BRANDYWINE OPERATING PARTNERSHIP LP /PA
Form 10-Q
August 08, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2007

or

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from __________ to __________

Commission file number **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)

MARYLAND (Brandywine Realty Trust)	**23-2413352**
DELAWARE (Brandywine Operating Partnership L.P.)	**23-2862640**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
555 East Lancaster Avenue Radnor, Pennsylvania	**19087**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code **(610) 325-5600**

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 þ No o
Brandywine Operating Partnership, L.P.	Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, or a non-accelerated filer. See definitions of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Brandywine Realty Trust	Large accelerated filer þ Accelerated filer o Non-accelerated filer o
Brandywine Operating Partnership, L.P.	Large accelerated filer o Accelerated filer þ Non-accelerated filer o

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 o No þ
Brandywine Operating Partnership, L.P.	Yes o No þ

A total of 86,843,035 Common Shares of Beneficial Interest, par value $0.01 per share, were outstanding as of August 1, 2007.

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Filing Format

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

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PART I FINANCIAL INFORMATION
Item 1. Financial Statements

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

	June 30, 2007	December 31, 2006
ASSETS		
Real estate investments:		
Operating properties	$ 4,862,726	$ 4,927,305
Accumulated depreciation	(554,417)	(515,698)
Operating real estate investments, net	4,308,309	4,411,607
Development land and construction-in-progress	373,497	328,119
Total real estate invesmtents, net	4,681,806	4,739,726
Cash and cash equivalents	28,522	25,379
Cash escrowed with qualified intermediary (Note 3)	36,590	
Accounts receivable, net (Note 2)	16,972	19,957
Accrued rent receivable, net	77,922	71,589
Asset held for sale, net		126,016
Investment in real estate ventures, at equity (Note 4)	72,748	74,574
Deferred costs, net (Note 5)	81,823	73,708
Intangible assets, net (Note 6)	239,469	281,251
Other assets	92,221	96,818
Total assets	$ 5,328,073	$ 5,509,018
LIABILITIES AND BENEFICIARIES EQUITY		
Mortgage notes payable (Note 7)	$ 757,145	$ 883,920
Unsecured notes, net of discounts (Note 7)	2,208,070	2,208,310
Unsecured credit facility (Note 7)	210,000	60,000
Accounts payable and accrued expenses	79,473	108,400
Distributions payable	42,131	42,760
Tenant security deposits and deferred rents	59,429	55,697
Acquired below market leases, net (Note 6)	72,259	92,527
Other liabilities	12,682	14,661
Mortgage notes payable and other liabilities held for sale		20,826
Total liabilities	3,441,189	3,487,101
Minority interest partners share of consolidated real estate ventures (Note 10)		34,428
Minority interest LP units (Note 10)	85,829	89,563
Commitments and contingencies (Note 14)		
Beneficiaries equity (Note 11):		
Preferred Shares (shares authorized-20,000,000):		
7.50% Series C Preferred Shares, $0.01 par value; issued and outstanding-2,000,000 in 2007 and 2006	20	20

7.375% Series D Preferred Shares, $0.01 par value; issued and outstanding- 2,300,000 in 2007 and 2006	23	23
Common Shares of beneficial interest, $0.01 par value; shares authorized 200,000,000; issued and outstanding- 87,049,237 in 2007 and 88,327,041 in 2006	872	883
Additional paid-in capital	2,275,319	2,311,541
Cumulative earnings	444,340	423,764
Accumulated other comprehensive income	1,322	1,576
Cumulative distributions	(920,841)	(839,881)
Total beneficiaries equity	1,801,055	1,897,926
Total liabilities, minority interest and beneficiaries equity	$ 5,328,073	$ 5,509,018

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

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

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2007	**2006**	**2007**	**2006**
Revenue:				
Rents	$ 138,597	$ 130,467	$ 276,537	$ 253,536
Tenant reimbursements	21,016	15,496	41,839	32,130
Other	4,691	4,466	9,029	8,681
Total revenue	164,304	150,429	327,405	294,347
Operating Expenses:				
Property operating expenses	45,965	41,504	91,170	82,478
Real estate taxes	16,435	14,388	32,462	28,595
Depreciation and amortization	58,227	64,145	120,274	115,357
Administrative expenses	6,993	7,724	14,262	16,214
Total operating expenses	127,620	127,761	258,168	242,644
Operating income	36,684	22,668	69,237	51,703
Other Income (Expense):				
Interest income	1,603	2,573	2,390	5,223
Interest expense	(40,803)	(41,596)	(81,161)	(81,974)
Interest expense Deferred financing costs	(1,065)	(794)	(2,323)	(1,273)
Equity in income of real estate ventures	4,504	463	5,258	1,428
Net gain on sale of interests in real estate		2,608		2,608
Income (loss) before minority interest	923	(14,078)	(6,599)	(22,285)
Minority interest partners share of consolidated real estate ventures	8	(17)	(108)	281
Minority interest attributable to continuing operations LP units	46	707	457	1,142
Income (loss) from continuing operations	977	(13,388)	(6,250)	(20,862)
Discontinued operations:				
Income from discontinued operations	1,093	2,119	2,869	7,365
Net (loss) gain on disposition of discontinued operations	(856)		25,153	
Minority interest partners share of consolidated real estate ventures		(195)		(382)
Minority interest attributable to discontinued operations LP units	(10)	(92)	(1,196)	(319)
Income from discontinued operations	227	1,832	26,826	6,664

Net income (loss)		1,204		(11,556)		20,576		(14,198)
Income allocated to Preferred Shares		(1,998)		(1,998)		(3,996)		(3,996)
Income (loss) allocated to Common Shares	$	(794)	$	(13,554)	$	16,580	$	(18,194)
Basic earnings (loss) per Common Share:								
Continuing operations	$	(0.01)	$	(0.17)	$	(0.12)	$	(0.28)
Discontinued operations		0.00		0.02		0.31		0.07
	$	(0.01)	$	(0.15)	$	0.19	$	(0.20)
Diluted earnings (loss) per Common Share:								
Continuing operations	$	(0.01)	$	(0.17)	$	(0.12)	$	(0.28)
Discontinued operations		0.00		0.02		0.30		0.07
	$	(0.01)	$	(0.15)	$	0.19	$	(0.20)
Dividends declared per Common Share	$	0.44	$	0.44	$	0.88	$	0.88
Basic weighted average shares outstanding		87,080,785		90,540,237		87,680,773		89,923,528
Diluted weighted average shares outstanding		87,080,785		90,540,237		88,298,521		89,923,528

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

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BRANDYWINE REALTY TRUST
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
(unaudited, in thousands)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2007	2006	2007	2006
Net income (loss)	$ 1,204	$ (11,556)	$ 20,576	$ (14,198)
Other comprehensive income:				
Unrealized gain (loss) on derivative financial instruments	(1,872)	605	(422)	2,363
Less: minority interest consolidated real estate venture partner s share of unrealized gain (loss) on derivative financial instruments		(296)		(809)
Settlement of forward starting swaps	1,148		1,148	3,266
Reclassification of realized (gains)/losses on derivative financial instruments to operations, net	(394)	9	(385)	105
Unrealized gain (loss) on available-for-sale securities	13	(184)	(595)	(776)
Total other comprehensive income (loss)	(1,105)	134	(254)	4,149
Comprehensive income (loss)	$ 99	$ (11,422)	$ 20,322	$ (10,049)

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

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

	Six-month periods ended June 30,	
	2007	**2006**
Cash flows from operating activities:		
Net income (loss)	$ 20,576	$ (14,198)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	90,405	95,051
Amortization:		
Deferred financing costs	2,323	1,274
Deferred leasing costs	7,731	5,184
Acquired above (below) market leases, net	(6,304)	(3,907)
Acquired lease intangibles	26,700	33,700
Deferred compensation costs	2,559	1,445
Straight-line rent	(14,775)	(15,916)
Provision for doubtful accounts	500	1,956
Real estate venture income in excess of distributions	(104)	(267)
Net gain on sale of interests in real estate	(25,153)	(2,608)
Minority interest (expense)/income	847	(722)
Changes in assets and liabilities:		
Accounts receivable	3,916	5,937
Other assets	1,366	6,471
Accounts payable and accrued expenses	(6,151)	7,451
Tenant security deposits and deferred rents	5,665	9,976
Other liabilities	(10,148)	(6,053)
Net cash from operating activities	99,953	124,774
Cash flows from investing activities:		
Acquisition of Prentiss		(935,856)
Acquisition of properties		(50,114)
Acquisition of minority interest partners share of consolidated real estate venture	(64,174)	
Sales of properties, net	222,592	144,006
Capital expenditures	(133,264)	(102,851)
Investment in unconsolidated real estate ventures	(523)	(502)
Cash distributions from unconsolidated real estate ventures in excess of equity in income	2,169	2,215
Leasing costs	(11,499)	(12,114)
Net cash from investing activities	15,301	(955,216)
Cash flows from financing activities:		
Proceeds from Credit Facility borrowings	620,875	310,000
Repayments of Credit Facility borrowings	(470,875)	(205,000)
Proceeds from mortgage notes payable		20,520
Repayments of mortgage notes payable	(126,780)	(21,198)
Proceeds from term loan		750,000
Repayments of term loan		(750,000)

Proceeds from unsecured notes	299,644	847,818
Repayments of unsecured notes	(299,866)	
Proceeds from forward starting swap termination	1,148	3,266
Repayments on employee stock loans		35
Debt financing costs	(3,776)	(6,987)
Exercise of stock options	6,221	8,011
Repurchases of Common Shares	(53,524)	(34,481)
Distributions paid to shareholders	(81,716)	(68,306)
Distributions to minority interest holders	(3,462)	(4,033)
Net cash from financing activities	(112,111)	849,645
Increase (decrease) in cash and cash equivalents	3,143	19,203
Cash and cash equivalents at beginning of period	25,379	7,174
Cash and cash equivalents at end of period	$ 28,522	$ 26,377
Supplemental disclosure:		
Cash paid for interest, net of capitalized interest of $8,217 in 2007 and $4,916 in 2006	$ 92,541	$ 73,933
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 acquistions		13,819
Cash escrowed with qualified intermediary (Note 3)	109,102	
Acquisition of property using cash escrowed with qualified intermediary	(72,511)	
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 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007

1. THE COMPANY

Brandywine Realty Trust, a Maryland real estate investment trust (REIT), is a self-administered and self-managed real estate investment trust 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. The Company s common shares of beneficial interest are publicly traded on the New York Stock Exchange under the ticker symbol BDN .

As of June 30, 2007, the Company owned 238 office properties, 23 industrial facilities and one mixed-use property (collectively, the Properties) containing an aggregate of approximately 25.7 million net rentable square feet. The Company also has six properties under development and 10 properties under redevelopment containing an aggregate 2.4 million net rentable square feet. As of June 30, 2007, the Company consolidates three office properties owned by real estate ventures containing 0.4 million net rentable square feet. Therefore, the Company consolidates 281 properties with an aggregate of 28.5 million net rentable square feet. As of June 30, 2007, the Company owned economic interests in 12 unconsolidated real estate ventures that contain approximately 2.8 million net rentable square feet (collectively, the Real Estate Ventures). The Properties and the properties owned by the Real Estate Ventures are located in and surrounding Philadelphia, PA, Wilmington, DE, Southern and Central New Jersey, Richmond, VA, Metropolitan Washington, D.C., Austin, TX and Oakland and San Diego, CA.

Brandywine Realty Trust is the sole general partner of the Operating Partnership and, as of June 30, 2007, 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 subsidiary. 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 June 30, 2007 the Management Companies were managing properties containing an aggregate of approximately 42.1 million net rentable square feet, of which approximately 28.1 million net rentable square feet related to Properties owned by the Partnership and approximately 14.0 million net rentable square feet related to properties owned by third parties and certain Real Estate Ventures. Unless otherwise indicated, all references to square feet represent net rentable area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared by the Company without audit except as to the balance sheet as of December 31, 2006, which has been derived from audited data, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the included disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (consisting solely of normal recurring matters) for a fair statement of the financial position of the Company as of June 30, 2007, the results of its operations for the three- and six-month periods ended June 30, 2007 and 2006 and its cash flows for the six-month periods ended June 30, 2007 and 2006 have been included. The results of operations for such interim periods are not necessarily indicative of the results for a full year. These consolidated financial statements should be read in conjunction with the Company s consolidated financial statements and footnotes

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007

included in the Company s 2006 Annual Report on Form 10-K. Certain prior period amounts have been reclassified to conform to the current period presentation.

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-VIE s 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 when applicable. 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

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007

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 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 in-place lease values and tenant relationship values would be charged to expense and market rate adjustments would be recorded to revenue.

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. This straight-line rent adjustment increased revenue by approximately $5.6 million and $12.6 million for the three- and six-month periods ended June 30, 2007 and approximately $8.1 million and $15.9 million for the three- and six-month periods ended June 30, 2006. Deferred rents on the balance sheet represent rental revenue received prior to their due dates and tenant reimbursements of certain leasehold improvements that will remain the Company s property at the end of the tenant s lease term. The amortization of the leasehold improvement reimbursement is calculated on a straight-line basis over the term of the tenant s lease and is a component of straight-line rental income and increased revenue by $0.5 million and $2.1 million for the three- and six-month periods ended June 30, 2007 and approximately $0.1 million for the three- and six-month periods ended June 30, 2006. Leases also typically provide for tenant reimbursement of a portion of common area maintenance and other operating expenses to the extent that a tenant s pro rata share of expenses exceeds a base year level set in the lease.

Tenant receivables and accrued rent receivables are carried net of the allowances for doubtful accounts of $7.5 million as of June 30, 2007 and $9.3 million as of December 31, 2006. The allowance is based on management s evaluation of the collectability of receivables, taking into account tenant specific considerations as well as the overall credit of the tenant portfolio. Other income is recorded when earned and is primarily comprised of third party leasing commissions, third party management fees, termination fees received from tenants and bankruptcy settlement fees. Other income includes termination fees of $0.5 million and $1.8 million for the three- and six-month periods ended June 30, 2007

and $1.3 million and $1.9 million for the three- and six-month periods ended June 30, 2006.

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007

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 2007, the Company s shareholders approved an amendment to the Company s Amended and Restated 1997 Long-Term Incentive Plan (the 1997 Plan). The amendment provided for the merger of the Prentiss Properties Trust 2005 Share Incentive Plan (the Prentiss 2005 Plan) with and into the 1997 Plan, thereby transferring into the 1997 Plan all of the shares that remained available for award under the Prentiss 2005 Plan. The Company had previously assumed the Prentiss 2005 Plan, together with other Prentiss incentive plans, as part of the Company s January 2006 acquisition of Prentiss. The 1997 Plan reserves 500,000 common shares solely for awards under options and share appreciation rights that have an exercise or strike price at least equal to the market price of the common shares on the date of award and the remaining shares under the 1997 Plan are available for any type of award, including restricted share and performance share awards and options. Incentive stock options may not be granted with an exercise price that is lower than the market price of the common shares on the grant date. All options awarded by the Company to date are non-qualified stock options that generally had an initial vesting schedule that ranged from two to ten years. As of June 30, 2007, approximately 4.1 million common shares remained available for future award under the 1997 Plan (including the 500,000 shares that are limited to option awards as described above, and without giving effect to any shares that would become available for awards if and to the extent that outstanding awards lapse, expire or are forfeited).

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 $1.3 million and $2.6 million during the three- and six-month periods ended June 30, 2007 and $0.7 million and $1.4 million during the three- and six-month periods ended June 30, 2006, respectively.

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-month and six-month periods ended June 30, 2007 and 2006, 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.

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, may enter 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. As of June 30, 2007, there were no agreements in place.

Income Taxes

Brandywine Realty Trust 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, Brandywine Realty Trust has several subsidiary REITs. In order to maintain their qualification as REITs, Brandywine Realty Trust and each of its REIT subsidiaries are required to, among other things, distribute at least 90% of their REIT taxable income to its stockholders and meet certain tests regarding the nature of its income and assets. As REITs, Brandywine Realty Trust 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

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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. Brandywine Realty Trust 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 Brandywine Realty Trust or one of its REIT subsidiaries were to fail to meet these requirements, Brandywine Realty Trust would be subject to federal income tax. Brandywine Realty Trust is subject to certain state and local taxes. Provision for such taxes has been included in general and administrative expenses in Brandywine Realty Trust s Consolidated Statements of Operations and Comprehensive Income.

Brandywine Realty Trust may elect to treat one or more of its subsidiaries as a taxable REIT subsidiary (TRS). In general, a TRS of Brandywine Realty Trust may perform additional services for tenants of Brandywine Realty Trust and generally may engage in any real estate or non-real estate related business. A TRS is subject to corporate federal income tax. Brandywine Realty Trust 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.

New Pronouncements

In June 2007, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants (AICPA) issued Statement of Position 07-1, Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies (SOP 07-1). SOP 07-1 addresses when the accounting principles of the AICPA Audit and Accounting Guide Investment Companies must be applied by an entity and whether investment company accounting must be retained by a parent company in consolidation or by an investor in the application of the equity method of accounting. In addition, SOP 07-1 includes certain disclosure requirements for parent companies and equity method investors in investment companies that retain investment company accounting in the parent company s consolidated financial statements or the financial statements of an equity method investor. SOP 07-1 is effective for the fiscal year beginning January 1, 2008. The Company has determined that it is not an investment company under the provisions of SOP 07-1 and does not expect to retain specialized investment company accounting for any of its consolidated or equity method investments where the investment entity may be deemed an investment company. Accordingly, the Company does not expect the adoption of SOP 07-1 to have a material impact on its financial position and results of operations.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159), which gives entities the option to measure eligible financial assets, financial liabilities and firm commitments at fair value on an instrument-by-instrument basis, that are otherwise not permitted to be accounted for at fair value under other accounting standards. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a firm commitment. Subsequent changes (i.e., unrealized gains and losses) in fair value must be recorded in earnings. Additionally, SFAS 159 allows for a one-time election for existing positions upon adoption, with the transition adjustment recorded to beginning retained earnings. This Statement is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the potential impact that the adoption of SFAS 159 will have on its financial position and results of operations.

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. SFAS No. 157 also provides for certain disclosure requirements, including, but not limited to, the valuation techniques used to measure fair value and a discussion of changes in valuation techniques, if any, during the period. 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 its financial position and results of operations.

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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. The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized no material adjustments regarding its tax accounting treatment. The Company expects to recognize interest and penalties, to the extent incurred related to uncertain tax positions, if any, as income tax expense, which would be included in general and administrative expense.

3. REAL ESTATE INVESTMENTS

As of June 30, 2007 and December 31, 2006, the gross carrying value of the Company s operating properties was as follows (amounts in thousands):

	June 30, 2007	December 31, 2006
Land	$ 738,193	$ 756,400
Building and improvements	3,725,268	3,807,040
Tenant improvements	399,265	363,865
	$ 4,862,726	$ 4,927,305

Acquisitions and Dispositions

The Company s acquisitions are 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.

2007

On January 18, 2007, the Company sold Norriton Office Center, an office property located in East Norriton, Pennsylvania containing 73,394 net rentable square feet, for a sales price of $7.8 million.

On January 19, 2007, the Company sold four office properties located in Dallas, Texas containing 1,091,186 net rentable square feet and a 4.7 acre land parcel, for an aggregate sales price of $107.1 million.

On January 31, 2007, the Company sold George Kachel Farmhouse, an office property located in Reading, Pennsylvania containing 1,664 net rentable square feet, for a sales price of $0.2 million.

On March 1, 2007, the Company acquired the remaining 49% interest in a consolidated real estate venture previously owned by Stichting Pensioenfonds ABP containing ten office properties for a purchase price of $63.7 million. The Company owned a 51% interest in this real estate venture through the acquisition of Prentiss in January 5, 2006 and had already consolidated this venture. This purchase was accounted for as a step acquisition and the difference between the purchase price of the minority interest and the carrying value of the pro rata share of the assets of the real estate venture was allocated to the real estate venture s assets and liabilities based on their relative fair value.

On March 30, 2007, the Company sold 1007 Laurel Oak, an office property located in Voorhees, New Jersey containing 78,205 net rentable square feet, for a sales price of $7.0 million.

On March 30, 2007, the Company sold 10 office properties located in Reading and Harrisburg, Pennsylvania containing 940,486 net rentable square feet, for an aggregate sales price of $112.0. The Company structured this transaction to qualify as a like-kind exchange under Section 1031 of the Code and the cash from the sale was held by a qualified intermediary for purposes of accomplishing the like-kind exchange.

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On April 30, 2007, the Company sold Cityplace Center, an office property located Dallas, Texas containing 1,295,832 net rentable square feet, for an aggregate sales price of $115.0 million.

On May 10, 2007, the Company acquired Lake Merritt Tower, an office property located in Oakland, California containing 204,278 net rentable square feet for an aggregate contracted purchase price of $72.0 million (not including closing costs of $0.5 million). A portion of the proceeds from the sale of the 10 office properties located in Reading and Harrisburg, Pennsylvania in March 2007 was used to fully fund this purchase.

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 Prentiss properties), the Company acquired a portfolio of 79 office properties (including 13 properties that were owned by consolidated Real Estate Ventures and seven properties that were 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 Company s 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; (ii) approximately $676.5 million of cash from Prudential s acquisition 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 of Prentiss (in thousands):

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		At January 5, 2006
Real estate investments		
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
Rent receivables		6,031
Other assets acquired:		
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
Total assets acquired		2,990,801
Liabilities assumed:		
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 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.

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For purposes of computing the total purchase price reflected in the financial statements, the Brandywine common shares (including restricted common shares), operating partnership units 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, 2006. There are no pro forma amounts presented for the three-month period ended June 30, 2006 as the pro forma adjustments reflected represent activity for the first 4 days of 2006. 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 period presented, nor does the pro forma financial information purport to represent the results of operations for future periods (in thousands, except per share amounts):

		Six-month period ended June 30, 2006
Pro forma revenue	$	296,765
Pro forma loss from continuing operations		(21,119)
Pro forma loss allocated to common shares		(17,901)
Earnings per common share from continuing operations		
Basic as reported	$	(0.28)
Basic as pro forma	$	(0.28)
Diluted as reported	$	(0.28)
Diluted as pro forma	$	(0.28)
Earnings per common share		
Basic as reported	$	(0.20)
Basic as pro forma	$	(0.20)
Diluted as reported	$	(0.20)
Diluted as pro forma	$	(0.20)

Subsequent to its acquisition of Prentiss and the related sale of certain properties to Prudential, the Company sold nine of the acquired properties that contained an aggregate of 1.7 million net rentable square feet during the six-month

period ended June 30, 2006.
During the six-months ended June 30, 2007, the Company sold five of the acquired properties that contained an aggregate of 2.4 million net rentable square feet and a 4.7 acre parcel of land.
Since January 5, 2006, the Company has sold a total of 22 of the acquired properties that contained an aggregate of 5.3 million net rentable square feet and two parcels of land totaling 15.6 acres.
Other 2006 Acquisitions and Dispositions
In addition to the acquisition and disposition activity related to Prentiss, during the six-month period ended June 30, 2006, the Company did the following:

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On February 1, 2006, the Company acquired 101 Lenox Drive, an office property located in Lawrenceville, New Jersey containing 92,980 net rentable square feet, for a purchase price of $10.2 million.

On April 4, 2006, the Company acquired One Paragon Place, an office property located in Richmond, Virginia containing 145,127 net rentable square feet, for a purchase price of $24.0 million.

On April 17, 2006, the Company acquired a parcel of land located in Mount Laurel, New Jersey containing 47.9 acres for a purchase price of $6.7 million.

On April 20, 2006, the Company sold a parcel of land located in Radnor, Pennsylvania containing 1.3 acres for a sales price of $4.5 million.

On April 21, 2006, the Company acquired a parcel of land located in Newtown, Pennsylvania containing 5.5 acres for a purchased price of $1.9 million.

On June 21, 2006, the Company sold a parcel of land located in Westampton, New Jersey containing 5.5 acres for a sales price of $0.4 million.

On June 27, 2006, the Company acquired a parcel of land located in Goochland County, Virginia containing 23.2 acres for a purchase price of $4.6 million.

4. INVESTMENT IN UNCONSOLIDATED VENTURES

As of June 30, 2007, the Company had an aggregate investment of approximately $72.7 million in 12 unconsolidated Real Estate Ventures (net of returns of investment). The Company formed these ventures with unaffiliated third parties, or acquired them, to develop office properties or to acquire land in anticipation of possible development of office properties. Ten of the Real Estate Ventures own 15 office buildings that contain an aggregate of approximately 2.8 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 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 distributions 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 following is a summary of the financial position of the Real Estate Ventures as of June 30, 2007 and December 31, 2006 (in thousands):

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	June 30, 2007	December 31, 2006
Operating property, net of accumulated depreciation	$394,539	$365,168
Other assets	45,039	52,935
Liabilities	32,111	28,764
Debt	357,661	332,589
Equity	49,805	56,888
Company s share of equity (Company s basis)	72,748	74,574

The following is a summary of results of operations of the Real Estate Ventures for the three- and six-month periods ended June 30, 2007 and 2006 (in thousands):

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2007	2006	2007	2006
Revenue	$18,986	$18,710	$37,300	$38,434
Operating expenses	6,643	6,743	12,940	14,737
Interest expense, net	5,410	5,080	10,648	10,074
Depreciation and amortization	3,776	5,299	8,004	10,172
Net income	3,156	1,589	5,707	3,451
Company s share of income (Company basis)	896	463	1,658	1,428

Equity in income of real estate ventures in the Company s consolidated statement of operations for the three- and six-months ended June 30, 2007 includes a $3.8 million distribution of a residual profits interest that is not included in the table above.

As of June 30, 2007, the Company had guaranteed repayment of approximately $0.6 million of loans for the Real Estate Ventures. The Company also provides customary environmental indemnities and completion guarantees in connection with construction and permanent financing both for its own account and on behalf of the Real Estate Ventures.

5. DEFERRED COSTS

As of June 30, 2007 and December 31, 2006, the Company s deferred costs were comprised of the following (in thousands):

	June 30, 2007		
	Total Cost	Accumulated Amortization	Deferred Costs, net
Leasing Costs	$ 91,984	$ (30,941)	$ 61,043
Financing Costs	26,898	(6,118)	20,780
Total	$ 118,882	$ (37,059)	$ 81,823

	December 31, 2006		
		Accumulated	Deferred Costs,

	Total Cost		Amortization		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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6. INTANGIBLE ASSETS AND LIABILITIES

As of June 30, 2007 and December 31, 2006, the Company s intangible assets and liabilities were comprised of the following (in thousands):

	June 30, 2007		
	Total Cost	Accumulated Amortization	Deferred Costs, net
Intangible Assets:			
In-place lease value	$ 182,148	$ (55,584)	$ 126,564
Tenant relationship value	120,532	(26,309)	94,223
Above market leases acquired	31,950	(13,268)	18,682
Total intangible assets	$ 334,630	$ (95,161)	$ 239,469
Intangible Liability:			
Below market leases acquired	$ 102,754	$ (30,495)	$ 72,259

	December 31, 2006		
	Total Cost	Accumulated Amortization	Deferred Costs, net
Intangible Assets:			
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 intangible assets	$ 364,785	$ (83,534)	$ 281,251
Intangible Liability:			
Below market leases acquired	$ 118,536	$ (26,009)	$ 92,527

As of June 30, 2007, the Company s annual amortization for its intangible assets/liabilities is as follows (in thousands, and assuming no early lease terminations):

	Assets	Liabilities
2007 (remainder)	$ 28,702	$ 8,813
2008	46,841	13,469
2009	40,923	11,444
2010	34,221	8,899
2011	26,808	7,435

Thereafter	61,974	22,199
Total	$ 239,469	$ 72,259

7. DEBT OBLIGATIONS

The following table sets forth information regarding the Company s debt obligations outstanding at June 30, 2007 and December 31, 2006 (in thousands):

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MORTGAGE DEBT:

Property / Location	June 30, 2007	December 31, 2006	Effective Interest Rate		Maturity Date
Interstate Center	$	$ 552	6.19%		Mar-07
The Bluffs		10,700	6.00%	(a)	Apr-07
Pacific Ridge		14,500	6.00%	(a)	Apr-07
Pacific View/Camino		26,000	6.00%	(a)	Apr-07
Computer Associates Building		31,000	6.00%	(a)	Apr-07
Presidents Plaza		30,900	6.00%	(a)	Apr-07
440 & 442 Creamery Way		5,421	8.55%		May-07
Grande A	59,297	59,513	7.48%	(b)	Jul-07
Grande B	76,731	77,535	7.48%	(b)	Jul-07
481 John Young Way	2,259	2,294	8.40%		Nov-07
400 Commerce Drive	11,681	11,797	7.12%		Jun-08
Two Logan Square	70,745	71,348	5.78%	(a)	Jul-09
200 Commerce Drive	5,802	5,841	7.12%	(a)	Jan-10
1333 Broadway	24,209	24,418	5.18%	(a)	May-10
The Ordway	45,861	46,199	7.95%	(a)	Aug-10
World Savings Center	27,334	27,524	7.91%	(a)	Nov-10
Plymouth Meeting Exec.	43,793	44,103	7.00%	(a)	Dec-10
Four Tower Bridge	10,591	10,626	6.62%		Feb-11
Arboretum I, II, III & V	22,492	22,750	7.59%		Jul-11
Midlantic Drive/Lenox Drive/DCC I	61,958	62,678	8.05%		Oct-11
Research Office Center	41,872	42,205	7.64%	(a)	Oct-11
Concord Airport Plaza	38,021	38,461	7.20%	(a)	Jan-12
Six Tower Bridge	14,655	14,744	7.79%		Aug-12
Newtown Square/Berwyn Park/Libertyview	62,721	63,231	7.25%		May-13
Coppell Associates	3,626	3,737	6.89%		Dec-13
Southpoint III	4,692	4,949	7.75%		Apr-14
Tysons Corner	100,000	100,000	4.84%	(a)	Aug-15
Coppell Associates	16,600	16,600	5.75%		Mar-16
Principal balance outstanding	744,940	869,626			
Plus: unamortized fixed-rate debt premiums, net	12,205	14,294			
Total mortgage indebtedness	$ 757,145	$ 883,920			
UNSECURED DEBT:					
Private Placement Notes due 2008	113,000	113,000	4.34%		Dec-08
2009 Three Year Notes		300,000	Libor + 0.45%		Apr-09

2009 Five Year Notes	275,000	275,000	4.62%	Nov-09
2010 Five Year Notes	300,000	300,000	5.61%	Dec-10
Line-of-Credit	210,000	60,000	Libor + 0.725%	Jun-11
3.875% Exchangeable Notes	345,000	345,000	3.87%	Oct-11
2012 Six Year Notes	300,000	300,000	5.77%	Apr-12
2014 Ten Year Notes	250,000	250,000	5.53%	Nov-14
2016 Ten Year Notes	250,000	250,000	5.95%	Apr-16
2017 Ten Year Notes	300,000		5.72%	May-17
Indenture IA (Preferred Trust I)	27,062	27,062	Libor + 1.25%	Mar-35
Indenture IB (Preferred Trust I)	25,774	25,774	Libor + 1.25%	Apr-35
Indenture II (Preferred Trust II)	25,774	25,774	Libor + 1.25%	Jul-35
Principal balance outstanding	2,421,610	2,271,610		
Plus: unamortized fixed-rate debt discounts, net	(3,540)	(3,300)		
Total mortgage indebtedness	$ 2,418,070	$ 2,268,310		
Total Debt Obligations	$ 3,175,215	$ 3,152,230		

(a) Loans were assumed upon acquisition of the related property. Interest rates presented above reflect the market rate at the time of acquisition.

(b) In May 2007, the Company elected to prepay the loan on the date indicated in the Maturity date column (See Note 15)

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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 consolidated balance sheets.

As of June 30, 2007 and 2006, the Company s weighted-average effective interest rate on its mortgage notes payable was 6.9% and 6.1%, respectively.

On April 30, 2007, the Operating Partnership completed an underwritten public offering of $300,000,000 aggregate principal amount of unsecured notes due 2017 (the 2017 Notes). Brandywine Realty Trust guaranteed the payment of principal and interest on the 2017 Notes. The Company used proceeds from these notes to reduce borrowings under the Company s revolving credit facility.

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.

On October 4, 2006, the Operating Partnership sold $300.0 million aggregate principal amount of unsecured 3.875% Exchangeable Guaranteed Notes due 2026 in reliance upon an exemption from registration rights under Rule 144A under the Securities Act of 1933 and sold an additional $45 million of 3.875% Exchangeable Guaranteed Notes due 2026 on October 16, 2006 to cover over-allotments. The Operating Partnership has registered the resale of the exchangeable notes. At certain times and upon certain events, the notes are exchangeable for 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 share. 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 Operating Partnership may not redeem the notes prior to October 20, 2011 (except to preserve the Company s status as a REIT for U.S. federal income tax purposes), but we may redeem the notes at any time thereafter, in whole or in part, at a redemption price equal to the principal amount of the notes to be redeemed plus accrued and unpaid interest. In addition, on October 20, 2011, October 15, 2016 and October 15, 2021 as well as upon the occurrence of certain change in control transactions prior to October 20, 2011, holders of notes may require the Company to repurchase all or a portion of the notes at a purchase price equal to the principal amount plus accrued and unpaid interest. The Operating Partnership used net proceeds from the notes 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 Credit Facility.

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

The Operating Partnership 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 unsecured notes due 2008 contains covenants that are similar to the covenants in the indenture.

The Company utilizes credit facility borrowings for general business purposes, including the acquisition, development and redevelopment of properties and the repayment of other debt. On June 29, 2007, the Company amended its $600.0 million unsecured revolving credit facility (the Credit Facility). The amendment extended the maturity date of the Credit Facility from December 22, 2009 to June 29, 2011 (subject to an extension of one year, at the Company s option, upon its payment of an extension fee equal to 15 basis points of the committed amount under the Credit Facility). The amendment also reduced the per annum variable interest rate on outstanding balances from Eurodollar

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plus 0.80% to Eurodollar plus 0.725% per annum. In addition, the amendment reduced the quarterly facility fee from 20 basis points to 17.5 basis points per annum. The interest rate and facility fee are subject to adjustment upon a change in the Company s unsecured debt ratings. The amendment also lowered to 7.50% from 8.50% the capitalization rate used in the calculation of several of the financial covenants; increased our swing loan availability from $50.0 million to $60.0 million; and increased the number of competitive bid loan requests available to the Company from two to four in any 30 day period. The competitive bid feature allows banks that are part of the lender consortium under the Credit Facility to bid to make loans to the Company at a reduced Eurodollar rate. 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 June 30, 2007, the Company had $210.0 million of borrowings and $22.5 million of letters of credit outstanding under the Credit Facility, leaving $367.5 million of unused availability. As of June 30, 2007 and 2006, the weighted-average interest rate on the Credit Facility, including the effect of interest rate hedges, was 6.35% and 5.48%, respectively.

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.

In April 2007, the Company entered into a $20.0 million Sweep Agreement (the Sweep Agreement) to be used for cash management purposes. Borrowings under the Sweep Agreement bear interest at one-month LIBOR plus 0.75%. There were no outstanding borrowings on the Sweep Agreement at June 30, 2007.

As of June 30, 2007, the Company s aggregate scheduled principal payments of debt obligations, excluding amortization of discounts and premiums, are as follows (in thousands):

2007	$ 143,236
2008	135,148
2009	354,955
2010	450,189
2011	687,262
Thereafter	1,395,760
Total indebtedness	$ 3,166,550

8. 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.

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In March 2007, in anticipation of the offering of 2017 Notes, the Company entered into two treasury lock agreements. The treasury lock agreements were designated as cash flow hedges on interest rate risk and qualified for hedge accounting. Each of the treasury lock agreements were for notional amounts of $75.0 million for an expiration of 10 years at all-in rates of 4.5585% and 4.498%. The agreements were settled in April 2007 upon completion of the offering of the 2017 Notes at a total benefit of $1.1 million. This benefit was recorded as a component of accumulated other comprehensive income in the accompanying consolidated balance sheet and is being amortized over the term of the 2017 Notes.

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.

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 were used to hedge the risk of interest cash outflows on secured variable rate debt on properties that were included as part of the real estate venture in which the Company purchased the remaining 49% of the minority interest partner s share in March 2007. One of the swaps with a notional amount of $20 million had a maturity date of February 1, 2010 at an all-in rate of 4.675%. The other, with a notional amount of $70 million, had a maturity date of August 1, 2008 at an all in rate of 4.675%. The agreements were settled in April 2007 in connection with the repayment of five mortgage notes, at a total benefit of $0.4 million.

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 5% or more of the Company s rents during the three- and six-month periods ended June 30, 2007 or 2006.

9. DISCONTINUED OPERATIONS

For the three- and six-month periods ended June 30, 2007, income from discontinued operations relates to 18 properties that the Company sold during 2007. The following table summarizes the revenue and expense information for properties classified as discontinued operations as of June 30, 2007 for the three- and six-month periods ended June 30, 2007 (in thousands):

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	Three-month period ended June 30, 2007	Six-month period ended June 30, 2007
Revenue:		
Rents	$ 1,460	$ 12,397
Tenant reimbursements	562	1,246
Other	145	214
Total revenue	2,167	13,857
Expenses:		
Property operating expenses	833	4,845
Real estate taxes	241	1,549
Depreciation and amortization		4,594
Total operating expenses	1,074	10,988
Operating income	1,093	2,869
Income from discontinued operations before (loss) gain on sale of interests in real estate and minority interest	1,093	2,869
Net (loss) gain on sale of interests in real estate	(856)	25,153
Minority interest attributable to discontinued operations LP units	(10)	(1,196)
Income from discontinued operations	$ 227	$ 26,826

For the three- and six-month periods ended June 30, 2006, income from discontinued operations relates to the 23 properties sold in 2006 and the 18 properties sold in 2007. The following table summarizes the revenue and expense information for the properties classified as discontinued operations as of June 30, 2007 for the three- and six-month periods ended June 30, 2006 (in thousands):

	Three-month period ended June 30, 2006	Six-month period ended June 30, 2006
Revenue:		
Rents	$ 21,505	$ 46,218
Tenant reimbursements	1,740	4,209
Other	217	587
Total revenue	23,462	51,014
Expenses:		
Property operating expenses	8,609	18,020

Real estate taxes		2,700		6,187
Depreciation and amortization		9,746		18,869
Total operating expenses		21,055		43,076
Operating income		2,407		7,938
Interest income		13		13
Interest expense (a)		(301)		(586)
Income from discontinued operations before gain on sale of interests in real estate and minority interest		2,119		7,365
Minority interest partners share of consolidated real estate venture		(195)		(382)
Minority interest attributable to discontinued operations LP units		(92)		(319)
Income from discontinued operations	$	1,832	$	6,664

(a) Interest expense relate to a mortgage that was secured by one of the sold properties and paid off at the time of sale.

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.

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10. MINORITY INTEREST IN OPERATING PARTNERSHIP AND REAL ESTATE VENTURES

The Company is the sole general partner of the Operating Partnership and, as of June 30, 2007, owned a 95.7% interest in the Operating Partnership. On June 12, 2007, the Operating Partnership declared a $0.44 per unit cash distribution to holders of Class A Units totaling $1.7 million.

As of June 30, 2007, the Company owned interests in three consolidated real estate ventures that own three office properties containing approximately 0.4 million net rentable square feet. Minority interest in consolidated real estate ventures represents the portion of these consolidated real estate ventures not owned by the Company and as a result of losses allocated to these minority interest partners there is no balance at June 30, 2007.

On March 1, 2007, the Company acquired the remaining 49% interest in a real estate venture previously owned by Stichting Pensioenfonds ABP containing ten office properties for a purchase price of $63.7 million. The Company owned a 51% interest in this real estate venture through the acquisition of Prentiss on January 5, 2006.

11. 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):

	Three-month periods ended June 30,			
	2007		2006	
	Basic	Diluted	Basic	Diluted
Income (loss) from continuing operations	$ 977	$ 977	$ (13,388)	$ (13,388)
Income (loss) from discontinued operations	227	227	1,832	1,832
Income allocated to Preferred Shares	(1,998)	(1,998)	(1,998)	(1,998)
Net income available to common shareholders	$ (794)	$ (794)	$ (13,554)	$ (13,554)
Weighted-average shares outstanding	87,080,785	87,080,785	90,540,237	90,540,237
Contingent securities/Stock based compensation				
Total weighted-average shares outstanding	87,080,785	87,080,785	90,540,237	90,540,237
Earnings per Common Share:				
Continuing operations	$ (0.01)	$ (0.01)	$ (0.17)	$ (0.17)
Discontinued operations			0.02	0.02
	$ (0.01)	$ (0.01)	$ (0.15)	$ (0.15)

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	Six-month periods ended June 30,			
	2007		2006	
	Basic	Diluted	Basic	Diluted
Income (loss) from continuing operations	$ (6,250)	$ (6,250)	$ (20,862)	$ (20,862)
Income (loss) from discontinued operations	26,826	26,826	6,664	6,664
Income allocated to Preferred Shares	(3,996)	(3,996)	(3,996)	(3,996)
Net income available to common shareholders	$ 16,580	$ 16,580	$ (18,194)	$ (18,194)
Weighted-average shares outstanding	87,680,773	87,680,773	89,923,528	89,923,528
Contingent securities/Stock based compensation		617,748		
Total weighted-average shares outstanding	87,680,773	88,298,521	89,923,528	89,923,528
Earnings per Common Share:				
Continuing operations	$ (0.12)	$ (0.12)	$ (0.28)	$ (0.28)
Discontinued operations	0.31	0.30	0.07	0.07
	$ 0.19	$ 0.19	$ (0.20)	$ (0.20)

The contingent securities/stock based compensation impact is calculated using the treasury stock method and relates to employee awards settled in shares of the Company. The effect of these securities is anti-dilutive for periods that the Company incurs a net loss available to common shareholders and therefore is excluded from the dilutive earnings per share calculation in such periods.

Common and Preferred Shares

On June 12, 2007, the Company declared a distribution of $0.44 per Common Share, totaling $38.5 million, which was paid on July 19, 2007 to shareholders of record as of July 5, 2007. On June 12, 2007, the Company declared distributions on its Series C Preferred Shares and Series D Preferred Shares to holders of record as of July 5, 2007. These shares are entitled to a preferential return of 7.50% and 7.375%, respectively. Distributions paid on July 16, 2007 to holders of Series C Preferred Shares and Series D Preferred Shares totaled $0.9 million and $1.1 million, respectively.

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.

Common Share Repurchases

The Company repurchased 1,566,000 shares during the six-month period ending June 30, 2007 for aggregate consideration of $53.5 million under its share repurchase program. As of June 30, 2007, the Company may purchase an additional 753,800 shares under the plan. Repurchases may be made from time to time in the open market or in privately negotiated transactions, subject to market conditions and compliance with legal requirements. The share repurchase program does not contain any time limitation and does not obligate the Company to repurchase any shares. The Company may discontinue the program at any time.

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12. 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 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 June 30, 2007, the Company had 1,085,575 options outstanding under its shareholder approved equity incentive plan. No options were unvested as of June 30, 2007 and therefore there is no remaining unrecognized compensation expense associated with these options. Option activity as of June 30, 2007 and changes during the six months ended June 30, 2007 were as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in 000 s)
Outstanding at January 1, 2007	1,286,070	$ 26.45	1.50	$ 8,739
Granted				
Exercised	(198,495)	28.80	0.87	1,171
Forfeited				
Outstanding at June 30, 2007	1,087,575	$ 26.03	1.07	$ 8,029
Vested at June 30, 2007	1,087,575	$ 26.03	1.07	$ 8,029
Exercisable at June 30, 2007	1,087,575	$ 26.03	1.07	$ 8,029

There were no option awards granted to employees during the three- and six-month periods ended June 30, 2007. 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.

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 June 30, 2007, 448,800 restricted shares were outstanding and vest over five to seven years from the initial grant date. The remaining compensation expense to be recognized for the 448,800 restricted shares outstanding at June 30, 2007 was approximately $14.1 million. That expense is expected to be recognized over a weighted average remaining vesting period of 4.2 years.

For the six-month periods ended June 30, 2007 and 2006, the Company recognized $1.7 million and $1.4 million of compensation expense in each period related to outstanding restricted shares. The following table summarizes the Company s restricted share activity for the six-months ended June 30, 2007:

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	Shares	Weighted Average Grant Date Fair value
Non-vested at January 1, 2007	338,860	$ 28.23
Granted	227,709	35.09
Vested	(107,143)	26.45
Forfeited	(10,626)	31.47
Non-vested at June 30, 2007	448,800	$ 32.05

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 SFAS 123(R). 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 the initial grant represents approximately 86.5% of the total that may be awarded; the remaining amount available will be valued when the awards are granted to individuals. In January 2007, the Company awarded an additional 4.5% under the outperformance program. The fair value of the additional award is $0.3 million and will be amortized over the remaining portion of the 5 year period. For the three- and six-month period ended June 30, 2007, the Company recognized $0.4 million and $0.8 million of compensation expenses related to the outperformance program.

Employee Share Purchase Plan

On May 9, 2007, the Company s shareholders approved the 2007 Non-Qualified Employee Share Purchase Plan (the ESPP). The ESPP is intended to provide eligible employees with a convenient means to purchase common shares of the Company through payroll deductions and voluntary cash purchases at an amount equal to 85% of the average closing price per share for a specified period. The maximum contribution by each participant for any plan year may not exceed $50,000 and the number of shares reserved for issuance under the ESPP is 1,250,000.

13. SEGMENT INFORMATION

The Company currently manages its portfolio within nine segments: (1) Pennsylvania West, (2) Pennsylvania North, (3) New Jersey, (4) Urban, (5) Richmond, Virginia, (6) Northern California (7) Southern California, (8) Metropolitan Washington, D.C. 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 Bucks, Lehigh and Montgomery counties. The New Jersey segment includes properties in counties in the southern 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 Northern California segment includes

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properties in the City of Oakland and Concord. The Southern California segment includes properties in San Diego County. The Metropolitan Washington, D.C. segment includes properties in Northern Virginia and Suburban Maryland. The Southwest segment includes properties in Travis County 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.

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Segment information as of and for the three-month periods ended June 30, 2007 and 2006 is as follows (in thousands):

	Pennsylvania West	Pennsylvania North	New Jersey	Urban	Richmond, Virginia	Northern California	Southern California	Metropolitan Washington, D.C.	Southwest	Corporate	
e 30, 2007:											
e investments,											
properties	$ 934,320	$ 443,874	$ 556,496	$ 573,062	$ 252,982	$ 471,291	$ 105,982	$ 1,290,464	$ 234,255	$	$ 4
ent and											
on-in-progress										373,497	
ember 31,											
e investments,											
properties	$ 922,347	$ 530,436	$ 570,009	$ 568,008	$ 244,519	$ 396,927	$ 95,942	$ 1,255,940	$ 343,177	$	$ 4
ent and											
on-in-progress										328,119	
ree-months											
e 30, 2007:											
nue	$ 31,604	$ 15,355	$ 24,792	$ 24,024	$ 8,168	$ 16,817	$ 3,012	$ 32,919	$ 9,714	$ (2,101)	$
perating											
nd real estate	13,036	5,547	10,643	8,835	3,037	6,345	803	10,301	3,593	260	
ing income	$ 18,568	$ 9,808	$ 14,149	$ 15,189	$ 5,131	$ 10,472	$ 2,209	$ 22,618	$ 6,121	$ (2,361)	$
ree-months											
e 30, 2006:											
nue	$ 26,006	$ 17,792	$ 22,921	$ 21,367	$ 8,109	$ 14,735	$ 2,911	$ 26,525	$ 6,680	$ 3,383	$
perating											
nd real estate	7,566	9,650	9,650	8,153	3,125	5,573	889	8,268	3,049	(31)	
ing income	$ 18,440	$ 8,142	$ 13,271	$ 13,214	$ 4,984	$ 9,162	$ 2,022	$ 18,257	$ 3,631	$ 3,414	$

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Segment information as of and for the six-month periods ended June 30, 2007 and 2006 is as follows (in thousands):

	Pennsylvania West	Pennsylvania North	New Jersey	Urban	Richmond, Virginia	Northern California	Southern California	Metropolitan Washington, D.C.	Southwest	Corporate	Total
For the six-months ended June 30, 2007:											
Total revenue	$ 59,162	$ 34,836	$ 49,449	$ 47,478	$ 17,108	$ 31,927	$ 6,153	$ 65,305	$ 18,451	$ (2,464)	$ 327,405
Property operating expenses and real estate taxes	24,143	12,573	21,337	17,877	5,986	11,984	2,074	20,642	7,156	(140)	123,632
Net operating income	$ 35,019	$ 22,263	$ 28,112	$ 29,601	$ 11,122	$ 19,943	$ 4,079	$ 44,663	$ 11,295	$ (2,324)	$ 203,773
For the six-months ended June 30, 2006:											
Total revenue	$ 50,827	$ 35,785	$ 46,237	$ 40,640	$ 15,501	$ 28,244	$ 5,558	$ 52,391	$ 15,720	$ 3,444	$ 294,347
Property operating expenses and real estate taxes	15,793	19,627	19,683	16,819	6,023	10,448	1,529	15,837	6,568	(1,254)	111,073
Net operating income	$ 35,034	$ 16,158	$ 26,554	$ 23,821	$ 9,478	$ 17,796	$ 4,029	$ 36,554	$ 9,152	$ 4,698	$ 183,274

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Net operating income is defined as total revenue less property operating expenses and real estate taxes. Below is a reconciliation of consolidated net operating income to net income or loss (in thousands):

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2007	2006	2007	2006
Consolidated net operating income (loss)	$ 101,904	$ 94,537	$ 203,773	$ 183,274
Less:				
Interest income	1,603	2,573	2,390	5,223
Interest expense	(40,803)	(41,596)	(81,161)	(81,974)
Deferred financing costs	(1,065)	(794)	(2,323)	(1,273)
Depreciation and amortization	(58,227)	(64,145)	(120,274)	(115,357)
Administrative expenses	(6,993)	(7,724)	(14,262)	(16,214)
Minority interest partners share of consolidated real estate ventures	8	(17)	(108)	281
Minority interest attributable to continuing operations LP units	46	707	457	1,142
Plus:				
Equity in income of real estate ventures	4,504	463	5,258	1,428
Net gain on disposition of undepreciated real estate		2,608		2,608
Income (loss) from continuing operations	977	(13,388)	(6,250)	(20,862)
Income (loss) from discontinued operations	227	1,832	26,826	6,664
Net income (loss)	$ 1,204	$ (11,556)	$ 20,576	$ (14,198)

14. 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 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. 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 June 30, 2007, the insurance carrier is tendering a defense to this claim.

Environmental

As an owner of real estate, the Company is subject to various environmental laws of federal, state, and local governments. The Company s compliance with existing laws has not had a material adverse effect on its financial condition and results of operations, and the Company does not believe it will have a material adverse effect in the future. However, the Company cannot predict the impact of unforeseen environmental contingencies or new or changed laws or regulations on its current Properties or on properties that the Company may acquire.

Ground Rent

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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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 June 30, 2006 are as follows (in thousands):

2007	$ 868
2008	1,736
2009	1,818
2010	1,818
2011	1,818
Thereafter	269,979

Other Commitments or Contingencies

As part of the Company s September 2004 acquisition of a portfolio of 14 properties (the TRC Acquisition), the Operating 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. At June 30, 2007 the maximum amount payable under this arrangement was $0.6 million.

As part of the TRC acquisition, the Company acquired an interest in Two Logan Square, a 696,477 square foot office building in Philadelphia, Pennsylvania, primarily through a second and third mortgage collaterized by this property pursuant to which the Company receives substantially all cash flows from the property. The Company currently does not expect to take fee 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 mortgages, the Company has agreed to make a payment to an unaffiliated third party with a residual interest as a 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 tax upon taking title, or $2.9 million if no transfer tax is payable upon the transfer.

As part of the Prentiss acquisition, TRC acquisition and several of our other acquisitions, the Company has agreed not to sell certain of the acquired properties in transactions that would trigger taxable income to the former owners . In the case of TRC, the Company agreed not to sell certain of 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 (September 2007); One Rodney Square and 130/150/170 Radnor Financial Center (September 2014); and One Logan Square, Two Logan Square and Radnor Corporate Center (September 2019). In the case of the Prentiss acquisition, the Company assumed the obligation of Prentiss not to sell Concord Airport Plaza before March 2018 and 6600 Rockledge before July 2008. The Company also owns 14 other properties that aggregate 1.0 million square feet and has agreed not to sell these properties for periods that expire through 2008. These 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 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 has agreed to pay significant tax liabilities that would be incurred by the parties who sold the applicable property.

The Company invests in its Properties and regularly incurs capital expenditures in the ordinary course of business to maintain the Properties. The Company believes that such expenditures enhance the competitiveness of 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 include terms that provide for cancellation with insignificant or no cancellation penalties.

15. SUBSEQUENT EVENTS

On July 11, the Company repaid two mortgage notes totaling $136.0 million pursuant to notice which was given in May 2007. The Company funded the repayments of these notes from borrowings under its Credit Facility and there were no prepayment penalties associated with these prepayments.

On July 19, 2007, the Company acquired five buildings aggregating 508,607 square feet and a 5.6 acre land parcel in the Boulders office park in Richmond, VA for $96.5 million. The Company funded a portion of the purchase price

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007

using the remaining 1031 proceeds from the sale of the 10 office properties located in Reading and Harrisburg, Pennsylvania in March 2007.

During July 2007, the Company repurchased 214,600 shares for $5.9 million under its share repurchase program.

During July 2007, the Company entered into four treasury lock agreements designated as cash flow hedges on interest rate risk relating to a forecasted debt issuance. The treasury lock agreements were for notional amounts totaling $150.0 million for an expiration of five years and have an average all-in rate of 4.9%.

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PART I FINANCIAL INFORMATION
Item 1. Financial Statements

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

	June 30, 2007	December 31, 2006
ASSETS		
Real estate investments:		
Operating properties	$ 4,862,726	$ 4,927,305
Accumulated depreciation	(554,417)	(515,698)
Operating real estate investments, net	4,308,309	4,411,607
Development land and construction-in-progress	373,497	328,119
Total real estate invesmtents, net	4,681,806	4,739,726
Cash and cash equivalents	28,522	25,379
Cash escrowed with qualified intermediary (Note 3)	36,590	
Accounts receivable, net (Note 2)	16,972	19,957
Accrued rent receivable, net (Note 2)	77,922	71,589
Asset held for sale, net		126,016
Investment in real estate ventures, at equity (Note 4)	72,748	74,574
Deferred costs, net (Note 5)	81,823	73,708
Intangible assets, net (Note 6)	239,469	281,251
Other assets	92,221	96,818
Total assets	$ 5,328,073	$ 5,509,018
LIABILITIES AND PARTNERS EQUITY		
Mortgage notes payable (Note 7)	$ 757,145	$ 883,920
Unsecured notes, net of discounts (Note 7)	2,208,070	2,208,310
Unsecured credit facility (Note 7)	210,000	60,000
Accounts payable and accrued expenses	79,473	108,400
Distributions payable	42,131	42,760
Tenant security deposits and deferred rents	59,429	55,697
Acquired below market leases, net (Note 6)	72,259	92,527
Other liabilities	12,682	14,661
Mortgage notes payable and other liabilities held for sale		20,826
Total liabilities	3,441,189	3,487,101
Minority interest partners share of consolidated real estate ventures (Note 10)		34,436
Commitments and contingencies (Note 14) Redeemable limited partnership units at redemption value; 3,939,284 and 3,961,235 issued and outstanding in 2007 and 2006, respectively	112,585	131,711
Partners equity (Note 11):		
	47,912	47,912

7.50% Series D Preferred Mirror Units; 2,000,000 issued and outstanding in 2007 and 2006		
7.375% Series E Preferred Mirror Units; 2,300,000 issued and outstanding in 2007 and 2006	55,538	55,538
General Partnership Capital, 87,049,237 and 88,327,041 units issued and outstanding in 2007 and 2006, respectively	1,669,527	1,750,745
Accumulated other comprehensive income	1,322	1,575
Total partners equity	1,774,299	1,855,770
Total liabilities, minority interest, and partners equity	$ 5,328,073	$ 5,509,018

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
(unaudited, in thousands, except share and per share information)

	For the three-month periods ended June 30,		For the six-month periods ended June,	
	2007	2006	2007	2006
Revenue:				
Rents	$ 138,597	$ 130,467	$ 276,537	$ 253,536
Tenant reimbursements	21,016	15,496	41,839	32,130
Other	4,691	4,466	9,029	8,681
Total revenue	164,304	150,429	327,405	294,347
Operating Expenses:				
Property operating expenses	45,965	41,504	91,170	82,478
Real estate taxes	16,435	14,388	32,462	28,595
Depreciation and amortization	58,227	64,145	120,274	115,357
Administrative expenses	6,993	7,724	14,262	16,214
Total operating expenses	127,620	127,761	258,168	242,644
Operating income	36,684	22,668	69,237	51,703
Other Income (Expense):				
Interest income	1,603	2,573	2,390	5,223
Interest expense	(40,803)	(41,596)	(81,161)	(81,974)
Interest expense Deferred financing costs	(1,065)	(794)	(2,323)	(1,273)
Equity in income of real estate ventures	4,504	463	5,258	1,428
Net gain on disposition of undepreciated real estate		2,608		2,608
Income (loss) before minority interest	923	(14,078)	(6,599)	(22,285)
Minority interest partners share of consolidated real estate ventures	8	84	(108)	370
Income (loss) from continuing operations	931	(13,994)	(6,707)	(21,915)
Discontinued operations:				
Income from discontinued operations	1,093	2,119	2,869	7,365
Net (loss) gain on disposition of discontinued operations	(856)		25,153	
Minority interest partners share of consolidated real estate ventures		(195)		(382)
Income from discontinued operations	237	1,924	28,022	6,983
Net income (loss)	1,168	(12,070)	21,315	(14,932)
Income allocated to Preferred Units	(1,998)	(1,998)	(3,996)	(3,996)

Income (loss) allocated to Common Partnership Units	$	(830)	$	(14,068)	$	17,319	$	(18,928)
Basic earnings (loss) per Common Partnership Unit:								
Continuing operations	$	(0.01)	$	(0.17)	$	(0.12)	$	(0.28)
Discontinued operations		0.00		0.02		0.31		0.07
	$	(0.01)	$	(0.15)	$	0.19	$	(0.20)
Diluted earnings (loss) per Common Partnership Unit:								
Continuing operations	$	(0.01)	$	(0.17)	$	(0.12)	$	(0.28)
Discontinued operations		0.00		0.02		0.30		0.07
	$	(0.01)	$	(0.15)	$	0.19	$	(0.20)
Basic weighted average Common Partnership Unit		91,020,069		94,653,573		91,620,218		93,989,891
Diluted weighted average Common Partnership Unit		91,020,069		94,653,573		92,237,966		93,989,891

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 INCOME
(unaudited, in thousands)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2007	**2006**	**2007**	**2006**
Net income (loss)	$ 1,168	$ (12,070)	$ 21,315	$ (14,932)
Other comprehensive income:				
Unrealized gain (loss) on derivative financial instruments	(1,872)	605	(422)	2,363
Less: minority interest consolidated real estate venture partner s share of unrealized gain (loss) on derivative financial instruments		(296)		(809)
Settlement of forward starting swaps	1,148		1,148	3,266
Reclassification of realized (gains)/losses on derivative financial instruments to operations, net	(394)	9	(385)	105
Unrealized gain (loss) on available-for-sale securities	13	(184)	(595)	(776)
Total other comprehensive income (loss)	(1,105)	134	(254)	4,149
Comprehensive income (loss)	$ 63	$ (11,936)	$ 21,061	$ (10,783)

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
(unaudited, in thousands)

	Six-month periods ended June 30, 2007	2006
Cash flows from operating activities:		
Net income (loss)	$ 21,315	$ (14,932)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	90,405	95,051
Amortization:		
Deferred financing costs	2,323	1,274
Deferred leasing costs	7,731	5,184
Acquired above (below) market leases, net	(6,304)	(3,907)
Acquired lease intangibles	26,700	33,700
Deferred compensation costs	2,559	1,445
Straight-line rent	(14,775)	(15,916)
Provision for doubtful accounts	500	1,956
Real estate venture income in excess of distributions	(104)	(267)
Net gain on sale of interests in real estate	(25,153)	(2,608)
Minority interest (expense)/income	108	12
Changes in assets and liabilities:		
Accounts receivable	3,916	5,937
Other assets	1,366	6,471
Accounts payable and accrued expenses	(6,151)	7,451
Tenant security deposits and deferred rents	5,665	9,976
Other liabilities	(10,148)	(6,053)
Net cash from operating activities	99,953	124,774
Cash flows from investing activities:		
Acquisition of Prentiss		(935,856)
Acquisition of properties		(50,114)
Acquisition of minority interest partners share of consolidated real estate venture	(64,174)	
Sales of properties, net	222,592	144,006
Capital expenditures	(133,264)	(102,851)
Investment in unconsolidated real estate ventures	(523)	(502)
Cash distributions from unconsolidated real estate ventures in excess of equity in income	2,169	2,215
Leasing costs	(11,499)	(12,114)
Net cash from investing activities	15,301	(955,216)
Cash flows from financing activities:		
Proceeds from Credit Facility borrowings	620,875	310,000
Repayments of Credit Facility borrowings	(470,875)	(205,000)
Proceeds from mortgage notes payable		20,520
Repayments of mortgage notes payable	(126,780)	(21,198)
Proceeds from term loan		750,000
Repayments of term loan		(750,000)

Proceeds from unsecured notes	299,644	847,818
Repayments of unsecured notes	(299,866)	
Proceeds from forward starting swap termination	1,148	3,266
Repayments on employee stock loans		35
Debt financing costs	(3,776)	(6,987)
Exercise of stock options	6,221	8,011
Repurchases of Common Partnership Units	(53,524)	(34,481)
Distributions paid to preferred and common partnership unitholders	(85,178)	(72,339)
Net cash from financing activities	(112,111)	849,645
Increase (decrease) in cash and cash equivalents	3,143	19,203
Cash and cash equivalents at beginning of period	25,379	7,174
Cash and cash equivalents at end of period	$ 28,522	$ 26,377
Supplemental disclosure:		
Cash paid for interest, net of capitalized interest of $8,217 in 2007 and $4,916 in 2006	$ 92,541	$ 73,933
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 acquistions		13,819
Cash escrowed with qualified intermediary (Note 3)	109,102	
Acquisition of property using cash escrowed with qualified intermediary	(72,511)	
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.

BRANDYWINE OPERATING PARTNERHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007

1. ORGANIZATION AND NATURE OF OPERATIONS

Brandywine Operating Partnership, L.P. (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 June 30, 2007, the Partnership owned 238 office properties, 23 industrial facilities and one mixed-use property (collectively, the Properties) containing an aggregate of approximately 25.7 million net rentable square feet. The Partnership also has six properties under development and 10 properties under redevelopment containing an aggregate 2.4 million net rentable square feet. As of June 30, 2007, the Partnership consolidates three office properties owned by real estate ventures containing 0.4 million net rentable square feet. Therefore, the Partnership consolidates 281 properties with an aggregate 28.5 million net rentable square feet. As of June 30, 2007, the Partnership owned economic interests in 12 unconsolidated real estate ventures that contain approximately 2.8 million net rentable square feet (collectively, the Real Estate Ventures). The Properties and the properties owned by the Real Estate Ventures are located in and surrounding Philadelphia, PA, Wilmington, DE, Southern and Central New Jersey, Richmond, VA, Metropolitan Washington, D.C., Austin, TX and Oakland and San Diego, CA.

The Company is the sole general partner of the Partnership and, as of June 30, 2007 owned a 95.7 % interest in the 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., Brandywine Properties I Limited, Inc. (BPI), and Brandywine Properties Management, L.P. (BPM). BRSCO, BTRS, Inc. and BPI are 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, Inc., BPI and BPM.

As of June 30, 2007 the Management Companies were managing properties containing an aggregate of approximately 42.1 million net rentable square feet, of which approximately 28.1 million net rentable square feet related to Properties owned by the Partnership and approximately 14.0 million net rentable square feet related to properties owned by third parties and certain Real Estate Ventures. Unless otherwise indicated, all references to square feet represent net rentable area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared by the Partnership without audit except as to the balance sheet as of December 31, 2006, which has been derived from audited data, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Partnership believes that the included disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (consisting solely of normal recurring matters) for a fair statement of the financial position of the Partnership as of June 30, 2007, the results of its operations for the three- and six-month periods ended June 30, 2007 and 2006 and its cash flows for the six-month periods ended June 30, 2007 and 2006 have been included. The results of operations for such interim periods are not necessarily indicative of the results for a full year. These consolidated financial statements should be read in conjunction with the Partnership s consolidated financial statements and footnotes included in the Partnership s 2006 Annual Report on Form 10-K. Certain prior period amounts have been reclassified to conform to the current period presentation.

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BRANDYWINE OPERATING PARTNERHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007

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 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 the ability to dissolve the entity or remove the Partnership without cause nor 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-VIE s 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 certain 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 when applicable. 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.

BRANDYWINE OPERATING PARTNERHIP, L.P.
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June 30, 2007

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 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 in-place lease values and tenant relationship values would be charged to expense and market rate adjustments would be recorded to revenue.

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. This straight-line rent adjustment increased revenue by approximately $5.6 million and $12.6 million for the three- and six-month periods ended June 30, 2007 and approximately $8.1 million and $15.9 million for the three- and six-month periods ended June 30, 2006. Deferred rents on the balance sheet represent rental revenue received prior to their due dates and tenant reimbursements of certain leasehold improvements that will remain the Partnership s property at the end of the tenant s lease term. The amortization of the leasehold improvement reimbursement is calculated on a straight-line basis over the term of the tenant s lease and is a component of straight-line rental income and increased revenue by $0.5 million and $2.1 million for the three- and six-month periods ended June 30, 2007 and approximately $0.1 million for the three- and six-month periods ended June 30, 2006. Leases also typically provide for tenant reimbursement of a portion of common area maintenance and other operating expenses to the extent that a tenant s pro rata share of expenses exceeds a base year level set in the lease.

Tenant receivables and accrued rent receivables are carried net of the allowances for doubtful accounts of $7.5 million as of June 30, 2007 and $9.3 million as of December 31, 2006. The allowance is based on management s evaluation of the collectability of receivables, taking into account tenant specific considerations as well as the overall credit of the tenant portfolio. Other income is recorded when earned and is primarily comprised of third party leasing commissions, third party management fees, termination fees received from tenants and bankruptcy settlement fees. Other income includes termination fees of $0.5 million and $1.8 million for the three- and six-month periods ended June 30, 2007 and $1.3 million and $1.9 million for the three- and six-month periods ended June 30, 2006.

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BRANDYWINE OPERATING PARTNERHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007

Stock-Based Compensation Plans

The Partnership maintains shareholder-approved equity incentive plans. The Compensation Committee of the Company s Board of Trustees authorizes awards under these plans. In May 2007, the Company s shareholders approved an amendment to the Company s Amended and Restated 1997 Long-Term Incentive Plan (the 1997 Plan). The amendment provided for the merger of the Prentiss Properties Trust 2005 Share Incentive Plan (the Prentiss 2005 Plan) with and into the 1997 Plan, thereby transferring into the 1997 Plan all of the shares that remained available for award under the Prentiss 2005 Plan. The Company had previously assumed the Prentiss 2005 Plan, together with other Prentiss incentive plans, as part of the Company s January 2006 acquisition of Prentiss. The 1997 Plan reserves 500,000 common shares solely for awards under options and share appreciation rights that have an exercise or strike price at least equal to the market price of the common shares on the date of award and the remaining shares under the 1997 Plan are available for any type of award, including restricted share and performance share awards and options. Incentive stock options may not be granted with an exercise price that is lower than the market price of the common shares on the grant date. All options awarded by the Company to date are non-qualified stock options that generally had an initial vesting schedule that ranged from two to ten years. As of June 30, 2007, approximately 4.1 million common shares remained available for future award under the 1997 Plan (including the 500,000 shares that are limited to option awards as described above, and without giving effect to any shares that would become available for awards if and to the extent that outstanding awards lapse, expire or are forfeited).

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 $1.3 million and $2.6 million during the three- and six-month periods ended June 30, 2007 and $0.7 million and $1.4 million during the three- and six-month periods ended June 30, 2006, respectively.

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 (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-month periods ended June 30, 2007 and 2006, the Partnership was not party to any derivative contract designated as a fair value hedge and there are no ineffective portions of our cash flow hedges.

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, may enter 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. As of June 30, 2007, there were no such agreements in place.

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

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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 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. 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.

New Pronouncements

In June 2007, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants (AICPA) issued Statement of Position 07-1, Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies (SOP 07-1). SOP 07-1 addresses when the accounting principles of the AICPA Audit and Accounting Guide Investment Companies must be applied by an entity and whether investment company accounting must be retained by a parent company in consolidation or by an investor in the application of the equity method of accounting. In addition, SOP 07-1 includes certain disclosure requirements for parent companies and equity method investors in investment companies that retain investment company accounting in the parent company s consolidated financial statements or the financial statements of an equity method investor. SOP 07-1 is effective for the fiscal year beginning January 1, 2008. The Partnership has determined that it is not an investment company under the provisions of SOP 07-1 and does not expect to retain specialized investment company accounting for any of its consolidated or equity method investments where the investment entity may be deemed an investment company. Accordingly, the Partnership does not expect the adoption of SOP 07-1 to have a material impact on its financial position and results of operations.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159), which gives entities the option to measure eligible financial assets, financial liabilities and firm commitments at fair value on an instrument-by-instrument basis, that are otherwise not permitted to be accounted for at fair value under other accounting standards. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a firm commitment. Subsequent changes (i.e., unrealized gains and losses) in fair value must be recorded in earnings. Additionally, SFAS 159 allows for a one-time election for existing positions upon adoption, with the transition adjustment recorded to beginning retained earnings. This Statement is effective for fiscal years beginning after November 15, 2007. The Partnership is currently assessing the potential impact that the adoption of SFAS 159 will have on its financial position and results of operations.

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. SFAS No. 157 also provides certain disclosure requirements, including, but not limited to, the valuation techniques used to measure fair value and a discussion of changes in valuation techniques, if any, during the

period. This statement is effective in fiscal years beginning after November 15, 2007. The Partnership is currently

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evaluating the impact and believes that the adoption of this standard on January 1, 2008 will not have a material effect on its financial position and results of operations.

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. The Partnership adopted FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Partnership recognized no material adjustments regarding its tax accounting treatment. The Partnership expects to recognize interest and penalties, to the extent incurred related to uncertain tax positions, if any, as income tax expense, which would be included in general and administrative expense.

3. REAL ESTATE INVESTMENTS

As of June 30, 2007 and December 31, 2006, the gross carrying value of the Partnership s operating properties was as follows (amounts in thousands):

	June 30, 2007	December 31, 2006
Land	$ 738,193	$ 756,400
Building and improvements	3,725,268	3,807,040
Tenant improvements	399,265	363,865
	$ 4,862,726	$ 4,927,305

Acquisitions and Dispositions

The Partnership s acquisitions are 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.

2007

On January 18, 2007, the Partnership sold Norriton Office Center, an office property located in East Norriton, Pennsylvania containing 73,394 net rentable square feet, for a sales price of $7.8 million.

On January 19, 2007, the Partnership sold four office properties located in Dallas, Texas containing 1,091,186 net rentable square feet and a 4.7 acre land parcel, for an aggregate sales price of $107.1 million.

On January 31, 2007, the Partnership sold George Kachel Farmhouse, an office property located in Reading, Pennsylvania containing 1,664 net rentable square feet, for a sales price of $0.2 million.

On March 1, 2007, the Partnership acquired the remaining 49% interest in a consolidated real estate venture previously owned by Stichting Pensioenfonds ABP containing ten office properties for a purchase price of $63.7 million. The Partnership owned a 51% interest in this real estate venture through the acquisition of Prentiss in January 5, 2006 and had already consolidated this venture. This purchase was accounted for as a step acquisition and the difference between the purchase price of the minority interest and the carrying value of the pro rata share of the assets of the real estate venture was allocated to the real estate venture s assets and liabilities based on their relative fair value.

On March 30, 2007, the Partnership sold 1007 Laurel Oak, an office property located in Voorhees, New Jersey containing 78,205 net rentable square feet, for a sales price of $7.0 million.

On March 30, 2007, the Partnership sold 10 office properties located in Reading and Harrisburg, Pennsylvania containing 940,486 net rentable square feet, for an aggregate sales price of $112.0. The Partnership structured this

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transaction to qualify as a like-kind exchange under Section 1031 of the Code and the cash from the sale was held by a qualified intermediary for purposes of accomplishing the like-kind exchange.

On April 30, 2007, the Partnership sold Cityplace Center, an office property located Dallas, Texas containing 1,295,832 net rentable square feet, for an aggregate sales price of $115.0 million.

On May 10, 2007, the Partnership acquired Lake Merritt Tower, an office property located in Oakland, California containing 204,278 net rentable square feet for an aggregate contracted purchase price of $72.0 million (not including closing costs of $0.5 million). A portion of the proceeds from the sale of the 10 office properties located in Reading and Harrisburg, Pennsylvania in March 2007 was used to fully fund this purchase.

2006

Prentiss Acquisition

On January 5, 2006, the Partnership acquired Prentiss pursuant to the Merger Agreement that the Partnership entered into with Prentiss on October 3, 2005. In conjunction with the Partnership 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 Prentiss properties), the Partnership acquired a portfolio of 79 office properties (including 13 properties that were owned by consolidated Real Estate Ventures and seven properties that were 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 (ii) approximately $676.5 million of cash from Prudential s acquisition of 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 of Prentiss (in thousands):

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	At January 5, 2006
Real estate investments	
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
Rent receivables	6,031
Other assets acquired:	
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
Total assets acquired	2,990,801
Liabilities assumed:	
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 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.

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For purposes of computing the total purchase price reflected in the financial statements, the Brandywine common shares (including restricted common shares), Partnership units 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, 2006. There is no pro forma adjustment necessary for the quarter-ended June 30, 2006 since the pro forma amounts represent activity for the first 4 days of 2006. Therefore only the year-to-date pro forma amounts are presented. 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):

		Six-month period ended June 30, 2006 (unaudited)
Pro forma revenue	$	296,765
Pro forma loss from continuing operations		(22,157)
Pro forma loss allocated to common partnership units		(18,594)
Earnings per common partnership unit from continuing operations		
Basic as reported	$	(0.28)
Basic as pro forma	$	(0.28)
Diluted as reported	$	(0.28)
Diluted as pro forma	$	(0.28)
Earnings per common partnership unit		
Basic as reported	$	(0.20)
Basic as pro forma	$	(0.20)
Diluted as reported	$	(0.20)
Diluted as pro forma	$	(0.20)

Subsequent to its acquisition of Prentiss and the related sale of certain properties to Prudential, the Partnership sold nine of the acquired properties that contained an aggregate of 1.7 million net rentable square during the six-month period ended June 30, 2006.

During the six-months ended June 30, 2007, the Partnership sold five of the acquired properties that contained an aggregate of 2.4 million net rentable square feet and a 4.7 acres parcel of land.

Since January 5, 2006, the Partnership has sold a total of 22 of the acquired properties that contained an aggregate of 5.3 million net rentable square feet and two parcels of land totaling 15.6 acres.

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Other Acquisitions and Dispositions

On February 1, 2006, the Partnership acquired 101 Lenox Drive, an office property located in Lawrenceville, New Jersey containing 92,980 net rentable square feet, for a purchase price of $10.2 million.

On April 4, 2006, the Partnership acquired One Paragon Place, an office property located in Richmond, Virginia containing 145,127 net rentable square feet, for a purchase price of $24.0 million.

On April 17, 2006, the Partnership acquired a parcel of land located in Mount Laurel, New Jersey containing 47.9 acres for a purchase price of $6.7 million.

On April 20, 2006, the Partnership sold a parcel of land located in Radnor, Pennsylvania containing 1.3 acres for a sales price of $4.5 million.

On April 21, 2006, the Partnership acquired a parcel of land located in Newtown, Pennsylvania containing 5.5 acres for a purchased price of $1.9 million.

On June 21, 2006, the Partnership sold a parcel of land located in Westampton, New Jersey containing 5.5 acres for a sales price of $0.4 million.

On June 27, 2006, the Partnership acquired a parcel of land located in Goochland County, Virginia containing 23.2 acres for a purchase price of $4.6 million.

4. INVESTMENT IN UNCONSOLIDATED VENTURES

As of June 30, 2007, the Partnership had an aggregate investment of approximately $72.7 million in 12 unconsolidated Real Estate Ventures (net of returns of investment). The Partnership formed these ventures with unaffiliated third parties, or acquired them, to develop office properties or to acquire land in anticipation of possible development of office properties. Ten of the Real Estate Ventures own 15 office buildings that contain an aggregate of approximately 2.8 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 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 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 distributions 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 following is a summary of the financial position of the Real Estate Ventures as of June 30, 2007 and December 31, 2006 (in thousands):

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	2007	2006
Operating property, net of accumulated depreciation	$394,539	$365,168
Other assets	45,039	52,935
Liabilities	32,111	28,764
Debt	357,661	332,589
Equity	49,805	56,888
Partnership s share of equity (Partnership s basis)	72,748	74,574

The following is a summary of results of operations of the Real Estate Ventures for the three-month periods ended June 30, 2007 and 2006 (in thousands):

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2007	2006	2007	2006
Revenue	$18,986	$18,710	$37,300	$38,434
Operating expenses	6,643	6,743	12,940	14,737
Interest expense, net	5,410	5,080	10,648	10,074
Depreciation and amortization	3,776	5,299	8,004	10,172
Net income	3,156	1,589	5,707	3,451
Partnership s share of income (Partnership basis)	896	463	1,658	1,428

Equity in income of real estate ventures in the Partnership s consolidated statement of operations for the three- and six-months ended June 30, 2007 includes a $3.8 million distribution of a residual profits interest that is not included in the table above.

As of June 30, 2007, the Partnership had guaranteed repayment of approximately $0.6 million of loans for the 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 the Real Estate Ventures.

5. DEFERRED COSTS

As of June 30, 2007 and December 31, 2006, the Partnership s deferred costs were comprised of the following (in thousands):

	June 30, 2007		
	Total Cost	Accumulated Amortization	Deferred Costs, net
Leasing Costs	$ 91,984	$ (30,941)	$ 61,043
Financing Costs	26,898	(6,118)	20,780
Total	$ 118,882	$ (37,059)	$ 81,823

	December 31, 2006	
	Accumulated Amortization	Deferred Costs, net

	Total Cost		
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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6. INTANGIBLE ASSETS AND LIABILITIES

As of June 30, 2007 and December 31, 2006, the Partnership s intangible assets were comprised of the following (in thousands):

	June 30, 2007		
	Total Cost	Accumulated Amortization	Deferred Costs, net
Intangible Assets:			
In-place lease value	$ 182,148	$ (55,584)	$ 126,564
Tenant relationship value	120,532	(26,309)	94,223
Above market leases acquired	31,950	(13,268)	18,682
Total intangible assets	$ 334,630	$ (95,161)	$ 239,469
Intangible Liability:			
Below market leases acquired	$ 102,754	$ (30,495)	$ 72,259

	December 31, 2006		
	Total Cost	Accumulated Amortization	Deferred Costs, net
Intangible Assets:			
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 intangible assets	$ 364,785	$ (83,534)	$ 281,251
Intangible Liability:			
Below market leases acquired	$ 118,536	$ (26,009)	$ 92,527

As of June 30, 2007, the Partnership s annual amortization for its intangible assets/liabilities are as follows (in thousands and assuming no early lease terminations):

	Assets	Liabilities
2007 (remainder)	$ 28,702	$ 8,813
2008	46,841	13,469
2009	40,923	11,444
2010	34,221	8,899
2011	26,808	7,435
Thereafter	61,974	22,199

Total	$ 239,469	$ 72,259

7. DEBT OBLIGATIONS

The following table sets forth information regarding the Partnership s debt obligations outstanding at June 30, 2007 and December 31, 2006 (in thousands):

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Property / Location	June 30, 2007	December 31, 2006	Effective Interest Rate		Maturity Date
MORTGAGE DEBT:					
Interstate Center	$	$ 552	6.19%		Mar-07
The Bluffs		10,700	6.00%	(a)	Apr-07
Pacific Ridge		14,500	6.00%	(a)	Apr-07
Pacific View/Camino		26,000	6.00 %	(a)	Apr-07
Computer Associates Building		31,000	6.00 %	(a)	Apr-07
Presidents Plaza		30,900	6.00 %	(a)	Apr-07
440 & 442 Creamery Way		5,421	8.55%		May-07
Grande A	59,297	59,513	7.48 %	(b)	Jul-07
Grande B	76,731	77,535	7.48 %	(b)	Jul-07
481 John Young Way	2,259	2,294	8.40%		Nov-07
400 Commerce Drive	11,681	11,797	7.12%		Jun-08
Two Logan Square	70,745	71,348	5.78 %	(a)	Jul-09
200 Commerce Drive	5,802	5,841	7.12 %	(a)	Jan-10
1333 Broadway	24,209	24,418	5.18 %	(a)	May-10
The Ordway	45,861	46,199	7.95 %	(a)	Aug-10
World Savings Center	27,334	27,524	7.91 %	(a)	Nov-10
Plymouth Meeting Exec.	43,793	44,103	7.00 %	(a)	Dec-10
Four Tower Bridge	10,591	10,626	6.62%		Feb-11
Arboretum I, II, III & V	22,492	22,750	7.59%		Jul-11
Midlantic Drive/Lenox Drive/DCC I	61,958	62,678	8.05%		Oct-11
Research Office Center	41,872	42,205	7.64 %	(a)	Oct-11
Concord Airport Plaza	38,021	38,461	7.20 %	(a)	Jan-12
Six Tower Bridge	14,655	14,744	7.79%		Aug-12
Newtown Square/Berwyn Park/Libertyview	62,721	63,231	7.25%		May-13
Coppell Associates	3,626	3,737	6.89%		Dec-13
Southpoint III	4,692	4,949	7.75%		Apr-14
Tysons Corner	100,000	100,000	4.84 %	(a)	Aug-15
Coppell Associates	16,600	16,600	5.75%		Mar-16
Principal balance outstanding	744,940	869,626			
Plus: unamortized fixed-rate debt premiums, net	12,205	14,294			
Total mortgage indebtedness	$ 757,145	$ 883,920			
UNSECURED DEBT:					
Private Placement Notes due 2008	113,000	113,000	4.34%		Dec-08
2009 Three Year Notes		300,000	Libor + 0.45%		Apr-09
2009 Five Year Notes	275,000	275,000	4.62%		Nov-09

2010 Five Year Notes	300,000	300,000	5.61%	Dec-10
Line-of-Credit	210,000	60,000	Libor + 0.725%	Jun-11