    | \$ 0.03      | \$ 0.62    |
| Basic as pro forma                                   | \$ 0.03      | \$ (0.26)  |

|                      |         |           |
|----------------------|---------|-----------|
| Diluted as reported  | \$ 0.03 | \$ 0.62   |
| Diluted as pro forma | \$ 0.03 | \$ (0.26) |

Subsequent to its acquisition of Prentiss and the related sale of certain properties to Prudential, the Company sold seventeen of the acquired properties that contain an aggregate of 2.9 million net rentable square feet and one parcel of land containing 10.9 acres.

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*Other Acquisitions and Dispositions*

In addition to the acquisition activity related to Prentiss, during 2006, the Company also acquired five office properties containing 839,704 net rentable square feet and 93.4 acres of developable land for an aggregate purchase price of \$245.1 million. In addition to sales of assets acquired in the Prentiss merger, the Company sold six office properties containing 512,237 net rentable square feet and three parcels of land containing 65.8 acres for an aggregate \$96.2 million, realizing net gains totaling \$31.5 million.

2005

During 2005, the Company acquired one industrial property containing 385,884 net rentable square feet, two office properties containing 283,511 net rentable square feet and 36.4 acres of developable land for an aggregate purchase price of \$94.5 million. The Company sold the industrial property containing 385,884 net rentable square feet and three parcels of land containing 18.0 acres for an aggregate \$30.2 million, realizing net gains totaling \$6.8 million.

2004

During 2004, the Company acquired one office property in Marlton, New Jersey, totaling 170,000 square feet, and one land parcel totaling 58.4 acres for aggregate consideration of \$22.9 million.

On September 21, 2004, the Operating Partnership completed the acquisition of 100% of the partnership interests in The Rubenstein Company, L.P. ( TRC ). Through the acquisition, the Operating Partnership acquired 14 office properties (the TRC Properties ) located in Pennsylvania and Delaware that contain approximately 3.5 million net rentable square feet. The results of TRC s operations have been included in the condensed consolidated financial statements since that date.

The aggregate consideration for the TRC Properties was \$631.3 million including \$29.3 million of closing costs, debt prepayment penalties and debt premiums that are included in the basis of the assets acquired. The consideration was paid with \$540.4 million of cash, \$79.3 million of debt assumed, \$1.6 million of other liabilities assumed, and 343,006 Class A Units valued at \$10.0 million. The value of the debt assumed was based on prevailing market rates at the time of acquisition. The value of the Class A Units was based on the average trading price of the Company s common shares.

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The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

|  | <b>At September<br/>21,<br/>2004</b> |
|--|--------------------------------------|
| <b>Real estate investments</b>         |                                      |
| Land                                   | \$ 105,302                           |
| Building and improvements              | 434,795                              |
| Tenant improvements                    | 20,322                               |
| Total real estate investments acquired | 560,419                              |
| <b>Rent receivables</b>                | 5,537                                |
| <b>Other assets acquired:</b>          |                                      |
| Intangible assets:                     |                                      |
| In-Place leases                        | 49,455                               |
| Relationship values                    | 35,548                               |
| Above-market leases                    | 13,240                               |
| Total intangible assets acquired       | 98,243                               |
| Other assets                           | 6,292                                |
| Total Other assets                     | 104,535                              |
| <b>Total assets acquired</b>           | <b>670,491</b>                       |
| <b>Liabilities assumed:</b>            |                                      |
| Mortgage notes payable                 | 79,330                               |
| Security deposits and deferred rent    | 618                                  |
| Other liabilities:                     |                                      |
| Below-market leases                    | 39,204                               |
| Other liabilities                      | 943                                  |
| Total other liabilities assumed        | 40,147                               |
| Total liabilities assumed              | 120,095                              |
| <b>Net assets acquired</b>             | <b>\$ 550,396</b>                    |

The net assets acquired above do not include any amounts potentially due to the sellers as contingent consideration as part of the transaction. The Operating Partnership has agreed to issue the sellers up to a maximum of \$9.7 million of additional Class A Units if certain of the TRC Properties achieve at least 95% occupancy prior to September 21, 2007. The maximum number of Units that we are obligated to issue declines monthly and, as of December 31, 2006, the maximum balance payable under this arrangement was \$1.8 million, with no amount currently due.

At the closing of this transaction, the Operating Partnership agreed not to sell the TRC Properties in a transaction that would trigger taxable income to the contributors (i.e., sellers) for periods ranging from three to 15 years. In the event that the Operating Partnership sells any of the properties in such a transaction within the applicable restricted period, the Operating Partnership will be required to pay significant tax liabilities that would be incurred by the contributors.

The Operating Partnership financed the TRC acquisition using the net proceeds from its September 2004 Common Share offering, after repayment of the Operating Partnership's \$100.0 million unsecured term loan facility, and the net proceeds received from two unsecured term loans.

During 2004, the Company sold two office properties containing 141,000 net rentable square feet, two industrial properties containing 184,000 net rentable square feet and three land parcels containing 29.3 acres for an aggregate of \$31.4 million, realizing a net gain of \$2.1 million. As part of the sale of one property, the Company provided the buyer with \$4.4 million in mortgage financing.

Additionally, the Company purchased and sold a land parcel containing 93 acres in two separate transactions with unrelated third parties. The purchase and sale resulted in a net gain of approximately \$1.5 million. As part of the sale, the Company provided the buyer with \$4.0 million in mortgage financing. Subsequent to the sale and prior to December 31, 2004, the mortgage financing was repaid in full.

During 2004, the Company recognized a \$2.5 million deferred gain from the sale of a property in 2002 that did not previously qualify for gain recognition under the full-accrual method. During 2004, the buyer of the property repaid the seller provided financing and the criteria for gain recognition under the full-accrual

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method were met. The deferred gain recognized was presented within discontinued operations consistent with the historical operating results from the property.

**4. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURES**

As of December 31, 2006, the Company had an aggregate investment of approximately \$74.6 million in 11 unconsolidated Real Estate Ventures (net of returns of investment). The Company or Prentiss formed these ventures with unaffiliated third parties to develop office properties or to acquire land in anticipation of possible development of office properties. Nine of the Real Estate Ventures own 15 office buildings that contain an aggregate of approximately 2.7 million net rentable square feet, one Real Estate Venture developed a hotel property that contains 137 rooms and one Real Estate Venture is developing an office property located in Albemarle County, VA.

The Company also has investments in three Real Estate Ventures that are variable interest entities under FIN 46R and of which the Company is the primary beneficiary, and one investment in a Real Estate Venture for which the Company serves as the general partner and the limited partner does not have substantive participating rights.

The Company accounts for its unconsolidated interests in its Real Estate Ventures using the equity method.

Unconsolidated interests range from 6% to 50%, subject to specified priority allocations in certain of the Real Estate Ventures.

The amounts reflected below (except for Company's share of equity and income) are based on the historical financial information of the individual Real Estate Ventures. One of the Real Estate Ventures, acquired in connection with the Prentiss acquisition, had a negative equity balance on a historical cost basis as a result of historical depreciation and distribution of excess financing proceeds. The Company reflected its acquisition of this Real Estate Venture interest at its relative fair value as of the date of the purchase of Prentiss. The difference between allocated cost and the underlying equity in the net assets of the investee is accounted for as if the entity were consolidated (i.e., allocated to the Company's relative share of assets and liabilities with an adjustment to recognize equity in earnings for the appropriate additional depreciation/amortization).

The Company's investment in Real Estate Ventures as of December 31, 2006 and the Company's share of the Real Estate Ventures' income (loss) for the year ended December 31, 2006 was as follows (in thousands):

|                               | Percentage<br>(1) | Amount   | Income<br>(Loss) | Debt at<br>100% | Rate  | Maturity |
|-------------------------------|-------------------|----------|------------------|-----------------|-------|----------|
| Two Tower Bridge Associates   | 35%               | \$ 2,290 | \$ (102)         | \$ 11,430       | 6.82% | May-08   |
| Five Tower Bridge Associates  | 15%               | 162      | 57               | 29,927          | 6.77% | Feb-09   |
| Eight Tower Bridge Associates | 5.5%              | 1,184    | (175)            | 41,830          | 7.68% | Feb-12   |
| 1000 Chesterbrook Boulevard   | 50%               | 2,608    | 660              | 26,791          | 6.88% | Nov-11   |
| PJP Building Two, LC          | 30%               | 143      | 107              | 5,282           | 6.12% | Nov-23   |
| PJP Building Three, LC        | 25%               | 30       | 76               |                 | N/A   | N/A      |
| PJP Building Five, LC         | 25%               | 169      | 59               | 6,503           | 6.47% | Aug-19   |
| PJP Building Six, LC          | 25%               | 75       |                  | 4,597           | 7.08% | (3)      |
| Macquarie BDN Christina LLC   | 20%               | 3,351    | 927              | 74,500          | 4.62% | Jan-09   |
| Broadmoor Austin Associates   | 50%               | 63,793   | 446              | 117,249         | 5.79% | Apr-11   |
| Residence Inn Tower Bridge    | 50%               | 769      | 110              | 14,480          | 5.63% | Jan-16   |
| Invesco, L.P. (2)             | 35%               |          |                  |                 | N/A   | N/A      |

\$74,574                      \$ 2,165                      \$332,589

- (1) Ownership percentage represents the Company's entitlement to residual distributions after payments of priority returns, where applicable.
- (2) The Company's interest consists solely of a residual profits interest.
- (3) Property is under development as of December 31, 2006, with an expected completion date in the first quarter of 2007, at which time the outstanding balance is expected to be converted to permanent financing.

The following is a summary of the financial position of the unconsolidated Real Estate Ventures in which the Company had investment interests as of December 31, 2006 and 2005 (in thousands):

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|   | December 31, |           |
|---|--------------|-----------|
|   | 2006         | 2005      |
| Net property                              | \$365,168    | \$286,601 |
| Other assets                              | 52,935       | 32,291    |
| Other Liabilities                         | 28,764       | 24,855    |
| Debt                                      | 332,589      | 205,018   |
| Equity                                    | 56,888       | 88,995    |
| Company's share of equity (Company basis) | 74,574       | 13,331    |

The following is a summary of results of operations of the unconsolidated Real Estate Ventures in which the Company had interests as of December 31, 2006, 2005 and 2004 (in thousands):

|   | Year ended December 31, |          |          |
|---|-------------------------|----------|----------|
|   | 2006                    | 2005     | 2004     |
| Revenue                                   | \$70,381                | \$59,346 | \$46,906 |
| Operating expenses                        | 26,878                  | 29,387   | 19,395   |
| Interest expense, net                     | 21,711                  | 12,324   | 11,843   |
| Depreciation and amortization             | 10,808                  | 9,359    | 9,514    |
| Net income                                | 12,711                  | 8,276    | 6,154    |
| Company's share of income (Company basis) | 2,165                   | 3,172    | 2,023    |

As of December 31, 2006, the aggregate principal payments of non-recourse debt payable to third-parties is as follows (in thousands):

|                     |            |
|---------------------|------------|
| 2007                | \$ 28,166  |
| 2008                | 20,592     |
| 2009                | 38,109     |
| 2010                | 9,336      |
| 2011                | 110,440    |
| 2012 and thereafter | 125,946    |
|                     | \$ 332,589 |

As of December 31, 2006, the Company had guaranteed repayment of approximately \$0.6 million of loans on behalf of certain Real Estate Ventures. The Company also provides customary environmental indemnities in connection with construction and permanent financing both for its own account and on behalf of its Real Estate Ventures.

**5. DEFERRED COSTS**

As of December 31, 2006 and 2005, the Company's deferred costs were comprised of the following (in thousands):

|                 | December 31, 2005 |                             |                           |
|-----------------|-------------------|-----------------------------|---------------------------|
|                 | Total<br>Cost     | Accumulated<br>Amortization | Deferred<br>Costs,<br>net |
| Leasing Costs   | \$ 83,629         | \$ (28,278)                 | \$ 55,351                 |
| Financing Costs | 24,648            | (6,291)                     | 18,357                    |
| Total           | \$ 108,277        | \$ (34,569)                 | \$ 73,708                 |

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|                 | December 31, 2005 |              |           |
|-----------------|-------------------|--------------|-----------|
|                 | Total             | Accumulated  | Deferred  |
|                 | Cost              | Amortization | Costs,    |
|                 |                   |              | net       |
| Leasing Costs   | \$ 52,476         | \$ (23,116)  | \$ 29,360 |
| Financing Costs | 9,793             | (1,551)      | 8,242     |
| Total           | \$ 62,269         | \$ (24,667)  | \$ 37,602 |

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During 2006, 2005 and 2004, the Company capitalized internal direct leasing costs of \$8.3 million, \$4.7 million and \$4.0 million, respectively, in accordance with SFAS No. 91 and related guidance.

**6. INTANGIBLE ASSETS/LIABILITIES**

As of December 31, 2006 and 2005, the Company's intangible assets/liabilities were comprised of the following (in thousands):

|                              | Total Cost | Accumulated<br>Amortization | Deferred<br>Costs,<br>net |
|------------------------------|------------|-----------------------------|---------------------------|
| In-place lease value         | \$ 207,513 | \$ (52,293)                 | \$ 155,220                |
| Tenant relationship value    | 124,605    | (19,572)                    | 105,033                   |
| Above market leases acquired | 32,667     | (11,669)                    | 20,998                    |
| Total                        | \$ 364,785 | \$ (83,534)                 | \$ 281,251                |
| Below market leases acquired | \$ 118,536 | \$ (26,009)                 | \$ 92,527                 |

|                              | Total<br>Cost | December 31, 2005<br>Accumulated<br>Amortization | Deferred Costs,<br>net |
|------------------------------|---------------|--|------------------------|
| In-place lease value         | \$ 47,965     | \$ (12,575)                                      | \$ 35,390              |
| Tenant relationship value    | 37,845        | (5,606)  | 32,239                 |
| Above market leases acquired | 14,404        | (3,936)  | 10,468                 |
| Total                        | \$ 100,214    | \$ (22,117)                                      | \$ 78,097              |
| Below market leases acquired | \$ 41,635     | \$ (6,931)                                       | \$ 34,704              |

For the year ended December 31, 2006, 2005, and 2004 the Company wrote-off \$1.2 million, \$1.1 million, and \$0.2 million, respectively of intangible assets as a result of tenant move-outs prior to the end of the associated lease terms. The Company wrote off approximately \$0.1 million of intangible liabilities as a result of tenant move-outs in each of the years ending December 31, 2006, 2005, and 2004.

As of December 31, 2006, the Company's annual amortization for its intangible assets/liabilities are as follows (in thousands, assumes no early terminations):

|            | Assets     | Liabilities |
|------------|------------|-------------|
| 2007       | \$ 56,795  | \$ 19,735   |
| 2008       | 46,827     | 15,039      |
| 2009       | 41,312     | 13,013      |
| 2010       | 34,470     | 10,513      |
| 2011       | 27,584     | 8,725       |
| Thereafter | 74,263     | 25,502      |
| Total      | \$ 281,251 | \$ 92,527   |



**Table of Contents****7. MORTGAGE NOTES PAYABLE**

The following table sets forth information regarding the Company's mortgage indebtedness outstanding at December 31, 2006 and 2005 (in thousands):

| Property / Location                        | December<br>31,<br>2006 | December<br>31,<br>2005 | Effective<br>Interest<br>Rate<br>@<br>12/31/06 | Maturity<br>Date |
|--|-------------------------|-------------------------|--|------------------|
| 111 Arrandale Blvd                         | \$                      | \$ 1,043                |  | Aug-06           |
| 429 Creamery Way                           |                         | 2,927                   |  | Sep-06           |
| Interstate Center                          | 552                     | 766                     | 6.19%(b)                                       | Mar-07           |
| 440 & 442 Creamery Way                     | 5,421                   | 5,581                   | 8.55%  | Jul-07           |
| Norriton Office Center                     |                         | 5,191                   | 8.50%  | Oct-07           |
| 481 John Young Way                         | 2,294                   | 2,360                   | 8.40%  | Nov-07           |
| 400 Commerce Drive                         | 11,797                  | 11,989                  | 7.12%  | Jun-08           |
| Two Logan Square                           | 71,348                  | 72,468                  | 5.78%(a)                                       | Jul-09           |
| The Bluffs                                 | 10,700                  |                         | 6.00%(a)                                       | Jul-09           |
| Pacific Ridge                              | 14,500                  |                         | 6.00%(a)                                       | Aug-09           |
| Pacific View/Camino                        | 26,000                  |                         | 6.00%(a)                                       | Aug-09           |
| Computer Associates Building               | 31,000                  |                         | 6.00%(a)                                       | Aug-09           |
| 200 Commerce Drive                         | 5,841                   | 5,911                   | 7.12%(a)                                       | Jan-10           |
| Presidents Plaza                           | 30,900                  |                         | 6.00%(a)                                       | May-10           |
| 1333 Broadway                              | 24,418                  |                         | 5.18%(a)                                       | May-10           |
| The Ordway                                 | 46,199                  |                         | 7.95%(a)                                       | Aug-10           |
| World Savings Center                       | 27,524                  |                         | 7.91%(a)                                       | Nov-10           |
| Plymouth Meeting Exec.                     | 44,103                  | 44,687                  | 7.00%(a)                                       | Dec-10           |
| Four Tower Bridge                          | 10,626                  | 10,763                  | 6.62%  | Feb-11           |
| Arboretum I, II, III & V                   | 22,750                  | 23,238                  | 7.59%  | Jul-11           |
| Midlantic Drive/Lenox Drive/DCC I          | 62,678                  | 63,803                  | 8.05%  | Oct-11           |
| Research Office Center                     | 42,205                  |                         | 7.64%(a)                                       | Oct-11           |
| Concord Airport Plaza                      | 38,461                  |                         | 7.20%(a)                                       | Jan-12           |
| Six Tower Bridge                           | 14,744                  | 15,083                  | 7.79%  | Aug-12           |
| Newtown Square/Berwyn Park/Libertyview     | 63,231                  | 64,429                  | 7.25%  | May-13           |
| Coppell Associates                         | 3,737                   |                         | 6.89%  | Dec-13           |
| Southpoint III                             | 4,949                   | 5,431                   | 7.75%  | Apr-14           |
| Tysons Corner                              | 100,000                 |                         | 4.84%(a)                                       | Aug-15           |
| Coppell Associates                         | 16,600                  |                         | 5.75%  | Mar-16           |
| Grande A                                   | 59,513                  | 61,092                  | 7.48%  | Jul-27           |
| Grande A                                   |                         | 11,456                  |  | Jul-27           |
| Grande A                                   |                         | 1,551                   |  | Jul-27           |
| Grande B                                   | 77,535                  | 79,036                  | 7.48%  | Jul-27           |
| Principal balance outstanding              | 869,626                 | 488,805                 |  |                  |
| Plus: unamortized fixed-rate debt premiums | 14,294                  | 5,972                   |  |                  |
| Total mortgage indebtedness                | \$ 883,920              | \$ 494,777              |  |                  |

- (a) Loans were assumed upon acquisition of the related property. Interest rates presented above reflect the market rate at the time of acquisition.
- (b) For loans that bear interest at a variable rate, the rates in effect at December 31, 2006 have been presented.

The mortgage note payable balance of \$5.1 million for Norriton Office Center as of December 31, 2006, not included in the table above, is included in Mortgage notes payable and other liabilities held for sale on the balance sheet. During 2006, 2005 and 2004, the Company's weighted-average interest rate on its mortgage notes payable was 6.57%, 7.17% and 6.80%, respectively. As of December 31, 2006 and 2005, the net carrying value of the Company's Properties that are encumbered by mortgage indebtedness was \$1,498.9 million and \$779.2 million, respectively.

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As of December 31, 2006, the Company's aggregate principal payments, excluding payments on one mortgage note held for sale at December 31, 2006, are as follows (in thousands):

|                                 |                |
|---------------------------------|----------------|
| 2007                            | \$ 20,643      |
| 2008                            | 25,228         |
| 2009                            | 168,237        |
| 2010                            | 192,601        |
| 2011                            | 140,128        |
| Thereafter                      | 337,083        |
| <br>Total mortgage indebtedness | <br>\$ 883,920 |

**8. UNSECURED NOTES**

The following table sets forth information regarding the Company's unsecured notes outstanding at December 31, 2006 and December 31, 2005 (in thousands):

| Year of Maturity            | December<br>31,<br>2006 | December<br>31,<br>2005 | Stated<br>Interest<br>Rate | Effective<br>Interest<br>Rate |
|-----------------------------|-------------------------|-------------------------|----------------------------|-------------------------------|
| 2008                        | 113,000                 | 113,000                 | 4.34%<br>Libor +           | 4.34%(a)                      |
| 2009                        | 300,000                 |                         | 0.45%                      | 5.78%(a)                      |
| 2009                        | 275,000                 | 275,000                 | 4.50%                      | 4.62%(a)                      |
| 2010                        | 300,000                 | 300,000                 | 5.63%                      | 5.61%(a)                      |
| 2011                        | 345,000                 |                         | 3.88%                      | 3.88%                         |
| 2012                        | 300,000                 |                         | 5.75%                      | 5.77%(a)                      |
| 2014                        | 250,000                 | 250,000                 | 5.40%                      | 5.53%(a)                      |
| 2016                        | 250,000                 |                         | 6.00%<br>Libor +           | 5.95%(a)                      |
| 2035                        | 27,062                  |                         | 1.25%                      | 6.58%                         |
| 2035                        | 25,774                  |                         | Libor +<br>1.25%           | 6.58%                         |
| 2035                        | 25,774                  |                         | Libor +<br>1.25%           | 6.58%                         |
| Total face amount           | \$ 2,211,610            | \$ 938,000              |                            |                               |
| Less: unamortized discounts | (3,300)                 | (1,393)                 |                            |                               |
| Total unsecured notes       | \$ 2,208,310            | \$ 936,607              |                            |                               |

(a) Rates include the effect of amortization of discounts and costs related to settlement of treasury lock

agreements.

On March 28, 2006, the Operating Partnership completed an underwritten public offering of (1) \$300,000,000 aggregate principal amount of unsecured floating rate notes due 2009 (the 2009 Notes ), (2) \$300,000,000 aggregate principal amount of 5.75% unsecured notes due 2012 (the 2012 Notes ) and (3) \$250,000,000 aggregate principal amount of 6.00% unsecured notes due 2016 (the 2016 Notes ). Brandywine Realty Trust guaranteed the payment of principal and interest on the 2009 Notes, the 2012 Notes and the 2016 Notes. The Company used proceeds from these notes to repay a term loan obtained to finance a portion of the consideration paid in the Prentiss merger and to reduce borrowings under the Company's revolving credit facility.

In March 2006, in anticipation of the offering of the 2009 Notes, the 2012 Notes and the 2016 Notes, the Company entered into forward starting swaps. The forward starting swaps were designated as cash flow hedges of interest rate risk and qualified for hedge accounting. The forward starting swaps were for notional amounts totaling \$200.0 million at an all-in-rate of 5.2%. Two of the forward starting swaps had a six year maturity date and one had a ten year maturity date. The forward starting swaps were settled in March 2006 upon the completion of the offering of the 2009, 2012, and 2016 Notes at a total benefit of approximately \$3.3 million. The benefit was recorded as a component of accumulated other comprehensive income in the accompanying consolidated balance sheet and is being amortized to interest expense over the term of the unsecured notes.

On October 4, 2006, the Company completed an offering of \$300.0 million aggregate principal amount of 3.875% senior convertible notes due 2026 in an offering made in reliance upon an exemption from registration rights under Rule 144A under the Securities Act of 1933 and issued an additional \$45 million of exchangeable notes on October 16, 2006 to cover over-allotments. At certain times and upon the occurrence of certain events, the notes are convertible into cash up to their principal amount and, with respect to the remainder, if any, of the exchange value in excess of such principal amount, cash or shares of the Company's common shares. The initial exchange rate is 25.4065 shares per \$1,000 principal amount of notes (which is equivalent to an initial exchange price of \$39.36 per share). The notes may not be redeemed by the Company prior to October 20, 2011 (except to preserve the Company's status as a REIT for U.S. federal income tax purposes), but are redeemable anytime thereafter, in whole or in part, at a

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redemption price equal to the principal amount of the notes plus any accrued and unpaid interest (including additional interest), if any. In addition, on October 20, 2011, October 15, 2016, and October 15, 2021, or upon the occurrence of certain change in control transactions prior to October 20, 2011, note holders may require the Company to repurchase all or a portion of the notes at a purchase price equal to the principal amount plus any accrued and unpaid interest on the notes. Net proceeds from the October 2006 Debt Offering were used to repurchase approximately \$60.0 million of the Company's common stock at a price of \$32.80 per share and for general corporate purposes, including the repayment of outstanding borrowings under the Company's unsecured revolving credit facility.

On November 24, 2006, the Company prepaid a secured note (the "Defeased Note") having an outstanding balance of \$180.1 million. The Defeased Note had a maturity date of February 2007 and related to a voluntary defeasance of secured debt by Prentiss in the fourth quarter of 2005 in which Prentiss exercised the right to complete a voluntary defeasance of a \$180.1 million secured loan. Pursuant to the defeasance, Prentiss assigned its obligations under the Defeased Note to an unrelated successor entity together with funds to acquire U.S. Treasury Securities sufficient to provide for the payment in full of debt service (including interest and principal) on the Defeased Note from the defeasance date through the loan maturity date.

On November 29, 2006, the Company gave notice of redemption of the 2009 Notes and redeemed the 2009 Notes on January 2, 2007.

The Company's indenture relating to unsecured notes contains financial restrictions and requirements, including (1) a leverage ratio not to exceed 60%, (2) a secured debt leverage ratio not to exceed 40%, (3) a debt service coverage ratio of greater than 1.5 to 1.0, and (4) an unencumbered asset value of not less than 150% of unsecured debt. In addition, the note purchase agreement relating to the Operating Partnership's \$113 million principal amount of unsecured notes due 2008 contains covenants that are similar to the covenants in the indenture.

In October 2005, in anticipation of the offering of the 2010 Notes, the Operating Partnership entered into forward starting swaps. The forward starting swaps were designated as cash flow hedges of interest rate risk and qualified for hedge accounting. The forward starting swaps were for notional amounts totaling \$125.0 million for an expiration of five years at an all-in-rate of 4.9%. The forward starting swaps were settled in December 2005 upon the completion of the offering of the 2010 Notes at a total benefit of approximately \$0.2 million. The benefit was recorded as a component of accumulated other comprehensive income in the accompanying consolidated balance sheet and is being amortized to interest expense over the term of the unsecured notes.

On December 20, 2005, the Operating Partnership completed an underwritten public offering of \$300 million aggregate principal amount of 5.625% unsecured notes due December 15, 2010 (the "2010 Notes"). Brandywine Realty Trust guaranteed the payment of principal and interest on the 2010 Notes

**9. UNSECURED CREDIT FACILITY**

The Company utilizes credit facility borrowings for general business purposes, including the acquisition, development and redevelopment of properties and the repayment of other debt. In December 2005, the Company replaced its then existing credit facility with a \$600.0 million unsecured credit facility (the "Credit Facility") that matures in December 2009, subject to a one-year extension option. Borrowings under the Credit Facility generally bear interest at LIBOR plus a spread over LIBOR ranging from 0.55% to 1.10% based on the Company's unsecured senior debt rating. The Company has the option to increase the Credit Facility to \$800.0 million subject to the absence of any defaults and the Company's ability to acquire additional commitments from its existing lenders or new lenders. As of December 31, 2006, the Company had \$60.0 million of borrowings and \$24.2 million of letters of credit outstanding under the Credit Facility, leaving \$516.0 million of unused availability. The weighted-average interest rate on the Company's unsecured credit facilities, including the effect of interest rate hedges, was 5.93% in 2006, 4.58% in 2005 and 3.79% in 2004.

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The Credit Facility requires the maintenance of ratios related to minimum net worth, debt-to-total capitalization and fixed charge coverage and includes non-financial covenants.

**10. UNSECURED TERM LOANS**

On March 28, 2006, the Company terminated, and repaid all amounts outstanding under, the \$750 million Term Loan Agreement that it entered into on January 5, 2006 with JPMorgan Chase Bank, N.A., as Administrative Agent and Syndication Agent, J.P. Morgan Securities Inc., as Lead Arranger and Sole Bookrunner, and the lenders identified therein. The Company entered into the Term Loan Agreement in connection with its acquisition through the merger of Prentiss on January 5, 2006.

During 2004, the Company repaid all amounts outstanding under its \$100 million unsecured term loan facility. The \$100.0 million unsecured term loan bore interest at LIBOR plus a spread ranging from 1.05% to 1.9% per annum based on the Company's leverage.

In connection with the TRC acquisition in September 2004, the Company obtained two term loans: a \$320 million unsecured term loan due in 2007 (the 2007 Term Loan) and a \$113 million term loan due in 2008 (the 2008 Term Loan). In October 2004, the Company repaid all amounts outstanding under its 2007 Term Loan with proceeds of the 2009 and 2014 unsecured notes issued on October 22, 2004. In December 2004, the Company repaid the 2008 Term Loan with the proceeds of the 2008 unsecured notes, which were issued by the Operating Partnership. Brandywine Realty Trust has guaranteed the payment of the principal of and interest on the 2008 unsecured notes. A former partner in TRC has also provided a guaranty of the 2008 unsecured notes (although this guaranty does not in any way limit or diminish the obligations of the Operating Partnership or obligations arising under the guarantee that Brandywine Realty Trust provided). As a result of the repayments of the 2007 and 2008 Term Loans, the Company wrote-off approximately \$3.0 million of unamortized deferred financing costs in 2004. These write-offs are presented as deferred financing costs within interest expense in the consolidated statement of operations. While outstanding, the 2007 and 2008 Term Loans bore interest at LIBOR plus spreads of 1.1% and 1.35%, respectively.

As of December 31, 2006 and 2005, the Company had no unsecured term loans outstanding.

**11. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following fair value disclosure was determined by the Company using available market information and discounted cash flow analyses as of December 31, 2006 and 2005, respectively. The discount rate used in calculating fair value is the sum of the current risk free rate and the risk premium on the date of acquiring or assuming the instruments or obligations. Considerable judgment is necessary to interpret market data and to develop the related estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Company could realize upon disposition. The use of different estimation methodologies may have a material effect on the estimated fair value amounts. The Company believes that the carrying amounts reflected in the Consolidated Balance Sheets at December 31, 2006 and 2005 approximate the fair values for cash and cash equivalents, accounts receivable, other assets, accounts payable, accrued expenses and borrowings under variable rate debt instruments. The following are financial instruments for which the Company estimates of fair value differ from the carrying amounts (in thousands):

|                         | <b>December 31, 2006</b>   |                       | <b>December 31, 2005</b>   |                       |
|-------------------------|----------------------------|-----------------------|----------------------------|-----------------------|
|                         | <b>Carrying<br/>Amount</b> | <b>Fair<br/>Value</b> | <b>Carrying<br/>Amount</b> | <b>Fair<br/>Value</b> |
| Mortgage payable        | \$ 888,470                 | \$ 859,490            | \$481,006                  | \$521,607             |
| Unsecured Notes payable | \$1,829,701                | \$1,826,357           | \$936,607                  | \$920,470             |

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**12. RISK MANAGEMENT AND USE OF FINANCIAL INSTRUMENTS**

**Risk Management**

In the normal course of its on-going business operations, the Company encounters economic risk. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk on its interest-bearing liabilities. Credit risk is the risk of inability or unwillingness of tenants to make contractually required payments. Market risk is the risk of declines in the value of properties due to changes in rental rates, interest rates or other market factors affecting the valuation of properties held by the Company.

**Use of Derivative Financial Instruments**

The Company's use of derivative instruments is limited to the utilization of interest rate agreements or other instruments to manage interest rate risk exposures and not for speculative purposes. The principal objective of such arrangements is to minimize the risks and/or costs associated with the Company's operating and financial structure, as well as to hedge specific transactions. The counterparties to these arrangements are major financial institutions with which the Company and its affiliates may also have other financial relationships. The Company is potentially exposed to credit loss in the event of non-performance by these counterparties. However, because of the high credit ratings of the counterparties, the Company does not anticipate that any of the counterparties will fail to meet these obligations as they come due. The Company does not hedge credit or property value market risks.

The Company entered into two interest rate swaps in January 2006 aggregating \$90 million in notional amount as part of its acquisition of Prentiss. The instruments are used to hedge the risk of interest cash outflows on secured variable rate debt on properties that are owned by one of our consolidated Real Estate Ventures. One of the swaps with a notional amount of \$20 million has a maturity date of February 1, 2010 and the other with a notional amount of \$70 million has a maturity date of August 1, 2008.

The Company also entered into forward starting swaps in March 2006 as more fully described in Note 8.

The Company formally assesses, both at inception of the hedge and on an on-going basis, whether each derivative is highly-effective in offsetting changes in cash flows of the hedged item. If management determines that a derivative is not highly-effective as a hedge or if a derivative ceases to be a highly-effective hedge, the Company will discontinue hedge accounting prospectively.

**Concentration of Credit Risk**

Concentrations of credit risk arise when a number of tenants related to the Company's investments or rental operations are engaged in similar business activities, or are located in the same geographic region, or have similar economic features that would cause their inability to meet contractual obligations, including those to the Company, to be similarly affected. The Company regularly monitors its tenant base to assess potential concentrations of credit risk. Management believes the current credit risk portfolio is reasonably well diversified and does not contain any unusual concentration of credit risk. No tenant accounted for 10% or more of the Company's rents during 2006, 2005 and 2004. See Note 19 for geographic segment information.

**Table of Contents****13. DISCONTINUED OPERATIONS**

For the years ended December 31, 2006, 2005 and 2004, income from discontinued operations relates to 28 properties containing approximately 4,074,649 million net rentable square feet that the Company has sold since January 1, 2004 and two properties containing 8 buildings and one land parcel designated as held-for-sale as of December 31, 2006. The following table summarizes the balance sheet information for the two properties containing 8 buildings and one land parcel identified as held for sale at December 31, 2006 (in thousands):

|   |            |
|---|------------|
| Real Estate Investments:                    |            |
| Operating Properties                        | \$ 110,709 |
| Accumulated depreciation                    | (6,050)    |
|   | 104,659    |
| Other assets                                | 21,357     |
| Total Assets Held for Sale                  | \$ 126,016 |
|   |            |
| Mortgage note payable and other liabilities | \$ 20,826  |

The following table summarizes revenue and expense information for the 28 properties sold since January 1, 2004 and the two properties containing 8 buildings designated as held-for-sale as of December 31, 2006 (in thousands):

|   | <b>Years Ended December 31,</b> |             |             |
|---|---------------------------------|-------------|-------------|
|   | <b>2006</b>                     | <b>2005</b> | <b>2004</b> |
| <b>Revenue:</b>   |                                 |             |             |
| Rents   | \$ 43,410                       | \$ 10,060   | \$ 8,336    |
| Tenant reimbursements   | 5,314                           | 1,010       | 1,120       |
| Other   | 982                             | 41          | 36          |
| Total revenue   | 49,706                          | 11,111      | 9,492       |
| <b>Expenses:</b>  |                                 |             |             |
| Property operating expenses   | 17,769                          | 3,862       | 4,166       |
| Real estate taxes   | 6,145                           | 1,316       | 1,441       |
| Depreciation & amortization   | 17,284                          | 2,939       | 2,607       |
| Total operating expenses  | 41,198                          | 8,117       | 8,214       |
| <b>Operating income</b>   | 8,508                           | 2,994       | 1,278       |
| Interest income   | 14                              | 6           |             |
| Interest expense  | (841)                           | (445)       | (451)       |
| Income from discontinued operations before gain on sale of interests in real estate and minority interest | 7,681                           | 2,555       | 827         |
| Net gain on sale of interests in real estate  | 18,486                          | 2,196       | 3,136       |
| Minority interest partners share of net gain on sale  | 1,757                           |             |             |
| Minority interest partners share of consolidated real estate venture                                      | (2,239)                         |             |             |

|   |          |           |          |          |
|---|----------|-----------|----------|----------|
| Minority interest attributable to discontinued operations | LP units | (1,172)   | (163)    | (144)    |
| Income from discontinued operations                       |          | \$ 24,513 | \$ 4,588 | \$ 3,819 |

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

14. MINORITY INTEREST IN OPERATING PARTNERSHIP AND REAL ESTATE VENTURES

Minority interest in Operating Partnership is comprised of Class A Units of limited partnership interest ( Class A Units ) and, until their redemption in February 2004, Series B Preferred Units of limited partnership interest ( Series B Preferred Units ) of the Operating Partnership. The Operating Partnership issued these interests to persons that contributed assets to the Operating Partnership. The Operating Partnership is obligated to redeem, at the request of a holder, each Class A Unit for cash or one Common Share, at the option of the Company. Each Series B Preferred Unit had a stated value of \$50.00 and was convertible, at the option of the holder, into Class A Units at a conversion price of \$28.00. Income allocated to minority interest includes the amount of the Series B Preferred Unit distribution and the pro

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rata share of net income of the Operating Partnership allocated to the Class A Units. In February 2004, the Operating Partnership redeemed the Series B Preferred Units for an aggregate price of \$93.0 million together with accrued but unpaid distributions from January 1, 2004. The Series B Preferred Units had an aggregate stated value of \$97.5 million and accrued distributions at 7.25. The Company recorded a \$4.5 million gain related to the redemption. The Company declared distributions of \$0.8 million in 2004 to the holders of Series B Preferred Units and \$2.0 million in 2006, \$3.6 million in 2005 and \$3.3 million in 2004 to holders of Class A Units. As of December 31, 2006 and 2005, the Company had outstanding 3,961,235 Class A Units and 1,945,267 Class A Units, respectively, held by third party investors. No Series B Preferred Units were outstanding as of December 31, 2006 and 2005.

During the year ended December 31, 2006, 424,608 Class A units were issued in connection with the acquisition of a property. These Class A units were subsequently redeemed for \$13.5 million and this amount is included in distributions to minority interest holders on the consolidated statement of cash flows.

As of December 31, 2006 and 2005, the aggregate book value of the minority interest associated with these units in the accompanying consolidated balance sheet was \$89.6 million and \$37.9 million, respectively and the Company believes that the aggregate settlement value of these interests was approximately \$131.7 million and \$54.3 million, respectively. This amount is based on the number of units outstanding and the closing share price on the balance sheet date.

As of December 31, 2006, the Company owned interests in four consolidated real estate ventures that own 15 office properties containing approximately 1.5 million net rentable square feet. Minority interest in Real Estate Ventures represents the portion of these consolidated real estate ventures not owned by the Company.

The minority interests associated with certain of the Real Estate Ventures, that have finite lives under the terms of the partnership agreements represent mandatorily redeemable interests as defined in SFAS 150. As of December 31, 2006 and 2005, the aggregate book value of these minority interests in the accompanying consolidated balance sheet was \$0, and the Company believes that the aggregate settlement value of these interests was approximately \$8.1 million.

This amount is based on the estimated liquidation values of the assets and liabilities and the resulting proceeds that the Company would distribute to its Real Estate Venture partners upon dissolution, as required under the terms of the respective partnership agreements. Subsequent changes to the estimated fair values of the assets and liabilities of the consolidated Real Estate Ventures will affect the Company's estimate of the aggregate settlement value. The partnership agreements do not limit the amount that the minority partners would be entitled to in the event of liquidation of the assets and liabilities and dissolution of the respective partnerships.

15. **BENEFICIARIES EQUITY**

**Earnings per Share (EPS)**

The following table details the number of shares and net income used to calculate basic and diluted earnings per share (in thousands, except share and per share amounts; results may not add due to rounding):

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|  | For the years ended December 31, |             |            |            |            |            |
|--|----------------------------------|-------------|------------|------------|------------|------------|
|  | 2006                             |             | 2005       |            | 2004       |            |
|  | Basic                            | Diluted     | Basic      | Diluted    | Basic      | Diluted    |
| Income (loss) from continuing operations               | \$ (14,031)                      | \$ (14,031) | \$ 38,179  | \$ 38,179  | \$ 56,483  | \$ 56,483  |
| Income from discontinued operations                    | 24,513                           | 24,513      | 4,588      | 4,588      | 3,819      | 3,819      |
| Income allocated to Preferred Shares                   | (7,992)                          | (7,992)     | (7,992)    | (7,992)    | (9,720)    | (9,720)    |
| Preferred Share redemption/conversion benefit (charge) |                                  |             |            |            | 4,500      | 4,500      |
|  | \$ 2,490                         | \$ 2,490    | \$ 34,775  | \$ 34,775  | \$ 55,082  | \$ 55,082  |
| Weighted-average shares outstanding                    | 89,552,301                       | 89,552,301  | 55,846,268 | 55,846,268 | 47,781,789 | 47,781,789 |
| Options, warrants and unvested restricted stock        |                                  | 518,524     |            | 258,320    |            | 236,915    |
| Total weighted-average shares outstanding              | 89,552,301                       | 90,070,825  | 55,846,268 | 56,104,588 | 47,781,789 | 48,018,704 |
| Earnings per Common Share:                             |                                  |             |            |            |            |            |
| Continuing operations                                  | \$ (0.25)                        | \$ (0.24)   | \$ 0.54    | \$ 0.54    | \$ 1.07    | \$ 1.07    |
| Discontinued operations                                | 0.27                             | 0.27        | 0.08       | 0.08       | 0.08       | 0.08       |
| Total  | \$ 0.03                          | \$ 0.03     | \$ 0.62    | \$ 0.62    | \$ 1.15    | \$ 1.15    |

Securities (including Series A Preferred Shares of the Company and Class A Units of the Operating Partnership) totaling 3,961,235 in 2006, 1,945,267 in 2005 and 2,061,459 in 2004 were excluded from the earnings per share computations because their effect would have been antidilutive. The Series A Preferred Shares were converted to Common Shares in November 2004.

**Common and Preferred Shares**

On December 19, 2006, the Company declared a distribution of \$0.44 per Common Share, totaling \$39.0 million, which was paid on January 15, 2007 to shareholders of record as of January 5, 2007. On December 19, 2006, the Company declared distributions on its Series C Preferred Shares and Series D Preferred Shares to holders of record as of December 30, 2006. These shares are entitled to a preferential return of 7.50% and 7.375%, respectively. Distributions paid on January 15, 2007 to holders of Series C Preferred Shares and Series D Preferred Shares totaled \$0.9 million and \$1.1 million, respectively.

**Common Share Repurchases**

We maintain a share repurchase program under which our Board has authorized us to repurchase our common shares from time to time. Our Board initially authorized this program in 1998 and has periodically replenished capacity under the program, including, most recently, on May 2, 2006 when our Board restored capacity to 3.5 million common shares. During the year ended December 31, 2006, we repurchased approximately 1.2 million common shares under this program at an average price of \$29.22 per share, leaving approximately 2.3 million in remaining capacity. Our

Board has not limited the duration of the program.

On October 4, 2006 we repurchased 1,829,000 common shares with a portion of the proceeds of our 3.875% Exchangeable Guaranteed Notes at an average purchase price of \$32.80 per share (approximately \$60.0 million in aggregate). We repurchased these shares under a separate Board authorization that provided that the shares repurchased did not reduce capacity under the share repurchase program.

Share Based Compensation

In December 2004, the FASB issued SFAS No. 123(R), Share-Based Payment ( SFAS 123(R) ). SFAS 123(R) is an amendment of SFAS 123 and requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements. The cost is required to be measured based on the fair value of the equity or liability instruments issued. SFAS 123(R) also contains additional minimum disclosures requirements including, but not limited to, the valuation method and assumptions

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used, amounts of compensation capitalized and modifications made. The effective date of SFAS 123(R) was subsequently amended by the SEC to be as of the beginning of the first interim or annual reporting period of the first fiscal year that begins on or after December 15, 2005, and allows several different methods of transition. The Company adopted SFAS 123(R) using the prospective method on January 1, 2006. This adoption did not have a material effect on our consolidated financial statements.

**Stock Options**

At December 31, 2006, the Company had 1,286,075 options outstanding under its shareholder approved equity incentive plan. No options were unvested as of December 31, 2006 and therefore there is no remaining unrecognized compensation expense associated with these options. Option activity as of December 31, 2006 and changes during the twelve months ended December 31, 2006 were as follows:

|  | Shares    | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Term (in years) | Aggregate<br>Intrinsic<br>Value (in<br>000 s) |
|--|-----------|--|--|---|
| Outstanding at January 1, 2006   | 1,276,722 | 26.82                                    | 2.15   | 1,888   |
| Prentiss options converted to Company options as part of the Prentiss acquisition (see Note 3) | 496,037   | 22.00                                    | 1.14   | 5,580   |
| Exercised  | (486,684) | 22.88                                    | 0.55   | 5,048   |
| Forfeited  |           |  |  |   |
| Outstanding at December 31, 2006   | 1,286,075 | \$ 26.45                                 | 1.50   | 8,739   |
| Vested at December 31, 2006  | 1,286,075 | \$ 26.45                                 | 1.50   | 8,739   |
| Exercisable at December 31, 2006   | 1,286,075 | \$ 26.45                                 | 1.50   | 8,739   |

*There were no option awards granted to employees during the years ended December 31, 2006, 2005, and 2004.*

|                                  | 2005      |  | Years ended December 31,<br>2004                                      |           |  |
|----------------------------------|-----------|--|---|-----------|--|
|                                  | Shares    | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Term<br>(in Years) | Shares    | Weighted<br>Average<br>Exercise<br>Price |
| Outstanding at beginning of year | 2,008,022 | 26.89                                    |   | 2,372,627 | 26.70                                    |
| Granted                          |           |  |   |           |  |
| Exercised                        | (705,678) | 26.94                                    |   | (337,161) | 25.39                                    |
| Forfeite/Expired                 | (25,622)  | 28.80                                    |   | (27,444)  | 28.93                                    |

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|                            |           |       |      |           |       |      |
|----------------------------|-----------|-------|------|-----------|-------|------|
| Outstanding at end of year | 1,276,722 | 26.82 | 1.97 | 2,008,022 | 26.89 | 2.88 |
| Exercisable at end of year | 1,276,722 | 26.82 |      | 2,008,022 | 26.89 |      |

The Company has the ability and intent to issue shares upon stock option exercises. Historically, the Company has issued new common shares to satisfy such exercises.

401(k) Plan

The Company sponsors a 401(k) defined contribution plan for its employees. Each employee may contribute up to 100% of annual compensation, subject to specific limitations under the Internal Revenue Code. At its discretion, the Company can make matching contributions equal to a percentage of the employee's elective contribution and profit sharing contributions. Employees vest in employer

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contributions over a three-year service period. The Company contributions were \$1.1 million in 2006, \$1.0 million in 2005 and \$0.9 million in 2004.

**Restricted Stock Awards**

The Company's primary form of share-based compensation has been restricted shares issued under a shareholder approved equity incentive plan that authorizes various equity-based awards. As of December 31, 2006, 338,860 restricted shares were outstanding and vest over five years from the initial grant date. The remaining compensation expense to be recognized for the 338,860 restricted shares outstanding at December 31, 2006 was approximately \$9.8 million. That expense is expected to be recognized over a weighted average remaining vesting period of 2.4 years. For the year ended December 31, 2006, the Company recognized \$2.9 million of compensation expense related to outstanding restricted shares which is included in administrative expenses. The following table summarizes the Company's restricted share activity for the twelve-months ended December 31, 2006:

|                                 | <b>Shares</b> |    | <b>Weighted<br/>Average<br/>Grant<br/>Date Fair<br/>value</b> |
|---------------------------------|---------------|----|---|
| Non-vested at January 1, 2006   | 316,134       | \$ | 25.76   |
| Granted                         | 240,136       |    | 30.72   |
| Vested                          | (160,972)     |    | 26.28   |
| Forfeited                       | (56,438)      |    | 28.24   |
| Non-vested at December 31, 2006 | 338,860       | \$ | 28.23   |

**Outperformance Program**

On August 28, 2006, the Compensation Committee of the Company's Board of Trustees adopted a long-term incentive compensation program (the "outperformance program"). The Company will make payments (in the form of common shares) to executive-participants under the outperformance program only if total shareholder return exceeds percentage hurdles established under the outperformance program. The dollar value of any payments will depend on the extent to which our performance exceeds the hurdles. The Company established the outperformance program under the 1997 Plan.

If the total shareholder return (share price appreciation plus cash dividends) during a three-year measurement period exceeds either of two hurdles (with one hurdle keyed to the greater of a fixed percentage and an industry-based index, and the other hurdle keyed to a fixed percentage), then the Company will fund an incentive compensation pool in accordance with a formula and make pay-outs from the compensation pool in the form of vested and restricted common shares. The awards issued are accounted for in accordance with FASB No. 123R. The fair value of the awards on the date of grant, as adjusted for estimated forfeitures, was approximately \$5.6 million and will be amortized into expense over the five-year period beginning on the date of grant using a graded vesting attribution model. The fair value of \$5.6 million on the date of grant represents approximately 89.9% of the total that may be awarded, including the effects of a 3.4% forfeiture; the remaining amount available will be valued when the awards are granted to individuals. For the year ended December 31, 2006, the Company recognized \$0.5 million of compensation expenses related to the outperformance program.

**16. PREFERRED SHARES**

In 1998, the Company issued \$37.5 million of convertible preferred shares with a 7.25% coupon rate (the Series A Preferred Shares). Each Series A Preferred Share had a stated value of \$50.00 and was convertible into Common Shares, at the option of the holder, at a conversion price of \$28.00. The Series A Preferred Shares distribution was subject to an increase, if quarterly distributions paid to Common Share holders exceeded \$0.51 per share. In November 2004, the holders of the Series A Preferred Shares converted the shares into 1.3 million Common Shares at a price of \$24.00.



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In 2003, the Company issued 2,000,000 7.50% Series C Cumulative Redeemable Preferred Shares (the Series C Preferred Shares ) for net proceeds of \$48.1 million. The Series C Preferred Shares are perpetual. The Company may not redeem Series C Preferred Shares before December 30, 2008 except to preserve its REIT status. On or after December 30, 2008, the Company, at its option, may redeem the Series C Preferred Shares, in whole or in part, by paying \$25.00 per share plus accrued but unpaid dividends.

In 2004, the Company issued 2,300,000 7.375% Series D Cumulative Redeemable Preferred Shares (the Series D Preferred Shares ) for net proceeds of \$55.5 million. The Series D Preferred Shares are perpetual. The Company may not redeem Series D Preferred Shares before February 27, 2009 except to preserve its REIT status. On or after February 27, 2009, the Company, at its option, may redeem the Series D Preferred Shares, in whole or in part, by paying \$25.00 per share plus accrued but unpaid dividends.

**17. DISTRIBUTIONS**

|  | Years ended December 31, |              |              |
|--|--------------------------|--------------|--------------|
|  | 2006                     | 2005         | 2004         |
| Common Share Distributions:                  |                          |              |              |
| Ordinary income                              | \$ 1.33                  | \$ 1.37      | \$ 1.48      |
| Capital gain                                 | 0.30                     | 0.08         | 0.28         |
| Split year dividend (a)                      | 0.13                     | 0.31         |              |
| Distributions per share (b)                  | \$ 1.76                  | \$ 1.76      | \$ 1.76      |
| Percentage classified as ordinary income     | 75.6%                    | 77.8%        | 84.1%        |
| Percentage classified as capital gain        | 17.0%                    | 4.6%         | 15.9%        |
| Percentage classified as split year dividend | 7.4%                     | 17.6%        | 0.0%         |
| Preferred Share Distributions:               |                          |              |              |
| Total distributions declared                 | \$ 7,992,000             | \$ 7,992,000 | \$ 9,720,000 |

(a) Split year dividend amount shown for 2006 was taxable in 2005 and paid in 2006.

(b) The Company also declared a special distribution of \$0.02, in addition to the \$1.76, in December 2005 for shareholders of record for the period January 1, 2006 through

January 4, 2006.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table details the components of accumulated other comprehensive income (loss) as of and for the three years ended December 31, 2006 (in thousands):

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|   | Unrealized Gains<br>(Losses) on<br>Securities | Cash<br>Flow<br>Hedges | Accumulated<br>Other<br>Comprehensive<br>Loss |
|---|---|------------------------|---|
| Balance at January 1, 2004  | \$ 868  | \$ (3,026)             | \$ (2,158)                                    |
| Change during year  | (696)   | 309                    | (387)   |
| Settlement of treasury locks  |   | (3,238)                | (3,238)                                       |
| Reclassification adjustments for losses reclassified into operations  | (156)   | 2,809                  | 2,653   |
| Balance at December 31, 2004  | 16  | (3,146)                | (3,130)                                       |
| Change during year  | 241   | (713)                  | (472)   |
| Settlement of forward starting swaps  |   | 240                    | 240   |
| Reclassification adjustments for losses reclassified into operations  | (257)   | 450                    | 193   |
| Balance at December 31, 2005  |   | (3,169)                | (3,169)                                       |
| Change during year  |   | 1,330                  | 1,330   |
| Minority interest consolidated real estate venture partner's share of unrealized (gains)/losses on derivative financial instruments |   | (302)                  | (302)   |
| Settlement of forward starting swaps  |   | 3,266                  |   |
| Reclassification adjustments for (gains) losses reclassified into operations  | 328   | 122                    | 3,716   |
| Balance at December 31, 2006  | \$ 328  | \$ 1,247               | \$ 1,575                                      |

Over time, the unrealized gains and losses held in Accumulated Other Comprehensive Income ( AOCI ) will be reclassified to earnings in the same period(s) in which hedged items are recognized in earnings. The current balance held in AOCI is expected to be reclassified to earnings over the lives of the current hedging instruments, or for realized losses on forecasted debt transactions, over the related term of the debt obligation, as applicable.

During the years ending December 31, 2006 and 2005, the Company reclassified approximately \$0.1 million and \$0.5 million, respectively, to interest expense associated with treasury lock agreements and forward starting swaps previously settled (see Note 12).

**19. SEGMENT INFORMATION**

As of December 31, 2006, the Company currently manages its portfolio within nine segments: (1) Pennsylvania West, (2) Pennsylvania North, (3) New Jersey, (4) Urban, (5) Richmond, Virginia, (6) California North, (7) California South, (8) Mid-Atlantic and (9) Southwest. The Pennsylvania West segment includes properties in Chester, Delaware and Montgomery counties in the Philadelphia suburbs of Pennsylvania. The Pennsylvania North segment includes properties north of Philadelphia in Berks, Bucks, Cumberland, Dauphin, Lehigh and Montgomery counties. The New Jersey segment includes properties in counties in the southern and central parts of New Jersey including Burlington, Camden and Mercer counties and in Bucks County, Pennsylvania. The Urban segment includes properties in the City

of Philadelphia, Pennsylvania and the state of Delaware. The Richmond, Virginia segment includes properties primarily in Albemarle, Chesterfield and Henrico counties, the City of Richmond and Durham, North Carolina. The California North segment includes properties in the City of Oakland and Concord. The California South segment includes properties in the City of Carlsbad and San Diego. The Mid-Atlantic segment includes properties in Northern Virginia and the Maryland suburbs. The Southwest segment includes properties in Dallas and Travis counties of Texas. The corporate group is responsible for cash and investment management, development of certain real estate properties during the construction period, and certain other general support functions. Land held for development and construction in progress are transferred to operating properties by region upon completion of the associated construction or project.

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Segment information for the three years ended December 31, 2006, 2005 and 2004 is as follows (in thousands):

|                                    | Pennsylvania |            |            | California |                    |            | California |              |            |           |
|------------------------------------|--------------|------------|------------|------------|--------------------|------------|------------|--------------|------------|-----------|
|                                    | West         | North      | New Jersey | Urban      | Richmond, Virginia | North      | South      | Mid-Atlantic | Southwest  | Corporate |
| Investments,                       |              |            |            |            |                    |            |            |              |            |           |
| Properties                         | \$ 922,347   | \$ 530,436 | \$ 570,009 | \$ 568,008 | \$ 244,519         | \$ 396,927 | \$ 95,942  | \$ 1,255,940 | \$ 343,177 | \$ 4,000  |
| Construction-in-progress           |              |            |            |            |                    |            |            |              |            | 217,886   |
| Net book value                     |              |            |            |            |                    |            |            |              |            | 110,233   |
| Revenue                            | \$ 124,301   | \$ 74,391  | \$ 96,926  | \$ 85,995  | \$ 32,526          | \$ 58,203  | \$ 11,564  | \$ 112,344   | \$ 57,734  | \$ 8,817  |
| Operating expenses and real estate | 39,163       | 38,124     | 41,334     | 34,362     | 11,876             | 23,016     | 4,039      | 33,897       | 23,872     | 3,902     |
| Operating income                   | \$ 85,138    | \$ 36,267  | \$ 55,592  | \$ 51,633  | \$ 20,650          | \$ 35,187  | \$ 7,525   | \$ 78,447    | \$ 33,862  | \$ 4,915  |
| Investments,                       |              |            |            |            |                    |            |            |              |            |           |
| Properties                         | \$ 867,089   | \$ 558,803 | \$ 562,832 | \$ 351,407 | \$ 219,930         | \$ -       | \$ -       | \$ -         | \$ -       | \$ 2,000  |
| Construction-in-progress           |              |            |            |            |                    |            |            |              |            | 273,240   |
| Net book value                     |              |            |            |            |                    |            |            |              |            | 98,518    |
| Revenue                            | \$ 111,911   | \$ 72,154  | \$ 96,683  | \$ 65,643  | \$ 28,758          | \$ -       | \$ -       | \$ -         | \$ -       | \$ 5,475  |
| Operating expenses and real estate | 39,116       | 32,517     | 39,152     | 27,183     | 11,612             |            |            |              |            | (208)     |
| Operating income                   | \$ 72,795    | \$ 39,637  | \$ 57,531  | \$ 38,460  | \$ 17,146          | \$ -       | \$ -       | \$ -         | \$ -       | \$ 5,683  |
| Revenue                            | \$ 87,535    | \$ 73,882  | \$ 94,096  | \$ 26,319  | \$ 27,099          | \$ -       | \$ -       | \$ -         | \$ -       | \$ 7,626  |
| Operating expenses and real estate | 25,677       | 31,079     | 35,599     | 12,126     | 11,772             |            |            |              |            |           |
| Operating income                   | \$ 61,858    | \$ 42,803  | \$ 58,497  | \$ 14,193  | \$ 15,327          | \$ -       | \$ -       | \$ -         | \$ -       | \$ 7,626  |

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Net operating income is defined as total revenue less property operating expenses and real estate taxes. Below is reconciliation of consolidated net operating income to consolidated income from continuing operations:

|   | Year Ended December 31, |            |            |
|---|-------------------------|------------|------------|
|   | 2006                    | 2005       | 2004       |
|   | (amounts in thousands)  |            |            |
| Consolidated net operating income (loss)                              | \$ 409,216              | \$ 231,252 | \$ 200,304 |
| Less:   |                         |            |            |
| Interest income   | 9,513                   | 1,370      | 841        |
| Interest expense  | (171,177)               | (70,152)   | (52,642)   |
| Deferred financing costs  | (4,607)                 | (3,766)    | (1,968)    |
| Depreciation and amortization   | (248,132)               | (109,118)  | (77,521)   |
| Administrative expenses   | (29,644)                | (17,982)   | (15,100)   |
| Minority interest partners share of consolidated real estate ventures | 270                     |            |            |
| Minority interest attributable to continuing operations LP units      | 1,028                   | (1,237)    | (2,429)    |
| Plus:   |                         |            |            |
| Equity in income of real estate ventures                              | 2,165                   | 3,172      | 2,023      |
| Net gain on sales of interests in real estate                         | 14,190                  | 4,640      | 2,975      |
| Gain on termination of purchase contract                              | 3,147                   |            |            |
| Income (loss) from continuing operations                              | (14,031)                | 38,179     | 56,483     |
| Income (loss) from discontinued operations                            | 24,513                  | 4,588      | 3,819      |
| Net income (loss)   | \$ 10,482               | \$ 42,767  | \$ 60,302  |

**20. RELATED-PARTY TRANSACTIONS**

In 1998, the Board authorized the Company to make loans totaling up to \$5.0 million to enable employees of the Company to purchase Common Shares at fair market value. The loans have five-year terms, are full recourse, and are secured by the Common Shares purchased. The Company made loans under this program in 1998, 1999 and 2001. Interest, payable quarterly, accrues on the loans at the lower of the interest rate borne on borrowings under the Company's Credit Facility or a rate based on the dividend payments on the Common Shares. As of December 31, 2005, the interest rate was 4.18% per annum. The loans are payable at the earlier of the stated maturity date or 90 days following the employee's termination. As of December 31, 2005, the outstanding balance of the loan totaled \$0.3 million and was secured by an aggregate of 18,803 Common Shares. These loans were repaid in full by December 31, 2006.

The Company held a fifty percent economic interest in an approximately 141,724 square foot office building located at 101 Paragon Drive, Montvale, New Jersey. The remaining fifty percent interest was held by Donald E. Axinn, one of the Company's Trustees. Although the Company and Mr. Axinn had each committed to provide one half of the \$11 million necessary to repay the mortgage loan secured by this property at the maturity of the loan, in February 2006 an unaffiliated third party entered into an agreement to purchase this property for \$18.3 million. As a result of the purchase by an unaffiliated third party during August 2006, the Company recognized a \$3.1 million gain on termination of its rights under a 1998 contribution agreement, modified in 2005, that entitled the Company to the 50% interest in the joint venture to operate the property. This gain is shown separately on the Company's income statement as a gain on termination of purchase contract.

The Company owned 384,615 shares of Cypress Communications, Inc. (Cypress) Common Stock. These shares were redeemed in July 2005 for \$0.3 million. The redemption was the result of Cypress's merger with another company. Prior to this merger, an officer of the Company held a position on Cypress's Board of Directors.

**Table of Contents****21. OPERATING LEASES**

The Company leases properties to tenants under operating leases with various expiration dates extending to 2023. Minimum future rentals on non-cancelable leases at December 31, 2006 are as follows (in thousands):

| Year       | Minimum<br>Rent |
|------------|-----------------|
| 2007       | \$ 526,755      |
| 2008       | 488,853         |
| 2009       | 426,608         |
| 2010       | 349,210         |
| 2011       | 264,411         |
| Thereafter | 879,490         |

Total minimum future rentals presented above do not include amounts to be received as tenant reimbursements for operating costs.

**22. COMMITMENTS AND CONTINGENCIES***Legal Proceedings*

The Company is involved from time to time in litigation on various matters, including disputes with tenants and disputes arising out of agreements to purchase or sell properties. Given the nature of the Company's business activities, these lawsuits are considered routine to the conduct of its business. The result of any particular lawsuit cannot be predicted, because of the very nature of litigation, the litigation process and its adversarial nature, and the jury system. The Company does not expect that the liabilities, if any, that may ultimately result from such legal actions will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company. There have been recent reports of lawsuits against owners and managers of multifamily and office properties asserting claims of personal injury and property damage caused by the presence of mold in residential units or office space. The Company has been named as a defendant in two lawsuits in the State of New Jersey that allege personal injury as a result of the presence of mold. In 2005, one lawsuit was dismissed by way of summary judgment with prejudice. Unspecified damages are sought on the remaining lawsuit. The Company has referred this lawsuit to its environmental insurance carrier and, as of the date of this Form 10-K, the insurance carrier is tendering a defense to this claim.

*Letters-of-Credit*

Under certain mortgages, the Company has funded required leasing and capital reserve accounts for the benefit of the mortgage lenders with letters-of-credit which totaled \$24.2 million at December 31, 2006. The Company is also required to maintain escrow accounts for taxes, insurance and tenant security deposits and these accounts aggregated \$22.6 million at December 31, 2006. Tenant rents at properties that secure these mortgage loans are deposited into the loan servicer's depository accounts, which are used to fund debt service, operating expenses, capital expenditures and the escrow and reserve accounts, as necessary. Any excess cash is included in cash and cash equivalents.

*Ground Rent*

Future minimum rental payments under the terms of all non-cancelable ground leases under which the Company is the lessee are expensed on a straight-line basis regardless of when payments are due. Minimum future rentals payments on non-cancelable leases at December 31, 2006 are as follows (in thousands):

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|                      |          |
|----------------------|----------|
| 2007                 | \$ 1,736 |
| 2008                 | 1,736    |
| 2009                 | 1,736    |
| 2010                 | 1,818    |
| 2011                 | 1,818    |
| 2012 and there after | 271,340  |

*Other Commitments or Contingencies*

As of December 31, 2006, the Company owned 490 acres of land for future development.

As part of the Company's acquisition of the TRC Properties in September 2004, the Company agreed to issue to the sellers up to a maximum of \$9.7 million of Class A Units of the Operating Partnership if certain of the acquired properties achieve at least 95% occupancy prior to September 21, 2007. The maximum number of Units that the Company is obligated to issue declines monthly and, as of December 31, 2006, the maximum amount payable under this arrangement was \$1.8 million, with no amount currently due.

As part of the TRC acquisition, the Company acquired its interest in Two Logan Square, a 696,477 square foot office building in Philadelphia, primarily through a second and third mortgage secured by this property. The Company currently does not expect to take title to Two Logan Square until, at the earliest, September 2019. In the event that the Company takes title to Two Logan Square upon a foreclosure of its mortgage, we have agreed to make a payment to an unaffiliated third party with a residual interest in the fee owner of this property. The amount of the payment would be \$0.6 million if the Company must pay a state and local transfer upon taking title, and \$2.9 million if no transfer tax is payable upon the transfer.

As part of its acquisition of TRC Properties and several of other acquisitions, the Company agreed not to sell the acquired properties. In the case of the TRC Properties, the Company agreed not to sell the acquired properties for periods ranging from three to 15 years from the acquisition date as follows: 201 Radnor Financial Center, 555 Radnor Financial Center and 300 Delaware Avenue (three years); One Rodney Square and 130/150/170 Radnor Financial Center (10 years); and One Logan Square, Two Logan Square and Radnor Corporate Center (15 years). At December 31, 2006, the Company had agreed not to sell 14 properties that aggregate 1.0 million square feet for periods that expire through 2008. The Company's agreements generally provide that the Company may dispose of the subject properties only in transactions that qualify as tax-free exchanges under Section 1031 of the Internal Revenue Code or in other tax deferred transactions. In the event that the Company sells any of the properties within the applicable restricted period in non-exempt transactions, the Company would be required to pay significant tax liabilities that would be incurred by the parties who sold the Company the applicable property.

The Company invests in its properties and regularly incurs capital expenditures in the ordinary course to maintain the properties. The Company also enters into construction, utility and service contracts in the ordinary course of business which may extend beyond one year. These contracts typically provide for cancellation with insignificant or no cancellation penalties.

**23. SUBSEQUENT EVENT**

During January 2007, the Company sold two properties containing eight buildings, classified as held for sale as of December 31, 2006, totaling 26.8 million square feet and one land parcel consisting of 4.7 acres for an aggregate sales price of \$114.9 million.

The Company paid off its \$300.0 million 2009 three year notes in January 2007, notice of which was given in November 2006 using proceeds borrowed from the Company's unsecured credit facility.

**Table of Contents****24. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)**

The following is a summary of quarterly financial information as of and for the years ended December 31, 2006 and 2005 (in thousands, except per share data):

|  | 1st<br>Quarter | 2nd<br>Quarter | 3rd<br>Quarter | 4th<br>Quarter |
|--|----------------|----------------|----------------|----------------|
| 2006:  |                |                |                |                |
| Total revenue                                  | \$ 153,582     | \$ 161,523     | \$ 172,962     | \$ 174,734     |
| Net income (loss)                              | (2,642)        | (11,556)       | 564            | 24,116         |
| Income<br>(loss) allocated to<br>Common Shares | (4,640)        | (13,554)       | (1,434)        | 22,118         |
| Basic earnings<br>(loss) per<br>Common Share   | \$ (0.05)      | \$ (0.15)      | \$ (0.02)      | \$ 0.25        |
| Diluted earnings<br>(loss) per<br>Common Share | \$ (0.05)      | \$ (0.15)      | \$ (0.02)      | \$ 0.25        |
| 2005:  |                |                |                |                |
| Total revenue                                  | \$ 96,690      | \$ 92,843      | \$ 93,431      | \$ 97,660      |
| Net income                                     | 9,415          | 8,930          | 15,794         | 8,626          |
| Income allocated<br>to Common<br>Shares        | 7,417          | 6,932          | 13,796         | 6,628          |
| Basic earnings per<br>Common Share             | \$ 0.13        | \$ 0.12        | \$ 0.25        | \$ 0.12        |
| Diluted earnings<br>per Common<br>Share        | \$ 0.13        | \$ 0.12        | \$ 0.24        | \$ 0.12        |

The summation of quarterly earnings per share amounts do not necessarily equal the full year amounts.

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Brandywine Realty Trust  
Schedule II  
Valuation and Qualifying Accounts  
(in thousands)

| Description  | Balance<br>at<br>Beginning<br>of Period | Additions<br>(1) | Deductions | Balance<br>at End<br>of<br>Period |
|--|---|------------------|------------|-----------------------------------|
| Allowance for doubtful accounts:<br>Year ended December 31, 2006 | \$ 4,877                                | \$ 4,434         | \$         | \$ 9,311                          |
| Year ended December 31, 2005                                     | \$ 4,085                                | \$ 792           | \$         | \$ 4,877                          |
| Year ended December 31, 2004                                     | \$ 4,031                                | \$ 467           | \$ 413     | \$ 4,085                          |

(1) The 2006 additions includes \$3.5 million of current year expense and \$0.9 million of allowances against receivables assumed in the Prentiss acquisition.

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BRANDYWINE REALTY TRUST  
Real Estate and Accumulated Depreciation December 31, 2006  
(in thousands)

|                                  | City/State              | Encumbrances<br>at<br>December<br>31, 2006 | Initial Cost |              | Gross Amount at Which Carried<br>December 31, 2006 |              | Accumulated<br>Depreciation<br>at<br>December 31,<br>2006 | Year<br>of<br>Construction | Year<br>Acquired | Depreciable<br>Life |           |     |
|----------------------------------|-------------------------|--|--------------|--------------|--|--------------|---|----------------------------|------------------|---------------------|-----------|-----|
|                                  |                         |  | Land         | Improvements | Land   | Improvements |   |                            |                  |                     | Total (a) | (b) |
| One<br>Greentree<br>Centre       | Marlton, NJ             |  | 345          | 4,440        | 804  | 345          | 5,244   | 5,589                      | 3,031            | 1982                | 1986      | 40  |
| Three<br>Greentree<br>Centre     | Marlton, NJ             |  | 323          | 6,024        | 590  | 324          | 6,614   | 6,937                      | 4,289            | 1984                | 1986      | 40  |
| Two<br>Greentree<br>Centre       | Marlton, NJ             |  | 264          | 4,693        | 312  | 264          | 5,005   | 5,269                      | 3,311            | 1983                | 1986      | 40  |
| 1155<br>Business<br>Center Drive | Elorsha, PA             | 2,407                                      | 1,029        | 4,124        | 783  | 1,029        | 4,906   | 5,936                      | 1,436            | 1990                | 1996      | 40  |
| 120 West<br>Germantown<br>Pike   | Plymouth<br>Meeting, PA |  | 685          | 2,773        | 1,092  | 685          | 3,865   | 4,550                      | 1,525            | 1984                | 1996      | 40  |
| 140 West<br>Germantown<br>Pike   | Plymouth<br>Meeting, PA |  | 481          | 1,976        | 554  | 482          | 2,530   | 3,011                      | 929              | 1984                | 1996      | 40  |
| 18 Campus<br>Boulevard           | Newtown<br>Square, PA   | 3,227                                      | 787          | 3,312        | 5  | 787          | 3,317   | 4,104                      | 1,156            | 1990                | 1996      | 40  |
| 2240/2250<br>Butler Pike         | Meeting, PA             |  | 1,104        | 4,627        | 331  | 1,104        | 4,959   | 6,062                      | 1,939            | 1984                | 1996      | 40  |
| 2260 Butler<br>Pike              | Plymouth<br>Meeting, PA |  | 661          | 2,727        | 315  | 662          | 3,042   | 3,703                      | 1,000            | 1984                | 1996      | 40  |
| 3329 Street<br>Road              |                         |  |              |              |  |              |   |                            |                  |                     |           |     |
| -Greenwood<br>Square             | Bensalem, PA            |  | 350          | 1,401        | 590  | 350          | 1,991   | 2,341                      | 896              | 1985                | 1996      | 40  |
| 3331 Street<br>Road              |                         |  |              |              |  |              |   |                            |                  |                     |           |     |
| -Greenwood<br>Square             | Bensalem, PA            |  | 1,126        | 4,511        | 1,295  | 1,126        | 5,806   | 6,932                      | 2,002            | 1986                | 1996      | 40  |
| 3333 Street<br>Road              | Bensalem, PA            |  | 851          | 3,407        | 966  | 851          | 4,374   | 5,224                      | 1,654            | 1988                | 1996      | 40  |
| -Greenwood<br>Square             |                         |  |              |              |  |              |   |                            |                  |                     |           |     |

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|                                  |                  |        |       |        |       |       |        |        |       |      |      |    |
|----------------------------------|------------------|--------|-------|--------|-------|-------|--------|--------|-------|------|------|----|
| Square<br>456<br>Creamery<br>Way | ExtonPA          |        | 635   | 2,548  | (47)  | 635   | 2,500  | 3,136  | 824   | 1987 | 1996 | 40 |
| 457<br>Haddonfield<br>Road       | Cherry<br>HillNJ | 10,689 | 2,142 | 9,120  | 490   | 2,142 | 9,610  | 11,752 | 3,340 | 1990 | 1996 | 40 |
| 468 Thomas<br>Jones Way          | ExtonPA          |        | 526   | 2,112  | 163   | 527   | 2,275  | 2,801  | 747   | 1990 | 1996 | 40 |
| 486 Thomas<br>Jones Way          | ExtonPA          |        | 806   | 3,256  | 159   | 806   | 3,415  | 4,221  | 1,206 | 1990 | 1996 | 40 |
| 500<br>Enterprise<br>Drive       | HorshamPA        |        | 1,303 | 5,188  | (253) | 1,303 | 4,935  | 6,238  | 1,778 | 1990 | 1996 | 40 |
| 500 North<br>Gulph Road          | PrussiaPA        |        | 1,303 | 5,201  | 1,255 | 1,303 | 6,456  | 7,759  | 2,246 | 1979 | 1996 | 40 |
| 650 Dresher<br>Road              | HorshamPA        | 1,609  | 636   | 2,501  | 404   | 636   | 2,905  | 3,541  | 1,108 | 1984 | 1996 | 40 |
| 6575<br>Snowdrift<br>Road        | AllentownPA      |        | 601   | 2,411  | 437   | 601   | 2,848  | 3,449  | 822   | 1988 | 1996 | 40 |
| 700 Business<br>Center Drive     | HorshamPA        | 1,625  | 550   | 2,201  | 848   | 550   | 3,049  | 3,599  | 1,248 | 1986 | 1996 | 40 |
| 7248<br>Tilghman<br>Street       | AllentownPA      |        | 731   | 2,969  | (32)  | 731   | 2,937  | 3,668  | 980   | 1987 | 1996 | 40 |
| 7310<br>Tilghman<br>Street       | AllentownPA      |        | 553   | 2,246  | 510   | 553   | 2,755  | 3,309  | 1,178 | 1985 | 1996 | 40 |
| 800 Business<br>Center Drive     | HorshamPA        | 2,098  | 896   | 3,585  | 18    | 896   | 3,603  | 4,499  | 1,150 | 1986 | 1996 | 40 |
| 8000 Lincoln<br>Drive            | MarltonNJ        |        | 606   | 2,887  | 688   | 606   | 3,575  | 4,181  | 1,184 | 1997 | 1996 | 40 |
| One Progress<br>Drive            | HorshamPA        |        | 1,399 | 5,629  | 232   | 1,399 | 5,861  | 7,260  | 1,936 | 1986 | 1996 | 40 |
| One Righter<br>Parkway           | WilmingtonDE     | 10,076 | 2,545 | 10,195 | 563   | 2,545 | 10,757 | 13,303 | 3,440 | 1989 | 1996 | 40 |
| 1 Foster<br>Avenue               | GibbsboroNJ      |        | 93    | 364    | 42    | 93    | 406    | 499    | 116   | 1972 | 1997 | 40 |
| 10 Foster<br>Avenue              | GibbsboroNJ      |        | 244   | 971    | 233   | 244   | 1,203  | 1,448  | 356   | 1983 | 1997 | 40 |
| 100 Berwyn<br>Park               | BerwynPA         | 6,884  | 1,180 | 7,290  | 1,560 | 1,180 | 8,850  | 10,030 | 2,685 | 1986 | 1997 | 40 |
| 100<br>Commerce<br>Drive         | NewarkDE         |        | 1,160 | 4,633  | 1,134 | 1,160 | 5,768  | 6,927  | 1,808 | 1989 | 1997 | 40 |
| 100 Katchel<br>Bld               | ReadingPA        |        | 1,881 | 7,423  | 158   | 1,881 | 7,582  | 9,462  | 2,183 | 1970 | 1997 | 40 |
| 1000 Atrium Mt.<br>Way           | LaurelNJ         |        | 2,061 | 8,180  | 1,065 | 2,061 | 9,245  | 11,306 | 2,599 | 1989 | 1997 | 40 |



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|   |   |   |  |  |  |  |  |   |  |  |  |
|---|---|---|--|--|--|--|--|---|--|--|--|
| 1000 Howard Mt.<br>Boulevard<br>10000<br>Midlantic<br>Drive<br>100-300<br>Gundy Drive<br>1007 Laurel<br>Oak Road<br>1120<br>Executive<br>Boulevard<br>1336<br>Enterprise<br>Drive<br>15000<br>Midlantic<br>Drive<br>17 Campus<br>Boulevard<br>2 Foster<br>Avenue<br>20 East<br>Clementon<br>Road<br>200 Berwyn<br>Park<br>2000<br>Midlantic<br>Drive<br>220<br>Commerce<br>Drive<br>300 Berwyn<br>Park<br>300 Welsh<br>Road<br>Building I<br>321<br>Norrstown<br>Road<br>323<br>Norrstown<br>Road<br>4 Foster<br>Avenue<br>4000<br>Midlantic<br>Drive<br>5 Foster<br>Avenue | LaureNJ<br>Mt.<br>LaureNJ<br>ReadingPA<br>VoorhesNJ<br>MarltonNJ<br>West<br>GoshenPA<br>LaureNJ<br>Newtown<br>SquarePA<br>GibbsboroNJ<br>GibbsboroNJ<br>BerwynPA<br>LaureNJ<br>Fort<br>WashingtonPA<br>BerwynPA<br>HorshamPA<br>GwyneddPA<br>GwyneddPA<br>GibbsboroNJ<br>LaureNJ<br>GibbsboroNJ | 2,297<br>3,206<br>6,495<br>1,563<br>2,074<br>731<br>3,061<br>5,002<br>185<br>769<br>9,415<br>9,160<br>1,086<br>12,594<br>2,370<br>1,290<br>1,685<br>183<br>2,980<br>9 | 9,288<br>12,857<br>25,180<br>6,241<br>8,415<br>2,946<br>12,254<br>1,108<br>730<br>3,055<br>1,533<br>8,823<br>4,338<br>2,206<br>894<br>5,176<br>6,751<br>726<br>714<br>32 | 1,328<br>1,100<br>7,583<br>16<br>541<br>52<br>165<br>48<br>42<br>496<br>2,071<br>780<br>945<br>2,618<br>978<br>1,580<br>4,263<br>93<br>(1,939)<br>26 | 2,297<br>3,206<br>6,495<br>1,564<br>2,074<br>731<br>3,061<br>1,108<br>185<br>769<br>1,533<br>2,203<br>1,010<br>2,206<br>894<br>1,221<br>1,601<br>183<br>714<br>9 | 10,616<br>13,957<br>32,763<br>6,256<br>8,956<br>2,998<br>12,419<br>5,203<br>772<br>3,552<br>11,531<br>9,602<br>5,359<br>16,041<br>4,550<br>6,825<br>11,098<br>820<br>3,146<br>58 | 12,913<br>17,163<br>39,258<br>7,820<br>11,030<br>3,729<br>15,480<br>6,311<br>957<br>4,320<br>13,064<br>11,805<br>6,369<br>18,246<br>5,444<br>8,046<br>12,699<br>1,002<br>3,860<br>67 | 3,402<br>4,347<br>9,563<br>1,754<br>2,864<br>926<br>3,710<br>1,357<br>225<br>1,072<br>3,386<br>3,083<br>1,537<br>4,878<br>1,352<br>2,268<br>3,471<br>255<br>951<br>14 | 1988<br>1990<br>1970<br>1996<br>1987<br>1989<br>1991<br>2001<br>1974<br>1986<br>1987<br>1989<br>1985<br>1989<br>1980<br>1988<br>1988<br>1974<br>1998<br>1968 | 1997<br>1997<br>1997<br>1997<br>1997<br>1997<br>1997<br>1997<br>1997<br>1997<br>1997<br>1997<br>1997<br>1997<br>1997<br>1997<br>1997<br>1997<br>1997<br>1997 | 40<br>40<br>40<br>40<br>40<br>40<br>40<br>40<br>40<br>40<br>40<br>40<br>40<br>40<br>40<br>40<br>40<br>40<br>40<br>40<br>40 |
|---|---|---|--|--|--|--|--|---|--|--|--|

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|  |                    |       |       |       |        |       |        |        |       |      |      |    |
|--|--------------------|-------|-------|-------|--------|-------|--------|--------|-------|------|------|----|
| 5 U.S.<br>Avenue<br>50 East<br>Clementon<br>Road | Gibbsboro<br>NJ    |       | 21    | 81    | 3      | 21    | 84     | 105    | 23    | 1987 | 1997 | 40 |
| 500 Office<br>Center Drive                       | Gibbsboro<br>NJ    |       | 114   | 964   | 3      | 114   | 967    | 1,081  | 271   | 1986 | 1997 | 40 |
| 501 Office<br>Center Drive                       | Washington<br>PA   |       | 1,617 | 6,480 | 1,517  | 1,617 | 7,997  | 9,614  | 2,141 | 1974 | 1997 | 40 |
| 6 East<br>Clementon<br>Road                      | Washington<br>PA   |       | 1,796 | 7,192 | 13,223 | 1,796 | 20,415 | 22,211 | 4,538 | 1974 | 1997 | 40 |
| 655 Business<br>Center Drive                     | Gibbsboro<br>NJ    |       | 1,345 | 5,366 | 664    | 1,345 | 6,030  | 7,375  | 1,813 | 1980 | 1997 | 40 |
| 7 Foster<br>Avenue                               | Horsham<br>PA      | 1,698 | 544   | 2,529 | 696    | 544   | 3,225  | 3,769  | 1,282 | 1997 | 1997 | 40 |
| 748<br>Springdale<br>Drive                       | Gibbsboro<br>NJ    |       | 231   | 921   | 140    | 231   | 1,061  | 1,292  | 321   | 1983 | 1997 | 40 |
| 855<br>Springdale<br>Drive                       | Exton<br>PA        |       | 236   | 931   | 216    | 236   | 1,146  | 1,383  | 327   | 1986 | 1997 | 40 |
| 9000<br>Midlantic<br>Drive                       | Exton<br>PA        |       | 838   | 3,370 | 2,679  | 838   | 6,049  | 6,887  | 1,117 | 1986 | 1997 | 40 |
| Five Eves<br>Drive                               | Mt.<br>Laure<br>NJ | 5,789 | 1,472 | 5,895 | 111    | 1,472 | 6,007  | 7,478  | 1,809 | 1989 | 1997 | 40 |
| Four A Eves<br>Drive                             | Marlton<br>NJ      |       | 703   | 2,819 | 772    | 703   | 3,592  | 4,294  | 1,090 | 1986 | 1997 | 40 |
|  | Marlton<br>NJ      |       | 539   | 2,168 | 243    | 539   | 2,411  | 2,950  | 764   | 1987 | 1997 | 40 |

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BRANDYWINE REALTY TRUST  
Real Estate and Accumulated Depreciation December 31, 2006  
(in thousands)

|                                       | City/State                  | Encumbrances<br>at<br>December<br>31, 2006 | Initial Cost |              |             | Gross Amount at Which Carried<br>December 31, 2006 |              |           | Accumulated<br>Depreciation<br>at<br>December<br>31,<br>2006 | Year<br>of<br>Construction | Year<br>Acquired | Life |
|---------------------------------------|-----------------------------|--|--------------|--------------|-------------|--|--------------|-----------|--|----------------------------|------------------|------|
|                                       |                             |  | Land         | Improvements | Acquisition | Land   | Improvements | Total (a) |  |                            |                  |      |
| Four B Eves<br>Drive                  | Marlton NJ                  |  | 588          | 2,369        | 327         | 588  | 2,696        | 3,284     | 814  | 1987                       | 1997             | 40   |
| Main Street<br>Piazza                 | Voorhees NJ                 |  | 696          | 2,802        | 262         | 696  | 3,064        | 3,760     | 1,007  | 1990                       | 1997             | 40   |
| Main Street<br>Plaza 1000             | Voorhees NJ                 |  | 2,732        | 10,942       | 3,627       | 2,732  | 14,569       | 17,301    | 4,886  | 1988                       | 1997             | 40   |
| Main Street<br>Promenade              | Voorhees NJ                 |  | 531          | 2,052        | 191         | 532  | 2,242        | 2,774     | 745  | 1988                       | 1997             | 40   |
| Two Eves<br>Drive                     | Marlton NJ                  |  | 818          | 3,461        | (31)        | 818  | 3,429        | 4,248     | 1,087  | 1987                       | 1997             | 40   |
| 100 Gateway<br>Centre<br>Parkway      | Richmond VA<br>King<br>Of   |  | 391          | 5,410        | 125         | 391  | 5,535        | 5,926     | 674  | 2001                       | 1998             | 40   |
| 1000 First<br>Avenue                  | Prussia PA                  | 3,054                                      | 2,772        | 10,936       | 703         | 2,772  | 11,639       | 14,411    | 2,869  | 1980                       | 1998             | 40   |
| 1009 Lenox<br>Drive                   | Lawrenceville<br>King<br>Of |  | 4,876        | 19,284       | 3,139       | 4,876  | 22,422       | 27,299    | 7,008  | 1989                       | 1998             | 40   |
| 1020 First<br>Avenue                  | Prussia PA<br>King<br>Of    | 2,441                                      | 2,168        | 8,576        | 433         | 2,168  | 9,008        | 11,177    | 2,287  | 1984                       | 1998             | 40   |
| 1040 First<br>Avenue                  | Prussia PA<br>King<br>Of    | 3,277                                      | 2,860        | 11,282       | 1,036       | 2,860  | 12,318       | 15,178    | 3,084  | 1985                       | 1998             | 40   |
| 1060 First<br>Avenue                  | Prussia PA<br>King<br>Of    | 2,985                                      | 2,712        | 10,953       | 1,883       | 2,712  | 12,836       | 15,548    | 2,913  | 1987                       | 1998             | 40   |
| 14 Campus<br>Boulevard                | Newtown<br>Square PA        | 5,117                                      | 2,244        | 4,217        | (22)        | 2,244  | 4,196        | 6,439     | 1,659  | 1998                       | 1998             | 40   |
| 150 Corporate<br>Center Drive<br>1957 | Camp<br>Hill PA             |  | 964          | 3,871        | 239         | 964  | 4,109        | 5,074     | 1,146  | 1987                       | 1998             | 40   |
| Westmoreland<br>Street                | Richmond VA<br>PA           | 2,604                                      | 1,061        | 4,241        | 235         | 1,061  | 4,476        | 5,537     | 1,158  | 1975                       | 1998             | 40   |
|                                       |                             |  | 1,647        | 6,606        | 164         | 1,647  | 6,771        | 8,417     | 1,817  | 1989                       | 1998             | 40   |

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|  |        |       |        |       |       |        |        |       |      |      |    |
|--|--------|-------|--------|-------|-------|--------|--------|-------|------|------|----|
| 200 CorporateCamp<br>Center Drive Hill<br>2100-2116<br>West<br>Laburnam<br>Avenue RichmondVA | 552    | 2,482 | 8,846  | 2,300 | 2,482 | 11,146 | 13,628 | 2,847 | 1976 | 1998 | 40 |
| 2130-2146<br>Tomlynn<br>Street RichmondVA  | 985    | 353   | 1,416  | 289   | 353   | 1,705  | 2,058  | 499   | 1988 | 1998 | 40 |
| 2161-2179<br>Tomlynn<br>Street RichmondVA  | 1,040  | 423   | 1,695  | 222   | 423   | 1,917  | 2,340  | 497   | 1985 | 1998 | 40 |
| 2201-2245<br>Tomlynn<br>Street RichmondVA  | 2,576  | 1,020 | 4,067  | 283   | 1,020 | 4,351  | 5,370  | 1,172 | 1989 | 1998 | 40 |
| 2212-2224<br>Tomlynn<br>Street RichmondVA  | 1,211  | 502   | 2,014  | 72    | 502   | 2,085  | 2,588  | 536   | 1985 | 1998 | 40 |
| 2221-2245<br>Dabney Road RichmondVA  | 1,250  | 530   | 2,123  | 203   | 530   | 2,326  | 2,856  | 595   | 1994 | 1998 | 40 |
| 2240 Dabney<br>Road RichmondVA   | 617    | 264   | 1,059  | 10    | 264   | 1,069  | 1,333  | 267   | 1984 | 1998 | 40 |
| 2244 Dabney<br>Road RichmondVA   | 1,291  | 550   | 2,203  | 38    | 550   | 2,241  | 2,791  | 563   | 1993 | 1998 | 40 |
| 2246 Dabney<br>Road RichmondVA   | 1,062  | 455   | 1,822  | 32    | 455   | 1,855  | 2,309  | 473   | 1987 | 1998 | 40 |
| 2248 Dabney<br>Road RichmondVA   | 1,337  | 512   | 2,049  | 200   | 512   | 2,249  | 2,761  | 601   | 1989 | 1998 | 40 |
| 2251 Dabney<br>Road RichmondVA   | 972    | 387   | 1,552  | 111   | 387   | 1,663  | 2,050  | 449   | 1983 | 1998 | 40 |
| 2256 Dabney<br>Road RichmondVA   | 847    | 356   | 1,427  | 275   | 356   | 1,702  | 2,058  | 409   | 1982 | 1998 | 40 |
| 2277 Dabney<br>Road RichmondVA   | 1,185  | 507   | 2,034  | 16    | 507   | 2,050  | 2,557  | 514   | 1986 | 1998 | 40 |
| 2401 Park<br>Drive HarrisburgPA  |        | 182   | 728    | 187   | 182   | 916    | 1,097  | 293   | 1984 | 1998 | 40 |
| 2404 Park<br>Drive HarrisburgPA  |        | 167   | 668    | 249   | 167   | 918    | 1,084  | 269   | 1983 | 1998 | 40 |
| 2490 King<br>Boulevard of Of<br>the Generals PrussiaPA                                       |        | 348   | 1,394  | 53    | 348   | 1,447  | 1,795  | 409   | 1975 | 1998 | 40 |
| 2511 Brittons<br>Hill Road RichmondVA  | 2,820  | 1,202 | 4,820  | 1,849 | 1,202 | 6,669  | 7,871  | 1,482 | 1987 | 1998 | 40 |
| 2812<br>Emerywood<br>Parkway HenrievilleVA   | 3,156  | 1,069 | 4,281  | 1,783 | 1,069 | 6,064  | 7,133  | 1,934 | 1980 | 1998 | 40 |
| 300 Arboretum<br>Place RichmondVA  | 13,832 | 5,450 | 21,892 | 1,827 | 5,450 | 23,719 | 29,169 | 6,429 | 1988 | 1998 | 40 |
| 300 CorporateCamp<br>Center Drive HillPA   |        | 4,823 | 19,301 | 1,145 | 4,823 | 20,446 | 25,269 | 5,437 | 1989 | 1998 | 40 |
| NJ   | 1,789  | 1,493 | 6,055  | 584   | 1,494 | 6,638  | 8,132  | 1,696 | 1979 | 1998 | 40 |

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|                             |                 |    |        |       |        |          |       |        |        |        |      |      |    |
|-----------------------------|-----------------|----|--------|-------|--------|----------|-------|--------|--------|--------|------|------|----|
| 303 Fellowship Drive        | Mt. Laurel      | NJ |        |       |        |          |       |        |        |        |      |      |    |
| 304 Harper Drive            | Moorestown      | NJ | 777    | 657   | 2,674  | 379      | 657   | 3,052  | 3,710  | 769    | 1975 | 1998 | 40 |
| 305 Fellowship Drive        | Mt. Laurel      | NJ | 1,617  | 1,421 | 5,768  | 1,146    | 1,421 | 6,913  | 8,335  | 1,618  | 1980 | 1998 | 40 |
| 305 Harper Drive            | Moorestown      | NJ | 248    | 223   | 913    | 0        | 223   | 914    | 1,136  | 227    | 1979 | 1998 | 40 |
| 307 Fellowship Drive        | Mt. Laurel      | NJ | 1,761  | 1,565 | 6,342  | 382      | 1,565 | 6,725  | 8,289  | 1,660  | 1981 | 1998 | 40 |
| 308 Harper Drive            | Moorestown      | NJ |        | 1,643 | 6,663  | 499      | 1,644 | 7,161  | 8,805  | 1,991  | 1976 | 1998 | 40 |
| 309 Fellowship Drive        | Mt. Laurel      | NJ | 1,878  | 1,518 | 6,154  | 1,205    | 1,518 | 7,359  | 8,877  | 2,260  | 1982 | 1998 | 40 |
| 33 West State Street        | Trenton         | NJ |        | 6,016 | 24,091 | (21)     | 6,016 | 24,070 | 30,086 | 6,451  | 1988 | 1998 | 40 |
| 426 Lancaster Avenue        | Devon           | PA |        | 1,689 | 6,756  | 361      | 1,689 | 7,118  | 8,806  | 1,922  | 1990 | 1998 | 40 |
| 4364 South Alston Avenue    | Durham          | NC | 1,915  | 1,622 | 6,419  | 728      | 1,581 | 7,188  | 8,769  | 1,952  | 1985 | 1998 | 40 |
| 4805 Lake Brooke Drive      | Glen Allen      | VA | 3,960  | 1,640 | 6,567  | 266      | 1,640 | 6,832  | 8,473  | 1,764  | 1996 | 1998 | 40 |
| 50 East State Street        | Trenton         | NJ |        | 8,926 | 35,735 | 773      | 8,926 | 36,508 | 45,434 | 9,946  | 1989 | 1998 | 40 |
| 50 Swedesford Square        | Whiteland Twp   | PA | 4,263  | 3,902 | 15,254 | (15,254) | 3,902 |        | 3,902  |        | 1986 | 1998 | 40 |
| 500 Nationwide Drive        | Harrisburg      | PA |        | 173   | 850    | 790      | 173   | 1,640  | 1,813  | 550    | 1977 | 1998 | 40 |
| 52 Swedesford Square        | Whiteland Twp   | PA | 4,661  | 4,241 | 16,579 | 878      | 4,241 | 17,457 | 21,698 | 4,540  | 1988 | 1998 | 40 |
| 520 Virginia Drive          | Fort Washington | PA |        | 845   | 3,455  | 39       | 845   | 3,494  | 4,339  | 1,016  | 1987 | 1998 | 40 |
| 600 Corporate Circle Drive  | Harrisburg      | PA |        | 363   | 1,452  | 107      | 363   | 1,559  | 1,922  | 426    | 1978 | 1998 | 40 |
| 600 East Main Street        | Richmond        | VA | 11,206 | 9,808 | 38,255 | 5,668    | 9,808 | 43,923 | 53,731 | 11,744 | 1986 | 1998 | 40 |
| 600 Park Avenue             | King Of Prussia | PA |        | 1,012 | 4,048  | 2        | 1,012 | 4,050  | 5,062  | 1,097  | 1964 | 1998 | 40 |
| 610 Freedom Business Center | King Of Prussia | PA | 5,014  | 2,017 | 8,070  | 674      | 2,017 | 8,745  | 10,761 | 2,702  | 1985 | 1998 | 40 |
| 620 Allendale Road          | King Of Prussia | PA |        | 1,020 | 3,839  | 998      | 1,020 | 4,837  | 5,857  | 1,774  | 1961 | 1998 | 40 |

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|                             |                            |        |       |        |         |       |        |        |       |      |      |    |
|-----------------------------|----------------------------|--------|-------|--------|---------|-------|--------|--------|-------|------|------|----|
| 620 Freedom Business Center | Prussia King Of Prussia PA | 6,750  | 2,770 | 11,014 | 3,193   | 2,770 | 14,207 | 16,977 | 3,577 | 1986 | 1998 | 40 |
| 630 Clark Avenue            | Prussia King Of Prussia PA |        | 547   | 2,190  | 1       | 547   | 2,191  | 2,738  | 593   | 1960 | 1998 | 40 |
| 630 Freedom Business Center | Prussia King Of Prussia PA | 6,655  | 2,773 | 11,144 | 668     | 2,773 | 11,812 | 14,585 | 3,337 | 1989 | 1998 | 40 |
| 640 Freedom Business Center | Prussia King Of Prussia PA | 10,539 | 4,222 | 16,891 | 1,318   | 4,222 | 18,209 | 22,431 | 5,412 | 1991 | 1998 | 40 |
| 650 Park Avenue             | Prussia King Of Prussia PA |        | 1,916 | 4,378  | 2,491   | 1,916 | 6,869  | 8,785  | 1,845 | 1968 | 1998 | 40 |
| 660 Allendale Road          | Prussia King Of Prussia PA |        | 396   | 3,343  | (1,636) | 396   | 1,706  | 2,103  | 708   | 1962 | 1998 | 40 |
| 680 Allendale Road          | Prussia King Of Prussia PA |        | 689   | 2,756  | 679     | 689   | 3,435  | 4,124  | 1,149 | 1962 | 1998 | 40 |
| 6990 Snowdrift Road         | Allentown PA               |        |       | 1,962  | 3,696   |       | 5,658  | 5,658  | 764   | 2003 | 1998 | 40 |
| 6990 Snowdrift Road Bldg B  | Allentown PA               |        |       | 2,581  | 958     |       | 3,539  | 3,539  | 272   | 2004 | 1998 | 40 |

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**BRANDYWINE REALTY TRUST**  
**Real Estate and Accumulated Depreciation December 31, 2006**  
(in thousands)

|                            | City/State    | Encumbrances at December 31, 2006 | Initial Cost |              |             | Gross Amount at Which Carried December 31, 2006 |              |           | Accumulated Depreciation at December 31, 2006 | Year of Construction | Year Acquired | Depreciable Life |
|----------------------------|---------------|-----------------------------------|--------------|--------------|-------------|---|--------------|-----------|---|----------------------|---------------|------------------|
|                            |               |                                   | Land         | Improvements | Acquisition | Land  | Improvements | Total (a) |   |                      |               |                  |
| 700 East Gate Drive        | Mt. Laurel NJ | 4,102                             | 3,569        | 14,436       | 1,540       | 3,569   | 15,977       | 19,545    | 4,064   | 1984                 | 1998          | 40               |
| 701 East Gate Drive        | Mt. Laurel NJ | 2,048                             | 1,736        | 6,877        | 842         | 1,736   | 7,719        | 9,455     | 2,186   | 1986                 | 1998          | 40               |
| 7010 Snowdrift Road        | Allentown PA  | 919                               | 818          | 3,324        | 464         | 818   | 3,789        | 4,606     | 886   | 1991                 | 1998          | 40               |
| 7150 Windsor Drive         | Allentown PA  | 1,188                             | 1,035        | 4,219        | 147         | 1,035   | 4,366        | 5,401     | 1,100   | 1988                 | 1998          | 40               |
| 7350 Tilghman Street       | Allentown PA  |                                   | 3,414        | 13,716       | 1,273       | 3,414   | 14,988       | 18,403    | 4,433   | 1987                 | 1998          | 40               |
| 741 First Avenue           | Of Prussia PA |                                   | 1,287        | 5,151        | 221         | 1,287   | 5,371        | 6,659     | 1,517   | 1966                 | 1998          | 40               |
| 7450 Tilghman Street       | Allentown PA  | 3,482                             | 2,867        | 11,631       | 1,574       | 2,867   | 13,205       | 16,072    | 3,737   | 1986                 | 1998          | 40               |
| 751-761 Fifth Avenue       | Of Prussia PA |                                   | 1,097        | 4,391        | 32          | 1,097   | 4,423        | 5,520     | 1,197   | 1967                 | 1998          | 40               |
| 7535 Windsor Drive         | Allentown PA  | 4,514                             | 3,376        | 13,400       | 5,528       | 3,376   | 18,928       | 22,304    | 4,808   | 1988                 | 1998          | 40               |
| 755 Business Center Drive  | Horseshoe PA  | 2,024                             | 1,362        | 2,334        | 2,940       | 1,362   | 5,274        | 6,636     | 1,581   | 1998                 | 1998          | 40               |
| 800 Corporate Circle Drive | Harrisburg PA |                                   | 414          | 1,653        | 105         | 414   | 1,758        | 2,172     | 492   | 1979                 | 1998          | 40               |
| 815 East Gate Drive        | Mt. Laurel NJ | 703                               | 636          | 2,584        | 375         | 636   | 2,959        | 3,595     | 709   | 1986                 | 1998          | 40               |
| 817 East Gate Drive        | Mt. Laurel NJ | 697                               | 611          | 2,426        | 153         | 611   | 2,579        | 3,190     | 633   | 1986                 | 1998          | 40               |
|                            | PA            |                                   | 618          | 2,473        | 3,258       | 618   | 5,731        | 6,349     | 1,455   | 1966                 | 1998          | 40               |

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|                          |                  |        |       |        |         |       |        |        |       |         |      |    |  |
|--------------------------|------------------|--------|-------|--------|---------|-------|--------|--------|-------|---------|------|----|--|
| 875 First Avenue         | King Of Prussia  |        |       |        |         |       |        |        |       |         |      |    |  |
| 9011 Arboretum Parkway   | Richmond PA      | 4,622  | 1,857 | 7,702  | 528     | 1,857 | 8,231  | 10,087 | 2,063 | 1991    | 1998 | 40 |  |
| 9100 Arboretum Parkway   | Richmond PA      | 3,506  | 1,362 | 5,489  | 556     | 1,362 | 6,045  | 7,407  | 1,726 | 1988    | 1998 | 40 |  |
| 920 Harvest Blue Drive   | Bell PA          |        | 2,433 | 9,738  | 649     | 2,433 | 10,387 | 12,820 | 2,708 | 1990    | 1998 | 40 |  |
| 9200 Arboretum Parkway   | Richmond PA      | 2,506  | 985   | 3,973  | 133     | 985   | 4,107  | 5,091  | 1,040 | 1988    | 1998 | 40 |  |
| 9210 Arboretum Parkway   | Richmond PA      | 2,906  | 1,110 | 4,474  | 583     | 1,110 | 5,057  | 6,167  | 1,363 | 1988    | 1998 | 40 |  |
| 9211 Arboretum Parkway   | Richmond PA      | 1,458  | 582   | 2,433  | 286     | 582   | 2,719  | 3,301  | 704   | 1991    | 1998 | 40 |  |
| 925 Harvest Blue Drive   | Bell PA          |        | 1,671 | 6,606  | 807     | 1,671 | 7,413  | 9,084  | 1,905 | 1990    | 1998 | 40 |  |
| 993 Lenox Drive          | Lawrenceville PA | 11,638 | 2,811 | 17,996 | (5,342) | 2,811 | 12,654 | 15,465 | 3,670 | 1985    | 1998 | 40 |  |
| 997 Lenox Drive          | Lawrenceville PA | 9,496  | 2,410 | 9,700  | 161     | 2,410 | 9,861  | 12,271 | 2,635 | 1987    | 1998 | 40 |  |
| Dabney III Philadelphia  | Richmond PA      | 777    | 281   | 1,125  | 309     | 281   | 1,435  | 1,715  | 416   | 1986    | 1998 | 40 |  |
| Marine Center            | Philadelphia PA  |        | 532   | 2,196  | 2,285   | 628   | 4,385  | 5,013  | 1,035 | Various | 1998 | 40 |  |
| 1050 Westlakes Drive     | Berwyn PA        |        | 2,611 | 10,445 | 75      |       | 13,131 | 13,131 | 2,137 | 1984    | 1999 | 40 |  |
| 11 Campus Boulevard      | Newtown PA       | 4,581  | 1,112 | 4,067  | 438     | 1,112 | 4,505  | 5,617  | 951   | 1998    | 1999 | 40 |  |
| 400 Berwyn Park          | Berwyn PA        |        | 2,657 | 4,462  | 15,897  | 2,657 | 20,359 | 23,016 | 3,493 | 1999    | 1999 | 40 |  |
| 630 Drescher Road        | Horsham PA       |        | 771   | 3,083  | 1,750   | 771   | 4,833  | 5,604  | 1,077 | 1987    | 1999 | 40 |  |
| 7130 Ambassador Drive    | Allentown PA     |        | 761   | 3,046  | 161     | 761   | 3,207  | 3,968  | 693   | 1991    | 1999 | 40 |  |
| 100 Brandywine Boulevard | Newtown PA       |        | 1,784 | 9,811  | 2,987   | 1,784 | 12,798 | 14,582 | 2,102 | 2002    | 2000 | 40 |  |
| 1400 Howard Boulevard    | Mt. Laurel NJ    |        | 443   |        | 13,238  | 1,447 | 12,233 | 13,681 | 77    | 2005    | 2000 | 40 |  |
| 15 Campus Boulevard      | Newtown PA       | 5,723  | 1,164 | 3,896  | 673     | 1,164 | 4,570  | 5,733  | 594   | 2002    | 2000 | 40 |  |
|                          | Malvern PA       |        | 458   | 559    | 3,582   | 488   | 4,111  | 4,599  | 861   | 2000    | 2000 | 40 |  |



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|   |    |        |       |        |        |       |        |        |       |      |      |    |
|---|----|--------|-------|--------|--------|-------|--------|--------|-------|------|------|----|
| 1700 Paoli<br>Pike<br>2000 Lenox<br>Drive Lawrenceville | GA | 13,538 | 2,291 | 12,221 | 2,803  | 2,291 | 15,024 | 17,315 | 4,450 | 2000 | 2000 | 40 |
| 300 Welsh<br>Road<br>Building II Horsham                | PA | 977    | 396   | 1,585  | 129    | 396   | 1,714  | 2,110  | 505   | 1980 | 2000 | 40 |
| 401<br>Plymouth Plymouth<br>Road Meeting                | PA |        | 6,198 | 16,131 | 17,430 | 6,199 | 33,560 | 39,759 | 6,347 | 2001 | 2000 | 40 |
| 630<br>Allendale of<br>Road Prussia                     | PA |        | 2,836 | 4,028  | 15,955 | 2,836 | 19,983 | 22,819 | 5,150 | 2000 | 2000 | 40 |
| 640<br>Allendale of<br>Road Prussia                     | PA |        | 439   | 432    | 1,480  | 439   | 1,913  | 2,351  | 269   | 2000 | 2000 | 40 |
| Bishops Gate<br>Corporate Mt.<br>Center Laure           | NJ |        | 934   | 6,287  |        | 934   | 6,799  | 7,733  | 588   | 2005 | 2000 | 40 |
| Macaroni Plymouth<br>Grill Meeting                      | PA |        | 1,043 | 555    |        | 1,043 | 555    | 1,598  | 24    | N/A  | 2000 | 40 |
| 10 Lake<br>Center Drive Marlton                         | NJ |        | 1,880 | 7,521  | 1,232  | 1,880 | 8,753  | 10,633 | 1,375 | 1989 | 2001 | 40 |
| 100<br>Arrandale<br>Boulevard Exton                     | PA |        | 970   | 3,878  | 1      | 970   | 3,880  | 4,849  | 559   | 1997 | 2001 | 40 |
| 100<br>Lindenwood<br>Drive Malvern                      | PA |        | 473   | 1,892  | 377    | 473   | 2,269  | 2,742  | 507   | 1985 | 2001 | 40 |
| 101<br>Lindenwood<br>Drive Malvern                      | PA |        | 4,152 | 16,606 | 1,575  | 4,152 | 18,182 | 22,333 | 2,916 | 1988 | 2001 | 40 |
| 1100 Cassett<br>Road Berwyn                             | PA |        | 1,695 | 6,779  | 2      | 1,695 | 6,781  | 8,476  | 976   | 1997 | 2001 | 40 |
| 111<br>Arrandale<br>Road Exton                          | PA |        | 262   | 1,048  | 69     | 262   | 1,117  | 1,379  | 156   | 1996 | 2001 | 40 |
| 111/113<br>Pencader<br>Drive Newark                     | DE |        | 1,092 | 4,366  | 68     | 1,092 | 4,434  | 5,526  | 641   | 1990 | 2001 | 40 |
| 1160<br>Swedesford<br>Road Berwyn                       | PA |        | 1,781 | 7,124  | 1,171  | 1,781 | 8,295  | 10,076 | 1,276 | 1986 | 2001 | 40 |
| 1180<br>Swedesford<br>Road Berwyn                       | PA |        | 2,086 | 8,342  | 1,065  | 2,086 | 9,407  | 11,493 | 1,465 | 1987 | 2001 | 40 |
| 161 Gaither Mount<br>Drive Laure                        | NJ |        | 1,016 | 4,064  | 434    | 1,016 | 4,498  | 5,514  | 844   | 1987 | 2001 | 40 |
| 200 Lake Cherry<br>Drive East Hill                      | NJ |        | 2,069 | 8,275  | 748    | 2,069 | 9,023  | 11,092 | 1,434 | 1989 | 2001 | 40 |
| Malvern   | PA |        | 324   | 1,295  | 242    | 324   | 1,537  | 1,861  | 304   | 1984 | 2001 | 40 |

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|                                       |       |       |        |       |       |        |        |       |      |      |    |  |
|---------------------------------------|-------|-------|--------|-------|-------|--------|--------|-------|------|------|----|--|
| 200<br>Lindenwood<br>Drive            |       |       |        |       |       |        |        |       |      |      |    |  |
| 210 Lake Cherry<br>Drive East Hill NJ |       | 1,645 | 6,579  | 546   | 1,645 | 7,125  | 8,770  | 1,136 | 1986 | 2001 | 40 |  |
| 220 Lake Cherry<br>Drive East Hill NJ |       | 2,144 | 8,798  | 738   | 2,144 | 9,537  | 11,680 | 1,487 | 1988 | 2001 | 40 |  |
| 30 Lake<br>Center Drive Marlton NJ    |       | 1,043 | 4,171  | 130   | 1,043 | 4,301  | 5,344  | 686   | 1986 | 2001 | 40 |  |
| 300<br>Lindenwood<br>Drive Malvern PA |       | 848   | 3,394  | 104   | 849   | 3,498  | 4,346  | 510   | 1991 | 2001 | 40 |  |
| 301<br>Lindenwood<br>Drive Malvern PA |       | 2,729 | 10,915 | 1,868 | 2,729 | 12,783 | 15,512 | 2,076 | 1984 | 2001 | 40 |  |
| 412<br>Creamery<br>Way Exton PA       |       | 1,195 | 4,779  | 722   | 1,195 | 5,502  | 6,696  | 1,050 | 1999 | 2001 | 40 |  |
| 429<br>Creamery<br>Way Exton PA       |       | 1,368 | 5,471  | 2     | 1,368 | 5,473  | 6,841  | 788   | 1996 | 2001 | 40 |  |
| 436<br>Creamery<br>Way Exton PA       |       | 994   | 3,978  | 459   | 994   | 4,436  | 5,431  | 622   | 1991 | 2001 | 40 |  |
| 440<br>Creamery<br>Way Exton PA       | 2,905 | 982   | 3,927  | 1,004 | 982   | 4,931  | 5,913  | 707   | 1991 | 2001 | 40 |  |
| 442<br>Creamery<br>Way Exton PA       | 2,516 | 894   | 3,576  | 392   | 894   | 3,968  | 4,862  | 708   | 1991 | 2001 | 40 |  |
| 457<br>Creamery<br>Way Exton PA       |       | 777   | 3,107  | 272   | 777   | 3,379  | 4,156  | 537   | 1990 | 2001 | 40 |  |
| 467<br>Creamery<br>Way Exton PA       |       | 906   | 3,623  | 444   | 906   | 4,067  | 4,973  | 626   | 1988 | 2001 | 40 |  |

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**BRANDYWINE REALTY TRUST**  
**Real Estate and Accumulated Depreciation December 31, 2006**  
(in thousands)

|                                | City/State          | Encumbrances<br>at<br>December<br>31, 2006 | Initial Cost |                                 |                                       | Gross Amount at Which Carried<br>December 31, 2006 |                                 |           | Accumulated<br>Depreciation<br>at<br>December Year<br>31, of Year<br>2006 |              |          |    | Depreciable<br>Life |
|--------------------------------|---------------------|--|--------------|---------------------------------|---------------------------------------|--|---------------------------------|-----------|---|--------------|----------|----|---------------------|
|                                |                     |  | Land         | Improvements<br>and<br>Building | Acquisition<br>Since<br>(Retirements) | Land   | Improvements<br>and<br>Building | Total (a) | (b)   | Construction | Acquired |    |                     |
| 479 Thomas<br>Jones Way        | Exton PA            |  | 1,075        | 4,299                           | 681                                   | 1,075  | 4,980                           | 6,055     | 882   | 1988         | 2001     | 40 |                     |
| 481 John<br>Young Way          | Exton PA            | 2,294                                      | 496          | 1,983                           | 1                                     | 496  | 1,984                           | 2,480     | 286   | 1997         | 2001     | 40 |                     |
| 555 Croton<br>Road             | Prussia PA          |  | 4,486        | 17,943                          | 503                                   | 4,486  | 18,446                          | 22,932    | 2,887   | 1999         | 2001     | 40 |                     |
| 7360 Windsor<br>Drive          | Allentown PA        |  | 1,451        | 3,618                           | 2,038                                 | 1,451  | 5,655                           | 7,107     | 1,594   | 2001         | 2001     | 40 |                     |
| Two Righter<br>Parkway         | Wilmington DE       |  | 2,802        | 11,217                          | 5                                     | 2,802  | 11,221                          | 14,024    | 1,833   | 1987         | 2001     | 40 |                     |
| 1000 Lenox<br>Drive            | Lawrenceville PA    |  | 1,174        | 4,696                           | 2,107                                 | 1,174  | 6,803                           | 7,977     | 1,070   | 1982         | 2002     | 40 |                     |
| 200 Commerce<br>Drive          | Newark DE           | 5,841                                      | 911          | 4,414                           | 1,020                                 | 911  | 5,434                           | 6,345     | 838   | 1998         | 2002     | 40 |                     |
| 400 Commerce<br>Drive          | Newark DE           | 11,797                                     | 2,528        | 9,220                           | 4,483                                 | 2,528  | 13,703                          | 16,231    | 5,593   | 1997         | 2002     | 40 |                     |
| 600 West<br>Germantown<br>Pike | Plymouth Meeting PA | 11,687                                     | 3,652        | 15,288                          | 649                                   | 3,652  | 15,937                          | 19,589    | 2,079   | 1986         | 2002     | 40 |                     |
| 610 West<br>Germantown<br>Pike | Plymouth Meeting PA | 11,315                                     | 3,651        | 14,514                          | 1,331                                 | 3,651  | 15,844                          | 19,496    | 2,303   | 1987         | 2002     | 40 |                     |
| 620 West<br>Germantown<br>Pike | Plymouth Meeting PA | 11,453                                     | 3,572        | 14,435                          | 1,641                                 | 3,572  | 16,076                          | 19,648    | 2,401   | 1990         | 2002     | 40 |                     |
| 630 West<br>Germantown<br>Pike | Plymouth Meeting PA | 11,297                                     | 3,558        | 14,743                          | 1,269                                 | 3,558  | 16,012                          | 19,570    | 2,361   | 1988         | 2002     | 40 |                     |
| 6802 Paragon<br>Place          | Richmond PA         |  | 2,917        | 11,454                          | 2,082                                 | 2,917  | 13,536                          | 16,453    | 2,061   | 1989         | 2002     | 40 |                     |
|                                |                     |  | 2,079        | 7,821                           | 1,215                                 | 2,079  | 9,036                           | 11,115    | 1,292   | 1988         | 2002     | 40 |                     |

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|                              |                 |        |         |         |        |         |         |         |       |      |      |    |
|------------------------------|-----------------|--------|---------|---------|--------|---------|---------|---------|-------|------|------|----|
| 980 Harvest Blue Drive       | Blue Bell       |        |         |         |        |         |         |         |       |      |      |    |
| 565 East Swedesford Road     | Wayne PA        | 1,872  | 7,489   | 890     | 1,872  | 8,379   | 10,251  | 785     | 1984  | 2003 | 40   |    |
| 575 East Swedesford Road     | Wayne PA        | 2,178  | 8,712   | 459     | 2,178  | 9,171   | 11,349  | 783     | 1985  | 2003 | 40   |    |
| 585 East Swedesford Road     | Wayne PA        | 1,350  | 5,401   | 34      | 1,350  | 5,435   | 6,785   | 432     | 1998  | 2003 | 40   |    |
| 595 East Swedesford Road     | Wayne PA        | 2,729  | 10,917  | 374     | 2,729  | 11,291  | 14,020  | 891     | 1998  | 2003 | 40   |    |
| 989 Lenox Drive              | Lawrenceville   | 3,701  | 14,802  | 860     | 3,700  | 15,662  | 19,363  | 1,196   | 1984  | 2003 | 40   |    |
| 100 North 18th Street        | Philadelphia PA | 14,079 | 16,066  | 100,255 | 1,416  | 16,066  | 101,671 | 117,737 | 8,913 | 1988 | 2004 | 33 |
| 130 North 18th Street        | Philadelphia PA | 14,496 | 107,736 | 728     | 14,473 | 108,487 | 122,960 | 9,514   | 1998  | 2004 | 23   |    |
| 130 Radnor Chester Road      | Radnor PA       | 2,573  | 8,338   | (23)    | 2,567  | 8,320   | 10,888  | 582     | 1983  | 2004 | 25   |    |
| 150 Radnor Chester Road      | Radnor PA       | 11,925 | 36,986  | 8,223   | 11,897 | 45,237  | 57,134  | 4,146   | 1983  | 2004 | 29   |    |
| 170 Radnor Chester Road      | Radnor PA       | 2,514  | 8,147   | 30      | 2,509  | 8,182   | 10,691  | 569     | 1983  | 2004 | 25   |    |
| 201 King of Prussia Road     | Radnor PA       | 8,956  | 29,811  | 1,192   | 8,949  | 31,009  | 39,959  | 3,147   | 2001  | 2004 | 25   |    |
| 300 Delaware Avenue          | Wilmington DE   | 6,368  | 13,739  | 1,089   | 6,369  | 14,827  | 21,196  | 1,721   | 1989  | 2004 | 23   |    |
| 525 Lincoln Drive            | West Marlton NJ | 3,727  | 17,620  | 1,770   | 3,727  | 19,390  | 23,117  | 2,267   | 1986  | 2004 | 40   |    |
| 555 Lancaster Avenue         | Radnor PA       | 8,014  | 16,508  | 16,468  | 7,991  | 32,999  | 40,990  | 832     | 1973  | 2004 | 24   |    |
| 920 North King Street        | Wilmington DE   | 6,141  | 21,140  | 528     | 6,141  | 21,668  | 27,809  | 2,016   | 1989  | 2004 | 30   |    |
| Five Radnor Corporate Center | Radnor PA       | 6,506  | 25,525  | 1,977   | 6,578  | 27,430  | 34,008  | 2,162   | 1998  | 2004 | 38   |    |
| Four Radnor Corporate Center | Radnor PA       | 5,406  | 21,390  | 7,648   | 5,705  | 28,739  | 34,444  | 2,609   | 1995  | 2004 | 30   |    |
| Four Tower Bridge            | Conshohocken PA | 10,626 | 2,672   | 14,221  | (112)  | 2,672   | 14,109  | 16,781  | 5,192 | 1998 | 2004 | 40 |
| One Radnor Corporate Center  | Radnor PA       | 7,323  | 28,613  | (34)    | 7,323  | 28,579  | 35,902  | 2,683   | 1998  | 2004 | 29   |    |
| Six Tower Bridge             | Conshohocken PA | 14,744 | 2,827   | 15,525  | 20     | 2,827   | 15,545  | 18,372  | 4,731 | 1999 | 2004 | 40 |

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|   |                     |        |        |         |       |        |         |         |       |      |      |    |
|---|---------------------|--------|--------|---------|-------|--------|---------|---------|-------|------|------|----|
| Three Radnor<br>Corporate<br>Center         | Radnor, PA          |        | 4,773  | 17,961  | (100) | 4,791  | 17,843  | 22,634  | 1,654 | 1998 | 2004 | 29 |
| Two Radnor<br>Corporate<br>Center           | Radnor, PA          |        | 3,937  | 15,484  | 82    | 3,942  | 15,560  | 19,503  | 1,501 | 1998 | 2004 | 29 |
| 1 West Elm<br>Street                        | Conshohocken, PA    |        | 3,557  | 14,249  |       | 3,557  | 14,254  | 17,811  | 446   | 1999 | 2005 | 40 |
| 101 West<br>Elm Street                      | Conshohocken, PA    |        | 6,251  | 25,209  | 647   | 6,251  | 25,856  | 32,107  | 942   | 1999 | 2005 | 40 |
| Arcadia Lane<br>1 Kaiser<br>Plaza           | Upper<br>Merion, PA |        | 5      |         | 0     | 5      |         | 5       |       | N/A  | 2005 | 40 |
| 100 Lenox<br>Drive                          | Oakland, CA         | 50,088 | 15,034 | 107,422 | 1,130 | 15,291 | 108,294 | 123,585 | 3,653 | 1978 | 2006 | 46 |
| 101-103<br>Juniper Street                   | Philadelphia, PA    |        | 2,035  | 8,158   | 36    | 2,035  | 8,194   | 10,229  | 188   | 1991 | 2006 | 40 |
| 11700<br>Beltsville<br>Drive                | Beltsville, MD      |        | 464    | 1,843   | 1     | 464    | 1,844   | 2,308   | 35    | N/A  | 2006 | 40 |
| 11710<br>Beltsville<br>Drive                | Beltsville, MD      |        | 2,808  | 12,081  | 46    | 2,858  | 12,077  | 14,935  | 313   | 1981 | 2006 | 46 |
| 11720<br>Beltsville<br>Drive                | Beltsville, MD      |        | 2,278  | 11,100  | (944) | 2,317  | 10,117  | 12,434  | 324   | 1987 | 2006 | 46 |
| 11740<br>Beltsville<br>Drive                | Beltsville, MD      |        | 3,831  | 16,661  | 414   | 3,897  | 17,009  | 20,906  | 536   | 1987 | 2006 | 46 |
| 1177 East<br>Beltline Road                  | Bethesda, MD        |        | 198    | 870     | 9     | 202    | 875     | 1,077   | 36    | 1987 | 2006 | 46 |
| 11781 Lee<br>Jackson<br>Memorial<br>Highway | Doppell, TX         | 20,337 | 1,516  | 14,895  | 13    | 1,517  | 14,908  | 16,425  | 597   | 1998 | 2006 | 42 |
| 1200<br>Concord<br>Avenue                   | Fairfax, VA         |        | 3,246  | 19,836  | 167   | 3,302  | 19,948  | 23,250  | 999   | 1982 | 2006 | 40 |
| 12015 Lee<br>Jackson<br>Memorial<br>Highway | Fairfax, VA         |        | 3,246  | 19,836  | 167   | 3,302  | 19,948  | 23,250  | 999   | 1982 | 2006 | 40 |
| 1221 Mopac<br>Expressway                    | Concord, CA         | 20,519 | 6,395  | 24,664  | 551   | 6,504  | 25,106  | 31,610  | 1,673 | 1984 | 2006 | 34 |
| 1250 Capital<br>of Texas<br>Hwy South       | Austin, TX          |        | 3,770  | 22,895  | 184   | 3,835  | 23,014  | 26,849  | 1,011 | 1985 | 2006 | 42 |
|   | Concord, CA         | 20,528 | 6,476  | 24,966  | 9     | 6,476  | 24,975  | 31,451  | 1,673 | 1984 | 2006 | 34 |
|   | Austin, TX          |        | 3,290  | 31,548  | 459   | 3,361  | 31,935  | 35,296  | 1,045 | 2001 | 2006 | 55 |
|   | Austin, TX          |        | 5,152  | 37,928  | (51)  | 5,241  | 37,788  | 43,029  | 1,367 | 1984 | 2006 | 52 |

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|  |    |        |        |        |     |        |        |         |       |      |      |    |
|--|----|--------|--------|--------|-----|--------|--------|---------|-------|------|------|----|
| 1301 Mopac<br>Expressway Austin<br>1333                    | TX |        | 4,188  | 41,229 | 262 | 4,245  | 41,434 | 45,679  | 1,113 | 2001 | 2006 | 55 |
| Broadway Oaklawn<br>13825                                  | CA | 24,318 | 4,519  | 35,235 | 159 | 4,519  | 35,394 | 39,913  | 1,946 | 1972 | 2006 | 40 |
| Sunrise<br>Valley Drive Herndon<br>13880 Dulles            | VA |        | 3,794  | 19,365 | 173 | 3,859  | 19,473 | 23,332  | 1,083 | 1989 | 2006 | 46 |
| Corner Land Herndon<br>1501 South<br>Mopac                 | VA |        | 7,236  | 39,213 | 344 | 7,360  | 39,433 | 46,793  | 1,159 | 1997 | 2006 | 55 |
| Expressway Austin<br>1601 Mopac                            | TX |        | 3,698  | 34,912 | 984 | 3,761  | 35,832 | 39,594  | 1,656 | 1999 | 2006 | 53 |
| Expressway Austin<br>1676                                  | TX |        | 3,538  | 34,346 | 692 | 3,599  | 34,978 | 38,577  | 1,063 | 2000 | 2006 | 54 |
| International<br>Drive Mclellan<br>16870 W<br>Bernardo San | CA | 63,064 | 18,437 | 97,538 | 882 | 18,753 | 98,105 | 116,858 | 2,275 | 1999 | 2006 | 55 |
| Drive Diego<br>1801 Mopac                                  | CA | 10,700 | 2,979  | 15,896 | 6   | 2,979  | 15,902 | 18,881  | 953   | 2002 | 2006 | 56 |
| Expressway Austin<br>1880 Campus<br>Commons                | TX |        | 1,227  | 10,959 | 42  | 1,248  | 10,980 | 12,228  | 287   | 1999 | 2006 | 53 |
| Drive Reston<br>1900<br>Gallows                            | VA |        | 6,164  | 28,114 | 46  | 6,270  | 28,054 | 34,324  | 598   | 1985 | 2006 | 52 |
| Road Vienna<br>1901<br>Harrison                            | VA |        | 7,797  | 47,817 | 556 | 7,930  | 48,239 | 56,170  | 1,591 | 1989 | 2006 | 52 |
| Street Oakland<br>30,056                                   | CA | 30,056 | 5,442  | 59,920 | 727 | 5,535  | 60,554 | 66,089  | 1,716 | 1985 | 2006 | 48 |

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**BRANDYWINE REALTY TRUST**  
**Real Estate and Accumulated Depreciation December 31, 2006**  
(in thousands)

| Property Name                  | City/State    | Encumbrances at December 31, 2006 | Initial Cost |              |                                     | Gross Amount at Which Carried December 31, 2006 |              |           | Accumulated Depreciation at December 31, 2006 (b) | Year of Construction | Year Acquired | Depreciable Life |
|--------------------------------|---------------|-----------------------------------|--------------|--------------|-------------------------------------|---|--------------|-----------|---|----------------------|---------------|------------------|
|                                |               |                                   | Land         | Improvements | Net (Retirements) Since Acquisition | Land  | Improvements | Total (a) |   |                      |               |                  |
| 6 Van<br>uren Street           | Herndon, VA   | 15,338                            | 6,023        | 31,780       | 12                                  | 6,023   | 31,792       | 37,815    | 1,985   | 1991                 | 2006          | 5                |
| 8 Van<br>uren Street           | Herndon, VA   | 15,562                            | 1,908        | 12,032       | 5                                   | 1,908   | 12,037       | 13,945    | 385   | 1996                 | 2006          | 5                |
| 35 Corte<br>el Nogal           | Carlsbad, CA  | 5,728                             | 3,261        | 6,077        | 2                                   | 3,261   | 6,079        | 9,340     | 472   | 1991                 | 2006          | 3                |
| 01<br>ebster<br>reet           | Oakland, CA   |                                   | 13,051       | 89,728       | 1,664                               | 13,275  | 91,169       | 104,444   | 3,323   | 1985                 | 2006          | 4                |
| 21<br>ooperative<br>ay         | Herndon, VA   |                                   | 5,598        | 38,639       | 538                                 | 5,777   | 38,999       | 44,775    | 1,150   | 2000                 | 2006          | 5                |
| 01<br>ooperative<br>ay         | Herndon, VA   |                                   | 4,809        | 34,093       | 121                                 | 4,809   | 34,215       | 39,024    | 1,476   | 1990                 | 2006          | 5                |
| 51<br>orporate<br>ark Drive    | Herndon, VA   |                                   | 11,472       | 45,893       | 17                                  | 11,472  | 45,910       | 57,382    | 96  | 2000                 | 2006          | 4                |
| 73<br>esearch<br>oulevard      | Rockville, MD | 15,787                            | 5,167        | 31,110       | 1,326                               | 5,231   | 32,372       | 37,602    | 998   | 1999                 | 2006          | 4                |
| 75<br>esearch<br>oulevard      | Rockville, MD | 15,741                            | 5,059        | 29,668       | 805                                 | 5,145   | 30,386       | 35,532    | 1,309   | 1990                 | 2006          | 4                |
| 77<br>esearch<br>oulevard      | Rockville, MD | 14,647                            | 4,649        | 26,952       | 266                                 | 4,726   | 27,142       | 31,867    | 947   | 1986                 | 2006          | 4                |
| 91 Wood<br>ak Drive            | Herndon, VA   | 31,000                            | 8,243        | 52,413       | 20                                  | 8,243   | 52,433       | 60,676    | 5,034   | 1999                 | 2006          | 5                |
| 40 Dulles<br>orner<br>oulevard | Herndon, VA   |                                   | 16,345       | 65,379       | 185                                 | 16,345  | 65,565       | 81,909    | 547   | 1987                 | 2006          | 4                |
| 55 Dulles<br>orner<br>oulevard | Herndon, VA   |                                   | 10,365       | 43,876       | 17                                  | 10,365  | 43,893       | 54,258    | 599   | 1988                 | 2006          | 4                |

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|                               |                 |    |        |       |         |        |       |         |         |        |      |      |      |   |
|-------------------------------|-----------------|----|--------|-------|---------|--------|-------|---------|---------|--------|------|------|------|---|
| 11 Dulles<br>Corner Park      | Herndon         | VA |        | 7,279 | 46,340  | 406    | 7,404 | 46,621  | 54,026  | 1,674  | 1990 | 2006 | 5    |   |
| 11 N<br>askell<br>venue       | Dallas          | TX |        | 8,597 | 97,681  | 647    | 8,753 | 98,171  | 106,924 | 5,858  | 1998 | 2006 | 3    |   |
| 30<br>Fairview<br>Park Drive  | Falls<br>Church | VA |        | 6,576 | 51,605  | 247    | 6,688 | 51,740  | 58,428  | 1,275  | 1999 | 2006 | 5    |   |
| 41<br>Fairview<br>Park Drive  | Falls<br>Church | VA |        | 5,918 | 40,981  | 295    | 6,038 | 41,157  | 47,195  | 1,340  | 1988 | 2006 | 5    |   |
| 41<br>Fairview<br>Park Drive  | Falls<br>Church | VA |        | 733   | 4,939   | (4)    | 733   | 4,935   | 5,668   | 134    | 1988 | 2006 | 5    |   |
| 41<br>Fairview<br>Park Drive  | Falls<br>Church | VA |        | 297   | 1,964   | 1      | 297   | 1,965   | 2,262   | 40     | 1988 | 2006 | 5    |   |
| 01 Fair<br>akes Court         | Fairfax         | VA |        | 1,569 | 11,982  | (47)   | 1,596 | 11,908  | 13,504  | 375    | 1988 | 2006 | 5    |   |
| 80 & 5790<br>reet Street      | Carlsbad        | CA | 14,500 | 7,073 | 22,907  | 8      | 7,072 | 22,916  | 29,988  | 1,836  | 1999 | 2006 | 5    |   |
| 00 & 5950<br>Place            | Carlsbad        | CA |        | 8,252 | 3,706   | 11,185 | 4     | 3,706   | 11,189  | 14,895 | 691  | 1988 | 2006 | 4 |
| 63 La<br>ace Court            | Carlsbad        | CA |        | 6,534 | 2,824   | 9,413  | 4     | 2,824   | 9,417   | 12,241 | 560  | 1987 | 2006 | 5 |
| 73<br>venida                  | Carlsbad        | CA |        | 5,486 | 2,121   | 8,361  | 3     | 2,121   | 8,364   | 10,485 | 618  | 1986 | 2006 | 4 |
| 00<br>ockledge<br>rive        | Bethesda        | MD |        |       | 37,421  | 36     |       | 37,457  | 37,457  | 733    | 1981 | 2006 | 5    |   |
| 00 Paragon<br>ace             | Richmond        | VA |        | 4,552 | 18,414  | 24     | 4,552 | 18,438  | 22,990  | 120    | 1986 | 2006 | 4    |   |
| 01<br>isconsin<br>venue       | Bethesda        | MD |        | 9,634 | 48,402  | 2,215  | 9,799 | 50,452  | 60,251  | 1,626  | 1975 | 2006 | 4    |   |
| 35 Old<br>eorgetown<br>oad    | Bethesda        | MD |        | 4,370 | 23,192  | 261    | 4,445 | 23,379  | 27,824  | 903    | 1997 | 2006 | 4    |   |
| 60<br>reensboro<br>rive       | Mclean          | VA | 33,958 | 7,952 | 33,964  | (50)   | 8,088 | 33,777  | 41,866  | 1,179  | 1980 | 2006 | 5    |   |
| 21<br>eesburg<br>ke           | Vienna          | VA |        | 4,316 | 30,885  | 549    | 4,390 | 31,360  | 35,749  | 1,166  | 1984 | 2006 | 5    |   |
| typlace<br>onference<br>enter | Dallas          | TX |        | 505   | 5,071   | 2      | 505   | 5,073   | 5,578   | 137    | 1998 | 2006 | 3    |   |
| 29 Arch<br>reet               | Philadelphia    | PA |        |       | 208,570 | 79     |       | 208,649 | 208,649 | 5,659  | 2005 | N/A  | 4    |   |



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|           |            |            |            |              |            |            |              |              |            |     |     |   |
|-----------|------------|------------|------------|--------------|------------|------------|--------------|--------------|------------|-----|-----|---|
| 2         |            |            |            |              |            |            |              |              |            |     |     |   |
| Wedesford |            |            |            |              |            |            |              |              |            |     |     |   |
| Road      | Berwyn, PA |            | 218        |              |            | 218        |              | 218          |            | N/A | N/A | 4 |
| Subtotal: |            | \$ 878,969 | \$ 754,373 | \$ 3,887,653 | \$ 284,763 | \$ 756,383 | \$ 4,170,923 | \$ 4,927,305 | \$ 515,698 |     |     |   |

**Real Estate  
Classified as  
Held for Sale @  
3/31/06:**

|                 |              |            |            |              |            |            |              |              |            |      |      |   |
|-----------------|--------------|------------|------------|--------------|------------|------------|--------------|--------------|------------|------|------|---|
| 60 - 180        |              |            |            |              |            |            |              |              |            |      |      |   |
| West            |              |            |            |              |            |            |              |              |            |      |      |   |
| ermantown East  |              |            |            |              |            |            |              |              |            |      |      |   |
| ke              | Norriton, PA | 5,105      | 1,603      | 6,418        | 1,587      | 1,603      | 8,005        | 9,608        | 2,260      | 1982 | 1998 | 4 |
| 05/1507 Farmers |              |            |            |              |            |            |              |              |            |      |      |   |
| BJ Freeway      | Branch, TX   |            | 4,393      | 27,825       | (603)      | 4,165      | 27,450       | 31,614       | 1,263      | 1989 | 2006 | 4 |
| 01/1503 Farmers |              |            |            |              |            |            |              |              |            |      |      |   |
| BJ Freeway      | Branch, TX   |            | 3,727      | 28,099       | (4,142)    | 3,210      | 24,474       | 27,683       | 1,217      | 1985 | 2006 | 3 |
| 01 LBJ          |              |            |            |              |            |            |              |              |            |      |      |   |
| Freeway         | Dallas, TX   |            | 3,122      | 16,194       | (65)       | 3,099      | 16,152       | 19,250       | 681        | 1982 | 2006 | 3 |
| 03 LBJ          |              |            |            |              |            |            |              |              |            |      |      |   |
| Freeway         | Dallas, TX   |            | 1,170      | 18,045       | 40         | 1,149      | 18,106       | 19,255       | 629        | 1985 | 2006 | 3 |
| Subtotal:       |              | \$ 5,105   | \$ 14,015  | \$ 96,580    | \$ (3,183) | \$ 13,225  | \$ 94,186    | \$ 107,411   | \$ 6,050   |      |      |   |
| <b>Total:</b>   |              | \$ 884,074 | \$ 768,388 | \$ 3,984,233 | \$ 281,579 | \$ 769,608 | \$ 4,265,108 | \$ 5,034,716 | \$ 521,748 |      |      |   |

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## (a) Reconciliation of Real Estate:

The following table reconciles the real estate investments from January 1, 2004 to December 31, 2006 (in thousands):

|                                     | 2006         | 2005         | 2004         |
|-------------------------------------|--------------|--------------|--------------|
| Balance at beginning of year        | \$ 2,560,061 | \$ 2,483,134 | \$ 1,869,744 |
| Additions:                          |              |              |              |
| Acquisitions                        | 2,370,241    | 71,783       | 578,197      |
| Consolidation of VIE s (1)          |              |              | 35,245       |
| Capital expenditures                | 334,238      | 47,732       | 30,953       |
| Less:                               |              |              |              |
| Dispositions                        | (229,824)    | (42,588)     | (31,005)     |
| Assets transferred to held-for-sale | (107,411)    |              |              |
| Balance at end of year              | \$ 4,927,305 | \$ 2,560,061 | \$ 2,483,134 |

## (b) Reconciliation of Accumulated Depreciation:

The following table reconciles the accumulated depreciation on real estate investments from January 1, 2004 to December 31, 2006 (in thousands):

|  | 2006       | 2005       | 2004       |
|--|------------|------------|------------|
| Balance at beginning of year                 | \$ 390,333 | \$ 325,802 | \$ 268,091 |
| Additions:                                   |            |            |            |
| Depreciation expense continued operations    | 162,503    | 78,465     | 60,179     |
| Depreciation expense discontinued operations | 12,305     | 171        | 224        |
| Consolidation of VIE s (1)                   |            |            | 7,741      |
| Acquisitions                                 | 1,037      |            |            |
| Less:  |            |            |            |
| Dispositions                                 | (44,430)   | (14,105)   | (10,433)   |
| Assets transferred to held-for-sale          | (6,050)    |            |            |
| Balance at end of year                       | \$ 515,698 | \$ 390,333 | \$ 325,802 |

(1) - Joint ventures which were consolidated at March 31, 2004 under Financial Interpretation 46-R ( FIN-46-R ), Consolidation of Variable Interest Entities.

(2)

- Schedule III  
excludes an  
asset owned that  
is subject to a  
deferred  
financing lease.

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**Report of Independent Registered Public Accounting Firm**

To the Partners of Brandywine Operating Partnership, L.P.:

We have completed an integrated audit of Brandywine Operating Partnership, L.P.'s and its subsidiaries (collectively the Partnership) December 31, 2006 consolidated financial statements and of its internal control over financial reporting as of December 31, 2006 and audits of its December 31, 2005 and 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

**Consolidated financial statements and financial statement schedules**

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(2) present fairly, in all material respects, the financial position of Brandywine Operating Partnership, L.P. and its subsidiaries (collectively the Partnership) at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the index appearing under Item 15(a)(2) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements 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 of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

**Internal control over financial reporting**

Also, in our opinion, management's assessment, included in the accompanying Form 10-K appearing under Item 9A, that the Partnership maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Partnership'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. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Partnership's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting 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. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external

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purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the partnership; (ii) 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 (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded the Partnership's investments in Four and Six Tower Bridge Associates from its assessment of internal control over financial reporting as of December 31, 2006 because the Partnership does not have the right and authority to assess the internal control over financial reporting of the individual entities and it lacks the ability to influence or modify the internal control over financial reporting of the individual entities. Four and Six Tower Bridge are two real estate partnerships, created prior to December 13, 2003, which the Partnership started consolidating under Financial Accounting Standards Board Interpretation No. 46R, Consolidation of Variable Interest Entities on March 31, 2004. We have also excluded Four and Six Tower Bridge Associates from our audit of internal control over financial reporting. Four and Six Tower Bridge are two consolidated real estate partnerships whose total assets and total revenues represent less than 1% and 1%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2006.

/s/ PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
February 28, 2007

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**BRANDYWINE OPERATING PARTNERSHIP, L.P.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share information)

|   | <b>December 31,</b> |              |
|---|---------------------|--------------|
|   | <b>2006</b>         | <b>2005</b>  |
| <b>ASSETS</b>   |                     |              |
| Real estate investments:  |                     |              |
| Operating properties  | \$ 4,927,305        | \$ 2,560,061 |
| Accumulated depreciation  | (515,698)           | (390,333)    |
| Operating real estate investments, net  | 4,411,607           | 2,169,728    |
| Construction-in-progress  | 217,886             | 273,240      |
| Land held for development   | 110,233             | 98,518       |
| Total real estate investments, net  | 4,739,726           | 2,541,486    |
| Cash and cash equivalents   | 25,379              | 7,174        |
| Restricted cash   | 22,557              | 18,498       |
| Accounts receivable, net  | 19,957              | 12,874       |
| Accrued rent receivable, net  | 71,589              | 47,034       |
| Asset held for sale   | 126,016             |              |
| Investment in unconsolidated ventures   | 74,574              | 13,331       |
| Deferred costs, net   | 73,708              | 37,602       |
| Intangible assets, net  | 281,251             | 78,097       |
| Other assets  | 73,506              | 49,649       |
| Total assets  | \$ 5,508,263        | \$ 2,805,745 |
| <b>LIABILITIES AND PARTNERS' EQUITY</b>   |                     |              |
| Mortgage notes payable  | \$ 883,920          | \$ 494,777   |
| Unsecured notes   | 2,208,310           | 936,607      |
| Unsecured credit facility   | 60,000              | 90,000       |
| Accounts payable and accrued expenses   | 108,400             | 52,635       |
| Distributions payable   | 42,760              | 28,880       |
| Tenant security deposits and deferred rents   | 55,697              | 20,953       |
| Acquired below market leases, net of accumulated amortization of \$26,009 and \$6,931   | 92,527              | 34,704       |
| Other liabilities   | 13,906              | 4,411        |
| Mortgage notes payable and other liabilities held for sale  | 20,826              |              |
| Total liabilities   | 3,486,346           | 1,662,967    |
| Minority interest - partners' share of consolidated real estate ventures  | 34,436              |              |
| Commitments and contingencies (Note 21)   |                     |              |
| Redeemable limited partnership units at redemption value; 3,961,235 and 1,945,267 issued and outstanding in 2006 and 2005, respectively | 131,711             | 54,300       |
| Partners' equity:   |                     |              |
| 7.50% Series D Preferred Mirror Units; 2,000,000 issued and outstanding in 2006 and 2005  | 47,912              | 47,912       |

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|  |              |              |
|--|--------------|--------------|
| 7.375% Series E Preferred Mirror Units; 2,300,000 issued and outstanding in 2006 and 2005                          | 55,538       | 55,538       |
| General Partnership Capital, 88,327,041 and 56,179,075 units issued and outstanding in 2006 and 2005, respectively | 1,750,745    | 988,197      |
| Accumulated other comprehensive loss   | 1,575        | (3,169)      |
| Total partners' equity   | 1,855,770    | 1,088,478    |
| Total liabilities, minority interest, and partners' equity   | \$ 5,508,263 | \$ 2,805,745 |

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

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**BRANDYWINE OPERATING PARTNERSHIP, L.P.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except unit and per unit information)

|   | Years ended December 31, |               |               |
|---|--------------------------|---------------|---------------|
|   | 2006                     | 2005          | 2004          |
| <b>Revenue:</b>   |                          |               |               |
| Rents   | \$ 559,936               | \$ 318,218    | \$ 267,710    |
| Tenant reimbursements   | 80,470                   | 48,562        | 36,849        |
| Other   | 22,395                   | 13,844        | 11,998        |
| <br>Total revenue   | <br>662,801              | <br>380,624   | <br>316,557   |
| <b>Operating Expenses:</b>  |                          |               |               |
| Property operating expenses   | 188,001                  | 111,192       | 86,358        |
| Real estate taxes   | 65,584                   | 38,180        | 29,895        |
| Depreciation and amortization   | 248,132                  | 109,118       | 77,521        |
| Administrative expenses   | 29,644                   | 17,982        | 15,100        |
| <br>Total operating expenses  | <br>531,361              | <br>276,472   | <br>208,874   |
| <br><b>Operating income</b>   | <br>131,440              | <br>104,152   | <br>107,683   |
| <b>Other Income (Expense):</b>  |                          |               |               |
| Interest income   | 9,513                    | 1,370         | 841           |
| Interest expense  | (171,177)                | (70,152)      | (52,642)      |
| Interest expense    Deferred financing costs                                | (4,607)                  | (3,766)       | (1,968)       |
| Equity in income of real estate ventures                                    | 2,165                    | 3,172         | 2,023         |
| Net gain on sale of interests in real estate                                | 14,190                   | 4,640         | 2,975         |
| Gain on termination of purchase contract                                    | 3,147                    |               |               |
| <br><b>Income (loss) before minority interest</b>                           | <br>(15,329)             | <br>39,416    | <br>58,912    |
| Minority interest    partners    share of consolidated real estate ventures | 270                      | (154)         | 206           |
| <br><b>Income (loss) from continuing operations</b>                         | <br>(15,059)             | <br>39,262    | <br>59,118    |
| <b>Discontinued operations:</b>   |                          |               |               |
| Income from discontinued operations   | 7,681                    | 2,555         | 827           |
| Net gain on disposition of discontinued operations                          | 20,243                   | 2,196         | 3,136         |
| Minority interest    partners    share of consolidated real estate ventures | (2,239)                  |               |               |
| <br>Income from discontinued operations                                     | <br>25,685               | <br>4,751     | <br>3,963     |
| <br><b>Net income</b>   | <br>10,626               | <br>44,013    | <br>63,081    |
| Income allocated to Preferred Units   | (7,992)                  | (7,992)       | (10,555)      |
| Preferred Unit redemption gain  |                          |               | 4,500         |
| <br><b>Income allocated to Common Partnership Units</b>                     | <br>\$ 2,634             | <br>\$ 36,021 | <br>\$ 57,026 |



**Basic earnings per Common Partnership Unit:**

|                         |    |        |    |      |    |      |
|-------------------------|----|--------|----|------|----|------|
| Continuing operations   | \$ | (0.25) | \$ | 0.54 | \$ | 1.07 |
| Discontinued operations |    | 0.27   |    | 0.08 |    | 0.08 |
|                         | \$ | 0.03   | \$ | 0.62 | \$ | 1.15 |

**Diluted earnings per Common Partnership Unit:**

|                         |    |        |    |      |    |      |
|-------------------------|----|--------|----|------|----|------|
| Continuing operations   | \$ | (0.24) | \$ | 0.54 | \$ | 1.07 |
| Discontinued operations |    | 0.27   |    | 0.08 |    | 0.08 |
|                         | \$ | 0.03   | \$ | 0.62 | \$ | 1.14 |

|   |            |            |            |
|---|------------|------------|------------|
| <b>Basic weighted average common partnership unit</b> | 93,703,601 | 57,852,842 | 49,600,634 |
|---|------------|------------|------------|

|   |            |            |            |
|---|------------|------------|------------|
| <b>Diluted weighted average common partnership unit</b> | 94,222,125 | 58,111,162 | 49,837,549 |
|---|------------|------------|------------|

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

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**BRANDYWINE OPERATING PARTNERSHIP, L.P.**  
**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE (LOSS) INCOME**  
(in thousands)

|  | <b>Years ended December 31,</b> |             |             |
|--|---------------------------------|-------------|-------------|
|  | <b>2006</b>                     | <b>2005</b> | <b>2004</b> |
| Net income   | \$ 10,626                       | \$ 44,013   | \$ 63,081   |
| Unrealized gain (loss) on derivative financial instruments   | 1,330                           | (713)       | 309         |
| Less: minority interest consolidated real estate venture partner's share of unrealized gain (loss) on derivative financial instruments | (302)                           |             |             |
| Settlement of treasury locks   |                                 |             | (3,238)     |
| Settlement of forward starting swaps   | 3,266                           | 240         |             |
| Realized gain on derivative financial instruments  |                                 | 450         | 2,809       |
| Reclassification of realized (gains)/losses on derivative financial instruments to operations, net                                     | 122                             |             |             |
| Unrealized gain (loss) on available-for-sale securities  | 328                             | (16)        | (852)       |
| Total other comprehensive income (loss)  | 4,744                           | (39)        | (972)       |
| Comprehensive income   | \$ 15,370                       | \$ 43,974   | \$ 62,109   |

The accompanying notes are an integral part of these consolidated financial statements.  
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**BRANDYWINE OPERATING PARTNERSHIP, L.P.  
CONSOLIDATED STATEMENT OF PARTNERS' EQUITY  
(in thousands, except Units)**

|   | Series A Preferred Mirror |          | Series D Preferred Mirror |        | Series E Preferred Mirror |        | General Partner Capital |         | Accumulated Other Comprehensive Income | Total Partner Equity |
|---|---------------------------|----------|---------------------------|--------|---------------------------|--------|-------------------------|---------|--|----------------------|
|   | Units                     |          | Units                     |        | Units                     |        | Units                   | Amount  |  |                      |
|   | Units                     | Amount   | Units                     | Amount | Units                     | Amount | Units                   | Amount  | Income                                 | Equity               |
| Balance, December 31, 2003  | 750,000                   | 37,500   | 2,000,000                 | 47,912 |                           |        | 41,040,710              | 677,033 | (2,158)                                | 760,287              |
| Net income  |                           |          |                           |        |                           |        |                         | 63,081  |  | 63,081               |
| Net income allocable to redeemable partnership units other than comprehensive income: |                           |          |                           |        |                           |        |                         |         | (972)                                  | (972)                |
| Issuance of restricted units  |                           |          |                           |        |                           |        | 90,597                  | 1,697   |  | 1,697                |
| Issuance of preferred mirror units  |                           |          |                           |        | 2,300,000                 | 55,538 |                         |         |  | 55,538               |
| Conversion of preferred mirror units  | (750,000)                 | (37,500) |                           |        |                           |        | 1,339,286               | 37,500  |  |                      |
| Redemption of preferred units   |                           |          |                           |        |                           |        |                         | 4,500   |  | 4,500                |
| Issuance of general partnership units   |                           |          |                           |        |                           |        | 12,235,000              | 336,683 |  | 336,683              |
| Exercise of warrants/options to purchase general partnership units                    |                           |          |                           |        |                           |        | 587,159                 | 14,545  |  | 14,545               |
| Repayment of employee stock plans   |                           |          |                           |        |                           |        |                         | 1,112   |  | 1,112                |
| Amortization of stock options   |                           |          |                           |        |                           |        |                         | 102     |  | 102                  |
| Adjustment of redeemable partnership units  |                           |          |                           |        |                           |        |                         |         |  |                      |
| Change in liquidation value at period end   |                           |          |                           |        |                           |        |                         | (5,967) |  | (5,967)              |

|   |           |        |           |        |            |           |           |      |           |
|---|-----------|--------|-----------|--------|------------|-----------|-----------|------|-----------|
| distributions to preferred Mirror units                                       |           |        |           |        |            |           | (9,720)   |      | (9,720)   |
| distributions to preferred Units  |           |        |           |        |            |           | (835)     |      | (835)     |
| distributions to general partnership unit holder                              |           |        |           |        |            |           | (88,644)  |      | (88,644)  |
| <b>Balance, December 31, 2004</b>   | 2,000,000 | 47,912 | 2,300,000 | 55,538 | 55,292,752 | 1,029,144 | (3,130)   |      | 1,129,464 |
| Net income  |           |        |           |        |            | 44,013    |           |      | 44,013    |
| Net income allocable to redeemable partnership units                          |           |        |           |        |            |           | (276)     |      | (276)     |
| Other comprehensive income:   |           |        |           |        |            |           |           | (39) | (39)      |
| Conversion of P units to common shares  |           |        |           |        | 107,692    | 2,584     |           |      | 2,584     |
| Exercising of restricted units  |           |        |           |        | 72,950     | 1,630     |           |      | 1,630     |
| Exercise of warrants/options to purchase general partnership units            |           |        |           |        | 705,681    | 18,999    |           |      | 18,999    |
| Repayment of employee stock plans   |           |        |           |        |            | 50        |           |      | 50        |
| Adjustment of redeemable partnership units to liquidation value at period end |           |        |           |        |            | 190       |           |      | 190       |
| distributions to preferred Mirror units                                       |           |        |           |        |            |           | (7,992)   |      | (7,992)   |
| distributions to general partnership unit holder                              |           |        |           |        |            |           | (100,145) |      | (100,145) |
|   | 2,000,000 | 47,912 | 2,300,000 | 55,538 | 56,179,075 | 988,197   | (3,169)   |      | 1,088,478 |

|  |    |           |           |           |             |            |              |          |              |
|--|----|-----------|-----------|-----------|-------------|------------|--------------|----------|--------------|
| <b>Balance,</b>  |    |           |           |           |             |            |              |          |              |
| <b>December 31,</b>  |    |           |           |           |             |            |              |          |              |
| <b>2005</b>  |    |           |           |           |             |            |              |          |              |
| Net income   |    |           |           |           |             |            | 10,626       |          | 10,626       |
| Repurchase of common partnership units                             |    |           |           |           | (3,009,200) |            | (94,473)     |          | (94,473)     |
| Other comprehensive income:  |    |           |           |           |             |            |              | 4,744    | 4,744        |
| Conversion of P units to common shares                             |    |           |           |           | 14,700      |            | 488          |          | 488          |
| Issuance of common partnership units                               |    |           |           |           | 34,542,151  |            | 1,022,173    |          | 1,022,173    |
| Investing of restricted units                                      |    |           |           |           | 81,142      |            | 1,887        |          | 1,887        |
| Issuance of trustee/bonus shares                                   |    |           |           |           | 3,257       |            | 90           |          | 90           |
| Exercise of warrants/options to purchase general partnership units |    |           |           |           | 515,916     |            | 11,413       |          | 11,413       |
| Payment of employee stock plans                                    |    |           |           |           |             |            | 371          |          | 371          |
| Adjustment of redeemable partnership units                         |    |           |           |           |             |            |              |          |              |
| Liquidation value at period end                                    |    |           |           |           |             |            | (25,913)     |          | (25,913)     |
| Distributions to preferred Mirror units                            |    |           |           |           |             |            | (7,992)      |          | (7,992)      |
| Distributions to general partnership unit holder                   |    |           |           |           |             |            | (156,122)    |          | (156,122)    |
| <b>Balance,</b>  |    |           |           |           |             |            |              |          |              |
| <b>December 31,</b>  |    |           |           |           |             |            |              |          |              |
| <b>2006</b>  | \$ | 2,000,000 | \$ 47,912 | 2,300,000 | \$ 55,538   | 88,327,041 | \$ 1,750,745 | \$ 1,575 | \$ 1,855,770 |

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

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**BRANDYWINE OPERATING PARTNERSHIP, L.P.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

|   | <b>Years ended December 31,</b> |             |             |
|---|---------------------------------|-------------|-------------|
|   | <b>2006</b>                     | <b>2005</b> | <b>2004</b> |
| <b>Cash flows from operating activities:</b>  |                                 |             |             |
| Net income (loss)   | \$ 10,626                       | \$ 44,013   | \$ 63,081   |
| Adjustments to reconcile net income (loss) to net cash from operating activities:         |                                 |             |             |
| Depreciation  | 186,454                         | 84,561      | 64,175      |
| Amortization:   |                                 |             |             |
| Deferred financing costs  | 4,607                           | 3,721       | 5,088       |
| Deferred leasing costs  | 12,258                          | 8,895       | 7,841       |
| Acquired above (below) market leases, net   | (9,034)                         | (1,542)     | (406)       |
| Acquired lease intangibles  | 66,317                          | 18,573      | 8,112       |
| Deferred compensation costs   | 3,447                           | 2,764       | 2,114       |
| Straight-line rent  | (31,326)                        | (14,952)    | (6,023)     |
| Provision for doubtful accounts   | 3,510                           | 792         | 467         |
| Real estate venture income in excess of distributions                                     | (15)                            | (769)       | (293)       |
| Net gain on sale of interests in real estate  | (34,433)                        | (6,820)     | (6,111)     |
| Gain on termination of purchase contract  | (3,147)                         |             |             |
| Minority interest   | 1,969                           | 154         | (205)       |
| Changes in assets and liabilities:  |                                 |             |             |
| Accounts receivable   | 1,365                           | (598)       | (1,769)     |
| Other assets  | (4,855)                         | (11,810)    | 9,840       |
| Accounts payable and accrued expenses   | (1,154)                         | (2,407)     | 3,199       |
| Tenant security deposits and deferred rents   | 29,209                          | (40)        | 3,750       |
| Other liabilities   | 5,768                           | 612         | 30          |
| Net cash from operating activities  | 241,566                         | 125,147     | 152,890     |
| <b>Cash flows from investing activities:</b>  |                                 |             |             |
| Acquisition of Prentiss   | (935,856)                       |             |             |
| Acquisition of properties   | (231,244)                       | (92,674)    | (569,343)   |
| Sales of properties, net  | 347,652                         | 29,428      | 22,283      |
| Proceeds from termination of purchase contract  | 3,147                           |             |             |
| Capital expenditures  | (242,516)                       | (177,035)   | (131,998)   |
| Investment in marketable securities   | 181,556                         | 423         |             |
| Investment in unconsolidated Real Estate Ventures   | (753)                           | (269)       | (233)       |
| Restricted cash   | (2,981)                         | (518)       | (1,320)     |
| Cash distributions from unconsolidated Real Estate Ventures in excess of equity in income | 3,762                           | 462         | 1,402       |
| Increase in cash due to consolidation of variable interest entities                       |                                 |             | 426         |
| Proceeds from repayment of mortgage note receivable                                       |                                 |             | 6,470       |
| Leasing costs   | (38,561)                        | (12,234)    | (10,339)    |
| Net cash from investing activities  | (915,794)                       | (252,417)   | (682,652)   |
| <b>Cash flows from financing activities:</b>  |                                 |             |             |
| Proceeds from Credit Facility borrowings  | 726,000                         | 372,142     | 570,000     |

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|  |            |           |           |
|--|------------|-----------|-----------|
| Repayments of Credit Facility borrowings   | (756,000)  | (434,142) | (723,000) |
| Proceeds from mortgage notes payable   | 20,520     |           |           |
| Repayments of secured debt   | (213,338)  | (23,457)  | (50,165)  |
| Proceeds from term loan  | 750,000    |           | 433,000   |
| Repayments of term loan  | (750,000)  |           | (533,000) |
| Proceeds from unsecured notes  | 1,193,217  | 299,976   | 636,398   |
| Proceeds from forward starting swap termination  | 3,266      |           |           |
| Repayments on employee stock loans   | 371        | 50        | 1,112     |
| Proceeds from issuance of units, net   |            |           | 406,767   |
| Debt financing costs   | (14,319)   | (4,026)   | (13,580)  |
| Exercise of stock options  | 11,414     | 18,999    |           |
| Repurchases of common partnership and minority interest units                          | (94,472)   | (239)     | (95,436)  |
| Distributions paid to preferred and common partnership unitholders                     | (175,947)  | (106,608) | (90,457)  |
| Distributions to minority interest holders consolidated real estate ventures           | (8,279)    | (3,597)   | (5,083)   |
| Net cash from financing activities   | 692,433    | 119,098   | 536,556   |
| Increase (decrease) in cash and cash equivalents                                       | 18,205     | (8,172)   | 6,794     |
| Cash and cash equivalents at beginning of period                                       | 7,174      | 15,346    | 8,552     |
| Cash and cash equivalents at end of period   | \$ 25,379  | \$ 7,174  | \$ 15,346 |
| Supplemental disclosure:   |            |           |           |
| Cash paid for interest, net of capitalized interest                                    | \$ 154,258 | \$ 53,450 | \$ 43,281 |
| Supplemental disclosure of non-cash activity:  |            |           |           |
| Common shares issued in the Prentiss acquisition                                       | 1,022,173  |           |           |
| Operating Partnership units issued in Prentiss acquisitions                            | 64,103     |           |           |
| Operating Partnership units issued in property acquisitions                            | 13,819     |           | 10,000    |
| Debt assumed in property acquisitions  | 532,607    |           | 79,330    |
| Debt, minority interest and other liabilities, net assumed in the Prentiss acquisition | 679,520    |           |           |

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

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**BRANDYWINE OPERATING PARTNERSHIP, L.P.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2006, 2005 AND 2004**

**1. ORGANIZATION AND NATURE OF OPERATIONS**

Brandywine Operating Partnership, L.P. (referred to herein as we, us or the Partnership) is the entity through which Brandywine Realty Trust, a Maryland real estate investment trust (the Company), a self-administered and self-managed real estate investment trust, conducts its business and own its assets. The Partnership's activities include acquiring, developing, redeveloping, leasing and managing office and industrial properties. The Company's common shares of beneficial interest are publicly traded on the New York Stock Exchange under the ticker symbol BDN. As of December 31, 2006, the Partnership owned 261 office properties, 23 industrial facilities and one mixed-use property (collectively, the Properties) containing an aggregate of approximately 28.2 million net rentable square feet. The Partnership also has six properties under development, three properties under redevelopment and four lease-up properties containing an aggregate 2.1 million net rentable square feet. As of December 31, 2006, the Partnership owned economic interests in 11 unconsolidated real estate ventures that contain approximately 2.7 million net rentable square feet and in four consolidated real estate ventures that own 15 office properties containing approximately 1.5 million net rentable square feet (collectively, the Real Estate Ventures). In addition, as of December 31, 2006, the Partnership owned approximately 490 acres of undeveloped land. The Properties and the properties owned by the Real Estate Ventures are located in and surrounding Philadelphia, Wilmington, Southern and Central New Jersey, Richmond, Metropolitan Washington, D.C., Dallas/Fort Worth, Austin, Oakland, San Diego and Los Angeles. In addition to managing properties that the Partnership owns, as of December 31, 2006, the Partnership was managing approximately 11.0 million net rentable square feet of office and industrial properties for third parties. All references to building square footage, acres, occupancy percentage and the number of buildings are unaudited. As more fully described in Note 3, on January 5, 2006, the Company acquired Prentiss Properties Trust (Prentiss) pursuant to an agreement and plan of merger that the Company entered into with Prentiss on October 3, 2005. The Company is the sole general partner of the Partnership and, as of December 31, 2006, owned a 95.7% interest in the Operating Partnership. The Partnership conducts its third-party real estate management services business primarily through four management companies (collectively, the Management Companies): Brandywine Realty Services Corporation (BRSCO), BTRS, Inc., (BTRS) Brandywine Properties I Limited, Inc. (BPI) and Brandywine Properties Management, L.P. (BPM). Each of BRSCO, BTRS and BPI is a taxable REIT subsidiaries. The Partnership owns a 95% interest in BRSCO and the remaining 5% interest is owned by a partnership comprised of a current executive and former executive of the Company, each of whom is a member of the Company's Board of Trustees. The Partnership owns, directly and indirectly, 100% of each of BTRS, BPI and BPM. As of December 31, 2006, the Management Companies were managing properties containing an aggregate of approximately 42.3 million net rentable square feet, of which approximately 28.2 million net rentable square feet related to Properties owned by the Partnership and approximately 13.0 million net rentable square feet related to properties owned by third parties and Real Estate Ventures.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

When the Partnership obtains an economic interest in an entity, the Partnership evaluates the entity to determine if the entity is deemed a variable interest entity (VIE), and if the Partnership is deemed to be



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the primary beneficiary, in accordance with FASB Interpretation No. 46R, Consolidation of Variable Interest Entities ( FIN 46R ). When an entity is not deemed to be a VIE, the Partnership considers the provisions of EITF 04-05,

Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights ( EITF 04-05 ). The Partnership consolidates (i) entities that are VIEs and of which the Partnership is deemed to be the primary beneficiary and (ii) entities that are non-VIEs which the Partnership controls and the limited partners do not have either the ability to dissolve the entity or remove the Partnership without cause or substantive participating rights. Entities that the Partnership accounts for under the equity method (i.e. at cost, increased or decreased by the Partnership's share of earnings or losses, less distributions) include (i) entities that are VIEs and of which the Partnership is not deemed to be the primary beneficiary (ii) entities that are non-VIEs which the Partnership does not control, but over which the Partnership has the ability to exercise significant influence and (iii) entities that are non-VIEs that the Partnership controls through its general partner status, but the limited partners in the entity have the substantive ability to dissolve the entity or remove the Partnership without cause or have substantive participating rights. The Partnership will reconsider its determination of whether an entity is a VIE and who the primary beneficiary is, and whether or not the limited partners in an entity have substantive rights, if events occur that are likely to cause a change in the original determinations. The portion of these entities not owned by the Partnership is presented as minority interest as of and during the periods consolidated. All intercompany accounts and transactions have been eliminated in consolidation.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Management makes significant estimates regarding revenue, impairment of long-lived assets, allowance for doubtful accounts and deferred costs.

**Operating Properties**

Operating properties are carried at historical cost less accumulated depreciation and impairment losses. The cost of operating properties reflects their purchase price or development cost. Costs incurred for the acquisition and renovation of an operating property are capitalized to the Partnership's investment in that property. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

**Purchase Price Allocation**

The Partnership allocates the purchase price of properties to net tangible and identified intangible assets acquired based on fair values. Above-market and below-market in-place lease values for acquired properties are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) the Partnership's estimate of the fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. Capitalized above-market lease values are amortized as a reduction of rental income over the remaining non-cancelable terms of the respective leases. Capitalized below-market lease values are amortized as an increase to rental income over the remaining non-cancelable terms of the respective leases, including any fixed-rate renewal periods.

Other intangible assets also include amounts representing the value of tenant relationships and in-place leases based on the Partnership's evaluation of the specific characteristics of each tenant's lease and the Partnership's overall relationship with the respective tenant. The Partnership estimates the cost to execute leases with terms similar to the remaining lease terms of the in-place leases, including leasing commissions, legal and other related expenses. This intangible asset is amortized to expense over the remaining term of the respective leases. Partnership estimates of value are made using methods similar to those used by independent appraisers or by using independent appraisals. Factors considered by the Partnership in this analysis include an estimate of the carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying

costs, the Partnership includes

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real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, which primarily range from three to twelve months. The Partnership also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired. The Partnership also uses the information obtained as a result of its pre-acquisition due diligence as part of its consideration of FIN 47, and when necessary, will record a conditional asset retirement obligation as part of its purchase price.

Characteristics considered by the Partnership in allocating value to its tenant relationships include the nature and extent of the Partnership's business relationship with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals, among other factors. The value of tenant relationship intangibles is amortized over the remaining initial lease term and expected renewals, but in no event longer than the remaining depreciable life of the building. The value of in-place leases is amortized over the remaining non-cancelable term of the respective leases and any fixed-rate renewal periods.

In the event that a tenant terminates its lease, the unamortized portion of each intangible, including market rate adjustments, in-place lease values and tenant relationship values, would be charged to expense.

**Depreciation and Amortization**

The costs of buildings and improvements are depreciated using the straight-line method based on the following useful lives: buildings and improvements (five to 55 years) and tenant improvements (the shorter of the lease term or the life of the asset).

**Construction in Progress**

Project costs directly associated with the development and construction of a real estate project are capitalized as construction in progress. In addition, interest, real estate taxes and general and administrative expenses that are directly associated with the Partnership's development activities are capitalized until the property is placed in service. Internal direct construction costs totaling \$4.9 million in 2006, \$3.4 million in 2005 and \$3.0 million in 2004 and interest totaling \$9.5 million in 2006, \$9.6 million in 2005 and \$3.0 million in 2004 were capitalized related to development of certain Properties and land holdings.

**Impairment of Long-Lived Assets**

Statement of Financial Accounting Standard No. 144 ( SFAS 144 ), *Accounting for the Impairment or Disposal of Long-Lived Assets*, provides a single accounting model for long-lived assets as held-for-sale, broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

In accordance with SFAS 144, long-lived assets, such as real estate investments and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The other assets and liabilities related to assets classified as held-for-sale are presented separately in the consolidated balance sheet. As of December 31, 2006, the Partnership had two properties classified as held for sale. The Partnership had no properties classified as held for sale at December 31, 2005.

**Cash and Cash Equivalents**

Cash and cash equivalents are highly-liquid investments with original maturities of three months or less. The Partnership maintains cash equivalents in financial institutions in excess of insured limits, but believes this risk is mitigated by only investing in or through major financial institutions.

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### Restricted Cash

Restricted cash consists of cash held as collateral to provide credit enhancement for the Partnership's mortgage debt, cash for property taxes, capital expenditures and tenant improvements.

### Accounts Receivable

Leases with tenants are accounted for as operating leases. Minimum annual rentals under tenant leases are recognized on a straight-line basis over the term of the related lease. The cumulative difference between lease revenue recognized under the straight-line method and contractual lease payment terms is recorded as accrued rent receivable, net on the accompanying balance sheets. Included in current tenant receivables are tenant reimbursements which are comprised of amounts recoverable from tenants for common area maintenance expenses and certain other recoverable expenses that are recognized as revenue in the period in which the related expenses are incurred. As of December 31, 2006 one tenant represented approximately 17% of accounts receivable, a significant portion of which is for reimbursements in connection with a tenant improvement project. As of December 31, 2005, no tenant represented more than 10% of accounts receivable.

Tenant receivables and accrued rent receivables are carried net of the allowances for doubtful accounts of \$4.5 million and \$4.8 million in 2006, respectively and \$1.9 million and \$3.0 million in 2005, respectively. The allowance is an estimate based on two calculations that are combined to determine the total amount reserved. First, the Partnership evaluates specific accounts where it has determined that a tenant may have an inability to meet its financial obligations. In these situations, the Partnership uses its judgment, based on the facts and circumstances, and records a specific reserve for that tenant against amounts due to reduce the receivable to the amount that the Partnership expects to collect. These reserves are reevaluated and adjusted as additional information becomes available. Second, a reserve is established for all tenants based on a range of percentages applied to receivable aging categories. These percentages are based on historical collection and write-off experience. If the financial condition of the Partnership's tenants were to deteriorate, additional allowances may be required.

### Investments in Unconsolidated Real Estate Ventures

The Partnership accounts for its investments in unconsolidated Real Estate Ventures under the equity method of accounting as it is not the primary beneficiary (for VIEs) and the Partnership exercises significant influence, but does not control these entities under the provisions of the entities' governing agreements. These investments are recorded initially at cost, as Investments in Real Estate Ventures, and subsequently adjusted for equity in earnings and cash contributions and distributions.

On a periodic basis, management assesses whether there are any indicators that the value of the Partnership's investments in unconsolidated Real Estate Ventures may be other than temporarily impaired. An investment is impaired only if the value of the investment, as estimated by management, is less than the carrying value of the investment. To the extent impairment has occurred, the loss is measured as the excess of the carrying amount of the investment over the value of the investment, as estimated by management.

To the extent that the Partnership acquires an interest in or contributes assets to a Real Estate Venture project, the difference between the Partnership's cost basis in the investment in venture and in the assets, intangibles and liabilities of the Real Estate Venture is amortized over the life of the related assets, intangibles and liabilities and such adjustment is included in the Partnership's share of equity in income of unconsolidated ventures.

### Deferred Costs

Costs incurred in connection with property leasing are capitalized as deferred leasing costs. Deferred leasing costs consist primarily of leasing commissions that are amortized on the straight-line method over the life of the respective lease which generally ranges from one to 15 years. Management re-evaluates the remaining useful lives of leasing costs as economic and market conditions change.

Costs incurred in connection with debt financing are capitalized as deferred financing costs and charged to interest expense over the terms of the related debt agreements. Deferred financing costs consist primarily of loan fees which are amortized over the related loan term. Management re-evaluates the remaining useful lives of financing costs as economic and market conditions change.

**Table of Contents****Other Assets**

As of December 31, 2006, other assets included a direct financing lease of \$14.6 million, prepaid real estate taxes of \$9.7 million, prepaid insurance of \$4.4 million, marketable securities of \$6.8 million, deposits on properties expected to be purchased in 2007 totaling \$2.2 million, cash surrender value of life insurance of \$11.6 million, furniture, fixtures and equipment of \$5.8 million and \$6 million of other assets. Also included in this balance are a \$4.3 million note receivable with a 20 year amortization period for principal and interest (balloon payment in December 2007) that bears interest at 7.5% and an \$8.0 million note receivable with a 20 year amortization period for principal and interest (balloon payment in December 2007) that bears interest at 7.5%.

As of December 31, 2005, other assets included a direct financing lease of \$15.2 million, prepaid real estate taxes of \$8.1 million, deposits on properties to be purchased in 2006 totaling \$6.9 million, cash surrender value of life insurance of \$8.2 million, furniture, fixtures and equipment of \$2.6 million and \$4.3 million of other assets. Also included in this balance is a \$4.3 million note receivable with a 20 year amortization period for principal and interest (balloon payment in December 2007) that bears interest at 7.5%.

**Revenue Recognition**

Rental revenue is recognized on the straight-line basis from the later of the date of the commencement of the lease or the date of acquisition of the property subject to existing leases, which averages minimum rents over the terms of the leases. The cumulative difference between lease revenue recognized under this method and contractual lease payment terms is recorded as accrued rent receivable on the accompanying balance sheets. The straight-line rent adjustment increased revenue by approximately \$31.3 million in 2006, \$15.0 million in 2005 and \$6.0 million in 2004. The leases also typically provide for tenant reimbursement of a portion of common area maintenance and other operating expenses. Other income is recorded when earned and is primarily comprised of termination fees received from tenants, bankruptcy settlement fees, third party leasing commissions, and third party management fees. During 2006, 2005, and 2004, the Partnership earned \$7.8 million, \$6.1 million, and \$1.5 million in termination fees. In 2004, the Partnership recorded approximately \$1.0 million plus accrued interest as other income relating to the settlement of litigation. Additionally, during 2004, the Partnership recorded approximately \$0.9 million in other income from the favorable settlement of an accrued liability. Deferred rents represent rental revenue received from tenants prior to their due dates.

No tenant represented greater than 10% of the Partnership's rental revenue in 2006, 2005 or 2004.

**Income Taxes**

No federal or state income taxes are payable by the Partnership, and accordingly, no provision for taxes has been made in the accompanying consolidated financial statements. The partners are to include their respective share of the Partnership's profits or losses in their individual tax returns. The Partnership's tax returns and the amount of allocable Partnership profits and losses are subject to examination by federal and state taxing authorities. If such examination results in changes to Partnership profits or losses, then the tax liability of the partners would be changed accordingly. The Partnership has several subsidiary real estate investment trusts ( REITs ) that have elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code ). In order to maintain their qualification as a REIT, the REIT subsidiaries are required to, among other things, distribute at least 90% of its REIT taxable income to its stockholders and meet certain tests regarding the nature of its income and assets. The REIT subsidiaries are not subject to federal income tax with respect to the portion of its income that meets certain criteria and is distributed annually to the stockholders. Accordingly, no provision for federal income taxes is included in the accompanying consolidated financial statements with respect to the operations of these operations. The REIT subsidiaries intend to continue to operate in a manner that allows them to continue to meet the requirements for taxation as REITs. Many of these requirements, however, are highly technical and complex. If one of the REIT subsidiaries were to fail to meet these requirements, the REIT subsidiaries would be subject to federal income tax. The Partnership is subject to certain state and local taxes. Provision for such taxes has been included in general and administrative expenses in the Partner's Consolidated Statements of Operations and Comprehensive Income. The tax basis in the Partnership's assets was \$4.2 billion as of December 31, 2006 and \$1.9 billion as of December 31, 2005.

The Company is subject to a 4% federal excise tax if sufficient taxable income is not distributed within prescribed time limits. The excise tax equals 4% of the annual amount, if any, by which the sum of (a) 85% of the Company's ordinary income and (b) 95% of the Company's net capital gain exceeds cash distributions and certain taxes paid by the Company. No excise tax was incurred in 2006, 2005, or 2004.

The Partnership may elect to treat one or more of its subsidiaries as a taxable REIT subsidiary ( TRS ). In general, a TRS of the Partnership may perform additional services for tenants of the Partnership and generally may engage in any real estate or non-real estate related business (except for the operation or management of health care facilities or lodging facilities or the provision to any person, under a franchise, license or otherwise, of rights to any brand name under which any lodging facility or health care facility is operated). A TRS is subject to corporate federal income tax. The Partnership has elected to treat certain of its corporate subsidiaries as TRSs, these entities provide third party property management services and certain services to tenants that could not otherwise be provided. At December 31, 2006, the Partnership's TRSs had tax net operating loss ( NOL ) carryforward of approximately \$3.0 million, expiring from 2013 to 2020. The Partnership has ascribed a full valuation allowance to its net deferred tax assets.

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**Table of Contents****Earnings Per Common Partnership Unit**

Basic earnings per Common Partnership Unit is calculated by dividing income allocated to Common Partnership Units by the weighted-average number of units outstanding during the period. Diluted earnings per Common Partnership Unit includes the effect of common partnership unit equivalents outstanding during the period.

**Stock-Based Compensation Plans**

The Partnership Agreement provides for the issuance by the Partnership to its general partner, the Company, of a number of Common Partnership Units equal to the number of common shares issued by the Company, the net proceeds of which are contributed to the Partnership. When the Company issues common shares under its equity-based compensation plan, the Partnership issues to the Company an equal number of Common Partnership Units. The Company maintains shareholder-approved equity incentive plans. The Compensation Committee of the Company's Board of Trustees authorizes awards under these plans. In May 2005, the Company's shareholders approved an amendment to the Amended and Restated 1997 Long-Term Incentive Plan (the 1997 Plan) that increased the number of common shares that may be issued or subject to award under the 1997 Plan from 5,000,000 to 6,600,000. The May 2005 amendment provided that 500,000 of the shares under the 1997 Plan are available solely for awards under options and share appreciation rights that have an exercise or strike price not less than the market price of the common shares on the date of award, and the remaining 6,100,000 shares are available for any type of award under the 1997 Plan. Incentive stock options may not be granted at exercise prices less than fair value of the shares at the time of grant. All options awarded by the Company to date are non-qualified stock options that generally vested over two to five years. As of December 31, 2006, 2.6 million common shares remained available for future award under the 1997 Plan. As part of the Company's January 2006 acquisition of Prentiss, the Company assumed Prentiss' three share incentive plans. As of December 31, 2006, approximately 1,700,000 common shares remained available for issuance or subject to award under the assumed Prentiss share incentive plans; however, any such issuances or awards under the assumed Prentiss plan may be made only to those Company employees who had been employed by Prentiss immediately prior to the Company's acquisition of Prentiss or to those Company employees hired after the Prentiss acquisition.

On January 1, 2002, the Partnership began to expense the fair value of stock-based compensation awards granted subsequent to January 1, 2002, over the applicable vesting period as a component of general and administrative expenses in the Partnership's consolidated Statements of Operations. The Partnership recognized stock-based compensation expense of \$3,447,000 in 2006, \$2,764,000 in 2005 and \$2,114,000 in 2004.

For stock-based compensation awards granted prior to 2002, the Partnership accounted for stock options issued under the recognition and measurement provisions of APB No. 25, *Accounting for Stock Issued to Employees and Related Interpretations*. Under this method, no stock-based compensation expense was recognized. Because stock options granted prior to 2002 vested over a three-year term, the resulting compensation cost based on the fair value of the awards on the date of grant, on a pro forma basis, would have been expensed in 2003, 2004, and 2005. Accordingly, had the Partnership applied the fair value recognition provisions of SFAS 123, the net income applicable to common partnership units would remain the same on a pro forma basis in 2006, and would have been reduced by \$511,000 and \$556,000 in 2005 and 2004, respectively, with no change in basic or diluted net income per share.

**Comprehensive Income**

Comprehensive income or loss is recorded in accordance with the provisions of SFAS 130 ( SFAS 130 ), *Reporting Comprehensive Income*. SFAS 130 establishes standards for reporting comprehensive income and its components in financial statements. Comprehensive income includes unrealized gains and losses on available-for-sale securities and the effective portions of changes in the fair value of derivatives.

**Accounting for Derivative Instruments and Hedging Activities**

The Partnership accounts for its derivative instruments and hedging activities under SFAS No. 133 ( SFAS 133 ), *Accounting for Derivative Instruments and Hedging Activities*, and its corresponding amendments under SFAS No. 138, *Accounting for Certain Derivative Instruments and Hedging Activities - An Amendment of SFAS 133*. SFAS 133 requires the Partnership to measure every derivative instrument

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(including certain derivative instruments embedded in other contracts) at fair value and record them in the balance sheet as either an asset or liability. For derivatives designated as fair value hedges, the changes in fair value of both the derivative instrument and the hedged item are recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of changes in the fair value of the derivative are reported in other comprehensive income. Changes in fair value of derivative instruments and ineffective portions of hedges are recognized in earnings in the current period. For the year-ended 2006 and 2005, the Partnership was not party to any derivative contract designated as a fair value hedge.

The Partnership actively manages its ratio of fixed-to-floating rate debt. To manage its fixed and floating rate debt in a cost-effective manner, the Partnership, from time to time, enters into interest rate swap agreements as cash flow hedges, under which it agrees to exchange various combinations of fixed and/or variable interest rates based on agreed upon notional amounts. See Note 12.

**Reclassifications**

Certain amounts have been reclassified in prior years to conform to the current year presentation. The reclassifications are primarily due to the treatment of sold properties as discontinued operations on the statement of operations for all periods presented.

**New Pronouncements**

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* ( SFAS No. 157 ). SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. This statement clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability. SFAS No. 157 establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data. SFAS No. 157 applies whenever other standards require assets or liabilities to be measured at fair value. This statement is effective in fiscal years beginning after November 15, 2007. The Partnership is currently evaluating the impact and believes that the adoption of this standard on January 1, 2008 will not have a material effect on our consolidated financial statements.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* ( FIN 48 ). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a Partnership's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on description, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 became effective on January 1, 2007. The Partnership is currently evaluating the impact of adopting FIN 48.

In October 2005, the FASB issued Staff Position No. 13-1 *Accounting for Rental Costs Incurred during a Construction Period* ( FSP FAS 13-1 ). FSP FAS 13-1 addresses the accounting for rental costs associated with operating leases that are incurred during the construction period. FSP FAS 13-1 makes no distinction between the right to use a leased asset during the construction period and the right to use that asset after the construction period. Therefore, rental costs associated with ground or building operating leases that are incurred during a construction period shall be recognized as rental expense, allocated over the lease term in accordance with SFAS No. 13 and Technical Bulletin 85-3. The terms of FSP FAS 13-1 are not applicable to lessees that account for the sale or rental of real estate projects in accordance with SFAS No. 67, *Accounting for Costs and Initial Rental Operations of Real Estate Projects*. FSP FAS 13-1 was effective for the first reporting period beginning after December 15, 2005. Retrospective application in accordance with SFAS 154 is permitted but not required. The adoption of FSP FAS 13-1 did not have a material effect on the consolidated financial statements of the Partnership.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections* ( SFAS 154 ). SFAS 154 replaces APB No. 20, *Accounting Changes* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements* and establishes retrospective application as the required method for reporting a change in accounting principle. SFAS 154 provides guidance for determining whether a retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Partnership adopted SFAS 154 on January 1, 2006 and this adoption had no effect on the Partnership's financial



position and results of operations.

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In March 2005, the FASB issued FIN 47, *Accounting for Conditional Asset Retirement Obligations*, an interpretation of FASB Statement No. 143, *Asset Retirement Obligations*. FIN 47 provides clarification of the term conditional asset retirement obligation as used in SFAS 143, defined as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Partnership. Under this standard, the Partnership must record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. The Partnership adopted FIN 47 as required effective December 31, 2005 and the initial application of FIN 47 did not have a material effect on the consolidated financial statements of the Partnership.

**3. REAL ESTATE INVESTMENTS**

As of December 31, 2006 and 2005, the gross carrying value of the Partnership's properties was as follows:

|                           | December 31,<br>2006   | 2005         |
|---------------------------|------------------------|--------------|
|                           | (amounts in thousands) |              |
| Land                      | \$ 756,400             | \$ 456,736   |
| Building and improvements | 3,807,040              | 1,951,252    |
| Tenant improvements       | 363,865                | 152,073      |
|                           | \$ 4,927,305           | \$ 2,560,061 |

**Acquisitions and Dispositions**

The Partnership's acquisitions were accounted for by the purchase method. The results of each acquired property are included in the Partnership's results of operations from their respective purchase dates.

**2006****Prentiss Acquisition**

On January 5, 2006, the Partnership acquired Prentiss pursuant to a merger agreement that the Company and the Partnership entered into with Prentiss on October 3, 2005. In conjunction with the Partnership's acquisition of Prentiss, designees of The Prudential Insurance Partnership of America (Prudential) acquired Prentiss properties that contain an aggregate of approximately 4.32 million net rentable square feet for a total consideration of approximately \$747.7 million. Through its acquisition of Prentiss (and after giving effect to the Prudential acquisition of certain of Prentiss' properties), the Partnership acquired a portfolio of 79 office properties (including 13 properties that are owned by consolidated Real Estate Ventures and 7 properties that are owned by an unconsolidated Real Estate Venture) that contain an aggregate of 14.0 million net rentable square feet. The results of the operations of Prentiss have been included in the Partnership's consolidated financial statements since January 5, 2006.

The Partnership funded the approximately \$1.05 billion cash portion of the merger consideration, related transaction costs and prepayments of approximately \$543.3 million in Prentiss mortgage debt at the closing of the merger through (i) a \$750 million unsecured term loan that matured on January 4, 2007 and was repaid in March 2006; (ii) approximately \$676.5 million of cash from Prudential's acquisition of certain of the Prentiss properties; and (iii) approximately \$195.0 million through borrowing under a revolving credit facility.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

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|   | <b>At January 5,<br/>2006</b> |
|---|-------------------------------|
| <b>Real estate investments</b>              |                               |
| Land operating                              | \$ 282,584                    |
| Building and improvements                   | 1,942,728                     |
| Tenant improvements                         | 120,610                       |
| Construction in progress and land inventory | 57,329                        |
| <br>Total real estate investments acquired  | <br>2,403,251                 |
| <br><b>Rent receivables</b>                 | <br>6,031                     |
| <b>Other assets acquired:</b>               |                               |
| Intangible assets:                          |                               |
| In-place leases                             | 187,907                       |
| Relationship values                         | 98,382                        |
| Above-market leases                         | 26,352                        |
| <br>Total intangible assets acquired        | <br>312,641                   |
| Investment in real estate ventures          | 66,921                        |
| Investment in marketable securities         | 193,089                       |
| Other assets                                | 8,868                         |
| <br>Total other assets                      | <br>581,519                   |
| <br><b>Total assets acquired</b>            | <br>2,990,801                 |
| <br><b>Liabilities assumed:</b>             |                               |
| Mortgage notes payable                      | 532,607                       |
| Unsecured notes                             | 78,610                        |
| Secured note payable                        | 186,116                       |
| Security deposits and deferred rent         | 6,475                         |
| Other liabilities:                          |                               |
| Below-market leases                         | 78,911                        |
| Other liabilities                           | 43,995                        |
| <br>Total other liabilities assumed         | <br>122,906                   |
| Total liabilities assumed                   | 926,714                       |
| Minority interest                           | 104,658                       |
| <br><b>Net assets acquired</b>              | <br>\$ 1,959,429              |

In the acquisition of Prentiss, each then outstanding Prentiss common share was converted into the right to receive 0.69 of a Brandywine common share and \$21.50 in cash (the Per Share Merger Consideration ) except that 497,884 Prentiss common shares held in the Prentiss Deferred Compensation Plan converted solely into 720,737 Brandywine common shares. In addition, each then outstanding unit (each, a Prentiss OP Unit ) of limited partnership interest in the Prentiss operating partnership subsidiary was, at the option of the holder, converted into Prentiss Common Shares with the right to receive the Per Share Merger Consideration or 1.3799 Class A units of the Partnership ( Class A units ). Accordingly, based on 49,375,723 Prentiss common shares outstanding and 139,000 Prentiss OP Units electing

to receive merger consideration at closing of the acquisition, the Company issued 34,541,946 common shares and paid an aggregate of approximately \$1.05 billion in cash to the accounts of the former Prentiss shareholders. Based on 1,572,612 Prentiss OP Units outstanding at closing of the acquisition that did not elect to receive merger consideration, the Operating Partnership issued 2,170,047 Class A units. In addition, options issued by Prentiss that were exercisable for an aggregate of 342,662 Prentiss common shares were converted into options exercisable for an aggregate of 496,037 Brandywine common shares at a weighted average exercise price of \$22.00 per share. Through its acquisition of Prentiss the Partnership also assumed approximately \$611.2 million in aggregate principal amount of Prentiss debt.

Each Class A unit that was issued in the merger is subject to redemption at the option of the holder. The Company may, at its option, satisfy the redemption either for an amount, per unit, of cash equal to the then market price of one Brandywine common share (based on the prior ten-day trading average) or for one Brandywine common share.

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For purposes of computing the total purchase price reflected in the financial statements, the common shares, Class A units, restricted shares and options that were issued in the Prentiss transaction were valued based on the average trading price per Brandywine common share of \$29.54. The average trading price was based on the average of the high and low trading prices for each of the two trading days before, the day of and the two trading days after the merger was announced (i.e., September 29, September 30, October 3, October 4 and October 5).

The Partnership considered the provisions of FIN 47 for these acquisitions and, where necessary, recorded a conditional asset retirement obligation as part of the purchase price. The aggregate asset retirement recorded in connection with the Prentiss acquisition was approximately \$2.7 million.

Pro forma information relating to the acquisition of Prentiss is presented below as if Prentiss was acquired and the related financing transactions occurred on January 1, 2005. These pro forma results are not necessarily indicative of the results which actually would have occurred if the acquisition had occurred on the first day of the periods presented, nor does the pro forma financial information purport to represent the results of operations for future periods (in thousands, except per share amounts):

|  | December 31,<br>2006                      2005<br>(unaudited) |            |
|--|---|------------|
| Pro forma revenue  | \$ 666,205  | \$ 644,273 |
| Pro forma loss from continuing operations                        | (14,694)  | (19,163)   |
| Pro forma income (loss) allocated to common partnership units    | 2,999   | (22,404)   |
| Earnings per common partnership units from continuing operations |   |            |
| Basic as reported  | \$ (0.25)   | \$ 0.54    |
| Basic as pro forma   | \$ (0.24)   | \$ (0.30)  |
| Diluted as reported  | \$ (0.24)   | \$ 0.54    |
| Diluted as pro forma   | \$ (0.24)   | \$ (0.29)  |
| Earnings per common partnership units                            |   |            |
| Basic as reported  | \$ 0.03   | \$ 0.63    |
| Basic as pro forma   | \$ 0.03   | \$ (0.24)  |
| Diluted as reported  | \$ 0.03   | \$ 0.62    |
| Diluted as pro forma   | \$ 0.03   | \$ (0.24)  |

Subsequent to its acquisition of Prentiss and the related sale of certain properties to Prudential, the Partnership sold seventeen of the acquired properties that contain an aggregate of 2.9 million net rentable square feet and one parcel of land containing 10.9 acres.

*Other Acquisitions and Dispositions*

In addition to the acquisition activity related to Prentiss, during 2006, the Partnership also acquired five office properties containing 839,704 net rentable square feet and 93.4 acres of developable land for an aggregate purchase price of \$245.1 million. In addition to sales of assets acquired in the Prentiss merger, the Partnership sold six office properties containing 512,237 net rentable square feet and two parcels of land containing 65.8 acres for an aggregate \$96.2 million, realizing net gains totaling \$31.5 million.

2005

During 2005, the Partnership acquired one industrial property containing 385,884 net rentable square feet, two office properties containing 283,511 net rentable square feet and 36.4 acres of developable land for an aggregate purchase price of \$94.5 million. The Partnership sold the industrial property containing 385,884

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net rentable square feet and three parcels of land containing 18.0 acres for an aggregate \$30.2 million, realizing net gains totaling \$6.8 million.

2004

During 2004, the Partnership acquired one office property in Marlton, New Jersey, totaling 170,000 square feet, and one land parcel totaling 58.4 acres for aggregate consideration of \$22.9 million.

On September 21, 2004, the Partnership completed the acquisition of 100% of the partnership interests in The Rubenstein Company, L.P. ( TRC ). Through the acquisition, the Partnership acquired 14 office properties (the TRC Properties ) located in Pennsylvania and Delaware that contain approximately 3.5 million net rentable square feet. The results of TRC s operations have been included in the consolidated financial statements since that date.

The aggregate consideration for the TRC Properties was \$631.3 million including \$29.3 million of closing costs, debt prepayment penalties and debt premiums that are included in the basis of the assets acquired. The consideration was paid with \$540.4 million of cash, \$79.3 million of debt assumed, \$1.6 million of other liabilities assumed, and 343,006 Class A units valued at \$10.0 million. The value of the debt assumed was based on prevailing market rates at the time of acquisition. The value of the Class A units was based on the average trading price of the Company s common shares.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

|  | <b>At September 21,<br/>2004</b> |
|--|----------------------------------|
| <b>Real estate investments</b>         |                                  |
| Land                                   | \$ 105,302                       |
| Building and improvements              | 434,795                          |
| Tenant improvements                    | 20,322                           |
| Total real estate investments acquired | 560,419                          |
| <b>Rent receivables</b>                | 5,537                            |
| <b>Other assets acquired:</b>          |                                  |
| Intangible assets:                     |                                  |
| In-Place leases                        | 49,455                           |
| Relationship values                    | 35,548                           |
| Above-market leases                    | 13,240                           |
| Total intangible assets acquired       | 98,243                           |
| Other assets                           | 6,292                            |
| Total Other assets                     | 104,535                          |
| <b>Total assets acquired</b>           | <b>670,491</b>                   |
| <b>Liabilities assumed:</b>            |                                  |
| Mortgage notes payable                 | 79,330                           |
| Security deposits and deferred rent    | 618                              |
| Other liabilities:                     |                                  |
| Below-market leases                    | 39,204                           |
| Other liabilities                      | 943                              |
| Total other liabilities assumed        | 40,147                           |

|                           |  |         |
|---------------------------|--|---------|
| Total liabilities assumed |  | 120,095 |
|---------------------------|--|---------|

|                            |    |         |
|----------------------------|----|---------|
| <b>Net assets acquired</b> | \$ | 550,396 |
|----------------------------|----|---------|

The net assets acquired above do not include any amounts potentially due to the sellers as contingent consideration as part of the transaction. The Partnership agreed to issue the sellers up to a maximum of \$9.7 million of additional Class A units if certain of the TRC Properties achieve at least 95% occupancy prior to September 21, 2007. The maximum number of Class A units that the Partnership is obligated to issue declines monthly and, as of December 31, 2006, the maximum balance payable under this arrangement was \$1.8 million, with no amount currently due.

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At the closing of this transaction, the Partnership agreed not to sell the TRC Properties in a transaction that would trigger taxable income to the contributors (i.e., sellers) for periods ranging from three to 15 years. In the event that the Partnership sells any of the properties in such a transaction within the applicable restricted period, the Partnership will be required to pay significant tax liabilities that would be incurred by the contributors.

The Partnership financed the TRC acquisition using the net proceeds from the Company's September 2004 common share offering, after repayment of the Partnership's \$100.0 million unsecured term loan facility, and the net proceeds received from two unsecured term loans.

During 2004, the Partnership sold two office properties containing 141,000 net rentable square feet, two industrial properties containing 184,000 net rentable square feet and three land parcels containing 29.3 acres for an aggregate of \$31.4 million, realizing a net gain of \$2.1 million. As part of the sale of one property, the Partnership provided the buyer with \$4.4 million in mortgage financing.

Additionally, the Partnership purchased and sold a land parcel containing 93 acres in two separate transactions with unrelated third parties. The purchase and sale resulted in a net gain of approximately \$1.5 million. As part of the sale, the Partnership provided the buyer with \$4.0 million in mortgage financing. Subsequent to the sale and prior to December 31, 2004, the mortgage financing was repaid in full.

During 2004, the Partnership recognized a \$2.5 million deferred gain from the sale of a property in 2002 that did not previously qualify for gain recognition under the full-accrual method. During 2004, the buyer of the property repaid the seller provided financing and the criteria for gain recognition under the full-accrual method were met. The deferred gain recognized was presented within discontinued operations consistent with the historical operating results from the property.

**4. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURES**

As of December 31, 2006, the Partnership had an aggregate investment of approximately \$74.6 million in 11 unconsolidated Real Estate Ventures (net of returns of investment). The Partnership or Prentiss formed these ventures with unaffiliated third parties to develop office properties or to acquire land in anticipation of possible development of office properties. Nine of the Real Estate Ventures own 15 office buildings that contain an aggregate of approximately 2.7 million net rentable square feet, one Real Estate Venture developed a hotel property that contains 137 rooms and one Real Estate Venture is developing an office property located in Albemarle County, VA.

The Partnership also has investments in four real estate ventures that are variable interest entities under FIN No. 46R and of which the Partnership is the primary beneficiary.

The Partnership accounts for its unconsolidated interests in its Real Estate Ventures using the equity method.

Unconsolidated ownership interests range from 6% to 50%, subject to specified priority allocations in certain of the Real Estate Ventures.

The amounts reflected below (except for Partnership's share of equity and income) are based on the historical financial information of the individual Real Estate Ventures. One of the Real Estate Ventures, acquired in connection with the Prentiss acquisition, had a negative equity balance on a historical cost basis as a result of historical depreciation and distribution of excess financing proceeds. The Partnership reflected its acquisition of this Real Estate Venture interest at its relative fair value as of the date of the purchase of Prentiss. The difference between allocated cost and the underlying equity in the net assets of the investee is accounted for as if the entity were consolidated (i.e., allocated to the Partnership's relative share of assets and liabilities with an adjustment to recognize equity in earnings for the appropriate additional depreciation/amortization).

The Partnership's investment in Real Estate Ventures as of December 31, 2006 and the Partnership's share of the Real Estate Ventures' income (loss) for the year ended December 31, 2006 was as follows (in thousands):

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|                               | Ownership<br>Percentage<br>(1) | Carrying<br>Amount | Company's<br>Share<br>of Real Estate<br>Venture<br>Income<br>(Loss) | Real Estate<br>Venture<br>Debt at<br>100% | Current<br>Interest<br>Rate | Debt<br>Maturity |
|-------------------------------|--------------------------------|--------------------|---|---|-----------------------------|------------------|
| Two Tower Bridge Associates   | 35%                            | \$ 2,290           | \$ (102)  | \$ 11,430                                 | 6.82%                       | May-08           |
| Five Tower Bridge Associates  | 15%                            | 162                | 57  | 29,927                                    | 6.77%                       | Feb-09           |
| Eight Tower Bridge Associates | 5.5%                           | 1,184              | (175)   | 41,830                                    | 7.68%                       | Feb-12           |
| 1000 Chesterbrook Boulevard   | 50%                            | 2,608              | 660   | 26,791                                    | 6.88%                       | Nov-11           |
| PJP Building Two, LC          | 30%                            | 143                | 107   | 5,282                                     | 6.12%                       | Nov-23           |
| PJP Building Three, LC        | 25%                            | 30                 | 76  |   | N/A                         | N/A              |
| PJP Building Five, LC         | 25%                            | 169                | 59  | 6,503                                     | 6.47%                       | Aug-19           |
| PJP Building Six, LC          | 25%                            | 75                 |   | 4,597                                     | 7.08%                       | (3)              |
| Macquarie BDN Christina LLC   | 20%                            | 3,351              | 927   | 74,500                                    | 4.62%                       | Jan-09           |
| Broadmoor Austin Associates   | 50%                            | 63,793             | 446   | 117,249                                   | 5.79%                       | Apr-11           |
| Residence Inn Tower Bridge    | 50%                            | 769                | 110   | 14,480                                    | 5.63%                       | Jan-16           |
| Invesco, L.P. (2)             | 35%                            |                    |   |   | N/A                         | N/A              |
|                               |                                | \$ 74,574          | \$ 2,165  | \$ 332,589                                |                             |                  |

(1) Ownership percentage represents the Partnership's entitlement to residual distributions after payments of priority returns, where applicable.

(2) The Partnership's interest consists solely of a residual profits interest.

(3) Property is under development as of December 31, 2006, with an expected completion date in the first quarter of 2007, at which time the outstanding balance is expected to be converted to permanent financing.

The following is a summary of the financial position of the unconsolidated Real Estate Ventures in which the Partnership had investment interests as of December 31, 2006 and 2005 (in thousands):

|   | December 31, |            |
|---|--------------|------------|
|   | 2006         | 2005       |
| Net property                                      | \$ 365,168   | \$ 286,601 |
| Other assets                                      | 52,935       | 32,291     |
| Other Liabilities                                 | 28,764       | 24,855     |
| Debt  | 332,589      | 205,018    |
| Equity  | 56,888       | 88,995     |
| Partnership's share of equity (Partnership basis) | 74,574       | 13,331     |

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The following is a summary of results of operations of the unconsolidated Real Estate Ventures in which the Partnership had interests as of December 31, 2006, 2005 and 2004 (in thousands):

|   | 2006      | 2005      | 2004      |
|---|-----------|-----------|-----------|
| Revenue   | \$ 70,381 | \$ 59,346 | \$ 46,906 |
| Operating expenses                                | 26,878    | 29,387    | 19,395    |
| Interest expense, net                             | 21,711    | 12,324    | 11,843    |
| Depreciation and amortization                     | 10,808    | 9,359     | 9,514     |
| Net income  | 12,711    | 8,276     | 6,154     |
| Partnership's share of income (Partnership basis) | 2,165     | 3,172     | 2,023     |

As of December 31, 2006, the aggregate principal payments of non-recourse debt payable to third-parties is as follows (in thousands):

|            |            |
|------------|------------|
| 2007       | \$ 28,166  |
| 2008       | 20,592     |
| 2009       | 38,109     |
| 2010       | 9,336      |
| 2011       | 110,440    |
| Thereafter | 125,946    |
|            | \$ 332,589 |

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As of December 31, 2006, the Partnership had guaranteed repayment of approximately \$0.6 million of loans on behalf of certain Real Estate Ventures. The Partnership also provides customary environmental indemnities and completion guarantees in connection with construction and permanent financing both for its own account and on behalf of its Real Estate Ventures.

**5. DEFERRED COSTS**

As of December 31, 2006 and 2005, the Partnership's deferred costs were comprised of the following (in thousands):

|                 | December 31, 2006 |                             |                           |
|-----------------|-------------------|-----------------------------|---------------------------|
|                 | Total<br>Cost     | Accumulated<br>Amortization | Deferred<br>Costs,<br>net |
| Leasing Costs   | \$ 83,629         | \$ (28,278)                 | \$ 55,351                 |
| Financing Costs | 24,648            | (6,291)                     | 18,357                    |
| Total           | \$ 108,277        | \$ (34,569)                 | \$ 73,708                 |

  

|                 | December 31, 2005 |                             |                           |
|-----------------|-------------------|-----------------------------|---------------------------|
|                 | Total<br>Cost     | Accumulated<br>Amortization | Deferred<br>Costs,<br>net |
| Leasing Costs   | \$ 52,476         | \$ (23,116)                 | \$ 29,360                 |
| Financing Costs | 9,793             | (1,551)                     | 8,242                     |
| Total           | \$ 62,269         | \$ (24,667)                 | \$ 37,602                 |

During 2006, 2005 and 2004, the Partnership capitalized internal direct leasing costs of \$8.3 million, \$4.7 million and \$4.0 million, respectively, in accordance with SFAS No. 91 and related guidance.

**Table of Contents****6. INTANGIBLE ASSETS/LIABILITIES**

As of December 31, 2006 and 2005, the Partnership's intangible assets/liabilities were comprised of the following (in thousands):

|                              | Total Cost        | Accumulated<br>Amortization | Deferred<br>Costs,<br>net |
|------------------------------|-------------------|-----------------------------|---------------------------|
| In-place lease value         | \$ 207,513        | \$ (52,293)                 | \$ 155,220                |
| Tenant relationship value    | 124,605           | (19,572)                    | 105,033                   |
| Above market leases acquired | 32,667            | (11,669)                    | 20,998                    |
| <b>Total</b>                 | <b>\$ 364,785</b> | <b>\$ (83,534)</b>          | <b>\$ 281,251</b>         |
| <br>                         |                   |                             |                           |
| Below market leases acquired | \$ 118,536        | \$ (26,009)                 | \$ 92,527                 |

|                              | December 31, 2005 |                             |                           |
|------------------------------|-------------------|-----------------------------|---------------------------|
|                              | Total<br>Cost     | Accumulated<br>Amortization | Deferred<br>Costs,<br>net |
| In-place lease value         | \$ 47,965         | \$ (12,575)                 | \$ 35,390                 |
| Tenant relationship value    | 37,845            | (5,606)                     | 32,239                    |
| Above market leases acquired | 14,404            | (3,936)                     | 10,468                    |
| <b>Total</b>                 | <b>\$ 100,214</b> | <b>\$ (22,117)</b>          | <b>\$ 78,097</b>          |
| <br>                         |                   |                             |                           |
| Below market leases acquired | \$ 41,635         | \$ (6,931)                  | \$ 34,704                 |

For the year ended December 31, 2006, 2005, and 2004 the Partnership wrote-off \$1.2 million, \$1.1 million, and \$0.2 million, respectively of intangible assets as a result of tenant move-outs prior to the end of the associated lease terms. The Partnership wrote off approximately \$0.1 million of intangible liabilities as a result of tenant move-outs in each of the years ending December 31, 2006, 2005, and 2004.

As of December 31, 2006, the Partnership's annual amortization for its intangible assets/liabilities are as follows (in thousands, assumes no early terminations):

|              | Assets            | Liabilities      |
|--------------|-------------------|------------------|
| 2007         | \$ 56,795         | \$ 19,735        |
| 2008         | 46,827            | 15,039           |
| 2009         | 41,312            | 13,013           |
| 2010         | 34,470            | 10,513           |
| 2011         | 27,584            | 8,725            |
| Thereafter   | 74,263            | 25,502           |
| <b>Total</b> | <b>\$ 281,251</b> | <b>\$ 92,527</b> |



**Table of Contents****7. MORTGAGE NOTES PAYABLE**

The following table sets forth information regarding the Partnership's mortgage indebtedness outstanding at December 31, 2006 and 2005 (in thousands):

| Property / Location                        | December<br>31,<br>2006 | December<br>31,<br>2005 | Effective<br>Interest<br>Rate<br>@<br>12/31/06 |     | Maturity<br>Date |
|--|-------------------------|-------------------------|--|-----|------------------|
| 111 Arrandale Blvd                         | \$                      | \$ 1,043                |  |     | Aug-06           |
| 429 Creamery Way                           |                         | 2,927                   |  |     | Sep-06           |
| Interstate Center                          | 552                     | 766                     | 6.19%  | (b) | Mar-07           |
| 440 & 442 Creamery Way                     | 5,421                   | 5,581                   | 8.55%  |     | Jul-07           |
| Norriton Office Center                     |                         | 5,191                   | 8.50%  |     | Oct-07           |
| 481 John Young Way                         | 2,294                   | 2,360                   | 8.40%  |     | Nov-07           |
| 400 Commerce Drive                         | 11,797                  | 11,989                  | 7.12%  |     | Jun-08           |
| Two Logan Square                           | 71,348                  | 72,468                  | 5.78%  | (a) | Jul-09           |
| The Bluffs                                 | 10,700                  |                         | 6.00%  | (a) | Jul-09           |
| Pacific Ridge                              | 14,500                  |                         | 6.00%  | (a) | Aug-09           |
| Pacific View/Camino                        | 26,000                  |                         | 6.00%  | (a) | Aug-09           |
| Computer Associates Building               | 31,000                  |                         | 6.00%  | (a) | Aug-09           |
| 200 Commerce Drive                         | 5,841                   | 5,911                   | 7.12%  | (a) | Jan-10           |
| Presidents Plaza                           | 30,900                  |                         | 6.00%  | (a) | May-10           |
| 1333 Broadway                              | 24,418                  |                         | 5.18%  | (a) | May-10           |
| The Ordway                                 | 46,199                  |                         | 7.95%  | (a) | Aug-10           |
| World Savings Center                       | 27,524                  |                         | 7.91%  | (a) | Nov-10           |
| Plymouth Meeting Exec.                     | 44,103                  | 44,687                  | 7.00%  | (a) | Dec-10           |
| Four Tower Bridge                          | 10,626                  | 10,763                  | 6.62%  |     | Feb-11           |
| Arboretum I, II, III & V                   | 22,750                  | 23,238                  | 7.59%  |     | Jul-11           |
| Midlantic Drive/Lenox Drive/DCC I          | 62,678                  | 63,803                  | 8.05%  |     | Oct-11           |
| Research Office Center                     | 42,205                  |                         | 7.64%  | (a) | Oct-11           |
| Concord Airport Plaza                      | 38,461                  |                         | 7.20%  | (a) | Jan-12           |
| Six Tower Bridge                           | 14,744                  | 15,083                  | 7.79%  |     | Aug-12           |
| Newtown Square/Berwyn                      |                         |                         |  |     |                  |
| Park/Libertyview                           | 63,231                  | 64,429                  | 7.25%  |     | May-13           |
| Coppell Associates                         | 3,737                   |                         | 6.89%  |     | Dec-13           |
| Southpoint III                             | 4,948                   | 5,431                   | 7.75%  |     | Apr-14           |
| Tyson's Corner                             | 100,000                 |                         | 4.84%  | (a) | Aug-15           |
| Coppell Associates                         | 16,600                  |                         | 5.75%  |     | Mar-16           |
| Grande A                                   | 59,512                  | 61,092                  | 7.48%  |     | Jul-27           |
| Grande A                                   |                         | 11,456                  |  |     | Jul-27           |
| Grande A                                   |                         | 1,551                   |  |     | Jul-27           |
| Grande B                                   | 77,534                  | 79,036                  | 7.48%  |     | Jul-27           |
| Principal balance outstanding              | 869,623                 | 488,805                 |  |     |                  |
| Plus: unamortized fixed-rate debt premiums | 14,294                  | 5,972                   |  |     |                  |
| Total mortgage indebtedness                | \$ 883,917              | \$ 494,777              |  |     |                  |

(c) Loans were assumed upon acquisition of the related property. Interest rates presented above reflect the market rate at the time of acquisition.

(d) For loans that bear interest at a variable rate, the rates in effect at December 31, 2006 have been presented.

The mortgage note payable balance of \$5.1 million for Norriton Office Center as of December 31, 2006, not included in the table above, is included in Mortgage notes payable and other liabilities held for sale on the balance sheet.

During 2006, 2005 and 2004, the Partnership's weighted-average interest rate on its mortgage notes payable was 6.57%, 7.17% and 6.80%, respectively. As of December 31, 2006 and 2005, the net carrying value of the Partnership's Properties that are encumbered by mortgage indebtedness was \$1,498.9 million and \$779.2 million, respectively.

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As of December 31, 2006, the Partnership's aggregate principal payments, excluding payments on one mortgage note held for sale at December 31, 2006, were as follows (in thousands):

|                             |            |
|-----------------------------|------------|
| 2007                        | \$ 20,643  |
| 2008                        | 25,228     |
| 2009                        | 168,237    |
| 2010                        | 192,601    |
| 2011                        | 140,128    |
| Thereafter                  | 337,083    |
| Total mortgage indebtedness | \$ 883,920 |

**8. UNSECURED NOTES**

The following table sets forth information regarding the Partnership's unsecured notes outstanding at December 31, 2006 and 2005 (in thousands):

| Year of Maturity            | December 31, 2006 | December 31, 2005 | Stated Interest Rate | Effective Interest Rate |
|-----------------------------|-------------------|-------------------|----------------------|-------------------------|
| 2008                        | 113,000           | 113,000           | 4.34%                | 4.34%(a)                |
| 2009                        | 300,000           |                   | Libor + 0.45%        | 5.78%(a)                |
| 2009                        | 275,000           | 275,000           | 4.50%                | 4.62%(a)                |
| 2010                        | 300,000           | 300,000           | 5.63%                | 5.61%(a)                |
| 2011                        | 345,000           |                   | 3.88%                | 3.88%                   |
| 2012                        | 300,000           |                   | 5.75%                | 5.77%(a)                |
| 2014                        | 250,000           | 250,000           | 5.40%                | 5.53%(a)                |
| 2016                        | 250,000           |                   | 6.00%                | 5.95%(a)                |
| 2035                        | 27,062            |                   | Libor + 1.25%        | 6.58%                   |
| 2035                        | 25,774            |                   | Libor + 1.25%        | 6.58%                   |
| 2035                        | 25,774            |                   | Libor + 1.25%        | 6.58%                   |
| Total face amount           | \$ 2,211,610      | \$ 938,000        |                      |                         |
| Less: unamortized discounts | (3,300)           | (1,393)           |                      |                         |
| Total unsecured notes       | \$ 2,208,310      | \$ 936,607        |                      |                         |

(a) Rates include the effect of amortization of discounts and costs related to settlement of

treasury lock  
agreements.

On March 28, 2006, the Partnership completed an underwritten public offering of (1) \$300,000,000 aggregate principal amount of unsecured floating rate notes due 2009 (the 2009 Notes ), (2) \$300,000,000 aggregate principal amount of 5.75% unsecured notes due 2012 (the 2012 Notes ) and (3) \$250,000,000 aggregate principal amount of 6.00% unsecured notes due 2016 (the 2016 Notes ). The Company guaranteed the payment of principal and interest on the 2009 Notes, the 2012 Notes and the 2016 Notes. The Partnership used proceeds from these notes to repay a term loan obtained to finance a portion of the consideration paid in the Prentiss merger and to reduce borrowings under its revolving credit facility.

In March 2006, in anticipation of the offering of the 2009 Notes, the 2012 Notes and the 2016 Notes, the Partnership entered into forward starting swaps. The forward starting swaps were designated as cash flow hedges of interest rate risk and qualified for hedge accounting. The forward starting swaps were for notional amounts totaling \$200.0 million at an all-in-rate of 5.2%. Two of the forward starting swaps had a six year maturity date and one had a ten year maturity date. The forward starting swaps were settled in March 2006 upon the completion of the offering of the 2009, 2012, and 2016 Notes at a total benefit of approximately \$3.3 million. The benefit was recorded as a component of accumulated other comprehensive income in the accompanying consolidated balance sheet and is being amortized to interest expense over the term of the unsecured notes.

On October 4, 2006, the Partnership completed an offering of \$300.0 million aggregate principal amount of 3.875% senior convertible notes due 2026 in an offering made in reliance upon an exemption from registration rights under Rule 144A under the Securities Act of 1933 and issued an additional \$45 million of exchangeable notes on October 16, 2006 to cover over-allotments. At certain times and upon the occurrence of certain events, the notes are convertible into cash up to their principal amount and, with respect to the remainder, if any, of the exchange value in excess of such principal amount, cash or shares of the Company's common shares. The initial exchange rate will be 25.4065 shares per \$1,000 principal amount of notes (which is equivalent to an initial exchange price of \$39.36 per share). The notes may not be redeemed by the Company prior to October 20, 2011 (except to preserve the Company's status as a REIT), but are redeemable anytime thereafter, in whole or in part, at a redemption price equal to the principal amount of the notes plus any accrued and unpaid interest (including additional interest), if any. In addition, on October 20, 2011, October 15, 2016, and October 15, 2021, or upon the occurrence of certain change in control transactions prior to October 20, 2011, note holders may require the Company to repurchase all or a portion of the notes at a purchase price equal to the principal amount plus any accrued and unpaid interest on the notes. Net proceeds from the October 2006 Debt Offering were used to repurchase approximately \$60.0 million of the Company's common stock at a price of \$32.80 per share and for general corporate purposes, including the repayment of outstanding borrowings under the Company's unsecured revolving credit facility.

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On November 24, 2006, the Partnership prepaid a secured note (the Defeased Note ) having an outstanding balance of \$180.1 million. The Defeased Note had a maturity date of February 2007 and related to a voluntary defeasance of secured debt by Prentiss in the fourth quarter of 2005 in which Prentiss exercised the right to complete a voluntary defeasance of a \$180.1 million secured loan. Pursuant to the defeasance, Prentiss assigned its obligations under the Defeased Note to an unrelated successor entity together with funds to acquire U.S. Treasury Securities sufficient to provide for the payment in full of debt service (including interest and principal) on the Defeased Note from the defeasance date through the loan maturity date.

The indenture relating to the unsecured notes, contains financial restrictions and requirements, including (1) a leverage ratio not to exceed 60%, (2) a secured debt leverage ratio not to exceed 40%, (3) a debt service coverage ratio of greater than 1.5 to 1.0, and (4) an unencumbered asset value of not less than 150% of unsecured debt. In addition, the note purchase agreement relating to the Partnership's \$113 million principal amount of unsecured notes due 2008 contains covenants that are similar to the covenants in the indenture.

In October 2005, in anticipation of the offering of the 2010 Notes, the Partnership entered into forward starting swaps. The forward starting swaps were designated as cash flow hedges of interest rate risk and qualified for hedge accounting. The forward starting swaps were for notional amounts totaling \$125.0 million for an expiration of five years at an all-in-rate of 4.9%. The forward starting swaps were settled in December 2005 upon the completion of the offering of the 2010 Notes at a total benefit of approximately \$0.2 million. The benefit was recorded as a component of accumulated other comprehensive income in the accompanying consolidated balance sheet and is being amortized to interest expense over the term of the unsecured notes.

On December 20, 2005, the Partnership completed an underwritten public offering of \$300 million aggregate principal amount of 5.625% unsecured notes due December 15, 2010 (the 2010 Notes ). The Company guaranteed the payment of principal and interest on the 2010 Notes.

**9. UNSECURED CREDIT FACILITY**

The Partnership utilizes credit facility borrowings for general business purposes, including the acquisition, development and redevelopment of properties and the repayment of other debt. In December 2005, the Partnership replaced its then existing credit facility with a \$600.0 million unsecured credit facility (the Credit Facility ) that matures in December 2009, subject to a one-year extension option. Borrowings under the Credit Facility generally bear interest at LIBOR plus a spread over LIBOR ranging from 0.55% to 1.10% based on the Company's unsecured senior debt rating. The Partnership has the option to increase the Credit Facility to \$800.0 million subject to the absence of any defaults and the Partnership's ability to acquire additional commitments from its existing lenders or new lenders. As of December 31, 2006, the Partnership had \$60.0 million of borrowings and \$24.2 million of letters of credit outstanding under the Credit Facility, leaving \$516.0 million of unused availability. The weighted-average interest rate on the Partnership's unsecured credit facilities, including the effect of interest rate hedges, was 5.93% in 2006, 4.58% in 2005 and 3.79% in 2004.

The Credit Facility requires the maintenance of ratios related to minimum net worth, debt-to-total capitalization and fixed charge coverage and includes non-financial covenants.

**10. UNSECURED TERM LOANS**

On March 28, 2006, the Partnership terminated, and repaid all amounts outstanding under, the \$750 million Term Loan Agreement that it entered into on January 5, 2006 with JPMorgan Chase Bank, N.A., as Administrative Agent and Syndication Agent, J.P. Morgan Securities Inc., as Lead Arranger and Sole

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Bookrunner, and the lenders identified therein. The Partnership entered into the Term Loan Agreement in connection with its acquisition through the merger of Prentiss on January 5, 2006.

During 2004, the Partnership repaid all amounts outstanding under its \$100 million unsecured term loan facility. The \$100.0 million unsecured term loan bore interest at LIBOR plus a spread ranging from 1.05% to 1.9% per annum based on the Partnership's leverage.

In connection with the TRC acquisition in September 2004, the Partnership obtained two term loans: a \$320 million unsecured term loan due in 2007 (the 2007 Term Loan) and a \$113 million term loan due in 2008 (the 2008 Term Loan). In October 2004, the Partnership repaid all amounts outstanding under its 2007 Term Loan with proceeds of the 2009 and 2014 unsecured notes issued on October 22, 2004. In December 2004, the Partnership repaid the 2008 Term Loan with the proceeds of the 2008 unsecured notes, which were issued by the Partnership. The Company has guaranteed the payment of the principal of and interest on the 2008 unsecured notes. A former partner in TRC has also provided a guaranty of the 2008 unsecured notes (although this guaranty does not in any way limit or diminish the obligations of the Partnership or obligations arising under the guarantee that the Company provided). As a result of the repayments of the 2007 and 2008 Term Loans, the Partnership wrote-off approximately \$3.0 million of unamortized deferred financing costs in 2004. These write-offs are presented as deferred financing costs within interest expense in the consolidated statement of operations. While outstanding, the 2007 and 2008 Term Loans bore interest at LIBOR plus spreads of 1.1% and 1.35%, respectively.

As of December 31, 2006 and 2005, the Partnership had no unsecured term loans outstanding.

**11. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following fair value disclosure was determined by the Partnership using available market information and discounted cash flow analyses as of December 31, 2006 and 2005, respectively. The discount rate used in calculating fair value is the sum of the current risk free rate and the risk premium on the date of acquiring or assuming the instruments or obligations. Considerable judgment is necessary to interpret market data and to develop the related estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Partnership could realize upon disposition. The use of different estimation methodologies may have a material effect on the estimated fair value amounts. The Partnership believes that the carrying amounts reflected in the Consolidated Balance Sheets at December 31, 2006 and 2005 approximate the fair values for cash and cash equivalents, accounts receivable, other assets, accounts payable, accrued expenses and borrowings under variable rate debt instruments. The following are financial instruments for which the Partnership estimates of fair value differ from the carrying amounts (in thousands):

|                         | <b>December 31, 2006</b>   |                       | <b>December 31, 2005</b>   |                       |
|-------------------------|----------------------------|-----------------------|----------------------------|-----------------------|
|                         | <b>Carrying<br/>Amount</b> | <b>Fair<br/>Value</b> | <b>Carrying<br/>Amount</b> | <b>Fair<br/>Value</b> |
| Mortgage payable        | \$ 88,470                  | \$ 859,490            | \$ 481,006                 | \$ 521,607            |
| Unsecured Notes payable | \$ 1,829,701               | \$ 1,826,357          | \$ 936,607                 | \$ 920,470            |

**12. RISK MANAGEMENT AND USE OF FINANCIAL INSTRUMENTS****Risk Management**

In the normal course of its on-going business operations, the Partnership encounters economic risk. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Partnership is subject to interest rate risk on its interest-bearing liabilities. Credit risk is the risk of inability or unwillingness of tenants to make contractually required payments. Market risk is the risk of declines in the value of properties due to changes in rental rates, interest rates or other market factors affecting the valuation of properties held by the Partnership.

**Table of Contents****Use of Derivative Financial Instruments**

The Partnership's use of derivative instruments is limited to the utilization of interest rate agreements or other instruments to manage interest rate risk exposures and not for speculative purposes. The principal objective of such arrangements is to minimize the risks and/or costs associated with the Partnership's operating and financial structure, as well as to hedge specific transactions. The counterparties to these arrangements are major financial institutions with which the Partnership and its affiliates may also have other financial relationships. The Partnership is potentially exposed to credit loss in the event of non-performance by these counterparties. However, because of the high credit ratings of the counterparties, the Partnership does not anticipate that any of the counterparties will fail to meet these obligations as they come due. The Partnership does not hedge credit or property value market risks.

The Partnership entered into two interest rate swaps in January 2006 aggregating \$90 million in notional amount as part of its acquisition of Prentiss. The instruments are used to hedge the risk of interest cash outflows on secured variable rate debt on properties that are owned by one of our consolidated Real Estate Ventures. One of the swaps with a notional amount of \$20 million has a maturity date of February 1, 2010 and the other with a notional amount of \$70 million has a maturity date of August 1, 2008.

The Partnership also entered into forward starting swaps in March 2006 as more fully described in Note 8.

The Partnership formally assesses, both at inception of the hedge and on an on-going basis, whether each derivative is highly-effective in offsetting changes in cash flows of the hedged item. If management determines that a derivative is not highly-effective as a hedge or if a derivative ceases to be a highly-effective hedge, the Partnership will discontinue hedge accounting prospectively.

**Concentration of Credit Risk**

Concentrations of credit risk arise when a number of tenants related to the Partnership's investments or rental operations are engaged in similar business activities, or are located in the same geographic region, or have similar economic features that would cause their inability to meet contractual obligations, including those to the Partnership, to be similarly affected. The Partnership regularly monitors its tenant base to assess potential concentrations of credit risk. Management believes the current credit risk portfolio is reasonably well diversified and does not contain any unusual concentration of credit risk. No tenant accounted for 10% or more of the Partnership's rents during 2006, 2005 and 2004. See Note 18 for geographic segment information.

**13. DISCONTINUED OPERATIONS**

For the years ended December 31, 2006, 2005 and 2004, income from discontinued operations relates to 28 properties containing approximately 4,074,649 million net rentable square feet that the Partnership has sold since January 1, 2004 and two properties containing 8 buildings and one land parcel designated as held-for-sale as of December 31, 2006. The following table summarizes the balance sheet information for the two properties containing 8 buildings identified as held for sale at December 31, 2006 (in thousands):

|   |            |
|---|------------|
| Real Estate Investments:                    |            |
| Operating Properties                        | \$ 110,709 |
| Accumulated depreciation                    | (6,050)    |
|   | 104,659    |
| Other assets                                | 21,357     |
| Total Assets Held for Sale                  | \$ 126,016 |
| Mortgage note payable and other liabilities | \$ 20,826  |

The following table summarizes revenue and expense information for the 28 properties sold since January 1, 2004 and the eight properties designated as held-for-sale as of December 31, 2006 (in thousands):



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|   | <b>Years Ended December 31,</b> |              |              |
|---|---------------------------------|--------------|--------------|
|   | <b>2006</b>                     | <b>2005</b>  | <b>2004</b>  |
| <b>Revenue:</b>   |                                 |              |              |
| Rents   | \$ 43,410                       | \$ 10,060    | \$ 8,336     |
| Tenant reimbursements   | 5,314                           | 1,010        | 1,120        |
| Other   | 982                             | 41           | 36           |
| <br>Total revenue   | <br>49,706                      | <br>11,111   | <br>9,492    |
| <b>Expenses:</b>  |                                 |              |              |
| Property operating expenses   | 17,769                          | 3,862        | 4,166        |
| Real estate taxes   | 6,145                           | 1,316        | 1,441        |
| Depreciation & amortization   | 17,284                          | 2,939        | 2,607        |
| <br>Total operating expenses  | <br>41,198                      | <br>8,117    | <br>8,214    |
| <br><b>Operating income</b>   | <br>8,508                       | <br>2,994    | <br>1,278    |
| Interest income   | 14                              | 6            |              |
| Interest expense  | (841)                           | (445)        | (451)        |
| <br>Income from discontinued operations before gain on sale of interests in real estate and minority interest | <br>7,681                       | <br>2,555    | <br>827      |
| <br>Net gain on sale of interests in real estate  | <br>18,486                      | <br>2,196    | <br>3,136    |
| Minority interest partners share of net gain on sale  | 1,757                           |              |              |
| Minority interest partners share of consolidated real estate venture  | (2,239)                         |              |              |
| Minority interest attributable to discontinued operations common partnership units                            | (1,172)                         | (163)        | (144)        |
| <br>Income from discontinued operations   | <br>\$ 24,513                   | <br>\$ 4,588 | <br>\$ 3,819 |

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

#### 14. MINORITY INTEREST IN REAL ESTATE VENTURES

As of December 31, 2006, the Partnership owned interests in four consolidated real estate ventures that own 15 office properties containing approximately 1.5 million net rentable square feet. Minority interest in Real Estate Ventures represents the portion of these consolidated real estate ventures not owned by the Partnership.

The minority interests associated with certain of the Real Estate Ventures, that have finite lives under the terms of the partnership agreements represent mandatorily redeemable interests as defined in SFAS 150. As of December 31, 2006 and 2005, the aggregate book value of these minority interests in the accompanying consolidated balance sheet was \$0, and the Partnership believes that the aggregate settlement value of these interests was approximately \$8.1 million. This amount is based on the estimated liquidation values of the assets and liabilities and the resulting proceeds that the Partnership would distribute to its Real Estate Venture partners upon dissolution, as required under the terms of the respective partnership agreements. Subsequent changes to the estimated fair values of the assets and liabilities of the consolidated Real Estate Ventures will affect the Partnership's estimate of the aggregate settlement value. The partnership agreements do not limit the amount that the minority partners would be entitled to in the event of liquidation of the assets and liabilities and dissolution of the respective partnerships.

15. PARTNERS EQUITY

Earnings per Common Partnership Unit

The following table details the number of units and net income used to calculate basic and diluted earnings per common partnership unit (in thousands, except unit and per unit amounts; results may not add due to rounding):

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|   | For the years ended December 31, |             |            |            |            |            |
|---|----------------------------------|-------------|------------|------------|------------|------------|
|   | 2006                             |             | 2005       |            | 2004       |            |
|   | Basic                            | Diluted     | Basic      | Diluted    | Basic      | Diluted    |
| Income from continuing operations                     | \$ (15,059)                      | \$ (15,059) | \$ 39,262  | \$ 39,262  | \$ 59,118  | \$ 59,118  |
| Income from discontinued operations                   | 25,685                           | 25,685      | 4,751      | 4,751      | 3,963      | 3,963      |
| Income allocated to Preferred Units                   | (7,992)                          | (7,992)     | (7,992)    | (7,992)    | (10,555)   | (10,555)   |
| Preferred Unit redemption/conversion benefit (charge) |                                  |             |            |            | 4,500      | 4,500      |
|   | \$ 2,634                         | \$ 2,634    | \$ 36,021  | \$ 36,021  | \$ 57,026  | \$ 57,026  |
| Weighted-average common partnership units outstanding | 93,703,601                       | 93,703,601  | 57,852,842 | 57,852,842 | 49,600,634 | 49,600,634 |
| Options, warrants and unvested restricted stock       |                                  | 518,524     |            | 258,320    |            | 236,915    |
| Total weighted-average units outstanding              | 93,703,601                       | 94,222,125  | 57,852,842 | 58,111,162 | 49,600,634 | 49,837,549 |
| Earnings per Common Partnership Unit                  |                                  |             |            |            |            |            |
| Continuing operations                                 | \$ (0.25)                        | \$ (0.24)   | \$ 0.54    | \$ 0.54    | \$ 1.07    | \$ 1.07    |
| Discontinued operations                               | 0.27                             | 0.27        | 0.08       | 0.08       | 0.08       | 0.08       |
| Total   | \$ 0.03                          | \$ 0.03     | \$ 0.62    | \$ 0.62    | \$ 1.15    | \$ 1.15    |

**Common Partnership Unit and Preferred Mirror Units**

The Company is the sole general partner of the Partnership and conducts substantially all its business and owns its assets through the Partnership and as a result does not have any significant assets, liabilities or operations, other than its investment in the Partnership's Units, nor does it have any employees of its own. Pursuant to the Partnership Agreement, the Partnership reimburses the Company for all expenses incurred on behalf of its operations.

The Partnership issues partnership units to the Company in exchange for the contribution of the net proceeds of any equity security issuance by the Company. The number and terms of such partnership units correspond in number and terms of the related equity securities issued by the Company. In addition, the Partnership may also issue separate classes of partnership units. Historically, the Partnership has had the following types of partnership units outstanding (i) Preferred Partnership Units which have been issued to parties other than the Company (ii) Preferred Mirror Partnership Units which have been issued to the Company and (iii) Common Partnership Units which include both interests held by the Company and those held by other limited partners. Each of these interests are described in more detail below.

**Preferred Partnership Units**

The Partnership issued 1,950,000 Series B Preferred Units for \$97.5 million in 1998. The Preferred Units bore a preferred distribution of 7.25% per annum and had a stated value of \$50.00 per share. The Preferred Units were convertible into Class A Limited Partnership Units at a conversion price of \$28.00. As more fully discussed in the Common Partnership Unit section, the Class A Limited Partnership units are subject to certain redemption rights. Due to these redemption rights, the Series B Preferred Partnership Units limited partnership units have been excluded from partners' capital and reflected at the greater of their liquidation preference or the Class A Limited Partnership redemption value as of the end of the periods presented based on the closing market price of Company's common stock at December 31, 2006, 2005 and 2004, which was \$33.25, \$27.91 and \$29.39 respectively. In February 2004, the Partnership redeemed all of its outstanding Series B Preferred Units for an aggregate price of \$93.0 million, together with accrued but unpaid distributions from January 1, 2004. The Series B Preferred Units had an aggregate stated value of \$97.5 million and accrued distributions at 7.25% per annum. The Partnership recorded a gain of \$4.5 million related to the redemption as an adjustment to net income available to common partnership unitholders.

Preferred Mirror Partnership Units

In exchange for the proceeds received in corresponding offerings by the Company of preferred shares of beneficial interest, the Partnership has issued to the Company a corresponding amount of Preferred Mirror Partnership Units with terms consistent with that of the preferred securities issued by the Company.

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On September 28, 1998, the Partnership issued 750,000 Series A Preferred Mirror Units to the Company in exchange for its contribution of the net proceeds of its Series A Preferred Shares. The 750,000 Series A Preferred Mirror Units had an aggregate liquidation preference of \$37.5 million, or \$50.00 per unit. Cumulative distributions on the Series A Preferred Mirror Units were payable quarterly at an annualized rate of 7.25% of the liquidation preference. In November 2004, the holders of the Series A Preferred Shares converted the shares into 1.3 million common shares of the Company at a price of \$24.00 and the Partnership converted the Company's Series A Preferred Mirror Units to 1.3 million Class A Units.

On December 30, 2003, the Partnership issued 2,000,000 Series D Preferred Mirror Units to Brandywine Realty Trust in exchange for its contribution of the proceeds of its Series C Preferred Shares. The 2,000,000 Series D Preferred Mirror Units outstanding have an aggregate liquidation preference of \$50 million, or \$25.00 per unit. Cumulative distributions on the Series D Preferred Mirror Units are payable quarterly at an annualized rate of 7.50% of the liquidation preference. In the event that any of the Series C Preferred Shares of Brandywine Realty Trust are redeemed, which may occur at the option of Brandywine Realty Trust at any time on or after December 30, 2008, then an equivalent number of Series D Preferred Mirror Units will be redeemed.

On February 27, 2004, the Partnership issued 2,300,000 Series E Preferred Mirror Units to Brandywine Realty Trust in exchange for its contribution of the net proceeds of its Series D Preferred Shares. The 2,300,000 Series E Preferred Mirror Units outstanding have an aggregate liquidation preference of \$57.5 million, or \$25.00 per unit. Cumulative distributions on the Series E Preferred Mirror Units are payable quarterly at an annualized rate of 7.375% of the liquidation preference. In the event that any of the Series D Preferred Shares of Brandywine Realty Trust are redeemed, which may occur at the option of Brandywine Realty Trust at any time on or after February 27, 2009, then an equivalent number of Series E Preferred Mirror Units will be redeemed.

**Common Partnership Units (Redeemable and General)**

The Partnership has two classes of Common Partnership Units: (i) Class A Limited Partnership Interest which are held by both the Company and outside third parties and (ii) General Partnership Interests which are held by the Company. (Collectively, the Class A Limited Partnership Interest and General Partnership Interests are referred to as Common Partnership Units). The holders of the Common Partnership Units are entitled to share in cash distributions from, and in profits and losses of, the Partnership, in proportion to their respective percentage interests, subject to preferential distributions on the preferred mirror units and the preferred units.

The Common Partnership Units held by the Company (comprised of both General Partnership Units and Class A Limited Partnership Units) are presented as partner's equity in the consolidated financial statements. Class A Limited Partnership Interest held by parties other than the Company are redeemable at the option of the holder for a like number of common shares of the Company, or cash, or a combination thereof, at the election of the Company. Because the form of settlement of these redemption rights are not within the control of the Partnership, these Common Partnership Units have been excluded from partner's equity and are presented as redeemable limited partnership units measured at the potential cash redemption value as of the end of the periods presented based on the closing market price of the Company's common shares at December 31, 2006, 2005 and 2004, which was \$33.25, \$27.91 and \$29.39 respectively. As of December 31, 2006 and 2005 3,961,235 and 1,945,267 Class A Units were outstanding and owned by outside limited partners of the Partnership (See Note 18).

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On August 15, 2006, the Partnership acquired two office properties in Northern Virginia. In connection with these acquisitions, the Partnership issued 424,608 Class A Units valued at \$32.546 per unit totaling \$13.8 million. On December 19, 2006, the Partnership declared a distribution of \$0.44 per common partnership unit, totaling \$39.0 million, which was paid on January 15, 2007 to unitholders of record as of January 5, 2007. On December 19, 2006, the Partnership declared distributions on its Series C Preferred Shares and Series D Preferred Shares to holders of record as of December 30, 2006. These shares are entitled to a preferential return of 7.50% and 7.375%, respectively. Distributions paid on January 15, 2007 to holders of Series C Preferred Shares and Series D Preferred Shares totaled \$0.9 million and \$1.1 million, respectively.

**Common Share Repurchases**

We maintain a share repurchase program under which our Board has authorized us to repurchase our common shares from time to time. Our Board initially authorized this program in 1998 and has periodically replenished capacity under the program, including, most recently, on May 2, 2006 when our Board restored capacity to 3.5 million common shares. During the year ended December 31, 2006, we repurchased approximately 1.2 million common shares under this program at an average price of \$29.22 per share, leaving approximately 2.3 million in remaining capacity. Our Board has not limited the duration of the program.

On October 4, 2006 we repurchased 1,829,000 common shares with a portion of the proceeds of our 3.875% Exchangeable Guaranteed Notes at an average purchase price of \$32.80 per share (approximately \$60.0 million in aggregate). We repurchased these shares under a separate Board authorization that provided that the shares repurchased did not reduce capacity under the share repurchase program.

**Share Based Compensation**

In December 2004, the FASB issued SFAS No. 123(R), Share-Based Payment ( SFAS 123(R) ). SFAS 123(R) is an amendment of SFAS 123 and requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements. The cost is required to be measured based on the fair value of the equity or liability instruments issued. SFAS 123(R) also contains additional minimum disclosures requirements including, but not limited to, the valuation method and assumptions used, amounts of compensation capitalized and modifications made. The effective date of SFAS 123(R) was subsequently amended by the SEC to be as of the beginning of the first interim or annual reporting period of the first fiscal year that begins on or after December 15, 2005, and allows several different methods of transition. The Partnership adopted SFAS 123(R) using the prospective method on January 1, 2006. This adoption did not have a material effect on our consolidated financial statements.

**Stock Options**

At December 31, 2006, the Company had 1,286,075 options outstanding under its shareholder approved equity incentive plan. No options were unvested as of December 31, 2006 and therefore there is no remaining unrecognized compensation expense associated with these options. Option activity as of December 31, 2006 and changes during the twelve months ended December 31, 2006 were as follows:

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|  | <b>Shares</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Term (in years)</b> | <b>Aggregate<br/>Intrinsic<br/>Value (in<br/>000 s)</b> |
|--|---------------|--|---|---|
| Outstanding at January 1, 2006   | 1,276,722     | 26.82  | 2.15  | 1,888   |
| Prentiss options converted to Company options as part of the Prentiss acquisition (see Note 3) | 496,037       | 22.00  | 1.14  | 5,580   |
| Exercised  | (486,684)     | 22.88  | 0.55  | 5,048   |
| Forfeited  |               |  |   |   |
| <br>   |               |  |   |   |
| Outstanding at December 31, 2006   | 1,286,075     | \$ 26.45   | 1.50  | 8,739   |
| <br>   |               |  |   |   |
| Vested at December 31, 2006  | 1,286,075     | \$ 26.45   | 1.50  | 8,739   |
| Exercisable at December 31, 2006   | 1,286,075     | \$ 26.45   | 1.50  | 8,739   |

*There were no option awards granted to employees during the years ended December 31, 2006, 2005, and 2004.*

|                                  | Years ended December 31, |  |   |           |  |   |
|----------------------------------|--------------------------|--|---|-----------|--|---|
|                                  | 2005                     |  | 2004  |           |  |   |
|                                  | Shares                   | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Term<br>(in Years) | Shares    | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Term<br>(in Years) |
| Outstanding at beginning of year | 2,008,022                | 26.89                                    |   | 2,372,627 | 26.70                                    |   |
| Granted                          |                          |  |   |           |  |   |
| Exercised                        | (705,678)                | 26.94                                    |   | (337,161) | 25.39                                    |   |
| Forfeite/Expired                 | (25,622)                 | 28.80                                    |   | (27,444)  | 28.93                                    |   |
| <br>                             |                          |  |   |           |  |   |
| Outstanding at end of year       | 1,276,722                | 26.82                                    | 1.97  | 2,008,022 | 26.89                                    | 2.88  |
| <br>                             |                          |  |   |           |  |   |
| Exercisable at end of year       | 1,276,722                | 26.82                                    |   | 2,008,022 | 26.89                                    |   |

The Company has the ability and intent to issue shares upon stock option exercises. Historically, the Company has issued new common shares to satisfy such exercises.

**401(k) Plan**

The Partnership sponsors a 401(k) defined contribution plan for its employees. Each employee may contribute up to 100% of annual compensation, subject to specific limitations under the Internal Revenue Code. At its discretion, the

Partnership can make matching contributions equal to a percentage of the employee's elective contribution and profit sharing contributions. Employees vest in employer contributions over a three-year service period. The Partnership contributions were \$1.1 million in 2006, \$1.0 million in 2005 and \$0.9 million in 2004.

Restricted Share Awards

The Company's primary form of share-based compensation has been restricted common shares issued under a shareholder approved equity incentive plan that authorizes various equity-based awards. As of December 31, 2006, 338,860 restricted shares were outstanding and vest over five years from the initial grant date. The remaining compensation expense to be recognized for the 338,860 restricted shares outstanding at December 31, 2006 was approximately \$9.8 million. That expense is expected to be recognized over a weighted average remaining vesting period of 2.4 years. For the year ended December 31, 2006, the Company recognized \$2.9 million of compensation expense related to outstanding restricted shares which is included in administrative expenses. The following table summarizes the Company's restricted share activity for the twelve-months ended December 31, 2006:

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|                                 | Shares    |    | Weighted<br>Average<br>Grant<br>Date Fair<br>value |
|---------------------------------|-----------|----|--|
| Non-vested at January 1, 2006   | 316,134   | \$ | 25.76  |
| Granted                         | 240,136   |    | 30.72  |
| Vested                          | (160,972) |    | 26.28  |
| Forfeited                       | (56,438)  |    | 28.24  |
| Non-vested at December 31, 2006 | 338,860   | \$ | 28.23  |

**Outperformance Program**

On August 28, 2006, the Compensation Committee of the Company's Board of Trustees adopted a long-term incentive compensation program (the "outperformance program"). The Company will make payments (in the form of common shares) to executive-participants under the outperformance program only if total shareholder return exceeds percentage hurdles established under the outperformance program. The dollar value of any payments will depend on the extent to which our performance exceeds the hurdles. The Company established the outperformance program under the 1997 Plan.

If the total shareholder return (share price appreciation plus cash dividends) during a three-year measurement period exceeds either of two hurdles (with one hurdle keyed to the greater of a fixed percentage and an industry-based index, and the other hurdle keyed to a fixed percentage), then the Company will fund an incentive compensation pool in accordance with a formula and make pay-outs from the compensation pool in the form of vested and restricted common shares. The awards issued are accounted for in accordance with FASB No. 123R. The fair value of the awards on the date of grant, as adjusted for estimated forfeitures, was approximately \$5.6 million and will be amortized into expense over the five-year period beginning on the date of grant using a graded vesting attribution model. The fair value of \$5.6 million on the date of grant represents approximately 89.9% of the total that may be awarded including the effects of a 3.4% forfeiture; the remaining amount available will be valued when the awards are granted to individuals. For the year ended December 31, 2006, the Partnership recognized \$0.5 million of compensation expenses related to the outperformance program.

**16. DISTRIBUTIONS**

|  | Years ended December 31, |             |              |
|--|--------------------------|-------------|--------------|
|  | 2006                     | 2005 (a)    | 2004         |
| Common Partnership Unit Distributions: |                          |             |              |
| Total distributions per unit           | \$ 1.76                  | \$ 1.78     | \$ 1.76      |
| Preferred Unit Distributions:          |                          |             |              |
| Total distributions declared           | \$7,992,000              | \$7,992,000 | \$10,555,000 |

(a) Includes a \$0.02 special distribution declared in December 2005 for unitholders of record for the period

January 1, 2006  
through  
January 4, 2006  
(pre-Prentiss  
merger period).

17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table details the components of accumulated other comprehensive income (loss) as of and for the three years ended December 31, 2006 (in thousands):

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|   | Unrealized Gains<br>(Losses) on<br>Securities | Cash<br>Flow<br>Hedges | Accumulated<br>Other<br>Comprehensive<br>Loss |
|---|---|------------------------|---|
| Balance at January 1, 2004  | \$ 868  | \$ (3,026)             | \$ (2,158)                                    |
| Change during year  | (696)   | 309                    | (387)   |
| Settlement of treasury locks  |   | (3,238)                | (3,238)                                       |
| Reclassification adjustments for losses reclassified into operations  | (156)   | 2,809                  | 2,653   |
| Balance at December 31, 2004  | \$ 16   | \$ (3,146)             | (3,130)                                       |
| Change during year  | 241   | (713)                  | (472)   |
| Settlement of forward starting swaps  |   | 240                    | 240   |
| Reclassification adjustments for losses reclassified into operations  | (257)   | 450                    | 193   |
| Balance at December 31, 2005  | \$  | \$ (3,169)             | \$ (3,169)                                    |
| Change during year  |   | 1,330                  | 1,330   |
| Minority interest consolidated real estate venture partner's share of unrealized (gains)/losses on derivative financial instruments |   | (302)                  | (302)   |
| Settlement of forward starting swaps  |   | 3,266                  |   |
| Reclassification adjustments for (gains) losses reclassified into operations  | 328   | 122                    | 3,716   |
| Balance at December 31, 2006  | \$ 328  | \$ 1,247               | \$ 1,575                                      |

Over time, the unrealized gains and losses held in Accumulated Other Comprehensive Income ( AOCI ) will be reclassified to earnings in the same period(s) in which hedged items are recognized in earnings. The current balance held in AOCI is expected to be reclassified to earnings over the lives of the current hedging instruments, or for realized losses on forecasted debt transactions, over the related term of the debt obligation, as applicable.

During the years ending December 31, 2006 and 2005, the Partnership reclassified approximately \$0.1 million and \$0.5 million, respectively, to interest expense associated with treasury lock agreements and forward starting swaps previously settled (see Note 12).

**18. SEGMENT INFORMATION**

The Partnership currently manages its portfolio within nine segments: (1) Pennsylvania West, (2) Pennsylvania North, (3) New Jersey, (4) Urban, (5) Richmond, Virginia, (6) California North, (7) California South, (8) Mid-Atlantic and (9) Southwest. The Pennsylvania West segment includes properties in Chester, Delaware and Montgomery counties in the Philadelphia suburbs of Pennsylvania. The Pennsylvania North segment includes properties north of Philadelphia in Berks, Bucks, Cumberland, Dauphin, Lehigh and Montgomery counties. The New Jersey segment includes properties in counties in the southern and central parts of New Jersey including Burlington, Camden and Mercer counties and in Bucks County, Pennsylvania. The Urban segment includes properties in the City of Philadelphia,

Pennsylvania and the state of Delaware. The Richmond, Virginia segment includes properties primarily in Albemarle, Chesterfield and Henrico counties, the City of Richmond and Durham, North Carolina. The California North segment includes properties in the City of Oakland and Concord. The California South segment includes properties in the City of Carlsbad and San Diego. The Mid-Atlantic segment includes properties in Northern Virginia and the Maryland suburbs. The Southwest segment includes properties in Dallas and Travis counties of Texas. Corporate is responsible for cash and investment management, development of certain real estate properties during the construction period, and certain other general support functions. Land held for development and construction in progress are transferred to operating properties by region upon completion of the associated construction or project.

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Segment information for the three years ended December 31, 2006, 2005 and 2004 is as follows (in thousands):

|   | Pennsylvania |            |            | California |                    |            | Mid-Atlantic |              | Southwest  |
|---|--------------|------------|------------|------------|--------------------|------------|--------------|--------------|------------|
|   | West         | North      | New Jersey | Urban      | Richmond, Virginia | North      | South        |              |            |
| 2006:   |              |            |            |            |                    |            |              |              |            |
| Real estate investments, at cost:                 |              |            |            |            |                    |            |              |              |            |
| Operating properties                              | \$ 922,347   | \$ 530,436 | \$ 570,009 | \$ 568,008 | \$ 244,519         | \$ 396,927 | \$ 95,942    | \$ 1,255,940 | \$ 343,177 |
| Construction-in-progress                          |              |            |            |            |                    |            |              |              |            |
| Land held for development                         |              |            |            |            |                    |            |              |              |            |
| Total revenue                                     | \$ 124,301   | \$ 74,391  | \$ 96,926  | \$ 85,995  | \$ 32,526          | \$ 58,203  | \$ 11,564    | \$ 112,344   | \$ 57,734  |
| Property operating expenses and real estate taxes | 39,163       | 38,124     | 41,334     | 34,362     | 11,876             | 23,016     | 4,039        | 33,897       | 23,872     |
| Net operating income                              | \$ 85,138    | \$ 36,267  | \$ 55,592  | \$ 51,633  | \$ 20,650          | \$ 35,187  | \$ 7,525     | \$ 78,447    | \$ 33,862  |
| 2005:   |              |            |            |            |                    |            |              |              |            |
| Real estate investments, at cost:                 |              |            |            |            |                    |            |              |              |            |
| Operating properties                              | \$ 867,089   | \$ 558,803 | \$ 562,832 | \$ 351,407 | \$ 219,930         | \$         | \$           | \$           | \$         |
| Construction-in-progress                          |              |            |            |            |                    |            |              |              |            |
| Land held for development                         |              |            |            |            |                    |            |              |              |            |
| Total revenue                                     | \$ 111,911   | \$ 72,154  | \$ 96,683  | \$ 65,643  | \$ 28,758          | \$         | \$           | \$           | \$         |
| Property operating expenses and real estate taxes | 39,116       | 32,517     | 39,152     | 27,183     | 11,612             |            |              |              |            |
| Net operating income                              | \$ 72,795    | \$ 39,637  | \$ 57,531  | \$ 38,460  | \$ 17,146          | \$         | \$           | \$           | \$         |
| 2004:   |              |            |            |            |                    |            |              |              |            |
| Total revenue                                     | \$ 87,535    | \$ 73,882  | \$ 94,096  | \$ 26,319  | \$ 27,099          | \$         | \$           | \$           | \$         |
| Property operating expenses and real estate taxes | 25,677       | 31,079     | 35,599     | 12,126     | 11,772             |            |              |              |            |
| Net operating income                              | \$ 61,858    | \$ 42,803  | \$ 58,497  | \$ 14,193  | \$ 15,327          | \$         | \$           | \$           | \$         |

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Net operating income is defined as total revenue less property operating expenses and real estate taxes. Below is reconciliation of consolidated net operating income to consolidated income from continuing operations:

|   | Year Ended December 31, |            |            |
|---|-------------------------|------------|------------|
|   | 2006                    | 2005       | 2004       |
|   | (amounts in thousands)  |            |            |
| Consolidated net operating income (loss)                              | \$ 409,216              | \$ 231,252 | \$ 200,304 |
| Less:   |                         |            |            |
| Interest income   | 9,513                   | 1,370      | 841        |
| Interest expense  | (171,177)               | (70,152)   | (52,642)   |
| Deferred financing costs  | (4,607)                 | (3,766)    | (1,968)    |
| Depreciation and amortization   | (248,132)               | (109,118)  | (77,521)   |
| Administrative expenses   | (29,644)                | (17,982)   | (15,100)   |
| Minority interest partners share of consolidated real estate ventures | 270                     | (154)      | 206        |
| Plus:   |                         |            |            |
| Equity in income of real estate ventures                              | 2,165                   | 3,172      | 2,023      |
| Net gain on sales of interests in real estate                         | 14,190                  | 4,640      | 2,975      |
| Gain on termination of purchase contract                              | 3,147                   |            |            |
| Income (loss) from continuing operations                              | (15,059)                | 39,262     | 59,118     |
| Income (loss) from discontinued operations                            | 25,685                  | 4,751      | 3,963      |
| Net income (loss)   | \$ 10,626               | \$ 44,013  | \$ 63,081  |

**19. RELATED-PARTY TRANSACTIONS**

In 1998, the Board authorized the Company to make loans totaling up to \$5.0 million to enable employees of the Partnership to purchase Common Shares at fair market value. The loans have five-year terms, are full recourse, and are secured by the Common Shares purchased. The Company made loans under this program in 1998, 1999 and 2001. Interest, payable quarterly, accrued on the loans at the lower of the interest rate borne on borrowings under the Partnership's Credit Facility or a rate based on the dividend payments on the Common Shares. As of December 31, 2005, the interest rate was 4.18% per annum. The loans were payable at the earlier of the stated maturity date or 90 days following the employee's termination. As of December 31, 2005, the outstanding balance of the loan totaled \$0.3 million and was secured by 18,803 common shares. These loans were repaid in full by December 31, 2006. The Partnership held a fifty percent economic interest in an approximately 141,724 square foot office building located at 101 Paragon Drive, Montvale, New Jersey. The remaining fifty percent interest was held by Donald E. Axinn, one of the Company's Trustees. Although the Partnership and Mr. Axinn had each committed to provide one half of the \$11 million necessary to repay the mortgage loan secured by this property at the maturity of the loan, in February 2006 an unaffiliated third party entered into an agreement to purchase this property for \$18.3 million. As a result of the purchase by an unaffiliated third party during August 2006, the Partnership recognized a \$3.1 million gain on termination of its rights under a 1998 contribution agreement, modified in 2005, that entitled the Partnership to the 50% interest in the joint venture to operate the property. This gain is shown separately on the Partnership's income statement as a gain on termination of purchase contract.

The Partnership owned 384,615 shares of Cypress Communications, Inc. (Cypress) common stock. These shares were redeemed in July 2005 for \$0.3 million. The redemption was the result of Cypress's merger with another company. Prior to this merger, an officer of the Company held a position on Cypress's Board of Directors.

**20. OPERATING LEASES**

The Partnership leases properties to tenants under operating leases with various expiration dates extending to 2023. Minimum future rentals on non-cancelable leases at December 31, 2006 are as follows (in thousands):



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| Year       | Minimum Rent |
|------------|--------------|
| 2007       | \$ 526,755   |
| 2008       | 488,853      |
| 2009       | 426,608      |
| 2010       | 49,210       |
| 2011       | 264,411      |
| Thereafter | 879,490      |

Total minimum future rentals presented above do not include amounts to be received as tenant reimbursements for operating costs.

**21. COMMITMENTS AND CONTINGENCIES***Legal Proceedings*

The Partnership is involved from time to time in litigation on various matters, including disputes with tenants and disputes arising out of agreements to purchase or sell properties. Given the nature of the Partnership's business activities, these lawsuits are considered routine to the conduct of its business. The result of any particular lawsuit cannot be predicted, because of the very nature of litigation, the litigation process and its adversarial nature, and the jury system. The Partnership does not expect that the liabilities, if any, that may ultimately result from such legal actions will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Partnership.

There have been lawsuits against owners and managers of multifamily and office properties asserting claims of personal injury and property damage caused by the presence of mold in residential units or office space. The Partnership has been named as a defendant in two lawsuits in the State of New Jersey that allege personal injury as a result of the presence of mold. In 2005, one lawsuit was dismissed by way of summary judgment with prejudice. Unspecified damages are sought on the remaining lawsuit. The Partnership has referred this lawsuit to its environmental insurance carrier and, as of the date of this Form 10-Q, the insurance carrier is tendering a defense to this claim.

*Letters-of-Credit*

Under certain mortgages, the Partnership has funded required leasing and capital reserve accounts for the benefit of the mortgage lenders with letters-of-credit which totaled \$24.2 million at December 31, 2006. The Partnership is also required to maintain escrow accounts for taxes, insurance and tenant security deposits and these accounts aggregated \$22.6 million at December 31, 2006. Tenant rents at properties that secure these mortgage loans are deposited into the loan servicer's depository accounts, which are used to fund debt service, operating expenses, capital expenditures and the escrow and reserve accounts, as necessary. Any excess cash is included in cash and cash equivalents.

*Ground Rent*

Future minimum rental payments under the terms of all non-cancelable ground leases under which the Partnership is the lessee are expensed on a straight-line basis regardless of when payments are due. Minimum future rentals payments on non-cancelable leases at December 31, 2006 are as follows (in thousands):

|            |          |
|------------|----------|
| 2007       | \$ 1,736 |
| 2008       | 1,736    |
| 2009       | 1,736    |
| 2010       | 1,818    |
| 2011       | 1,818    |
| Thereafter | 271,340  |

*Other Commitments or Contingencies*

As of December 31, 2006, the Partnership owned 490 acres of land for future development.

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As part of the Partnership's acquisition of the TRC Properties in September 2004, the Partnership agreed to issue to the sellers up to a maximum of \$9.7 million of Class A Units of the Operating Partnership if certain of the acquired properties achieve at least 95% occupancy prior to September 21, 2007. The maximum number of Units that the Partnership is obligated to issue declines monthly and, as of December 31, 2006, the maximum amount payable under this arrangement was \$1.8 million, with no amount currently due.

As part of the TRC acquisition, the Partnership acquired its interest in Two Logan Square, a 696,477 square foot office building in Philadelphia, primarily through a second and third mortgage secured by this property. The Partnership currently does not expect to take title to Two Logan Square until, at the earliest, September 2019. In the event that the Partnership takes title to Two Logan Square upon a foreclosure of its mortgage, the Partnership has agreed to make a payment to an unaffiliated third party with a residual interest in the fee owner of this property. The amount of the payment would be \$0.6 million if the Partnership must pay a state and local transfer upon taking title, and \$2.9 million if no transfer tax is payable upon the transfer.

As part of its acquisition of TRC Properties and several of other acquisitions, the Partnership agreed not to sell the acquired properties. In the case of the TRC Properties, the Partnership agreed not to sell the acquired properties for periods ranging from three to 15 years from the acquisition date as follows: 201 Radnor Financial Center, 555 Radnor Financial Center and 300 Delaware Avenue (three years); One Rodney Square and 130/150/170 Radnor Financial Center (10 years); and One Logan Square, Two Logan Square and Radnor Corporate Center (15 years). At December 31, 2006, the Partnership had agreed not to sell 14 properties that aggregate 1.0 million square feet for periods that expire through 2008. The Partnership's agreements generally provide that the Partnership may dispose of the subject properties only in transactions that qualify as tax-free exchanges under Section 1031 of the Internal Revenue Code or in other tax deferred transactions. In the event that the Partnership sells any of the properties within the applicable restricted period in non-exempt transactions, the Partnership would be required to pay significant tax liabilities that would be incurred by the parties who sold the Partnership the applicable property.

The Partnership invests in its properties and regularly incurs capital expenditures in the ordinary course to maintain the properties. The Partnership also enters into construction, utility and service contracts in the ordinary course of business which may extend beyond one year. These contracts typically provide for cancellation with insignificant or no cancellation penalties.

**22. SUBSEQUENT EVENT**

During January 2007, the Partnership sold two properties containing eight buildings, classified as held for sale as of December, 31, 2006, totaling 26.8 million square feet and one land parcel consisting of 4.7 acres for an aggregate sales price of \$114.9 million.

The Partnership paid off its \$300.0 million 2009 three year notes in January 2007, notice of which was given in November 2006 using proceeds borrowed from the Company's unsecured credit facility.

**Table of Contents****23. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)**

The following is a summary of quarterly financial information as of and for the years ended December 31, 2006 and 2005 (in thousands, except per share data):

|  | 1st<br>Quarter | 2nd<br>Quarter | 3rd<br>Quarter | 4th<br>Quarter |
|--|----------------|----------------|----------------|----------------|
| 2006:  |                |                |                |                |
| Total revenue  | \$ 153,582     | \$ 161,523     | \$ 172,962     | \$ 174,734     |
| Net income (loss)                                      | (2,850)        | (12,171)       | 496            | 25,151         |
| Income (loss) allocated to Common<br>Partnership Units | (4,848)        | (14,169)       | (1,502)        | 23,153         |
| Basic earnings per Common Partnership<br>Units         | \$ (0.05)      | \$ (0.15)      | \$ (0.02)      | \$ 0.25        |
| Diluted earnings per Common Partnership<br>Units       | \$ (0.05)      | \$ (0.15)      | \$ (0.02)      | \$ 0.25        |
| 2005:  |                |                |                |                |
| Total revenue  | \$ 96,690      | \$ 92,843      | \$ 93,431      | \$ 97,660      |
| Net income   | 9,691          | 9,185          | 16,280         | 8,856          |
| Income allocated to Common Partnership<br>Units        | 7,693          | 7,187          | 14,282         | 6,858          |
| Basic earnings per Common Partnership<br>Units         | \$ 0.13        | \$ 0.12        | \$ 0.25        | \$ 0.12        |
| Diluted earnings per Common Partnership<br>Units       | \$ 0.13        | \$ 0.12        | \$ 0.25        | \$ 0.12        |

The summation of quarterly earnings per share amounts do not necessarily equal the full year amounts.

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Brandywine Operating Partnership, L.P.  
 Schedule II  
 Valuation and Qualifying Accounts  
 (in thousands)

| Description  | Balance<br>at<br>Beginning<br>of Period | Additions<br>(1) | Deductions | Balance<br>at End<br>of<br>Period |
|--|---|------------------|------------|-----------------------------------|
| Allowance for doubtful accounts:<br>Year ended December 31, 2006 | \$ 4,877                                | \$ 4,434         | \$         | \$ 9,311                          |
| Year ended December 31, 2005                                     | \$ 4,085                                | \$ 792           | \$         | \$ 4,877                          |
| Year ended December 31, 2004                                     | \$ 4,031                                | \$ 467           | \$ 413     | \$ 4,085                          |

(1) The 2006 additions includes \$3.5 million of current year expense and \$0.9 million of allowances against receivables assumed in the Prentiss acquisition.

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BRANDYWINE OPERATING PARTNERSHIP, L.P.  
Real Estate and Accumulated Depreciation December 31, 2006  
(in thousands)

|                                  | City                | State | Encumbrances<br>at<br>December<br>31, 2006 | Initial Cost |              |             | Gross Amount at Which Carried<br>December 31, 2006 |              |           | Year<br>of<br>Construction | Year<br>Acquired | Depreciable<br>Life |   |
|----------------------------------|---------------------|-------|--|--------------|--------------|-------------|--|--------------|-----------|----------------------------|------------------|---------------------|---|
|                                  |                     |       |  | Land         | Improvements | Acquisition | Land   | Improvements | Total (a) |                            |                  |                     | Accumulated<br>Depreciation<br>at<br>December 31,<br>2006 (b) |
| One<br>Greentree<br>Centre       | Marlton             | NJ    |  | 345          | 4,440        | 804         | 345  | 5,244        | 5,589     | 3,031                      | 1982             | 1986                | 40  |
| Three<br>Greentree<br>Centre     | Marlton             | NJ    |  | 323          | 6,024        | 590         | 324  | 6,614        | 6,937     | 4,289                      | 1984             | 1986                | 40  |
| Two<br>Greentree<br>Centre       | Marlton             | NJ    |  | 264          | 4,693        | 312         | 264  | 5,005        | 5,269     | 3,311                      | 1983             | 1986                | 40  |
| 1155<br>Business<br>Center Drive | Horsham             | PA    | 2,407                                      | 1,029        | 4,124        | 783         | 1,029  | 4,906        | 5,936     | 1,436                      | 1990             | 1996                | 40  |
| 120 West<br>Germantown<br>Pike   | Plymouth<br>Meeting | PA    |  | 685          | 2,773        | 1,092       | 685  | 3,865        | 4,550     | 1,525                      | 1984             | 1996                | 40  |
| 140 West<br>Germantown<br>Pike   | Plymouth<br>Meeting | PA    |  | 481          | 1,976        | 554         | 482  | 2,530        | 3,011     | 929                        | 1984             | 1996                | 40  |
| 18 Campus<br>Boulevard           | Newtown<br>Square   | PA    | 3,227                                      | 787          | 3,312        | 5           | 787  | 3,317        | 4,104     | 1,156                      | 1990             | 1996                | 40  |
| 2240/2250<br>Butler Pike         | Meeting             | PA    |  | 1,104        | 4,627        | 331         | 1,104  | 4,959        | 6,062     | 1,939                      | 1984             | 1996                | 40  |
| 2260 Butler<br>Pike              | Plymouth<br>Meeting | PA    |  | 661          | 2,727        | 315         | 662  | 3,042        | 3,703     | 1,000                      | 1984             | 1996                | 40  |
| 3329 Street<br>Road              |                     |       |  |              |              |             |  |              |           |                            |                  |                     |   |
| -Greenwood<br>Square             | Bensalem            | PA    |  | 350          | 1,401        | 590         | 350  | 1,991        | 2,341     | 896                        | 1985             | 1996                | 40  |
| 3331 Street<br>Road              |                     |       |  |              |              |             |  |              |           |                            |                  |                     |   |
| -Greenwood<br>Square             | Bensalem            | PA    |  | 1,126        | 4,511        | 1,295       | 1,126  | 5,806        | 6,932     | 2,002                      | 1986             | 1996                | 40  |
| 3333 Street<br>Road              | Bensalem            | PA    |  | 851          | 3,407        | 966         | 851  | 4,374        | 5,224     | 1,654                      | 1988             | 1996                | 40  |
| -Greenwood                       |                     |       |  |              |              |             |  |              |           |                            |                  |                     |   |

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|                                   |                  |        |       |        |       |       |        |        |       |      |      |    |
|-----------------------------------|------------------|--------|-------|--------|-------|-------|--------|--------|-------|------|------|----|
| Square<br>456<br>Creamery<br>Way  | ExtorPA          |        | 635   | 2,548  | (47)  | 635   | 2,500  | 3,136  | 824   | 1987 | 1996 | 40 |
| 457<br>Haddonfield Cherry<br>Road | HillNJ           | 10,689 | 2,142 | 9,120  | 490   | 2,142 | 9,610  | 11,752 | 3,340 | 1990 | 1996 | 40 |
| 468 Thomas<br>Jones Way           | ExtorPA          |        | 526   | 2,112  | 163   | 527   | 2,275  | 2,801  | 747   | 1990 | 1996 | 40 |
| 486 Thomas<br>Jones Way           | ExtorPA          |        | 806   | 3,256  | 159   | 806   | 3,415  | 4,221  | 1,206 | 1990 | 1996 | 40 |
| 500<br>Enterprise<br>Drive        | HorshaPA<br>King |        | 1,303 | 5,188  | (253) | 1,303 | 4,935  | 6,238  | 1,778 | 1990 | 1996 | 40 |
| 500 North<br>Gulph Road           | PrussiaPA<br>Of  |        | 1,303 | 5,201  | 1,255 | 1,303 | 6,456  | 7,759  | 2,246 | 1979 | 1996 | 40 |
| 650 Drescher<br>Road              | HorshaPA         | 1,609  | 636   | 2,501  | 404   | 636   | 2,905  | 3,541  | 1,108 | 1984 | 1996 | 40 |
| 6575<br>Snowdrift<br>Road         | AllentoPA        |        | 601   | 2,411  | 437   | 601   | 2,848  | 3,449  | 822   | 1988 | 1996 | 40 |
| 700 Business<br>Center Drive      | HorshaPA         | 1,625  | 550   | 2,201  | 848   | 550   | 3,049  | 3,599  | 1,248 | 1986 | 1996 | 40 |
| 7248<br>Tilghman<br>Street        | AllentoPA        |        | 731   | 2,969  | (32)  | 731   | 2,937  | 3,668  | 980   | 1987 | 1996 | 40 |
| 7310<br>Tilghman<br>Street        | AllentoPA        |        | 553   | 2,246  | 510   | 553   | 2,755  | 3,309  | 1,178 | 1985 | 1996 | 40 |
| 800 Business<br>Center Drive      | HorshaPA         | 2,098  | 896   | 3,585  | 18    | 896   | 3,603  | 4,499  | 1,150 | 1986 | 1996 | 40 |
| 8000 Lincoln<br>Drive             | MarltonNJ        |        | 606   | 2,887  | 688   | 606   | 3,575  | 4,181  | 1,184 | 1997 | 1996 | 40 |
| One Progress<br>Drive             | HorshaPA         |        | 1,399 | 5,629  | 232   | 1,399 | 5,861  | 7,260  | 1,936 | 1986 | 1996 | 40 |
| One Righter<br>Parkway            | WilmingtonDE     | 10,076 | 2,545 | 10,195 | 563   | 2,545 | 10,757 | 13,303 | 3,440 | 1989 | 1996 | 40 |
| 1 Foster<br>Avenue                | GibbsboNO        |        | 93    | 364    | 42    | 93    | 406    | 499    | 116   | 1972 | 1997 | 40 |
| 10 Foster<br>Avenue               | GibbsboNO        |        | 244   | 971    | 233   | 244   | 1,203  | 1,448  | 356   | 1983 | 1997 | 40 |
| 100 Berwyn<br>Park                | BerwyPA          | 6,884  | 1,180 | 7,290  | 1,560 | 1,180 | 8,850  | 10,030 | 2,685 | 1986 | 1997 | 40 |
| 100<br>Commerce<br>Drive          | NewarID          |        | 1,160 | 4,633  | 1,134 | 1,160 | 5,768  | 6,927  | 1,808 | 1989 | 1997 | 40 |
| 100 Katchel<br>Blvd               | ReadingPA        |        | 1,881 | 7,423  | 158   | 1,881 | 7,582  | 9,462  | 2,183 | 1970 | 1997 | 40 |
| 1000 Atrium Mt.<br>Way            | LaureNJ          |        | 2,061 | 8,180  | 1,065 | 2,061 | 9,245  | 11,306 | 2,599 | 1989 | 1997 | 40 |

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|   |        |       |        |         |       |        |        |       |      |      |    |
|---|--------|-------|--------|---------|-------|--------|--------|-------|------|------|----|
| 1000 Howard Mt.<br>Boulevard LaureNJ<br>10000       |        | 2,297 | 9,288  | 1,328   | 2,297 | 10,616 | 12,913 | 3,402 | 1988 | 1997 | 40 |
| Midlantic Mt.<br>Drive LaureNJ<br>100-300           |        | 3,206 | 12,857 | 1,100   | 3,206 | 13,957 | 17,163 | 4,347 | 1990 | 1997 | 40 |
| Gundy Drive ReadingPA<br>1007 Laurel                |        | 6,495 | 25,180 | 7,583   | 6,495 | 32,763 | 39,258 | 9,563 | 1970 | 1997 | 40 |
| Oak Road VoorheesNJ<br>1120                         |        | 1,563 | 6,241  | 16      | 1,564 | 6,256  | 7,820  | 1,754 | 1996 | 1997 | 40 |
| Executive<br>Boulevard MarltonNJ<br>1336            |        | 2,074 | 8,415  | 541     | 2,074 | 8,956  | 11,030 | 2,864 | 1987 | 1997 | 40 |
| Enterprise West<br>Drive GoshenPA<br>15000          |        | 731   | 2,946  | 52      | 731   | 2,998  | 3,729  | 926   | 1989 | 1997 | 40 |
| Midlantic Mt.<br>Drive LaureNJ<br>17 Campus Newtown |        | 3,061 | 12,254 | 165     | 3,061 | 12,419 | 15,480 | 3,710 | 1991 | 1997 | 40 |
| Boulevard SquarPA<br>2 Foster                       | 5,002  | 1,108 | 5,155  | 48      | 1,108 | 5,203  | 6,311  | 1,357 | 2001 | 1997 | 40 |
| Avenue GibbsborNJ<br>20 East<br>Clementon           |        | 185   | 730    | 42      | 185   | 772    | 957    | 225   | 1974 | 1997 | 40 |
| Road GibbsborNJ<br>200 Berwyn                       |        | 769   | 3,055  | 496     | 769   | 3,552  | 4,320  | 1,072 | 1986 | 1997 | 40 |
| Park BerwynPA<br>2000                               | 9,415  | 1,533 | 9,460  | 2,071   | 1,533 | 11,531 | 13,064 | 3,386 | 1987 | 1997 | 40 |
| Midlantic Mt.<br>Drive LaureNJ<br>220               | 9,160  | 2,202 | 8,823  | 780     | 2,203 | 9,602  | 11,805 | 3,083 | 1989 | 1997 | 40 |
| Commerce Fort<br>Drive WashingtoPA<br>300 Berwyn    |        | 1,086 | 4,338  | 945     | 1,010 | 5,359  | 6,369  | 1,537 | 1985 | 1997 | 40 |
| Park BerwynPA<br>300 Welsh<br>Road                  | 12,594 | 2,206 | 13,422 | 2,618   | 2,206 | 16,041 | 18,246 | 4,878 | 1989 | 1997 | 40 |
| Building I HorshamPA<br>321                         | 2,370  | 894   | 3,572  | 978     | 894   | 4,550  | 5,444  | 1,352 | 1980 | 1997 | 40 |
| Norristown Lower<br>Road GwynedPA<br>323            |        | 1,290 | 5,176  | 1,580   | 1,221 | 6,825  | 8,046  | 2,268 | 1988 | 1997 | 40 |
| Norristown Lower<br>Road GwynedPA<br>4 Foster       |        | 1,685 | 6,751  | 4,263   | 1,601 | 11,098 | 12,699 | 3,471 | 1988 | 1997 | 40 |
| Avenue GibbsborNJ<br>4000                           |        | 183   | 726    | 93      | 183   | 820    | 1,002  | 255   | 1974 | 1997 | 40 |
| Midlantic Mt.<br>Drive LaureNJ<br>5 Foster          | 2,980  | 714   | 5,085  | (1,939) | 714   | 3,146  | 3,860  | 951   | 1998 | 1997 | 40 |
| Avenue GibbsborNJ                                   |        | 9     | 32     | 26      | 9     | 58     | 67     | 14    | 1968 | 1997 | 40 |

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|  |                          |       |       |       |        |       |        |        |       |      |      |    |
|--|--------------------------|-------|-------|-------|--------|-------|--------|--------|-------|------|------|----|
| 5 U.S.<br>Avenue<br>50 East<br>Clementon | Gibbsboro<br>NJ          |       | 21    | 81    | 3      | 21    | 84     | 105    | 23    | 1987 | 1997 | 40 |
| Road<br>500 Office<br>Center Drive       | Gibbsboro<br>NJ          |       | 114   | 964   | 3      | 114   | 967    | 1,081  | 271   | 1986 | 1997 | 40 |
| 501 Office<br>Center Drive               | Washington<br>Fort<br>PA | 1,698 | 1,617 | 6,480 | 1,517  | 1,617 | 7,997  | 9,614  | 2,141 | 1974 | 1997 | 40 |
| 6 East<br>Clementon                      | Washington<br>Fort<br>PA |       | 1,796 | 7,192 | 13,223 | 1,796 | 20,415 | 22,211 | 4,538 | 1974 | 1997 | 40 |
| Road<br>655 Business<br>Center Drive     | Gibbsboro<br>NJ          |       | 1,345 | 5,366 | 664    | 1,345 | 6,030  | 7,375  | 1,813 | 1980 | 1997 | 40 |
| 7 Foster<br>Avenue                       | Horsham<br>PA            | 1,698 | 544   | 2,529 | 696    | 544   | 3,225  | 3,769  | 1,282 | 1997 | 1997 | 40 |
| 748<br>Springdale<br>Drive               | Gibbsboro<br>NJ          |       | 231   | 921   | 140    | 231   | 1,061  | 1,292  | 321   | 1983 | 1997 | 40 |
| 855<br>Springdale<br>Drive               | Exton<br>PA              |       | 236   | 931   | 216    | 236   | 1,146  | 1,383  | 327   | 1986 | 1997 | 40 |
| 9000<br>Midlantic<br>Drive               | Exton<br>PA              |       | 838   | 3,370 | 2,679  | 838   | 6,049  | 6,887  | 1,117 | 1986 | 1997 | 40 |
| Five Eves<br>Drive                       | Mt.<br>Laure<br>NJ       | 5,789 | 1,472 | 5,895 | 111    | 1,472 | 6,007  | 7,478  | 1,809 | 1989 | 1997 | 40 |
| Four A Eves<br>Drive                     | Marlton<br>NJ            |       | 703   | 2,819 | 772    | 703   | 3,592  | 4,294  | 1,090 | 1986 | 1997 | 40 |
|  | Marlton<br>NJ            |       | 539   | 2,168 | 243    | 539   | 2,411  | 2,950  | 764   | 1987 | 1997 | 40 |

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BRANDYWINE OPERATING PARTNERSHIP, L.P.  
Real Estate and Accumulated Depreciation December 31, 2006  
(in thousands)

|                            | City/State                        | Encumbrances at December 31, 2006 | Initial Cost |              |             | Gross Amount at Which Carried December 31, 2006 |              |           | Accumulated Depreciation at December 31, 2006 | Year of Construction | Year Acquired | Life |
|----------------------------|-----------------------------------|-----------------------------------|--------------|--------------|-------------|---|--------------|-----------|---|----------------------|---------------|------|
|                            |                                   |                                   | Land         | Improvements | Acquisition | Land  | Improvements | Total (a) |   |                      |               |      |
| Four B Eves Drive          | Marlton NJ                        |                                   | 588          | 2,369        | 327         | 588   | 2,696        | 3,284     | 814   | 1987                 | 1997          | 40   |
| Main Street Piazza         | Voorhees NJ                       |                                   | 696          | 2,802        | 262         | 696   | 3,064        | 3,760     | 1,007   | 1990                 | 1997          | 40   |
| Main Street Plaza 1000     | Voorhees NJ                       |                                   | 2,732        | 10,942       | 3,627       | 2,732   | 14,569       | 17,301    | 4,886   | 1988                 | 1997          | 40   |
| Main Street Promenade      | Voorhees NJ                       |                                   | 531          | 2,052        | 191         | 532   | 2,242        | 2,774     | 745   | 1988                 | 1997          | 40   |
| Two Eves Drive             | Marlton NJ                        |                                   | 818          | 3,461        | (31)        | 818   | 3,429        | 4,248     | 1,087   | 1987                 | 1997          | 40   |
| 100 Gateway Centre Parkway | Richmond VA<br>King Of Prussia PA |                                   | 391          | 5,410        | 125         | 391   | 5,535        | 5,926     | 674   | 2001                 | 1998          | 40   |
| 1000 First Avenue          | Prussia PA                        | 3,054                             | 2,772        | 10,936       | 703         | 2,772   | 11,639       | 14,411    | 2,869   | 1980                 | 1998          | 40   |
| 1009 Lenox Drive           | Lawrenceville King Of Prussia PA  |                                   | 4,876        | 19,284       | 3,139       | 4,876   | 22,422       | 27,299    | 7,008   | 1989                 | 1998          | 40   |
| 1020 First Avenue          | Prussia PA<br>King Of Prussia PA  | 2,441                             | 2,168        | 8,576        | 433         | 2,168   | 9,008        | 11,177    | 2,287   | 1984                 | 1998          | 40   |
| 1040 First Avenue          | Prussia PA<br>King Of Prussia PA  | 3,277                             | 2,860        | 11,282       | 1,036       | 2,860   | 12,318       | 15,178    | 3,084   | 1985                 | 1998          | 40   |
| 1060 First Avenue          | Prussia PA<br>King Of Prussia PA  | 2,985                             | 2,712        | 10,953       | 1,883       | 2,712   | 12,836       | 15,548    | 2,913   | 1987                 | 1998          | 40   |
| 14 Campus Boulevard        | Newtown Square PA                 | 5,117                             | 2,244        | 4,217        | (22)        | 2,244   | 4,196        | 6,439     | 1,659   | 1998                 | 1998          | 40   |
| 150 Corporate Center Drive | Camp Hill PA                      |                                   | 964          | 3,871        | 239         | 964   | 4,109        | 5,074     | 1,146   | 1987                 | 1998          | 40   |
| 1957 Westmoreland Street   | Richmond VA<br>PA                 | 2,604                             | 1,061        | 4,241        | 235         | 1,061   | 4,476        | 5,537     | 1,158   | 1975                 | 1998          | 40   |
|                            |                                   |                                   | 1,647        | 6,606        | 164         | 1,647   | 6,771        | 8,417     | 1,817   | 1989                 | 1998          | 40   |

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|  |        |       |        |       |       |        |        |       |      |      |    |
|--|--------|-------|--------|-------|-------|--------|--------|-------|------|------|----|
| 200 CorporateCamp<br>Center Drive Hill<br>2100-2116<br>West<br>Laburnam<br>Avenue RichmondVA | 552    | 2,482 | 8,846  | 2,300 | 2,482 | 11,146 | 13,628 | 2,847 | 1976 | 1998 | 40 |
| 2130-2146<br>Tomlynn<br>Street RichmondVA  | 985    | 353   | 1,416  | 289   | 353   | 1,705  | 2,058  | 499   | 1988 | 1998 | 40 |
| 2161-2179<br>Tomlynn<br>Street RichmondVA  | 1,040  | 423   | 1,695  | 222   | 423   | 1,917  | 2,340  | 497   | 1985 | 1998 | 40 |
| 2201-2245<br>Tomlynn<br>Street RichmondVA  | 2,576  | 1,020 | 4,067  | 283   | 1,020 | 4,351  | 5,370  | 1,172 | 1989 | 1998 | 40 |
| 2212-2224<br>Tomlynn<br>Street RichmondVA  | 1,211  | 502   | 2,014  | 72    | 502   | 2,085  | 2,588  | 536   | 1985 | 1998 | 40 |
| 2221-2245<br>Dabney Road RichmondVA  | 1,250  | 530   | 2,123  | 203   | 530   | 2,326  | 2,856  | 595   | 1994 | 1998 | 40 |
| 2240 Dabney<br>Road RichmondVA   | 617    | 264   | 1,059  | 10    | 264   | 1,069  | 1,333  | 267   | 1984 | 1998 | 40 |
| 2244 Dabney<br>Road RichmondVA   | 1,291  | 550   | 2,203  | 38    | 550   | 2,241  | 2,791  | 563   | 1993 | 1998 | 40 |
| 2246 Dabney<br>Road RichmondVA   | 1,062  | 455   | 1,822  | 32    | 455   | 1,855  | 2,309  | 473   | 1987 | 1998 | 40 |
| 2248 Dabney<br>Road RichmondVA   | 1,337  | 512   | 2,049  | 200   | 512   | 2,249  | 2,761  | 601   | 1989 | 1998 | 40 |
| 2251 Dabney<br>Road RichmondVA   | 972    | 387   | 1,552  | 111   | 387   | 1,663  | 2,050  | 449   | 1983 | 1998 | 40 |
| 2256 Dabney<br>Road RichmondVA   | 847    | 356   | 1,427  | 275   | 356   | 1,702  | 2,058  | 409   | 1982 | 1998 | 40 |
| 2277 Dabney<br>Road RichmondVA   | 1,185  | 507   | 2,034  | 16    | 507   | 2,050  | 2,557  | 514   | 1986 | 1998 | 40 |
| 2401 Park<br>Drive HarrisburgPA  |        | 182   | 728    | 187   | 182   | 916    | 1,097  | 293   | 1984 | 1998 | 40 |
| 2404 Park<br>Drive HarrisburgPA  |        | 167   | 668    | 249   | 167   | 918    | 1,084  | 269   | 1983 | 1998 | 40 |
| 2490 King<br>Boulevard of Of<br>the Generals PrussiaPA                                       |        | 348   | 1,394  | 53    | 348   | 1,447  | 1,795  | 409   | 1975 | 1998 | 40 |
| 2511 Brittons<br>Hill Road RichmondVA  | 2,820  | 1,202 | 4,820  | 1,849 | 1,202 | 6,669  | 7,871  | 1,482 | 1987 | 1998 | 40 |
| 2812<br>Emerywood<br>Parkway HenrievilleVA   | 3,156  | 1,069 | 4,281  | 1,783 | 1,069 | 6,064  | 7,133  | 1,934 | 1980 | 1998 | 40 |
| 300 Arboretum<br>Place RichmondVA  | 13,832 | 5,450 | 21,892 | 1,827 | 5,450 | 23,719 | 29,169 | 6,429 | 1988 | 1998 | 40 |
| 300 CorporateCamp<br>Center Drive HillPA   |        | 4,823 | 19,301 | 1,145 | 4,823 | 20,446 | 25,269 | 5,437 | 1989 | 1998 | 40 |
| NJ   | 1,789  | 1,493 | 6,055  | 584   | 1,494 | 6,638  | 8,132  | 1,696 | 1979 | 1998 | 40 |

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|                             |                 |    |        |       |        |          |       |        |        |        |      |      |    |
|-----------------------------|-----------------|----|--------|-------|--------|----------|-------|--------|--------|--------|------|------|----|
| 303 Fellowship Drive        | Mt. Laurel      | NJ |        |       |        |          |       |        |        |        |      |      |    |
| 304 Harper Drive            | Moorestown      | NJ | 777    | 657   | 2,674  | 379      | 657   | 3,052  | 3,710  | 769    | 1975 | 1998 | 40 |
| 305 Fellowship Drive        | Mt. Laurel      | NJ | 1,617  | 1,421 | 5,768  | 1,146    | 1,421 | 6,913  | 8,335  | 1,618  | 1980 | 1998 | 40 |
| 305 Harper Drive            | Moorestown      | NJ | 248    | 223   | 913    | 0        | 223   | 914    | 1,136  | 227    | 1979 | 1998 | 40 |
| 307 Fellowship Drive        | Mt. Laurel      | NJ | 1,761  | 1,565 | 6,342  | 382      | 1,565 | 6,725  | 8,289  | 1,660  | 1981 | 1998 | 40 |
| 308 Harper Drive            | Moorestown      | NJ |        | 1,643 | 6,663  | 499      | 1,644 | 7,161  | 8,805  | 1,991  | 1976 | 1998 | 40 |
| 309 Fellowship Drive        | Mt. Laurel      | NJ | 1,878  | 1,518 | 6,154  | 1,205    | 1,518 | 7,359  | 8,877  | 2,260  | 1982 | 1998 | 40 |
| 33 West State Street        | Trenton         | NJ |        | 6,016 | 24,091 | (21)     | 6,016 | 24,070 | 30,086 | 6,451  | 1988 | 1998 | 40 |
| 426 Lancaster Avenue        | Devon           | PA |        | 1,689 | 6,756  | 361      | 1,689 | 7,118  | 8,806  | 1,922  | 1990 | 1998 | 40 |
| 4364 South Alston Avenue    | Durham          | NC | 1,915  | 1,622 | 6,419  | 728      | 1,581 | 7,188  | 8,769  | 1,952  | 1985 | 1998 | 40 |
| 4805 Lake Brooke Drive      | Glen Allen      | VA | 3,960  | 1,640 | 6,567  | 266      | 1,640 | 6,832  | 8,473  | 1,764  | 1996 | 1998 | 40 |
| 50 East State Street        | Trenton         | NJ |        | 8,926 | 35,735 | 773      | 8,926 | 36,508 | 45,434 | 9,946  | 1989 | 1998 | 40 |
| 50 Swedesford Square        | Whiteland Twp   | PA | 4,263  | 3,902 | 15,254 | (15,254) | 3,902 |        | 3,902  |        | 1986 | 1998 | 40 |
| 500 Nationwide Drive        | Harrisburg      | PA |        | 173   | 850    | 790      | 173   | 1,640  | 1,813  | 550    | 1977 | 1998 | 40 |
| 52 Swedesford Square        | Whiteland Twp   | PA | 4,661  | 4,241 | 16,579 | 878      | 4,241 | 17,457 | 21,698 | 4,540  | 1988 | 1998 | 40 |
| 520 Virginia Drive          | Fort Washington | PA |        | 845   | 3,455  | 39       | 845   | 3,494  | 4,339  | 1,016  | 1987 | 1998 | 40 |
| 600 Corporate Circle Drive  | Harrisburg      | PA |        | 363   | 1,452  | 107      | 363   | 1,559  | 1,922  | 426    | 1978 | 1998 | 40 |
| 600 East Main Street        | Richmond        | VA | 11,206 | 9,808 | 38,255 | 5,668    | 9,808 | 43,923 | 53,731 | 11,744 | 1986 | 1998 | 40 |
| 600 Park Avenue             | King Of Prussia | PA |        | 1,012 | 4,048  | 2        | 1,012 | 4,050  | 5,062  | 1,097  | 1964 | 1998 | 40 |
| 610 Freedom Business Center | King Of Prussia | PA | 5,014  | 2,017 | 8,070  | 674      | 2,017 | 8,745  | 10,761 | 2,702  | 1985 | 1998 | 40 |
| 620 Allendale Road          | King Of Prussia | PA |        | 1,020 | 3,839  | 998      | 1,020 | 4,837  | 5,857  | 1,774  | 1961 | 1998 | 40 |



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|                             |                            |        |       |        |         |       |        |        |       |      |      |    |
|-----------------------------|----------------------------|--------|-------|--------|---------|-------|--------|--------|-------|------|------|----|
| 620 Freedom Business Center | Prussia King Of Prussia PA | 6,750  | 2,770 | 11,014 | 3,193   | 2,770 | 14,207 | 16,977 | 3,577 | 1986 | 1998 | 40 |
| 630 Clark Avenue            | Prussia King Of Prussia PA |        | 547   | 2,190  | 1       | 547   | 2,191  | 2,738  | 593   | 1960 | 1998 | 40 |
| 630 Freedom Business Center | Prussia King Of Prussia PA | 6,655  | 2,773 | 11,144 | 668     | 2,773 | 11,812 | 14,585 | 3,337 | 1989 | 1998 | 40 |
| 640 Freedom Business Center | Prussia King Of Prussia PA | 10,539 | 4,222 | 16,891 | 1,318   | 4,222 | 18,209 | 22,431 | 5,412 | 1991 | 1998 | 40 |
| 650 Park Avenue             | Prussia King Of Prussia PA |        | 1,916 | 4,378  | 2,491   | 1,916 | 6,869  | 8,785  | 1,845 | 1968 | 1998 | 40 |
| 660 Allendale Road          | Prussia King Of Prussia PA |        | 396   | 3,343  | (1,636) | 396   | 1,706  | 2,103  | 708   | 1962 | 1998 | 40 |
| 680 Allendale Road          | Prussia King Of Prussia PA |        | 689   | 2,756  | 679     | 689   | 3,435  | 4,124  | 1,149 | 1962 | 1998 | 40 |
| 6990 Snowdrift Road         | Allentown PA               |        |       | 1,962  | 3,696   |       | 5,658  | 5,658  | 764   | 2003 | 1998 | 40 |
| 6990 Snowdrift Road Bldg B  | Allentown PA               |        |       | 2,581  | 958     |       | 3,539  | 3,539  | 272   | 2004 | 1998 | 40 |

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BRANDYWINE OPERATING PARTNERSHIP, L.P.  
Real Estate and Accumulated Depreciation December 31, 2006  
(in thousands)

|                                  | City/State      | Encumbrances<br>at<br>December<br>31, 2006 | Initial Cost |              |             | Gross Amount at Which Carried<br>December 31, 2006 |              |           | Accumulated<br>Depreciation<br>at<br>December 31,<br>2006 | Year<br>of<br>Construction | Year<br>Acquired | Depreciable<br>Life |
|----------------------------------|-----------------|--|--------------|--------------|-------------|--|--------------|-----------|---|----------------------------|------------------|---------------------|
|                                  |                 |  | Land         | Improvements | Acquisition | Land   | Improvements | Total (a) |   |                            |                  |                     |
| 700 East<br>Gate Drive           | Mt.<br>LaureNJ  | 4,102                                      | 3,569        | 14,436       | 1,540       | 3,569  | 15,977       | 19,545    | 4,064   | 1984                       | 1998             | 40                  |
| 701 East<br>Gate Drive           | Mt.<br>LaureNJ  | 2,048                                      | 1,736        | 6,877        | 842         | 1,736  | 7,719        | 9,455     | 2,186   | 1986                       | 1998             | 40                  |
| 7010<br>Snowdrift<br>Road        | AllentobPA      | 919  | 818          | 3,324        | 464         | 818  | 3,789        | 4,606     | 886   | 1991                       | 1998             | 40                  |
| 7150<br>Windsor<br>Drive         | AllentobPA      | 1,188                                      | 1,035        | 4,219        | 147         | 1,035  | 4,366        | 5,401     | 1,100   | 1988                       | 1998             | 40                  |
| 7350<br>Tilghman<br>Street       | AllentobPA      |  | 3,414        | 13,716       | 1,273       | 3,414  | 14,988       | 18,403    | 4,433   | 1987                       | 1998             | 40                  |
| 741 First<br>Avenue              | Of<br>PrussibPA |  | 1,287        | 5,151        | 221         | 1,287  | 5,371        | 6,659     | 1,517   | 1966                       | 1998             | 40                  |
| 7450<br>Tilghman<br>Street       | AllentobPA      | 3,482                                      | 2,867        | 11,631       | 1,574       | 2,867  | 13,205       | 16,072    | 3,737   | 1986                       | 1998             | 40                  |
| 751-761<br>Fifth Avenue          | Of<br>PrussibPA |  | 1,097        | 4,391        | 32          | 1,097  | 4,423        | 5,520     | 1,197   | 1967                       | 1998             | 40                  |
| 7535<br>Windsor<br>Drive         | AllentobPA      | 4,514                                      | 3,376        | 13,400       | 5,528       | 3,376  | 18,928       | 22,304    | 4,808   | 1988                       | 1998             | 40                  |
| 755 Business<br>Center Drive     | HorshampPA      | 2,024                                      | 1,362        | 2,334        | 2,940       | 1,362  | 5,274        | 6,636     | 1,581   | 1998                       | 1998             | 40                  |
| 800<br>Corporate<br>Circle Drive | HarrisbPA       |  | 414          | 1,653        | 105         | 414  | 1,758        | 2,172     | 492   | 1979                       | 1998             | 40                  |
| 815 East<br>Gate Drive           | Mt.<br>LaureNJ  | 703  | 636          | 2,584        | 375         | 636  | 2,959        | 3,595     | 709   | 1986                       | 1998             | 40                  |
| 817 East<br>Gate Drive           | Mt.<br>LaureNJ  | 697  | 611          | 2,426        | 153         | 611  | 2,579        | 3,190     | 633   | 1986                       | 1998             | 40                  |
|                                  | PA              |  | 618          | 2,473        | 3,258       | 618  | 5,731        | 6,349     | 1,455   | 1966                       | 1998             | 40                  |

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|                            |                   |        |       |        |         |       |        |        |       |         |      |    |  |
|----------------------------|-------------------|--------|-------|--------|---------|-------|--------|--------|-------|---------|------|----|--|
| 875 First Avenue           | King Of Prussia   |        |       |        |         |       |        |        |       |         |      |    |  |
| 9011 Arboretum Parkway     | Richmond, VA      | 4,622  | 1,857 | 7,702  | 528     | 1,857 | 8,231  | 10,087 | 2,063 | 1991    | 1998 | 40 |  |
| 9100 Arboretum Parkway     | Richmond, VA      | 3,506  | 1,362 | 5,489  | 556     | 1,362 | 6,045  | 7,407  | 1,726 | 1988    | 1998 | 40 |  |
| 920 Harvest Blue Drive     | Bell PA           |        | 2,433 | 9,738  | 649     | 2,433 | 10,387 | 12,820 | 2,708 | 1990    | 1998 | 40 |  |
| 9200 Arboretum Parkway     | Richmond, VA      | 2,506  | 985   | 3,973  | 133     | 985   | 4,107  | 5,091  | 1,040 | 1988    | 1998 | 40 |  |
| 9210 Arboretum Parkway     | Richmond, VA      | 2,906  | 1,110 | 4,474  | 583     | 1,110 | 5,057  | 6,167  | 1,363 | 1988    | 1998 | 40 |  |
| 9211 Arboretum Parkway     | Richmond, VA      | 1,458  | 582   | 2,433  | 286     | 582   | 2,719  | 3,301  | 704   | 1991    | 1998 | 40 |  |
| 925 Harvest Blue Drive     | Bell PA           |        | 1,671 | 6,606  | 807     | 1,671 | 7,413  | 9,084  | 1,905 | 1990    | 1998 | 40 |  |
| 993 Lenox Drive            | Lawrenceville, GA | 11,638 | 2,811 | 17,996 | (5,342) | 2,811 | 12,654 | 15,465 | 3,670 | 1985    | 1998 | 40 |  |
| 997 Lenox Drive            | Lawrenceville, GA | 9,496  | 2,410 | 9,700  | 161     | 2,410 | 9,861  | 12,271 | 2,635 | 1987    | 1998 | 40 |  |
| Dabney III Philadelphia    | Richmond, VA      | 777    | 281   | 1,125  | 309     | 281   | 1,435  | 1,715  | 416   | 1986    | 1998 | 40 |  |
| Marine Center              | Philadelphia, PA  |        | 532   | 2,196  | 2,285   | 628   | 4,385  | 5,013  | 1,035 | Various | 1998 | 40 |  |
| 1050 Westlakes Drive       | Berwyn, PA        |        | 2,611 | 10,445 | 75      |       | 13,131 | 13,131 | 2,137 | 1984    | 1999 | 40 |  |
| 11 CampusNewtown Boulevard | Squar PA          | 4,581  | 1,112 | 4,067  | 438     | 1,112 | 4,505  | 5,617  | 951   | 1998    | 1999 | 40 |  |
| 400 Berwyn Park            | Berwyn, PA        |        | 2,657 | 4,462  | 15,897  | 2,657 | 20,359 | 23,016 | 3,493 | 1999    | 1999 | 40 |  |
| 630 Dresher Road           | Horsham, PA       |        | 771   | 3,083  | 1,750   | 771   | 4,833  | 5,604  | 1,077 | 1987    | 1999 | 40 |  |
| 7130 Ambassador Drive      | Allentown, PA     |        | 761   | 3,046  | 161     | 761   | 3,207  | 3,968  | 693   | 1991    | 1999 | 40 |  |
| 100 Brandywine Boulevard   | Newtown, PA       |        | 1,784 | 9,811  | 2,987   | 1,784 | 12,798 | 14,582 | 2,102 | 2002    | 2000 | 40 |  |
| 1400 Howard Boulevard      | Mt. Laurel, NJ    |        | 443   |        | 13,238  | 1,447 | 12,233 | 13,681 | 77    | 2005    | 2000 | 40 |  |
| 15 CampusNewtown Boulevard | Squar PA          | 5,723  | 1,164 | 3,896  | 673     | 1,164 | 4,570  | 5,733  | 594   | 2002    | 2000 | 40 |  |
|                            | Malvern, PA       |        | 458   | 559    | 3,582   | 488   | 4,111  | 4,599  | 861   | 2000    | 2000 | 40 |  |

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|   |    |        |       |        |        |       |        |        |       |      |      |    |
|---|----|--------|-------|--------|--------|-------|--------|--------|-------|------|------|----|
| 1700 Paoli<br>Pike<br>2000 Lenox<br>Drive Lawrenceville | GA | 13,538 | 2,291 | 12,221 | 2,803  | 2,291 | 15,024 | 17,315 | 4,450 | 2000 | 2000 | 40 |
| 300 Welsh<br>Road<br>Building II Horsham                | PA | 977    | 396   | 1,585  | 129    | 396   | 1,714  | 2,110  | 505   | 1980 | 2000 | 40 |
| 401<br>Plymouth Plymouth<br>Road Meeting                | PA |        | 6,198 | 16,131 | 17,430 | 6,199 | 33,560 | 39,759 | 6,347 | 2001 | 2000 | 40 |
| 630<br>Allendale of<br>Road Prussia                     | PA |        | 2,836 | 4,028  | 15,955 | 2,836 | 19,983 | 22,819 | 5,150 | 2000 | 2000 | 40 |
| 640<br>Allendale of<br>Road Prussia                     | PA |        | 439   | 432    | 1,480  | 439   | 1,913  | 2,351  | 269   | 2000 | 2000 | 40 |
| Bishops Gate<br>Corporate Mt.<br>Center Laure           | NJ |        | 934   | 6,287  |        | 934   | 6,799  | 7,733  | 588   | 2005 | 2000 | 40 |
| Macaroni Plymouth<br>Grill Meeting                      | PA |        | 1,043 | 555    |        | 1,043 | 555    | 1,598  | 24    | N/A  | 2000 | 40 |
| 10 Lake<br>Center Drive Marlton                         | NJ |        | 1,880 | 7,521  | 1,232  | 1,880 | 8,753  | 10,633 | 1,375 | 1989 | 2001 | 40 |
| 100<br>Arrandale<br>Boulevard Exton                     | PA |        | 970   | 3,878  | 1      | 970   | 3,880  | 4,849  | 559   | 1997 | 2001 | 40 |
| 100<br>Lindenwood<br>Drive Malvern                      | PA |        | 473   | 1,892  | 377    | 473   | 2,269  | 2,742  | 507   | 1985 | 2001 | 40 |
| 101<br>Lindenwood<br>Drive Malvern                      | PA |        | 4,152 | 16,606 | 1,575  | 4,152 | 18,182 | 22,333 | 2,916 | 1988 | 2001 | 40 |
| 1100 Cassett<br>Road Berwyn                             | PA |        | 1,695 | 6,779  | 2      | 1,695 | 6,781  | 8,476  | 976   | 1997 | 2001 | 40 |
| 111<br>Arrandale<br>Road Exton                          | PA |        | 262   | 1,048  | 69     | 262   | 1,117  | 1,379  | 156   | 1996 | 2001 | 40 |
| 111/113<br>Pencader<br>Drive Newark                     | DE |        | 1,092 | 4,366  | 68     | 1,092 | 4,434  | 5,526  | 641   | 1990 | 2001 | 40 |
| 1160<br>Swedesford<br>Road Berwyn                       | PA |        | 1,781 | 7,124  | 1,171  | 1,781 | 8,295  | 10,076 | 1,276 | 1986 | 2001 | 40 |
| 1180<br>Swedesford<br>Road Berwyn                       | PA |        | 2,086 | 8,342  | 1,065  | 2,086 | 9,407  | 11,493 | 1,465 | 1987 | 2001 | 40 |
| 161 Gaither Mount<br>Drive Laure                        | NJ |        | 1,016 | 4,064  | 434    | 1,016 | 4,498  | 5,514  | 844   | 1987 | 2001 | 40 |
| 200 Lake Cherry<br>Drive East Hill                      | NJ |        | 2,069 | 8,275  | 748    | 2,069 | 9,023  | 11,092 | 1,434 | 1989 | 2001 | 40 |
| Malvern   | PA |        | 324   | 1,295  | 242    | 324   | 1,537  | 1,861  | 304   | 1984 | 2001 | 40 |

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|                                       |       |       |        |       |       |        |        |       |      |      |    |  |
|---------------------------------------|-------|-------|--------|-------|-------|--------|--------|-------|------|------|----|--|
| 200<br>Lindenwood<br>Drive            |       |       |        |       |       |        |        |       |      |      |    |  |
| 210 Lake Cherry<br>Drive East Hill NJ |       | 1,645 | 6,579  | 546   | 1,645 | 7,125  | 8,770  | 1,136 | 1986 | 2001 | 40 |  |
| 220 Lake Cherry<br>Drive East Hill NJ |       | 2,144 | 8,798  | 738   | 2,144 | 9,537  | 11,680 | 1,487 | 1988 | 2001 | 40 |  |
| 30 Lake<br>Center Drive Marlton NJ    |       | 1,043 | 4,171  | 130   | 1,043 | 4,301  | 5,344  | 686   | 1986 | 2001 | 40 |  |
| 300<br>Lindenwood<br>Drive Malvern PA |       | 848   | 3,394  | 104   | 849   | 3,498  | 4,346  | 510   | 1991 | 2001 | 40 |  |
| 301<br>Lindenwood<br>Drive Malvern PA |       | 2,729 | 10,915 | 1,868 | 2,729 | 12,783 | 15,512 | 2,076 | 1984 | 2001 | 40 |  |
| 412<br>Creamery<br>Way Exton PA       |       | 1,195 | 4,779  | 722   | 1,195 | 5,502  | 6,696  | 1,050 | 1999 | 2001 | 40 |  |
| 429<br>Creamery<br>Way Exton PA       |       | 1,368 | 5,471  | 2     | 1,368 | 5,473  | 6,841  | 788   | 1996 | 2001 | 40 |  |
| 436<br>Creamery<br>Way Exton PA       |       | 994   | 3,978  | 459   | 994   | 4,436  | 5,431  | 622   | 1991 | 2001 | 40 |  |
| 440<br>Creamery<br>Way Exton PA       | 2,905 | 982   | 3,927  | 1,004 | 982   | 4,931  | 5,913  | 707   | 1991 | 2001 | 40 |  |
| 442<br>Creamery<br>Way Exton PA       | 2,516 | 894   | 3,576  | 392   | 894   | 3,968  | 4,862  | 708   | 1991 | 2001 | 40 |  |
| 457<br>Creamery<br>Way Exton PA       |       | 777   | 3,107  | 272   | 777   | 3,379  | 4,156  | 537   | 1990 | 2001 | 40 |  |
| 467<br>Creamery<br>Way Exton PA       |       | 906   | 3,623  | 444   | 906   | 4,067  | 4,973  | 626   | 1988 | 2001 | 40 |  |

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BRANDYWINE OPERATING PARTNERSHIP, L.P.  
Real Estate and Accumulated Depreciation December 31, 2006  
(in thousands)

|                                | City/State          | Encumbrances<br>at<br>December<br>31, 2006 | Initial Cost |              |             | Gross Amount at Which Carried<br>December 31, 2006 |              |           | Accumulated<br>Depreciation<br>at<br>December 31,<br>2006 |      | Year<br>of<br>Construction | Year<br>Acquired | Useful<br>Life |
|--------------------------------|---------------------|--|--------------|--------------|-------------|--|--------------|-----------|---|------|----------------------------|------------------|----------------|
|                                |                     |  | Land         | Improvements | Acquisition | Land   | Improvements | Total (a) | (b)   | (c)  |                            |                  |                |
| 479 Thomas<br>Jones Way        | Exton PA            |  | 1,075        | 4,299        | 681         | 1,075  | 4,980        | 6,055     | 882   | 1988 | 2001                       | 40               |                |
| 481 John<br>Young Way          | Exton PA            | 2,294                                      | 496          | 1,983        | 1           | 496  | 1,984        | 2,480     | 286   | 1997 | 2001                       | 40               |                |
| 555 Croton<br>Road             | Prussia PA          |  | 4,486        | 17,943       | 503         | 4,486  | 18,446       | 22,932    | 2,887   | 1999 | 2001                       | 40               |                |
| 7360 Windsor<br>Drive          | Allentown PA        |  | 1,451        | 3,618        | 2,038       | 1,451  | 5,655        | 7,107     | 1,594   | 2001 | 2001                       | 40               |                |
| Two Righter<br>Parkway         | Wilmington DE       |  | 2,802        | 11,217       | 5           | 2,802  | 11,221       | 14,024    | 1,833   | 1987 | 2001                       | 40               |                |
| 1000 Lenox<br>Drive            | Lawrenceville PA    |  | 1,174        | 4,696        | 2,107       | 1,174  | 6,803        | 7,977     | 1,070   | 1982 | 2002                       | 40               |                |
| 200 Commerce<br>Drive          | Newark DE           | 5,841                                      | 911          | 4,414        | 1,020       | 911  | 5,434        | 6,345     | 838   | 1998 | 2002                       | 40               |                |
| 400 Commerce<br>Drive          | Newark DE           | 11,797                                     | 2,528        | 9,220        | 4,483       | 2,528  | 13,703       | 16,231    | 5,593   | 1997 | 2002                       | 40               |                |
| 600 West<br>Germantown<br>Pike | Plymouth Meeting PA | 11,687                                     | 3,652        | 15,288       | 649         | 3,652  | 15,937       | 19,589    | 2,079   | 1986 | 2002                       | 40               |                |
| 610 West<br>Germantown<br>Pike | Plymouth Meeting PA | 11,315                                     | 3,651        | 14,514       | 1,331       | 3,651  | 15,844       | 19,496    | 2,303   | 1987 | 2002                       | 40               |                |
| 620 West<br>Germantown<br>Pike | Plymouth Meeting PA | 11,453                                     | 3,572        | 14,435       | 1,641       | 3,572  | 16,076       | 19,648    | 2,401   | 1990 | 2002                       | 40               |                |
| 630 West<br>Germantown<br>Pike | Plymouth Meeting PA | 11,297                                     | 3,558        | 14,743       | 1,269       | 3,558  | 16,012       | 19,570    | 2,361   | 1988 | 2002                       | 40               |                |
| 6802 Paragon<br>Place          | Richmond PA         |  | 2,917        | 11,454       | 2,082       | 2,917  | 13,536       | 16,453    | 2,061   | 1989 | 2002                       | 40               |                |
|                                |                     |  | 2,079        | 7,821        | 1,215       | 2,079  | 9,036        | 11,115    | 1,292   | 1988 | 2002                       | 40               |                |

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|                              |                 |        |         |         |        |         |         |         |       |      |      |    |
|------------------------------|-----------------|--------|---------|---------|--------|---------|---------|---------|-------|------|------|----|
| 980 Harvest Blue Drive       | Blue Bell       |        |         |         |        |         |         |         |       |      |      |    |
| 565 East Swedesford Road     | Wayne PA        | 1,872  | 7,489   | 890     | 1,872  | 8,379   | 10,251  | 785     | 1984  | 2003 | 40   |    |
| 575 East Swedesford Road     | Wayne PA        | 2,178  | 8,712   | 459     | 2,178  | 9,171   | 11,349  | 783     | 1985  | 2003 | 40   |    |
| 585 East Swedesford Road     | Wayne PA        | 1,350  | 5,401   | 34      | 1,350  | 5,435   | 6,785   | 432     | 1998  | 2003 | 40   |    |
| 595 East Swedesford Road     | Wayne PA        | 2,729  | 10,917  | 374     | 2,729  | 11,291  | 14,020  | 891     | 1998  | 2003 | 40   |    |
| 989 Lenox Drive              | Lawrenceville   | 3,701  | 14,802  | 860     | 3,700  | 15,662  | 19,363  | 1,196   | 1984  | 2003 | 40   |    |
| 100 North 18th Street        | Philadelphia PA | 14,079 | 16,066  | 100,255 | 1,416  | 16,066  | 101,671 | 117,737 | 8,913 | 1988 | 2004 | 33 |
| 130 North 18th Street        | Philadelphia PA | 14,496 | 107,736 | 728     | 14,473 | 108,487 | 122,960 | 9,514   | 1998  | 2004 | 23   |    |
| 130 Radnor Chester Road      | Radnor PA       | 2,573  | 8,338   | (23)    | 2,567  | 8,320   | 10,888  | 582     | 1983  | 2004 | 25   |    |
| 150 Radnor Chester Road      | Radnor PA       | 11,925 | 36,986  | 8,223   | 11,897 | 45,237  | 57,134  | 4,146   | 1983  | 2004 | 29   |    |
| 170 Radnor Chester Road      | Radnor PA       | 2,514  | 8,147   | 30      | 2,509  | 8,182   | 10,691  | 569     | 1983  | 2004 | 25   |    |
| 201 King of Prussia Road     | Radnor PA       | 8,956  | 29,811  | 1,192   | 8,949  | 31,009  | 39,959  | 3,147   | 2001  | 2004 | 25   |    |
| 300 Delaware Avenue          | Wilmington DE   | 6,368  | 13,739  | 1,089   | 6,369  | 14,827  | 21,196  | 1,721   | 1989  | 2004 | 23   |    |
| 525 Lincoln Drive            | West Marlton NJ | 3,727  | 17,620  | 1,770   | 3,727  | 19,390  | 23,117  | 2,267   | 1986  | 2004 | 40   |    |
| 555 Lancaster Avenue         | Radnor PA       | 8,014  | 16,508  | 16,468  | 7,991  | 32,999  | 40,990  | 832     | 1973  | 2004 | 24   |    |
| 920 North King Street        | Wilmington DE   | 6,141  | 21,140  | 528     | 6,141  | 21,668  | 27,809  | 2,016   | 1989  | 2004 | 30   |    |
| Five Radnor Corporate Center | Radnor PA       | 6,506  | 25,525  | 1,977   | 6,578  | 27,430  | 34,008  | 2,162   | 1998  | 2004 | 38   |    |
| Four Radnor Corporate Center | Radnor PA       | 5,406  | 21,390  | 7,648   | 5,705  | 28,739  | 34,444  | 2,609   | 1995  | 2004 | 30   |    |
| Four Tower Bridge            | Conshohocken PA | 10,626 | 2,672   | 14,221  | (112)  | 2,672   | 14,109  | 16,781  | 5,192 | 1998 | 2004 | 40 |
| One Radnor Corporate Center  | Radnor PA       | 7,323  | 28,613  | (34)    | 7,323  | 28,579  | 35,902  | 2,683   | 1998  | 2004 | 29   |    |
| Six Tower Bridge             | Conshohocken PA | 14,744 | 2,827   | 15,525  | 20     | 2,827   | 15,545  | 18,372  | 4,731 | 1999 | 2004 | 40 |

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|   |                     |        |        |         |       |        |         |         |       |      |      |    |
|---|---------------------|--------|--------|---------|-------|--------|---------|---------|-------|------|------|----|
| Three Radnor<br>Corporate<br>Center         | Radnor, PA          |        | 4,773  | 17,961  | (100) | 4,791  | 17,843  | 22,634  | 1,654 | 1998 | 2004 | 29 |
| Two Radnor<br>Corporate<br>Center           | Radnor, PA          |        | 3,937  | 15,484  | 82    | 3,942  | 15,560  | 19,503  | 1,501 | 1998 | 2004 | 29 |
| 1 West Elm<br>Street                        | Conshohocken, PA    |        | 3,557  | 14,249  |       | 3,557  | 14,254  | 17,811  | 446   | 1999 | 2005 | 40 |
| 101 West<br>Elm Street                      | Conshohocken, PA    |        | 6,251  | 25,209  | 647   | 6,251  | 25,856  | 32,107  | 942   | 1999 | 2005 | 40 |
| Arcadia Lane<br>1 Kaiser<br>Plaza           | Upper<br>Merion, PA |        | 5      |         | 0     | 5      |         | 5       |       | N/A  | 2005 | 40 |
| 100 Lenox<br>Drive                          | Oakland, CA         | 50,088 | 15,034 | 107,422 | 1,130 | 15,291 | 108,294 | 123,585 | 3,653 | 1978 | 2006 | 46 |
| 101-103<br>Juniper Street                   | Philadelphia, PA    |        | 2,035  | 8,158   | 36    | 2,035  | 8,194   | 10,229  | 188   | 1991 | 2006 | 40 |
| 11700<br>Beltsville<br>Drive                | Beltsville, MD      |        | 464    | 1,843   | 1     | 464    | 1,844   | 2,308   | 35    | N/A  | 2006 | 40 |
| 11710<br>Beltsville<br>Drive                | Beltsville, MD      |        | 2,808  | 12,081  | 46    | 2,858  | 12,077  | 14,935  | 313   | 1981 | 2006 | 46 |
| 11720<br>Beltsville<br>Drive                | Beltsville, MD      |        | 2,278  | 11,100  | (944) | 2,317  | 10,117  | 12,434  | 324   | 1987 | 2006 | 46 |
| 11740<br>Beltsville<br>Drive                | Beltsville, MD      |        | 3,831  | 16,661  | 414   | 3,897  | 17,009  | 20,906  | 536   | 1987 | 2006 | 46 |
| 1177 East<br>Beltline Road                  | Bethesda, MD        |        | 198    | 870     | 9     | 202    | 875     | 1,077   | 36    | 1987 | 2006 | 46 |
| 11781 Lee<br>Jackson<br>Memorial<br>Highway | Doppell, TX         | 20,337 | 1,516  | 14,895  | 13    | 1,517  | 14,908  | 16,425  | 597   | 1998 | 2006 | 42 |
| 1200<br>Concord<br>Avenue                   | Fairfax, VA         |        | 3,246  | 19,836  | 167   | 3,302  | 19,948  | 23,250  | 999   | 1982 | 2006 | 40 |
| 12015 Lee<br>Jackson<br>Memorial<br>Highway | Fairfax, VA         |        | 3,246  | 19,836  | 167   | 3,302  | 19,948  | 23,250  | 999   | 1982 | 2006 | 40 |
| 1221 Mopac<br>Expressway                    | Concord, CA         | 20,519 | 6,395  | 24,664  | 551   | 6,504  | 25,106  | 31,610  | 1,673 | 1984 | 2006 | 34 |
| 1250 Capital<br>of Texas<br>Hwy South       | Austin, TX          |        | 3,770  | 22,895  | 184   | 3,835  | 23,014  | 26,849  | 1,011 | 1985 | 2006 | 42 |
|   | Concord, CA         | 20,528 | 6,476  | 24,966  | 9     | 6,476  | 24,975  | 31,451  | 1,673 | 1984 | 2006 | 34 |
|   | Austin, TX          |        | 3,290  | 31,548  | 459   | 3,361  | 31,935  | 35,296  | 1,045 | 2001 | 2006 | 55 |
|   | Austin, TX          |        | 5,152  | 37,928  | (51)  | 5,241  | 37,788  | 43,029  | 1,367 | 1984 | 2006 | 52 |



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|  |    |        |        |        |     |        |        |         |       |      |      |    |
|--|----|--------|--------|--------|-----|--------|--------|---------|-------|------|------|----|
| 1301 Mopac<br>Expressway Austin<br>1333                | TX |        | 4,188  | 41,229 | 262 | 4,245  | 41,434 | 45,679  | 1,113 | 2001 | 2006 | 55 |
| Broadway Oaklawn<br>13825                              | GA | 24,318 | 4,519  | 35,235 | 159 | 4,519  | 35,394 | 39,913  | 1,946 | 1972 | 2006 | 40 |
| Sunrise<br>Valley Drive Herndon<br>13880 Dulles        | VA |        | 3,794  | 19,365 | 173 | 3,859  | 19,473 | 23,332  | 1,083 | 1989 | 2006 | 46 |
| Corner Land Herndon<br>1501 South<br>Mopac             | VA |        | 7,236  | 39,213 | 344 | 7,360  | 39,433 | 46,793  | 1,159 | 1997 | 2006 | 55 |
| Expressway Austin<br>1601 Mopac                        | TX |        | 3,698  | 34,912 | 984 | 3,761  | 35,832 | 39,594  | 1,656 | 1999 | 2006 | 53 |
| Expressway Austin<br>1676                              | TX |        | 3,538  | 34,346 | 692 | 3,599  | 34,978 | 38,577  | 1,063 | 2000 | 2006 | 54 |
| International<br>Drive Mclellan<br>16870 W<br>Bernardo | VA | 63,064 | 18,437 | 97,538 | 882 | 18,753 | 98,105 | 116,858 | 2,275 | 1999 | 2006 | 55 |
| Drive San<br>Diego<br>1801 Mopac                       | CA | 10,700 | 2,979  | 15,896 | 6   | 2,979  | 15,902 | 18,881  | 953   | 2002 | 2006 | 56 |
| Expressway Austin<br>1880 Campus<br>Commons            | TX |        | 1,227  | 10,959 | 42  | 1,248  | 10,980 | 12,228  | 287   | 1999 | 2006 | 53 |
| Drive Reston<br>1900<br>Gallows                        | VA |        | 6,164  | 28,114 | 46  | 6,270  | 28,054 | 34,324  | 598   | 1985 | 2006 | 52 |
| Road Vienna<br>1901<br>Harrison                        | VA |        | 7,797  | 47,817 | 556 | 7,930  | 48,239 | 56,170  | 1,591 | 1989 | 2006 | 52 |
| Street Oaklawn<br>30,056                               | GA | 30,056 | 5,442  | 59,920 | 727 | 5,535  | 60,554 | 66,089  | 1,716 | 1985 | 2006 | 48 |

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BRANDYWINE OPERATING PARTNERSHIP, L.P.  
Real Estate and Accumulated Depreciation December 31, 2006  
(in thousands)

| Property Name                  | City/State    | Encumbrances at December 31, 2006 | Initial Cost |              |                                     | Gross Amount at Which Carried December 31, 2006 |              |           | Accumulated Depreciation at December 31, 2006 (b) | Year of Construction | Year Acquired | Line |
|--------------------------------|---------------|-----------------------------------|--------------|--------------|-------------------------------------|---|--------------|-----------|---|----------------------|---------------|------|
|                                |               |                                   | Land         | Improvements | Net (Retirements) Since Acquisition | Land  | Improvements | Total (a) |   |                      |               |      |
| 6 Van<br>uren Street           | Herndon, VA   | 15,338                            | 6,023        | 31,780       | 12                                  | 6,023   | 31,792       | 37,815    | 1,985   | 1991                 | 2006          | 5    |
| 8 Van<br>uren Street           | Herndon, VA   | 15,562                            | 1,908        | 12,032       | 5                                   | 1,908   | 12,037       | 13,945    | 385   | 1996                 | 2006          | 5    |
| 35 Corte<br>el Nogal           | Carlsbad, CA  | 5,728                             | 3,261        | 6,077        | 2                                   | 3,261   | 6,079        | 9,340     | 472   | 1991                 | 2006          | 3    |
| 01<br>ebster<br>reet           | Oakland, CA   |                                   | 13,051       | 89,728       | 1,664                               | 13,275  | 91,169       | 104,444   | 3,323   | 1985                 | 2006          | 4    |
| 21<br>operative<br>ay          | Herndon, VA   |                                   | 5,598        | 38,639       | 538                                 | 5,777   | 38,999       | 44,775    | 1,150   | 2000                 | 2006          | 5    |
| 01<br>operative<br>ay          | Herndon, VA   |                                   | 4,809        | 34,093       | 121                                 | 4,809   | 34,215       | 39,024    | 1,476   | 1990                 | 2006          | 5    |
| 51<br>orporate<br>rk Drive     | Herndon, VA   |                                   | 11,472       | 45,893       | 17                                  | 11,472  | 45,910       | 57,382    | 96  | 2000                 | 2006          | 4    |
| 73<br>esearch<br>oulevard      | Rockville, MD | 15,787                            | 5,167        | 31,110       | 1,326                               | 5,231   | 32,372       | 37,602    | 998   | 1999                 | 2006          | 4    |
| 75<br>esearch<br>oulevard      | Rockville, MD | 15,741                            | 5,059        | 29,668       | 805                                 | 5,145   | 30,386       | 35,532    | 1,309   | 1990                 | 2006          | 4    |
| 77<br>esearch<br>oulevard      | Rockville, MD | 14,647                            | 4,649        | 26,952       | 266                                 | 4,726   | 27,142       | 31,867    | 947   | 1986                 | 2006          | 4    |
| 91 Wood<br>ak Drive            | Herndon, VA   | 31,000                            | 8,243        | 52,413       | 20                                  | 8,243   | 52,433       | 60,676    | 5,034   | 1999                 | 2006          | 5    |
| 40 Dulles<br>orner<br>oulevard | Herndon, VA   |                                   | 16,345       | 65,379       | 185                                 | 16,345  | 65,565       | 81,909    | 547   | 1987                 | 2006          | 4    |
| 55 Dulles<br>orner<br>oulevard | Herndon, VA   |                                   | 10,365       | 43,876       | 17                                  | 10,365  | 43,893       | 54,258    | 599   | 1988                 | 2006          | 4    |

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|                               |                 |    |        |       |         |       |       |         |         |       |      |      |   |
|-------------------------------|-----------------|----|--------|-------|---------|-------|-------|---------|---------|-------|------|------|---|
| 11 Dulles<br>Corner Park      | Herndon         | VA |        | 7,279 | 46,340  | 406   | 7,404 | 46,621  | 54,026  | 1,674 | 1990 | 2006 | 5 |
| 11 N<br>askell<br>venue       | Dallas          | TX |        | 8,597 | 97,681  | 647   | 8,753 | 98,171  | 106,924 | 5,858 | 1998 | 2006 | 3 |
| 30<br>Fairview<br>Park Drive  | Falls<br>Church | VA |        | 6,576 | 51,605  | 247   | 6,688 | 51,740  | 58,428  | 1,275 | 1999 | 2006 | 5 |
| 41<br>Fairview<br>Park Drive  | Falls<br>Church | VA |        | 5,918 | 40,981  | 295   | 6,038 | 41,157  | 47,195  | 1,340 | 1988 | 2006 | 5 |
| 41<br>Fairview<br>Park Drive  | Falls<br>Church | VA |        | 733   | 4,939   | (4)   | 733   | 4,935   | 5,668   | 134   | 1988 | 2006 | 5 |
| 41<br>Fairview<br>Park Drive  | Falls<br>Church | VA |        | 297   | 1,964   | 1     | 297   | 1,965   | 2,262   | 40    | 1988 | 2006 | 5 |
| 01 Fair<br>akes Court         | Fairfax         | VA |        | 1,569 | 11,982  | (47)  | 1,596 | 11,908  | 13,504  | 375   | 1988 | 2006 | 5 |
| 80 & 5790<br>reet Street      | Carlsbad        | CA | 14,500 | 7,073 | 22,907  | 8     | 7,072 | 22,916  | 29,988  | 1,836 | 1999 | 2006 | 5 |
| 00 & 5950<br>Place<br>ourt    | Carlsbad        | CA | 8,252  | 3,706 | 11,185  | 4     | 3,706 | 11,189  | 14,895  | 691   | 1988 | 2006 | 4 |
| 63 La<br>ace Court            | Carlsbad        | CA | 6,534  | 2,824 | 9,413   | 4     | 2,824 | 9,417   | 12,241  | 560   | 1987 | 2006 | 5 |
| 73<br>venida                  | Carlsbad        | CA | 5,486  | 2,121 | 8,361   | 3     | 2,121 | 8,364   | 10,485  | 618   | 1986 | 2006 | 4 |
| 00<br>ockledge<br>rive        | Bethesda        | MD |        |       | 37,421  | 36    |       | 37,457  | 37,457  | 733   | 1981 | 2006 | 5 |
| 00 Paragon<br>ace             | Richmond        | VA |        | 4,552 | 18,414  | 24    | 4,552 | 18,438  | 22,990  | 120   | 1986 | 2006 | 4 |
| 01<br>isconsin<br>venue       | Bethesda        | MD |        | 9,634 | 48,402  | 2,215 | 9,799 | 50,452  | 60,251  | 1,626 | 1975 | 2006 | 4 |
| 35 Old<br>eorgetown<br>oad    | Bethesda        | MD |        | 4,370 | 23,192  | 261   | 4,445 | 23,379  | 27,824  | 903   | 1997 | 2006 | 4 |
| 60<br>reensboro<br>rive       | Mclean          | VA | 33,958 | 7,952 | 33,964  | (50)  | 8,088 | 33,777  | 41,866  | 1,179 | 1980 | 2006 | 5 |
| 21<br>eesburg<br>ke           | Vienna          | VA |        | 4,316 | 30,885  | 549   | 4,390 | 31,360  | 35,749  | 1,166 | 1984 | 2006 | 5 |
| typlace<br>onference<br>enter | Dallas          | TX |        | 505   | 5,071   | 2     | 505   | 5,073   | 5,578   | 137   | 1998 | 2006 | 3 |
| 29 Arch<br>reet               | Philadelphia    | PA |        |       | 208,570 | 79    |       | 208,649 | 208,649 | 5,659 | 2005 | N/A  | 4 |

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|           |            |     |  |  |     |  |  |     |  |     |     |   |
|-----------|------------|-----|--|--|-----|--|--|-----|--|-----|-----|---|
| 2         |            |     |  |  |     |  |  |     |  |     |     |   |
| Wedesford |            |     |  |  |     |  |  |     |  |     |     |   |
| oad       | Berwyn, PA | 218 |  |  | 218 |  |  | 218 |  | N/A | N/A | 4 |

Subtotal: \$ 878,969 \$ 754,373 \$ 3,887,653 \$ 284,763 \$ 756,383 \$ 4,170,923 \$ 4,927,305 \$ 515,698

**Real Estate  
Classified as Held  
for Sale @  
3/31/06:**

|                 |              |       |        |         |       |        |        |       |       |      |      |   |
|-----------------|--------------|-------|--------|---------|-------|--------|--------|-------|-------|------|------|---|
| 0 - 180         |              |       |        |         |       |        |        |       |       |      |      |   |
| est             |              |       |        |         |       |        |        |       |       |      |      |   |
| ermantown East  |              |       |        |         |       |        |        |       |       |      |      |   |
| ke              | Norriton, PA | 5,105 | 1,603  | 6,418   | 1,587 | 1,603  | 8,005  | 9,608 | 2,260 | 1982 | 1998 | 4 |
| 05/1507 Farmers |              |       |        |         |       |        |        |       |       |      |      |   |
| BJ Freeway      | Branch, TX   | 4,393 | 27,825 | (603)   | 4,165 | 27,450 | 31,614 | 1,263 | 1989  | 2006 | 4    | 4 |
| 01/1503 Farmers |              |       |        |         |       |        |        |       |       |      |      |   |
| BJ Freeway      | Branch, TX   | 3,727 | 28,099 | (4,142) | 3,210 | 24,474 | 27,683 | 1,217 | 1985  | 2006 | 3    | 3 |
| 01 LBJ          |              |       |        |         |       |        |        |       |       |      |      |   |
| Freeway         | Dallas, TX   | 3,122 | 16,194 | (65)    | 3,099 | 16,152 | 19,250 | 681   | 1982  | 2006 | 3    | 3 |
| 03 LBJ          |              |       |        |         |       |        |        |       |       |      |      |   |
| Freeway         | Dallas, TX   | 1,170 | 18,045 | 40      | 1,149 | 18,106 | 19,255 | 629   | 1985  | 2006 | 3    | 3 |

Subtotal: \$ 5,105 \$ 14,015 \$ 96,580 \$ (3,183) \$ 13,225 \$ 94,186 \$ 107,411 \$ 6,050

**Total:** \$ 884,074 \$ 768,388 \$ 3,984,233 \$ 281,579 \$ 769,608 \$ 4,265,108 \$ 5,034,716 \$ 521,748

**Table of Contents**

## (a) Reconciliation of Real Estate:

The following table reconciles the real estate investments from January 1, 2004 to December 31, 2006 (in thousands):

|                                     | 2006         | 2005         | 2004         |
|-------------------------------------|--------------|--------------|--------------|
| Balance at beginning of year        | \$ 2,560,061 | \$ 2,483,134 | \$ 1,869,744 |
| Additions:                          |              |              |              |
| Acquisitions                        | 2,370,241    | 71,783       | 578,197      |
| Consolidation of VIE s (1)          |              |              | 35,245       |
| Capital expenditures                | 334,238      | 47,732       | 30,953       |
| Less:                               |              |              |              |
| Dispositions                        | (229,824)    | (42,588)     | (31,005)     |
| Assets transferred to held-for-sale | (107,411)    |              |              |
| Balance at end of year              | \$ 4,927,305 | \$ 2,560,061 | \$ 2,483,134 |

## (b) Reconciliation of Accumulated Depreciation:

The following table reconciles the accumulated depreciation on real estate investments from January 1, 2004 to December 31, 2006 (in thousands):

|  | 2006       | 2005       | 2004       |
|--|------------|------------|------------|
| Balance at beginning of year                 | \$ 390,333 | \$ 325,802 | \$ 268,091 |
| Additions:                                   |            |            |            |
| Depreciation expense continued operations    | 162,503    | 78,465     | 60,179     |
| Depreciation expense discontinued operations | 12,305     | 171        | 224        |
| Consolidation of VIE s (1)                   |            |            | 7,741      |
| Acquisitions                                 | 1,037      |            |            |
| Less:  |            |            |            |
| Dispositions                                 | (44,430)   | (14,105)   | (10,433)   |
| Assets transferred to held-for-sale          | (6,050)    |            |            |
| Balance at end of year                       | \$ 515,698 | \$ 390,333 | \$ 325,802 |

(1) - Joint ventures which were consolidated at March 31, 2004 under Financial Interpretation 46-R ( FIN-46-R ), Consolidation of Variable Interest Entities.

(2)

- Schedule III  
excludes an  
asset owned that  
is subject to a  
deferred  
financing lease.

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