BOS BETTER ONLINE SOLUTIONS LTD
Form F-3/A
November 19, 2013
As filed with the Securities and Exchange Commission on November 19, 2013

Registration No. 333-191183

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 2
TO
FORM F-3
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

B.O.S BETTER ONLINE SOLUTIONS LTD.
(Exact name of Registrant as specified in its charter)

Israel	Not Applicable
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

20 Freiman Street
Rishon LeZion, 75100, Israel
(+972) 3-954-1000
(Address and Telephone Number of Registrant's principal executive offices)

B.O.S Better Online Solutions Ltd.
c/o Ruby-tech, Inc.
147-20 184th St.,
Jamaica NY 11413, USA.
508-655-2312
(Name, address and telephone number of agent for service)

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Approximate date of commencement of proposed sale to the public: From time to time after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. o

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

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The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THESE SECURITIES MAY NOT BE SOLD UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

Preliminary Prospectus

subject to completion, dated November 19, 2013

122,500 Ordinary Shares Offered by a Selling Shareholder

B.O.S BETTER ONLINE SOLUTIONS LTD.

This prospectus relates to the resale of up to 115,000 ordinary shares by YA Global Master SPV Ltd. (“YA Global”), the selling shareholder. We may from time to time issue up to $600,000 of ordinary shares to YA Global at 95% of the market price at the time of such issuance, determined in accordance with the terms of a Standby Equity Distribution Agreement, or SEDA, dated as of June 18, 2013. In the event that the number of ordinary shares that we have registered for sale by YA Global results in proceeds to us of less than $600,000, we will need to file one or more additional registration statements covering additional shares to make up the shortfall before we can sell such additional shares to YA Global under the SEDA. The closing market price of our ordinary shares as of November 15, 2013 was $3.85. Assuming this is the price per share used as a basis for the calculations for all draw downs under the SEDA, we would be able to sell the full 115,000 ordinary shares to YA Global, and receive gross proceeds of approximately $ 420,600. This prospectus also relates to the resale of 7,500 ordinary shares that we issued to YA Global as a commitment fee under the SEDA.

The selling shareholder may sell the ordinary shares, from time to time, in regular brokerage transactions, in transactions directly with market makers or in privately negotiated transactions. For additional information on the methods of sale that may be used by the selling shareholder, see the section titled “Plan of Distribution” beginning on page 21.

We will not receive any of the proceeds from the sale of the ordinary shares offered by the selling shareholder. However, we will receive proceeds from YA Global from the initial sale of the shares that are sold to YA Global, the selling shareholder, under the SEDA.

Our ordinary shares are traded on the NASDAQ Capital Market under the symbol “BOSC”. On November 15, 2013, the last reported sale price of our ordinary shares on the NASDAQ Capital Market was $3.85 per share. You are urged to obtain current market quotations for the ordinary shares.

You should read both this prospectus and any prospectus supplement, together with the additional information described under the heading "Incorporation of Certain Documents by Reference" before you decide to invest in our ordinary shares.

INVESTING IN OUR ORDINARY SHARES INVOLVES A HIGH DEGREE OF RISK. SEE “RISK FACTORS” BEGINNING ON PAGE 6 OF THIS PROSPECTUS TO READ ABOUT FACTORS YOU SHOULD CONSIDER BEFORE PURCHASING OUR ORDINARY SHARES.

YA Global has informed us it is an "underwriter" within the meaning of the Securities Act of 1933, as amended, or Securities Act. To the best of our knowledge, no other underwriter or person has been engaged to facilitate the sale of ordinary shares in this offering. The Securities and Exchange Commission, or Commission, may take the view that, under certain circumstances, any broker-dealers or agents that participate with the selling shareholdes in the distribution of the ordinary shares may be deemed to be "underwriters" within the meaning of the Securities Act. Commissions, discounts or concessions received by any such broker-dealer or agent may be deemed to be underwriting commissions under the Securities Act.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this registration statement. Any representation to the contrary is a criminal offense.

The date of this prospectus is ________, 2013

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You should rely only on the information contained or incorporated by reference in this prospectus or any supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and any underwriter or agent is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

PROSPECTUS SUMMARY

About This Prospectus

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a "shelf" registration process. Under this shelf process, the selling shareholder referred to in this prospectus may sell up to 122,500 ordinary shares, from time to time, in one or more offerings in any manner described under the section in this prospectus entitled "Plan of Distribution."

This prospectus does not contain all of the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. Accordingly, you should refer to the registration statement and its exhibits for further information about us and our ordinary shares. Copies of the registration statement and its exhibits are on file with the SEC. Statements contained in this prospectus concerning the documents we have filed with the SEC are not intended to be comprehensive, and in each instance we refer you to a copy of the actual document filed as an exhibit to the registration statement or otherwise filed with the SEC.

We have not authorized anyone to provide you with information different from that contained or incorporated by reference in this prospectus. The selling shareholder is offering to sell, and seeking offers to buy our ordinary shares only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of ordinary shares.

Unless the context otherwise requires, all references in this prospectus to "BOS," "we," "our," "our company," "us" and the "Company" refer to B.O.S Better Online Solutions Ltd. and its consolidated subsidiaries.

All references in this prospectus to "ordinary shares" refer to our ordinary shares, nominal value NIS 80.00 per share.

All references in this prospectus to "dollars" or "$" are to United States Dollars.

All references in this prospectus to "shekels" or "NIS" are to New Israeli Shekels.

The Company

We were incorporated in Israel in 1990 and are subject to the Israeli Companies Law. Our executive offices, shipping and service operations are located in Israel. Our address in Israel is 20 Freiman Street, Rishon LeZion, 75100, Israel.

Our address in the United States is B.O.S Better Online Solutions Ltd. c/o Ruby-tech, Inc. 147-20 184th St., Jamaica NY 11413, USA, telephone 508-655-2312

Our telephone number is 972-3-954-2000 and our website address is www.boscom.com. Our subsidiaries' websites are: Odem - www.odem.co.il; and Dimex – www.dimex.co.il. The information contained on, or linked from, our websites is not a part of this prospectus.

We operate our business through two divisions:

- Supply Chain Solutions – conducted through our wholly owned subsidiary, Odem. Our Supply Chain Solutions business offers a wide range of electronic components to customers in the aviation, aerospace and high technology

industry that prefer to consolidate their component acquisitions through a supplier that is able to provide a comprehensive solution to their components-supply needs.

- RFID and Mobile Solutions – conducted through our wholly owned subsidiary, Dimex. Our RFID and Mobile Solutions offerings form a comprehensive turn-key solution for Automatic Identification and Data Collection, combining mobile infrastructure of manufacturers that we represent, middleware software and a software application.

THE OFFERING

General

This prospectus relates to the resale of up to 122,500 ordinary shares by YA Global that may be issued to it under the SEDA, which is discussed below.

The selling shareholder may sell the ordinary shares, from time to time, in regular brokerage transactions, in transactions directly with market makers or in privately negotiated transactions. For additional information on the methods of sale that may be used by the selling shareholder, see the section titled “Plan of Distribution” beginning on page 21.

We will not receive any of the proceeds from the sale of the ordinary shares offered by the selling shareholder. However, we will receive proceeds from YA Global from the initial sale of the shares that are sold to YA Global, the selling shareholder, under the SEDA.

BOS is filing the registration statement of which this prospectus is a part at this time to fulfill its contractual obligations to do so. Registration of the ordinary shares does not necessarily mean that all or any portion of such ordinary shares will be offered for sale by the selling shareholder.

Standby Equity Distribution Agreement

On June 18, 2013, we entered into a Standby Equity Distribution Agreement, or SEDA, with YA Global under which we have the opportunity, for a two-year period beginning on the date on which the Commission first declares effective a registration statement registering the resale of our ordinary shares by YA Global, to sell our ordinary shares to YA Global for a total purchase price of up to $600,000, at our sole discretion. We are registering for resale by YA Global 115,000 ordinary shares that we may sell to it under the SEDA and 7,500 ordinary shares that we issued to it as a commitment fee under the SEDA. In the event that the number of ordinary shares that we have registered for sale by YA Global results in proceeds to us of less than $600,000, we will need to file one or more additional registration statements covering additional shares to make up the shortfall, before we can sell such additional shares to YA Global under the SEDA. The closing market price of our ordinary shares as of November 15, 2013 is $3.85. Assuming this is the price per share used as a basis for the calculations for all draw downs under the SEDA, we would be able to sell the full 115,000 ordinary shares to YA Global, and receive gross proceeds of approximately $ 420,600. This prospectus also relates to the resale of 7,500 ordinary shares that we issued to YA Global as a commitment fee under the SEDA.

For each ordinary share purchased under the SEDA, YA Global will pay 95% of the lowest daily VWAP (as defined below) of the ordinary shares during the five consecutive trading days following the date of an advance notice from us (provided such VWAP is greater than or equal to 90% of the last closing price of the ordinary shares at the time of delivery of the advance notice, or the Minimum Acceptable Price -“MAP”).

Once presented with an advance notice, YA Global is required to purchase the number of shares specified in the advance notice (subject to complying with the conditions set forth in the SEDA). Each such notice may be for an amount of ordinary shares not to exceed the greater of (1) $25,000 and (2) the average of the Daily Value Traded for the five trading days prior to the advance notice where Daily Value Traded is the product obtained by multiplying the daily trading volume for such day by the VWAP for such day. Notwithstanding the forgoing, the notice shall not exceed $150,000. "VWAP" means, as of any date, the daily dollar volume-weighted average price for such security as reported by Bloomberg, LP.

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If the VWAP in any of the five consecutive trading days is below the MAP (as defined above), then that day shall be excluded from the five day pricing period, and the amount of the advance notice shall automatically be reduced by 20% for each such trading day. If the VWAP in all five trading days in below the MAP, then the Company may not be able to sell any ordinary shares pursuant to the advance notice. For example, assuming that the last closing price of the shares was $4.00 at the time of the delivery of an advance notice for $25,000, the MAP would be $3.60 per share. If the VWAP during the five day pricing period was $3.65, $3.70, $3.80, $3.55 and $3.40, the dollar amount of the shares that YA Global would be required to purchase would be $15,000.

In accordance with applicable Commission guidelines, the dollar amount ($600,000) of the ordinary shares that we may sell to YA Global under the SEDA was less than one-third of our public float at the time of the execution of the SEDA. In the event that the number of ordinary shares that we have registered for sale by YA Global under the registration statement of which this prospectus forms a part results in proceeds to us of less than $600,000, we will need to file one or more additional registration statements covering additional shares to make up the shortfall that are declared effective by the Commission before we can sell such additional shares to YA Global under the SEDA.

There is no arrangement for funds to be received in an escrow, trust or similar arrangement. In connection with any advance notice, if any portion of an advance would cause the beneficial ownership of our then outstanding ordinary shares by YA Global to exceed 9.99% or to exceed the aggregate offering price or number of ordinary shares available for issuance pursuant to this prospectus, then such portion shall automatically be deemed to be withdrawn by us with no further action required by us.

We have paid to YA Global a commitment fee of 7,500 ordinary shares. We may terminate the SEDA at any time upon prior notice to YA Global, as long as there are no advances outstanding and we have paid to YA Global all amounts then due. A copy of the SEDA is attached as Exhibit 99.2 to our Current Report on Form 6-K as filed with the Commission on June 19, 2013, which is incorporated by reference into the registration statement of which this prospectus forms a part.

RISK FACTORS

You should carefully consider the risks described below and all the information contained or incorporated by reference into this prospectus before making an investment decision regarding our ordinary shares. The risks described below are not the only risks facing our company. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition, results of operation and liquidity. The trading price of our ordinary shares could decline due to any of these risks, and you may lose all or part of your investment.

Risks relating to our financial results and capital structure:

We require a significant amount of cash to satisfy our debt obligations. If we fail to generate sufficient cash flow from operations, we may need to renegotiate or refinance our debt, obtain additional financing, postpone capital expenditures or sell assets.

As of December 31, 2012, we had $846,000 in long-term debt to Dimex Systems Ltd. (includes current maturities of $136,000) and $1,612,000 in long-term bank loans (includes current maturities of $424,000). In addition, at December 31, 2012, we had $5.96 million of short term bank loans drawn under a revolving credit facility. We depend mainly on cash generated by continuing operating activities to make payments on our debt. We cannot assure that we will generate sufficient cash flow from operations to make the scheduled payments on our debt. Our ability to meet our debt obligations will depend on whether we can successfully implement our business strategy, as well as on economic, financial, competitive and technical factors (See “Item 5B. Liquidity and Capital Resources” in our Annual Report on Form 20-F for the fiscal year ended December 31, 2012, which is incorporated by reference in this prospectus).

Some of the factors are beyond our control, such as economic conditions in the markets where we operate or intend to operate, changes in our customers’ demand for our products, and pressure from existing and new competitors. Also, because part of our loans bear interest at floating rates, we are susceptible to an increase in interest rates (See “Item 11. Quantitative and Qualitative Disclosures about Market Risk” in our Annual Report on Form 20-F for the fiscal year ended December 31, 2012, which is incorporated by reference in this prospectus).

If we cannot generate sufficient cash flow from operations to make scheduled payments on our debt obligations, we may need to renegotiate the terms of our debt, refinance our debt, obtain additional financing, delay planned capital expenditures or sell assets.

While the Company’s management believes that its cash resources are sufficient to meet its operating needs for at least the next 12 months and that the Company shall meet its bank covenants for year end December 31, 2013, there can be no assurance of this.

If our lenders decline to renegotiate the terms of our debt in these circumstances, the lenders could declare all amounts borrowed and all amounts due to them under the agreements due and payable.

We have had a history of losses and our future levels of sales and ability to achieve profitability are unpredictable.

As of December 31, 2012, we had an accumulated deficit of $71 million. In 2012, we had a net loss of $550,000 and in the first half of 2013 we had a net loss of $262,000. Our ability to maintain and improve future levels of sales and achieve profitability depends on many factors, which include:

- delivering our products in a timely manner;
- successfully implementing our business strategy;
- increased demand for our existing products; and
- controlling costs.

There can be no assurance that we will be able to meet our challenges and to achieve profitability in the future or that the level of historic sales will continue in the future or that our net losses will not increase in the future. In the event we are unable to achieve our business plan, Company's management has a cost reduction plan for further reduction in our workforce and salaries, which in turn could impair our ability to maintain and improve future levels of sales.

We may be unable to maintain our gross profit margins.

Our sales and profitability may vary in any given year, and from quarter to quarter. In order to increase sales or to enter into new markets with new products or due to competition we may find it necessary to decrease prices in order to be competitive. Additionally, our gross profit margin tends to fluctuate mainly due to variety and mix of products. We may not be able to maintain current gross profit margins in the future, which would have a material adverse effect on our business.

We depend on two banks which provide our short and long term loans.

We rely on Bank Leumi le-Israel Ltd. ("Bank Leumi") and on Bank Hapoalim, to provide credit facilities to our subsidiaries. As of December 31, 2012, we had $5.96 million drawn under a Bank Leumi short term revolving credit facility. In addition, as of December 31, 2012, we had $403,000 current maturities of long term loans and $1.12 million of long terms bank loans with Bank HaPoalim. The Bank HaPoalim loans contain several covenants that require the Company's Israeli subsidiaries to maintain certain financial ratios and levels of profitability. As of December 31, 2012 the Company was not in compliance with Bank HaPoalim's covenants. Nonetheless, Bank HaPoalim agreed under certain conditions, including compliance by the Company with its covenants for the year 2013, to waive this failure of the Company to meet its financial covenants in 2012. Failure to meet our bank covenants may lead to a default under the loan agreements.

Our assets are subject to security interests in favor of our bank lenders. Our failure to repay the bank loans, if required, could result in legal action against us, which could require the sale of all of our assets.

The repayment of our debt to Bank Leumi is secured by a first priority floating charge on all of our Company's assets, present and future as they may be changing from time to time, and by a first priority fixed charge on all of the Company's issued and unpaid-for share capital, its goodwill and its shares of our Israeli subsidiaries, BOS - Dimex Ltd. ("Dimex") and BOS - Odem Ltd. ("Odem"). In addition, the Company and its Israeli subsidiaries entered into a series of intercompany guarantees in favor of Bank Leumi.

The repayment of the Company's debt to Bank HaPoalim is secured by long term bank deposits in the amount of $438,000.

If we are unable to repay the bank loans when due, our bank lender could foreclose on our assets in order to recover the amounts due. Any such action would require us to curtail or cease operations (See “Item 5B. Liquidity and Capital Resources” in our Annual Report on Form 20-F for the fiscal year ended December 31, 2012, which is incorporated by reference in this prospectus).

Our debt obligations may hinder our growth and put us at a competitive disadvantage.

Our debt obligations require us to use a substantial portion of our operating cash flow to repay the principal and interest on our loans. This reduces funds available to grow and expand our business, limits our ability to pursue business opportunities and makes us more vulnerable to economic and industry downturns. The existence of debt obligations and covenants also limits our ability to obtain additional financing on favorable terms.

Due to restrictions in our loan agreements, we may not be able to operate our business as we desire.

Our loan agreements contain a number of conditions and limitations on the way in which we can operate our business, including limitations on our ability to raise debt, sell or acquire assets and pay dividends. Our loan agreements also contain various covenants, which require that we maintain certain financial ratios related to shareholder's equity, operating results and certain levels of profitability. These limitations and covenants may force us to pursue less than optimal business strategies or forgo business arrangements which could have been financially advantageous to our shareholders and us. Our failure to comply with the covenants and restrictions contained in our loan agreements could lead to a default under the terms of these agreements (See “Item 5B. Liquidity and Capital Resources” in our Annual Report on Form 20-F for the fiscal year ended December 31, 2012, which is incorporated by reference in this prospectus).

Risks related to our business:

We depend on key personnel for the success of our business.

Our success depends, to a significant extent, on the continued active participation of our executive officers and other key personnel. In addition, there is significant competition for employees with technical expertise in our industry.

In order to succeed we would need to be able to:

- retain the executive officers and key technical personnel who have been involved in the development of our two divisions;
- attract and retain additional qualified personnel to provide technological depth and support to enhance existing products and develop new products; and
- attract and retain highly skilled computer operating, marketing and financial personnel.

We cannot make assurances that we will be successful in attracting, integrating, motivating and retaining key personnel. If we are unable to retain our key personnel and attract additional qualified personnel as and when needed, our business may be adversely affected.

We may be unable to effectively manage our growth and expansion, and as a result, our business results may be adversely affected.

Our goal is to grow over the next few years. The management of our growth, if any, will require the continued expansion of our operational and financial control systems, as well as a significant increase in our financial resources and in our delivery and service capabilities. These factors could place a significant strain on our resources.

Our growth increases the complexity of our operations, places significant demands on our management and our operational, financial and marketing resources and involves a number of challenges, including:

- managing geographically dispersed operations;
- retaining and motivating key personnel of the acquired businesses;
- assimilating different corporate cultures;

- preserving the business relationships with existing key customers and suppliers;
- maintaining uniform standards, controls, procedures and policies; and
- introducing joint products and service offerings.

In recent years, the Company has made several acquisitions, such as the acquisition of Dimex Systems' business in March 2008, and the acquisition of BOS Supply Chain Solutions (Summit) Inc. ("Summit"), a New Jersey based company, in October 2007 (Summit filed for Chapter 7 bankruptcy relief on November 23, 2010). There can be no assurance that we will be able to successfully integrate and manage future acquisitions, if they further occur, in order to maintain and grow the combined business and maximize the potential synergies.

Further, once integrated, acquisitions may not achieve comparable levels of revenues, profitability or productivity as were prior to the acquisitions or otherwise perform as expected. The occurrence of any of these events could harm our business, financial condition or results of operations.

Our inability to meet our delivery commitments in a timely manner (as a result of unexpected increases in orders, for example) could result in losses of sales, exposure to contractual penalties, costs or expenses, as well as damage to our reputation in the marketplace.

Our inability to manage growth effectively could have a material adverse effect on our business, financial condition and results of operations.

The continued growth of our RFID and Mobile Solutions division depends on our ability to expand sales abroad.

Up to now, our RFID and Mobile Solutions have not been able to significantly expand sales abroad. Due to limitations in the size of the Israeli RFID and Mobile Solutions markets, continued growth of this division depends on our ability to increase our sales abroad. There can be no assurance that we will be successful in generating revenues from sales outside of Israel.

We do not have collateral or credit insurance for all of our customers' debt, and our allowance for bad debts may increase.

Our customers' debt is derived from sales to customers located primarily in Israel, the Far East and Europe. The Company does not generally require collateral; however most of the Company's debt of customers outside of Israel is insured against customer nonpayment through the Israeli Credit Insurance Company Ltd. or through letters of credit.

The balance of allowance for bad debt as of December 31, 2012 amounted to $127,000, which was determined by the Company's management to be sufficient. In face of a global economic slowdown or if a local or global recession reoccurs, we may be required to record additional and significant allowances for bad debts.

Certain customers of our Supply Chain Solutions division may cancel purchase orders they placed before the delivery.

Supply chain programs for the sale of electronic components, including the programs offered by our Supply Chain Solutions division, are designed to accommodate the preference of customers to work with a limited number of suppliers that are able to provide a wide range of electronic components under one order. In the event we are not able to provide all of the components required by a customer, they could elect to terminate the entire order before its delivery. In addition, certain of our individual product orders provide a right of termination prior to delivery.

In the event substantial orders are so cancelled, there is no assurance that we will be able to sell the pre-purchased inventory at a profit, or at all. This could result in excess and obsolete inventory and could have a material adverse effect on our results of operations.

The electronic components provided by our Supply Chain Solutions division need to meet certain industry standards and for some customers we need to be the manufacturers' authorized distributors.

The main business of our Supply Chain Solutions division is the provision of electronic components to the aerospace and defense industry. These components need to be in compliance with Aviation Standard number 9120, which was adopted by the International Aerospace Quality Group. Non compliance with these standards could limit our sales.

In addition, in face of an increased number of refurbished or non-original components offered in the marketplace, certain customers have begun to insist on purchasing components only directly from authorized distributors of the manufacturers. This could impair our ability to sell components of manufacturers for which we do not serve as authorized dealers and have a substantial adverse effect on our business.

The Supply Chain Solutions division engages in a number of business activities governed by U.S. Government Laws and Regulations, which if violated, could subject the Company to civil or criminal fines and penalties.

The Supply Chain Solutions division engages in a number of business activities governed by U.S. Government procurement laws and regulations which change frequently, including regulations relating to import-export control and technology transfer restrictions. In addition, the U.S. Foreign Corrupt Practices Act, or the FCPA, and similar anti-corruption laws in other jurisdictions, include anti-bribery provisions. If we or our sales representatives fail to comply with these laws and regulations, we could be subject to administrative, civil, or criminal liabilities that could have a material adverse effect on our business and results of operations. We may not always be protected in cases of violation of the FCPA or other anti-corruption laws by our employees or third-parties acting on our behalf. A violation of anti-corruption laws by our employees or third-parties during the performance of their obligations for us may have a material adverse effect on our reputation operating results and financial condition.

We rely on certain key suppliers.

Most of our sales rely on products of certain key suppliers, which we represent. 41% of our first quarter of 2013 Supply Chain Solutions division purchases were sourced from five key suppliers and 48% of our first quarter of 2013 RFID and Mobile Solutions division purchases were sourced from another five key suppliers. In the year 2012, 14% of our Supply Chain Solutions division purchases were sourced from five key suppliers and 52% of our RFID and Mobile Solutions purchases were sourced from five key suppliers.

In the event that any of our key suppliers becomes unable to fulfill our requirements in a timely manner or if we cease our business relationship with these suppliers, we may experience an interruption in delivery and a decrease in our business until an alternative source of supply can be obtained.

Future changes in industry standards may have an adverse effect on our business.

New industry standards in the aviation and defense industry could cause a portion of our Supply Chain Solutions division's inventory to become obsolete and unmarketable which would adversely affect our results of operations.

If revenue levels for any quarter fall below our expectations, our results of operations will be adversely affected.

Our revenues in any quarter are substantially dependent on orders received and delivered in that quarter. We base our decisions regarding our operating expenses on anticipated revenue trends, and our expenses levels are relatively fixed, or require some time for adjustment. As a result, revenue levels below our expectations will adversely affect our results of operations.

The rate of inflation in Israel may negatively impact our costs if it exceeds the rate of devaluation of the NIS against the U.S. dollar. Similarly, the U.S. dollar cost of our operations in Israel will increase to the extent increases in the rate of inflation in Israel are not offset by a devaluation of the NIS in relation to the U.S. dollar.

A substantial amount of our revenues is denominated in U.S. dollars (“U.S. dollars” or “dollars") or is U.S. dollar-linked, but we incur a significant portion of our expenses, principally salaries and related personnel expenses in Israel and rent for our facilities in Israel, in NIS. As a result, we are exposed to the risk that the rate of inflation in Israel will exceed the rate of devaluation of the NIS in relation to the U.S. dollar or that the timing of this devaluation lags behind inflation in Israel. In that event, the U.S. dollar cost of our operations in Israel will increase and our U.S. dollar-measured results of operations will be adversely affected.

Similarly, we are exposed to the risk that the NIS, after adjustment for inflation in Israel, will appreciate in relation to the U.S. dollar. In that event, the dollar-measured cost of our operations in Israel will increase and our dollar-measured results of operations will be adversely affected. In 2012 and 2010, the NIS appreciated by approximately 2.3% and 0.7% respectively, against the U.S. dollar and in 2011 the NIS devaluated by approximately 7.7% against the U.S. dollar. In 2010, 2011 and 2012, the annual inflation rate in Israel was approximately 2.7%, 2.17% and 1.63%, respectively, and therefore the U.S. dollar cost of our Israeli operations increased in 2012 and 2010 and decreased in 2011. We cannot predict whether in the future the NIS will appreciate against the U.S. dollar or vice versa. Any increase in the rate of inflation in Israel, unless the increase is offset on a timely basis by a devaluation of the NIS in relation to the U.S. dollar, will increase our labor and other costs, which will increase the U.S. dollar cost of our operations in Israel and harm our results of operations (see “Item 5A. Results of Operation - Impact of Inflation and Currency Fluctuations in our Annual Report on Form 20-F for the fiscal year ended December 31, 2012, which is incorporated by reference in this prospectus.”)

If we are unsuccessful in developing and introducing new products, we may be unable to expand our business.

The market for some of our products is characterized by rapidly changing technology and evolving industry standards. The introduction of products embodying new technology and the emergence of new industry standards can render existing products obsolete and unmarketable and can exert price pressures on existing products.

Our ability to anticipate changes in technology and industry standards and successfully develop and introduce new and enhanced products as well as additional applications for existing products, in each case on a timely basis, will be critical in our ability to grow and remain competitive. Although these products are related to, and even incorporate our existing products, there can be no assurance that we will be able to successfully develop and market any such new products. If we are unable, for technological or other reasons, to develop products that are competitive in technology and price and responsive to customer needs, our business will be materially adversely affected.

Our Supply Chain division has significant sales worldwide and could encounter problems if conditions change in the places where we market our products.

We have sold and intend to continue to sell our products in Europe and the Far East. A number of risks are inherent in engaging in international transactions, including:

- possible problems in collecting receivables;
- imposition of governmental controls, or export license requirements;
- political and economic instability in foreign companies;
- trade restrictions or changes in tariffs being imposed; and
- laws and legal issues concerning foreign countries.

If we should encounter such difficulties in conducting our international operations, it may adversely affect our business condition and results of operations.

Unfavorable global economic conditions could have a material adverse effect on our business, operating results and financial condition

The financial and economic downturn in the United States and in European countries may cause revenues of our customers to decrease. This may result in reductions in sales of our products and services in some markets, longer sales cycles, slower adoption of new technologies and increased price competition. In addition, weakness in the end-user market could negatively affect the cash flow of our customers who could, in turn, delay paying their obligations to us. This could increase our credit risk exposure and cause delays in our recognition of revenues on future sales to these customers. If global economic and market conditions do not improve, or weaken further, it may have a material adverse effect on our business, operating results and financial condition.

We may be obligated to indemnify our directors and officers.

The Company has agreements with its directors and senior officers which provide, subject to Israeli law, indemnification by the Company of directors and senior officers for: (a) monetary liability imposed upon them in favor of a third party by a judgment, including a settlement or an arbitral award confirmed by the court, as a result of an act or omission of such person in its capacity as a director or officer of the Company, (b) reasonable litigation expenses, including attorney's fees, incurred by them pursuant to an investigation or a proceeding commenced against them by a competent authority if it was terminated without an indictment and without having a monetary charge imposed on them in exchange for a criminal procedure (as such terms are defined in the Israeli Companies Law 1999 – 5759 (the "Israeli Companies Law")), or that was terminated without an indictment but with a monetary charge imposed on them in exchange for a criminal procedure in a crime that does not require proof of criminal intent, or in connection with a financial sanction, as a result of an act or omission of such person in its capacity as a director or officer of the Company, (c) reasonable litigation expenses, including attorney's fees, incurred by such a director or officer or imposed on him by a court, in a proceeding brought against him by or on behalf of the Company or by a third party, or in a criminal action in which he was acquitted, or in a criminal action which does not require criminal intent in which he was convicted, in each case relating to acts or omissions of such person in its capacity as a director or officer of the Company, (d) expenses, including reasonable litigation expenses and legal fees, incurred by such a director or officer as a result of a proceeding instituted against him in relation to (A) infringements that may result in imposition of financial sanction pursuant to the provisions of Chapter H'3 under the Israeli Securities Law or (B) administrative infringements pursuant to the provisions of Chapter H'4 under the Israeli Securities Law or (C) infringements pursuant to the provisions of Chapter I'1 under the Israeli Securities Law; and (e) payments to an injured party of infringement under Section 52ND(a)(1)(a) of the Israeli Securities Law. Payment pursuant to such indemnification may materially adversely affect our financial condition.

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The measures we take in order to protect our intellectual property may not be effective or sufficient.

Our success is dependent upon our proprietary rights and technology. We currently rely on a combination of trade secrets, copyright and trademark law, together with non-disclosure and invention assignment agreements, to establish and protect the proprietary rights and technology used in our products. We generally enter into confidentiality agreements with our employees, consultants, customers and potential customers and limit the access to and the distribution of our proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our technology without authorization, or to develop similar technology independently. We do not believe that our products and proprietary rights infringe upon the proprietary rights of others. However, there can be no assurance that any other party will not argue otherwise. The cost of responding and adequately protecting ourselves against any such assertion may be material, whether or not the assertion is valid. Further, the laws of certain countries in which we sell our products do not protect our intellectual property rights to the same extent as do the laws of the United States. Substantial unauthorized use of our products could have a material adverse effect on our business. We cannot make assurances that our means of protecting our proprietary rights will be adequate or that our competitors will not independently develop similar technology. Additionally, there are risks that arise from the use of intranet networks and the Internet. Although we utilize firewalls and protection software, we cannot be sure that our proprietary information is secured against penetration. Such penetration, if occurs, could have an adverse effect on our business.

There can be no assurance that we will not be classified as a passive foreign investment company (a “PFIC”).

Based upon our current and projected income, assets and activities, we do not believe that at this time BOS is a passive foreign investment company for U.S. federal income tax purposes, but there can be no assurance that we will not be classified as such in the future. Such classification may have grave tax consequences for U.S. shareholders. One method of avoiding such tax consequences is by making a “qualified electing fund” election for the first taxable year in which the Company is a PFIC. However, such an election is conditioned upon our furnishing U.S. shareholders annually with certain tax information. We do not presently prepare or provide such information, and such information may not be available to U.S. shareholders if we are subsequently determined to be a PFIC. You are advised to consult with your own tax advisor regarding the particular tax consequences related to the ownership and disposition of our ordinary shares under your own particular factual circumstances.

A decline in the value of our market capitalization could require us to write-down the value of our goodwill, which could have a material adverse effect on our results of operations.

Our balance sheet contains a significant amount of goodwill and other amortizable intangible assets in long-term assets, totaling about $4.5 million at December 31, 2012. We review goodwill annually for impairment, or more frequently when indications for potential impairment exist. We review other amortizable intangible assets for impairment when indicators for impairment exist. The volatility of our share price can cause significant changes to our market capitalization. If the value of our market capitalization falls below the value of our Shareholders’ equity, it might indicate that impairment is required. An impairment of goodwill may be required if the carrying amount of a reporting unit exceeds its fair value.

If our market capitalization experiences a significant decline and is below the value of our Shareholders' equity, or if any other quantitative or qualitative indication of impairment of goodwill arises in the future, we may be required to record impairment charges for our goodwill. Any such write-downs, if required, could result in a significant non-economic expense on our income statement, which could have a material adverse effect on our results of operations.

There are substantial risks associated with the SEDA, which could contribute to the decline of our share price and have a dilutive impact on our existing shareholders.

The sale of our ordinary shares to YA Global pursuant to the SEDA will have a dilutive impact on our shareholders. YA Global may resell some, if not all, of the shares we issue to it under the SEDA and such sales could cause the market price of our ordinary shares to decline significantly. To the extent of any such decline, any subsequent advances would require us to issue a greater number of ordinary shares to YA Global in exchange for each dollar of the advance. Under these circumstances, our existing shareholders would experience greater dilution. Although YA Global is precluded from short sales, the sale of our ordinary shares under the SEDA could encourage short sales by third parties, which could contribute to the further decline of our share price. The closing market price of our ordinary shares as of November 15, 2013 is $3.85. Assuming this is the price per share used as a basis for the calculations for all draw downs under the SEDA, we would be able to sell 115,000 ordinary shares to YA Global. Such amount of shares would comprise 8.9% of our issued and outstanding share capital (post sale).

Risks related to our ordinary shares:

Our share price has been and may continue to be volatile, which could result in substantial losses for individual shareholders.

The market price of our ordinary shares has been and may continue to be highly volatile and subject to wide fluctuations. From January 2012 through March 2013, the daily closing price of our ordinary shares in NASDAQ has ranged from $1.64 to $8.19 per share. We believe that these fluctuations have been in response to a number of factors including the following, some of which are beyond our control:

- variations between actual results and projections;
- the limited trading volume in our stock;
- changes in our bank debts;
- Nasdaq Capital Market Listing Standards non-compliance notices; and
- the 1-for 4 reverse stock split that we completed on December 14, 2012.

In addition, the stock market in general, and stocks of technology companies in particular, have from time to time experienced extreme price and volume fluctuations. This volatility is often unrelated or disproportionate to the operating performance of these companies. These broad market fluctuations may adversely affect the market price of our ordinary shares, regardless of our actual operating performance.

The Company's shares may be delisted from the NASDAQ Capital Market if it does not meet NASDAQ's continued listing requirements.

Over the years, the Company has received several notices from the NASDAQ Stock Market advising it of non-compliance of its shares for continued listing on this market.

On January 17, 2012, the Company received a notice from the Listing Qualifications Department of Nasdaq advising us that the Company has failed to comply with Nasdaq's requirement that listed securities maintain a minimum bid price of $1.00 per share as set forth in Nasdaq Listing Rules.

On July 19, 2012, the Company requested a hearing with the Nasdaq Hearings Panel, and a hearing was held on August 30, 2012. The Panel determined that the continued listing of the Company's securities on Nasdaq was contingent on the Company effecting a reverse stock split in the ratio of 1 for 4 by not later than December 15, 2012, which it did.

On January 2, 2013, the Company received a notice from the NASDAQ Office of General Counsel-Hearings, advising that the Company has regained compliance with the applicable minimum bid price rule and is in compliance with all other applicable requirements for listing on The NASDAQ Capital Market.

There can be no assurance that the Company will continue to qualify for listing on the Nasdaq Capital Market. If the Company's ordinary shares are delisted from the Nasdaq Capital Market, trading in its ordinary shares could be conducted on the over-the-counter market. In addition, if the Company's ordinary shares were delisted from the Nasdaq Capital Market, it would be subject to the so-called penny stock rules that impose restrictive sales practice requirements on broker-dealers who sell those securities. Consequently, de-listing, if it occurred, could affect the ability of the shareholders to sell their ordinary shares in the secondary market. The restrictions applicable to shares that are de-listed, as well as the lack of liquidity for shares that are traded on an electronic bulletin board, may adversely affect the market price of such shares.

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Risks related to our location in Israel:

Political, economic, and security conditions in Israel affect our operations and may limit our ability to produce and sell our products or provide our services.

We are incorporated under the laws of the State of Israel, where we also maintain our headquarters and our principal research and development and sales and marketing facilities.

Since its establishment in 1948, Israel has been involved in a number of armed conflicts with its Arab neighbors and a state of hostility, varying from time to time in intensity and degree, has continued into 2013. In recent years, there was an escalation in violence among Israel, Hamas, the Palestinian Authority and other groups. Also, since 2011, riots and uprisings in several countries in the Middle East and neighboring regions have led to severe political instability in several neighboring states and to a decline in the regional security situation. Such instability may affect the local and global economy, could negatively affect business conditions and, therefore, could adversely affect our operations. Syria, in particular, has been engaged in a fierce civil war and there have been threats from the Syrian government that if the conflict escalates and international forces intervene, Israel may be attacked. In addition, Iran has threatened to attack Israel and is widely believed to be developing nuclear weapons. Iran is also believed to have a strong influence among extremist groups in areas that neighbor Israel, such as Hamas in Gaza and Hezbollah in Lebanon.

To date, these matters have not had any material effect on our business and results of operations; however, the regional security situation and worldwide perceptions of it are outside our control and there can be no assurance that these matters will not negatively affect us in the future.

Furthermore, several countries, principally those in the Middle East, as well as Malaysia and Indonesia, still restrict business with Israel and Israeli companies. Restrictive laws or policies directed towards Israel or Israeli businesses may have an adverse impact on our operations, our financial results or the expansion of our business.

A number of our key personnel in Israel have standing obligations to perform periodic reserve duty in the Israel Defense Forces and are subject to be called for active military duty at any time. If our key personnel are absent from our business for a significant period of time, we may experience disruptions in our business that could affect the development, sales or technical support of our products. As a result, we might not be able to compete in the market and our results of operations could be harmed.

The anti-takeover effects of Israeli laws may delay or deter a change of control of the Company.

Provisions of Israeli law may delay, prevent or make undesirable a merger or an acquisition of all or a significant portion of our shares or assets. Israeli corporate law regulates acquisitions of shares through tender offers and mergers, requires special approvals for transactions involving significant shareholders and regulates other matters that may be relevant to these types of transactions. These provisions of Israeli law could have the effect of delaying or preventing a change in control and may make it more difficult for a third party to acquire us, even if doing so would be beneficial to our shareholders. These provisions may limit the price that investors may be willing to pay in the future for our ordinary shares. Furthermore, Israeli tax considerations may make potential transactions undesirable to us or to some of our shareholders.

These laws may have the effect of delaying or deterring a change in control of the Company, thereby limiting the opportunity for shareholders to receive a premium for their shares and possibly affecting the price that some investors are willing to pay for the Company’s securities.

All of our directors and officers are non-U.S. residents and enforceability of civil liabilities against them is uncertain.

All of our directors and officers reside outside of the United States. Service of process upon them may be difficult to effect within the United States. Furthermore, because the majority of our assets are located in Israel, any judgment obtained in the United States against us or any of our directors and non-U.S. officers may not be collectible within the United States.

Your rights and responsibilities as our shareholder will be governed by Israeli law, which differ in some respects from the rights and responsibilities of shareholders of United States corporations.

Since we are incorporated under Israeli law, the rights and responsibilities of our shareholders are governed by our articles of association and Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in United States-based corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith towards the company and other shareholders and to refrain from abusing its power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters, such as an amendment to the company's articles of association, an increase of the company's authorized share capital, a merger and approval of related party transactions that require shareholder approval. In addition, a shareholder who knows that it possesses the power to determine the outcome of a shareholders' vote or to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness towards the company. These provisions may be interpreted to impose additional obligations and liabilities on our shareholders that are not typically imposed on shareholders of U.S. corporations.

As a foreign private issuer whose shares are listed on The Nasdaq Capital Market, we may in the future elect to follow certain home country corporate governance practices instead of certain Nasdaq requirements.

We are a foreign private issuer as such term is defined under U.S. federal securities laws. As a foreign private issuer, we may elect to follow certain home country corporate governance practices instead of certain requirements of the Marketplace Rules of The Nasdaq Capital Market, or the Nasdaq Marketplace Rules. We may in the future elect to follow Israeli corporate governance practices with regard to, among other things, the composition of our board of directors, compensation of officers, director nomination procedures and quorum requirements at shareholders' meetings. In addition, we may elect to follow Israeli corporate governance practices instead of the Nasdaq requirements to obtain shareholder approval for certain dilutive events (such as for the establishment or amendment of certain equity-based compensation plans, issuances that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company). Accordingly, our shareholders may not be afforded the same protection as provided under Nasdaq's corporate governance rules. Following our home country governance practices as opposed to the requirements that would otherwise apply to a U.S. company listed on The Nasdaq Capital Market may provide less protection than is accorded to investors of domestic issuers.

In addition, as a foreign private issuer, we are exempt from the rules and regulations under the United States Securities Exchange Act of 1934, as amended, or the Exchange Act, related to the furnishing and content of proxy statements, and our officers, directors, and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual, quarterly and current reports and financial statements with the Securities and Exchange Commission as frequently or as promptly as domestic companies whose securities are registered under the Exchange Act.

If we were to lose our foreign private issuer status under U.S. federal securities laws, we would incur additional expenses associated with compliance with the U.S. securities laws applicable to U.S. domestic issuers.

As a foreign private issuer, we are not required to comply with all of the periodic disclosure and current reporting requirements applicable to U.S. domestic issuers, as explained above. The regulatory and compliance costs to us under U.S. securities laws, if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer, may be significantly higher than the cost we currently incur as a foreign private issuer.

FORWARD-LOOKING STATEMENTS

This prospectus contains or incorporates by reference forward-looking statements that are intended to be, and are hereby identified as, forward looking statements for the purposes of the safe harbor provisions of the Private Securities Reform Act of 1995. These statements address, among other things: our strategy; the anticipated development of our products; the results of completed acquisitions and our ability to make future acquisitions; our anticipated use of proceeds; our projected capital expenditures and liquidity; our development of additional revenue sources; our development and expansion of relationships; the market acceptance of our products; and our technological advancement. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including all the risks discussed above and elsewhere in this prospectus. You should therefore not rely on these forward-looking statements, which are applicable only as of the date hereof.

We urge you to consider that statements which use the terms “believe”, “do not believe”, “expect”, “plan”, “intend”, “estimate” “anticipate”, “projections”, “forecast” and similar expressions are intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and are subject to risks and uncertainties. Except as required by applicable law, including the federal securities laws of the United States, we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We disclaim any obligation to publicly revise any such statements to reflect any change in expectations or in events, conditions, or circumstances on which any such statements may be based.

Market data and forecasts used in this prospectus have been obtained from independent industry sources. We have not independently verified the data obtained from these sources and we cannot assure you of the accuracy or completeness of the data. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and additional uncertainties accompanying any estimates of future market size.

CAPITALIZATION AND INDEBTEDNESS

The table below sets forth our condensed consolidated current liabilities and capitalization at June 30, 2013 on an actual basis. This table was prepared in accordance with the U.S. Generally Accepted Accounting Principles. Consolidated Capitalization (in US thousands of dollars)

	June 30, 2013 (Unaudited)		
Short term debt			
Secured	$	6,350	
Unsecured	$	7,025	
Total short term debt	$	13,375	
Long term debt			
Secured	$	988	
Unsecured	$	790	
Total long term debt	$	1,778	
Shareholders equity			
Share capital: Ordinary Shares			
issued 1,154,633 ordinary shares nominal value NIS 80.00 per share	$	24,297	
Additional paid-in Capital	$	50,058	
Accumulated other comprehensive loss	$	(249	)
Accumulated deficit	$	(71,125	)
Total shareholders equity	$	2,981	

USE OF PROCEEDS

We will not receive any proceeds from the sale of shares by the selling shareholder. All net proceeds from the sale of the ordinary share covered by this prospectus will go to the selling shareholder. We will, however, receive proceeds from any sale of ordinary shares to YA Global pursuant to the SEDA. For each ordinary share purchased under the SEDA, YA Global will pay 95% of the lowest daily volume weighted average price during the five consecutive trading days after we deliver an advance notice to YA Global. Each such advance may be for an amount not to exceed the greater of $150,000 or the average daily trading volume of our ordinary shares for the five consecutive trading days prior to the notice date.

We anticipate, and have represented to YA Global in the SEDA, that the proceeds received under the SEDA will be utilized only for working capital and other general corporate purposes.

SELLING SHAREHOLDERS

This prospectus relates to the offering by selling shareholder of up to 122,500 ordinary shares.

The following information contains a description of the selling shareholder, and its relationship to the Company and how the selling shareholder acquired (or shall acquire) the shares to be sold in this offering. Shares may also be sold through the selling shareholder's pledgees, assignees or successors-in-interest.

YA Global Master SPV LTD. ('YA Global'): on June 18, 2013, we entered into a Standby Equity Distribution Agreement, or SEDA, with YA Global under which we have the opportunity, for a two-year period beginning on the date on which the Commission first declares effective a registration statement registering the resale of our ordinary shares by YA Global, to sell our ordinary shares to YA Global for a total purchase price of up to $600,000, at our sole discretion. We are registering for resale by YA Global 115,000 ordinary shares that we may sell to it under the SEDA and 7,500 ordinary shares that we issued to it as a commitment fee under the SEDA.

For each ordinary share purchased under the SEDA, YA Global will pay 95% of the lowest daily VWAP (as defined below) of the ordinary shares during the five consecutive trading days following the date of an advance notice from us (provided such VWAP is greater than or equal to 90% of the last closing price of the ordinary shares at the time of delivery of the advance notice). Once presented with an advance notice, YA Global is required to purchase the number of shares specified in the advance notice. Each such notice may be for an amount of ordinary shares not to exceed the greater of (1) $25,000 and (2) the average of the Daily Value Traded for the five trading days prior to the advance notice where Daily Value Traded is the product obtained by multiplying the daily trading volume for such day by the VWAP for such day. Notwithstanding the forgoing, the notice shall not exceed $150,000. "VWAP" means, as of any date, the daily dollar volume-weighted average price for such security as reported by Bloomberg, LP.

In accordance with applicable Commission guidelines, the dollar amount ($600,000) of the ordinary shares that we may sell to YA Global under the SEDA was less than one-third of our public float at the time of the execution of the SEDA. In the event that the number of ordinary shares that we have registered for sale by YA Global under the registration statement of which this prospectus forms a part results in proceeds to us of less than $600,000, we will need to file one or more additional registration statements covering additional shares to make up the shortfall that are declared effective by the Commission before we can sell such additional shares to YA Global under the SEDA.

There is no arrangement for funds to be received in an escrow, trust or similar arrangement. In connection with any advance notice, if any portion of an advance would cause the beneficial ownership of our then outstanding ordinary shares by YA Global to exceed 9.99% or to exceed the aggregate offering price or number of ordinary shares available for issuance pursuant to this prospectus, then such portion shall automatically be deemed to be withdrawn by us with

no further action required by us.

We have paid to YA Global a commitment fee of 7,500 ordinary shares. We may terminate the SEDA at any time upon prior notice to YA Global, as long as there are no advances outstanding and we have paid to YA Global all amounts then due. A copy of the SEDA is attached as Exhibit 99.2 to our Current Report on Form 6-K as filed with the Commission on June 19, 2013, which is incorporated by reference into the registration statement of which this prospectus forms a part.

The table below sets forth certain information concerning the number of ordinary owned by the selling shareholder as of October 1, 2013, and the number of ordinary shares that may be offered from time to time by the selling shareholder under this prospectus. Because the selling shareholder may offer all or some portion of the ordinary shares, BOS has assumed for the purposes of the table below that the selling shareholder will sell all of the ordinary shares offered.

	Shares Owned or Underlying Convertible Securities Prior to Offering		Shares Being Offered	Shares Beneficially Owned After the Offering (1)	
	Number	Percent (2)		Number	Percent (2)
YA Global Master SPV Ltd.(3)	7,500	0.64 %(4)	122,500 (5)	0	0 %

(1) It is assumed that all of the shares being offered to YA Global under this Registration Statement have been sold.
(2) Calculated based upon 1,181,033 ordinary shares outstanding as of November 18, 2013.
(3) YA Global is the investor under the SEDA. All investment decisions and control of YA Global are made and held by its investment manager, Yorkville Advisors, LLC (“Yorkville Advisors”). Mr. Mark Angelo, the portfolio manager of Yorkville Advisors, makes the investment decisions on behalf of and controls Yorkville Advisors. YA Global has informed us that it is an “underwriter” within the meaning of the Securities Act, and to the best of our knowledge, no other underwriter or person has been engaged to facilitate the sale of ordinary shares in this offering.
(4) YA Global owns 7,500 ordinary shares as of the date of the registration statement of which this prospectus is a part, but we are registering for resale by it an additional 115,000 ordinary shares that may be acquired by it under the SEDA. Please see note 6 below for further information.
(5) The total number of shares that may be issued and sold to YA Global under the SEDA depends on the prevailing market price at the time of such sales and is not currently determinable, but is limited to a value of $600,000 and subject to the other terms and conditions of the SEDA. The number of shares sold under the SEDA to YA Global may be greater than 122,500 which is the total number of shares that YA Global may sell from time to time under this prospectus. In the event that the number of ordinary shares that we have registered for sale by YA Global under the registration statement of which this prospectus forms a part results in proceeds to us of less than $600,000, we will need to file one or more additional registration statements covering additional shares to make up the shortfall that are declared effective by the Commission before we can sell such additional shares to YA Global under the SEDA.

PLAN OF DISTRIBUTION

The selling shareholder of the ordinary shares and any of its pledgees, assignees and successors-in-interest may, from time to time, sell any or all of its ordinary shares on the Nasdaq Capital Market or any other stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling shareholder may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- broker-dealers may agree with the Selling shareholder to sell a specified number of such shares at a stipulated price per share;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The selling shareholder may also sell shares under Rule 144 under the Securities Act), if available, rather than under this prospectus.

Broker-dealers engaged by the selling shareholder may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling shareholder (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with NASDR Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with NASDR IM-2440.

In connection with the sale of the ordinary shares or interests therein, the selling shareholder may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the ordinary shares in the course of hedging the positions they assume. The selling shareholder may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The selling shareholder and any broker-dealers or agents that are involved in selling the shares may be deemed to be “underwriters” within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed

to be underwriting commissions or discounts under the Securities Act. The selling shareholder has informed the Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the ordinary shares. In no event shall any broker-dealer receive fees, commissions and markups which, in the aggregate, would exceed eight percent (8%).

Because the selling shareholder may be deemed to be an "underwriter" within the meaning of the Securities Act, it will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. There is no underwriter or coordinating broker acting in connection with the proposed sale of the resale shares by the selling shareholder.

We have agreed to keep this prospectus effective until the earlier of (i) the date on which the shares may be resold by the selling shareholder without registration and without regard to any volume limitations by reason of Rule 144 under the Securities Act or any other rule of similar effect or (ii) all of the shares have been sold pursuant to this prospectus or Rule 144 under the Securities Act or any other rule of similar effect. The resale shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Expenses, Indemnification

We will not receive any of the proceeds from the sale of the ordinary shares sold by the selling shareholder and will bear all expenses related to the registration of this offering but will not pay for any commissions, fees or discounts, if any, We have agreed to indemnify the selling shareholder against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Supplements

In the event of a material change in the plan of distribution disclosed in this prospectus, the selling shareholder will not be able to effect transactions in the shares pursuant to this prospectus until such time as a post-effective amendment to the registration statement is filed with, and declared effective by, the SEC.

Regulation M

We have informed the selling shareholder that Regulation M promulgated under the Securities Exchange Act of 1934 may be applicable to them with respect to any purchase or sale of our ordinary shares. In general, Rule 102 under Regulation M prohibits any person connected with a distribution of our ordinary shares from directly or indirectly bidding for, or purchasing for any account in which it has a beneficial interest, any of the shares or any right to purchase the shares, for a period of one business day before and after completion of its participation in the distribution.

During any distribution period, Regulation M prohibits the selling shareholder and any other persons engaged in the distribution from engaging in any stabilizing bid or purchasing our ordinary shares except for the purpose of preventing or retarding a decline in the open market price of the ordinary shares. None of these persons may affect any stabilizing transaction to facilitate any offering at the market.

We have also advised the selling shareholder that it should be aware that the anti-manipulation provisions of Regulation M under the Exchange Act will apply to purchases and sales of ordinary shares by the selling shareholder, and that there are restrictions on market-making activities by persons engaged in the distribution of the shares. Under Regulation M, the selling shareholder or its agents may not bid for, purchase, or attempt to induce any person to bid for or purchase, shares of our ordinary shares while such selling shareholder is distributing shares covered by this prospectus. Regulation M may prohibit the selling shareholder from covering short sales by purchasing shares while the distribution is taking place, despite any contractual rights to do so under the SEDA. We have advised the selling shareholder that it should consult with its own legal counsel to ensure compliance with Regulation M.

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DESCRIPTION OF ORDINARY SHARES

The following is a summary description of our ordinary shares under our Articles of Association.

Dividend and Liquidation Rights.

All holders of paid-up ordinary shares of the Company have an equal right to participate in a distribution of (i) dividends, whether by cash or by bonus shares; (ii) Company assets; and (iii) the Company's surplus assets upon winding up, all pro rata to the nominal value of the shares held by them.

The Board of Directors may issue shares and other securities, which are convertible or exercisable into shares, up to the limit of the Company's authorized share capital.

The Company's Board of Directors is the organ authorized to decide upon the distribution of dividends or bonus shares.

Voting, Shareholders' Meetings, Notices and Resolutions.

Holders of paid-up ordinary shares have one vote for each share held on all matters submitted to a vote of shareholders. Such voting rights may be affected in the future by the grant of any special voting rights to the holders of a class of shares with preferential rights.

The quorum required for a general meeting of shareholders (whether annual or special) consists of at least two shareholders present in person or by proxy/voting instrument and holding, or representing, at least 33 % of the voting rights of the issued share capital. A meeting adjourned for lack of quorum shall be postponed by one week, to the same day, time and place, or to a later time if stated in the invitation to the meeting or in the notice of the meeting. The quorum for the commencement of the adjourned meeting shall be any number of participants.

Unless otherwise determined by the Israeli Companies Law 1999 or the Company's Articles of Association, a resolution requires approval by the holders of a majority of the shares represented at the meeting, in person or by proxy, and voting thereon.

The Companies Law 1999 requires that certain transactions, actions and arrangements be approved by shareholders, including (i) arrangements with a director as to the terms of his office and compensation and arrangements for insurance, exemption and indemnity of directors; (ii) certain Extraordinary Transactions (as defined in the Companies Law) of the Company with its controlling shareholders or any Extraordinary Transaction in which a controlling shareholder has a personal interest; (iii) certain private placements; and (iv) any action or Extraordinary Transaction in which the majority of the members of the Board of Directors have a personal interest.

Each shareholder of record is entitled to receive at least a 21 day prior notice of shareholders' meetings. The accidental omission to give notice of a meeting to any member, or the non-receipt of notice sent to such member, shall not invalidate the proceedings at such meeting. For purposes of determining the shareholders entitled to notice and to vote, the Board of Directors may fix a record date subject to the provisions of the law. Currently, Israeli law provides that the record date not be any earlier than 40 days prior to the meeting.

Transfer of Shares.

Subject to applicable securities laws, fully paid ordinary shares may be transferred freely. The transfer of ordinary shares not fully paid up requires the approval of the Board of Directors.

Modification of Class Rights.

Subject to the provisions of any law, the rights attached to any class (unless otherwise provided by the terms of issue of such class), such as voting, rights to dividends and the like, may be altered after a resolution is passed by the Company, with the approval of a resolution passed by a majority of the voting power present by person or proxy and voting hereon at a general meeting of the holders of the shares of such class, or the written agreement of all the class holders. The rights vested in the holders of shares of a particular class that were issued with special rights shall not be deemed to have been altered by the creation or issue of further shares ranking equally with them, unless otherwise provided in such shares' issue terms.

Election of Directors.

The Company's directors are elected by the shareholders at a shareholders' meeting. The ordinary shares do not have cumulative voting rights in the election of directors. The holders of ordinary shares conferring more than 50% of the voting power present by person or by proxy at the shareholders' meeting, have the power to elect the directors. The directors elected shall hold office until the next annual meeting, or sooner if they cease to hold office pursuant to the provisions of the Company's Articles. In addition, the Board of Directors may appoint a director (to fill a vacancy or otherwise) between shareholder meetings, and such appointment shall be valid until the next annual meeting or until such appointee ceases to hold office pursuant to the provisions of the Company's Articles. In compliance with the Companies Law, the Company has two external directors. The external directors are also appointed by the shareholders and their term of office is three years.

OFFERING EXPENSES

The following is a statement of expenses in connection with the distribution of the securities registered. All amounts shown are estimates except for the SEC registration fee. The estimates do not include expenses related to offerings of particular securities. Each prospectus supplement describing an offering of securities will reflect the estimated expenses related to the offering of securities under that prospectus supplement.

SEC registration fees	$66.92
Legal fees, Audit Fees and expenses	$10,000.00
Miscellaneous expenses	$5,000.00
TOTAL	$15,066.92

VALIDITY OF SECURITIES

The validity of the ordinary shares offered in this prospectus, will be passed upon for us by Amit, Pollak, Matalon & Co., our Israeli counsel. Certain other legal matters relating to United States law will be passed upon for us by Phillips Nizer LLP, New York, New York.

EXPERTS

Our consolidated financial statements, included in Annual Report on Form 20-F for the fiscal year ended December 31, 2012, have been audited by Kost Forer Gabbay & Kasierer, independent registered public accounting firm and a member of Ernst & Young Global as set forth in their report included therein.

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Such consolidated statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-3 under the Securities Act, with respect to the securities offered by this prospectus. However, as is permitted by the rules and regulations of the SEC, this prospectus, which is part of our registration statement on Form F-3, omits certain non-material information, exhibits, schedules and undertakings set forth in the registration statement. For further information about us, and the securities offered by this prospectus, please refer to the registration statement.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act that are applicable to a foreign private issuer. In accordance with the Exchange Act, we file reports, including annual reports on Form 20-F by April 30 of each year.

The registration statement on Form F-3 of which this prospectus forms a part, including the exhibits and schedules thereto, and reports and other information filed by us with the SEC may be inspected without charge and copied at prescribed rates at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Copies of this material are also available by mail from the Public Reference Section of the SEC, at 100 F. Street, N.E., Washington D.C. 20549, at prescribed rates. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, such as us, that file electronically with the SEC (http://www.sec.gov).

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders and our officers, directors and principal shareholders are exempt from the "short-swing profits" reporting and liability provisions contained in Section 16 of the Exchange Act and related Exchange Act rules.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with or submit to it, which means that we can disclose important information to you by referring to those documents. The information incorporated by reference is considered to be part of this prospectus, and later information filed with or submitted to the SEC will update and supersede this information. We incorporate by reference into this prospectus the documents listed below:

(a)	Our annual report on Form 20-F for the fiscal year ended December 31, 2012, filed with the SEC on April 30, 2013. (SEC File No. 001-14184);							
(b)	The description of our ordinary shares contained in our registration statement on Form 8-A filed with the SEC on December 18, 2006, including any amendment or report filed which updates such description; and	Plymouth Meeting	PA	1990	90,175	89.3%	1,772	27.91

610 West Germantown Pike	Plymouth Meeting	PA	1987	90,152	100.0%	2,406	30.12
630 West Germantown Pike	Plymouth Meeting	PA	1988	89,925	88.8%	1,768	24.05
600 West Germantown Pike	Plymouth Meeting	PA	1986	89,681	97.4%	2,237	20.77
3331 Street Road -Greenwood Square	Bensalem	PA	1986	81,575	98.8%	1,447	20.45
One Progress Drive	Horsham	PA	1986	79,204	100.0%	848	13.40
323 Norristown Road	Lower Gwyned	PA	1988	76,287	100.0%	1,447	19.16
160 - 180 West Germantown Pike	East Norriton	PA	1982	73,394	69.4%	902	17.15
500 Enterprise Road	Horsham	PA	1990	66,751	100.0%	506	13.53
925 Harvest Drive	Blue Bell	PA	1990	62,957	100.0%	1,060	19.22
980 Harvest Drive	Blue Bell	PA	1988	62,379	100.0%	1,317	21.32
3329 Street Road -Greenwood Square	Bensalem	PA	1985	60,705	100.0%	1,146	21.02
200 Corporate Center Drive	Camp Hill	PA	1989	60,000	100.0%	1,051	17.23
321 Norristown Road	Lower Gwyned	PA	1971	59,994	95.0%	1,056	19.22
520 Virginia Drive	Fort Washington	PA	1987	56,454	100.0%		
910 Harvest Drive	Blue Bell	PA	1990	52,611	100.0%	704	13.72
2240/50 Butler Pike	Plymouth Meeting	PA	1984	52,229	100.0%	1,119	20.96
920 Harvest Drive	Blue Bell	PA	1990	51,894	77.8%	554	17.71
1155 Business Center Drive	Horsham	PA	1990	51,388	94.2%	803	18.55
	Horsham	PA	1986	51,236	100.0%	598	15.71

800 Business Center Drive							
7150 Windsor Drive	Allentown	PA	1988	49,420	100.0%	542	14.41
6575 Snowdrift Road	Allentown	PA	1988	47,091	100.0%	396	13.31
220 Commerce Drive	Fort Washington	PA	1985	46,080	94.5%	794	21.39
6990 Snowdrift Road (A)	Allentown	PA	2003	44,200	100.0%	763	18.30
7248 Tilghman Street	Allentown	PA	1987	43,782	73.2%	535	17.56
7360 Windsor Drive	Allentown	PA	2001	43,600	100.0%	935	24.41
300 Welsh Road Building I	Horsham	PA	1980	40,042	100.0%	679	18.65
7310 Tilghman Street	Allentown	PA	1985	40,000	83.5%	472	17.73
150 Corporate Center Drive	Camp Hill	PA	1987	39,401	94.1%	703	18.84
755 Business Center Drive	Horsham	PA	1998	38,050	100.0%	576	24.98
7010 Snowdrift Road	Allentown	PA	1991	33,029	60.5%	145	15.67
2260 Butler Pike	Plymouth Meeting	PA	1984	31,892	100.0%	654	14.59
700 Business Center Drive	Horsham	PA	1986	30,773	100.0%	434	14.78
120 West Germantown Pike	Plymouth Meeting	PA	1984	30,574	100.0%	562	20.10
650 Dresher Road	Horsham	PA	1984	30,071	100.0%	684	23.71
655 Business Center Drive	Horsham	PA	1997	29,849	94.3%	399	19.70
630 Dresher Road	Horsham	PA	1987	28,894	100.0%	717	25.95
6990 Snowdrift Road (B)	Allentown	PA	2004	27,900	100.0%	401	17.71
	Plymouth Meeting	PA	1984	25,357	100.0%	488	23.09

140 West Germantown Pike							
3333 Street Road -Greenwood Square	Bensalem	PA	1988	25,000	100.0%	539	23.89
800 Corporate Circle Drive	Harrisburg	PA	1979	24,862	49.7%	197	17.80
500 Nationwide Drive	Harrisburg	PA	1977	18,027	75.5%	211	18.85
600 Corporate Circle Drive	Harrisburg	PA	1978	17,858	100.0%	287	18.41
300 Welsh Road Building II	Horsham	PA	1980	17,750	100.0%	333	17.29
2404 Park Drive	Harrisburg	PA	1983	11,000	100.0%	215	19.00
2401 Park Drive	Harrisburg	PA	1984	10,074	100.0%	183	18.74

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Property Name		Location	State	Year Built/ Renovated	Net Rentable Square Feet	Percentage Leased as of December 31, 2006 (a)	Total Base Rent for the Twelve Months Ended December 31, 2006 (b) (000 s)	Average Annualized Rental Rate as of December 31, 2006 (c)
George Kachel Farmhouse		Reading	PA	2000	1,664	0.0%		
PENNSYLVANIA WEST SEGMENT								
101 West Elm Street		W. Conshohocken	PA	1999	185,774	77.2%	3,371	25.18
One Radnor Corporate Center		Radnor	PA	1998	185,166	65.9%	4,743	31.86
Four Radnor Corporate Center		Radnor	PA	1995	165,138	78.5%	2,988	21.02
Five Radnor Corporate Center		Radnor	PA	1998	164,577	91.9%	4,755	32.70
751-761 Fifth Avenue		King Of Prussia	PA	1967	158,000	100.0%	532	3.39
630 Allendale Road		King of Prussia	PA	2000	150,000	100.0%	3,722	25.40
640 Freedom Business Center	(d)	King Of Prussia	PA	1991	132,000	84.1%	2,796	25.65
52 Swedesford Square		East Whiteland Twp.	PA	1988	131,017	100.0%	2,677	21.18
400 Berwyn Park		Berwyn	PA	1999	124,182	100.0%	3,256	26.72
Three Radnor Corporate Center		Radnor	PA	1998	119,194	80.0%	2,635	28.38
101 Lindenwood Drive		Malvern	PA	1988	118,121	100.0%	2,114	19.36
300 Berwyn Park		Berwyn	PA	1989	109,919	98.8%	2,180	24.12
442 Creamery Way	(f)	Exton	PA	1991	104,500	100.0%	598	6.28
Two Radnor Corporate Center		Radnor	PA	1998	100,973	69.0%	2,156	30.10
301 Lindenwood Drive		Malvern	PA	1984	97,813	99.3%	1,766	18.63
1 West Elm Street		W. Conshohocken	PA	1999	97,737	100.0%	2,744	28.44
555 Croton Road		King of Prussia	PA	1999	96,909	100.0%	2,696	29.74
500 North Gulph Road		King Of Prussia	PA	1979	93,082	80.8%	2,184	19.09
630 Freedom Business Center	(d)	King Of Prussia	PA	1989	86,683	97.0%	1,986	25.71

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

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

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

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

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

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

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

2161-2179 Tomlynn Street								
2256 Dabney Road	(f)	Richmond	VA	1982	33,600	86.0%	185	7.85

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

SUBTOTAL CONSOLIDATED JOINT VENTURES / WEIGHTED AVG.							
500 Office Center Drive	Fort Washington	PA	1974	104,303	35.7%	357	21.50
555 Lancaster Avenue	Radnor	PA	1973	242,099	92.5%	2,700	17.89
100 Lenox Drive	Lawrenceville	NJ	1991	92,980	0.0%	225	
SUBTOTAL REDEVELOPMENT PROPERTIES / WEIGHTED AVG.				439,382	59.4%		
150 Radnor Chester Road	Radnor	PA	1983	335,458	78.5%	5,419	23.20
201 King of Prussia Road	Radnor	PA	2001	251,372	57.1%	3,352	33.71
170 Radnor Chester Road	Radnor	PA	1983	72,962	88.6%	115	5.34
130 Radnor Chester Road	Radnor	PA	1983	71,349	32.2%	270	11.75
SUBTOTAL LEASE-UP PROPERTIES / WEIGHTED AVG.				395,683	59.4%		

(a) Calculated by dividing net rentable square feet included in leases signed on or before December 31, 2006 at the property by the aggregate net rentable square feet of the property.

(b) Total Base Rent for the twelve months ended December 31, 2006 represents base rents received during such period, excluding tenant reimbursements, calculated in accordance with generally accepted accounting principles (GAAP) determined on a straight-line basis.

(c) Average Annualized Rental Rate is calculated as follows: (i) for office leases written on a triple net basis, the sum of the annualized contracted base rental rates payable for all space leased as of December 31, 2006 (without giving effect to free rent or scheduled rent increases that would be taken into account under GAAP) plus the 2006 budgeted operating expenses excluding tenant electricity; and (ii) for office leases written on a full service basis, the annualized contracted base rent payable for all space leased as of December 31, 2006. In both cases, the annualized rental rate is divided by the total square footage leased as of December 31, 2006 without giving effect to free rent or scheduled rent increases that would be taken into account under GAAP.

(d) These properties are subject to a ground lease with a third party.

(e) We hold our interest in Two Logan Square (100 North 18th Street) primarily through our ownership of second and third mortgages that are secured by this property and that are junior to a first mortgage. Our ownership of these two mortgages currently provides us with all of the cash flows from Two Logan Square after the payment of operating expenses and debt service on the first mortgage.

(f) These properties are industrial facilities.

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

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

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

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

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

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

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

(b)

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

Real Estate Ventures

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

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

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

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

Item 3. Legal Proceedings

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

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

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

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

PART II

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

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

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

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

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

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In order to maintain the status of Brandywine Realty Trust as a REIT, we must make annual distributions to shareholders of at least 90% of its taxable income (not including net capital gains). Future distributions will be declared at the discretion of our Board of Trustees and will depend on our actual cash flow, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986 and such other factors as our Board deems relevant.
The following table provides information as of December 31, 2006 with respect to compensation plans under which our equity securities are authorized for issuance:

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

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

the Compensation Committee of our Board of Trustees may award restricted or unrestricted common shares, options to acquire common shares and performance shares or units or other instruments that have a value tied to our common shares. In May 2005, our shareholders authorized an increase to the number of common shares that may be issued or subject to award under the 1997 Long-Term Incentive Plan, from 5,000,000 to 6,600,000. The May 2005 amendment provides that 500,000 of the shares under the 1997 Plan are available solely for awards under options and share appreciation rights that have an exercise or strike price not less than the market price of our common shares on the date of award, and the remaining 6,100,000 shares are available for any type of award

under the Plan.

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

The following table presents information related to our share repurchases:

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

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

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

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SHARE PERFORMANCE GRAPH

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

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

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Item 6. Selected Financial Data

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

Brandywine Realty Trust

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

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

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

Brandywine Operating Partnership, L.P.
(in thousands, except per unit data and number of properties)

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

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

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

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

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

OVERVIEW

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

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

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

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

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

<u>Tenant Rollover Risk</u>:

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

<u>Tenant Credit Risk</u>:

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

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

Development Risk:

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Revenue Recognition

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

Real Estate Investments

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

Real Estate Ventures

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

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

Impairment of Long-Lived Assets

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

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

Income Taxes

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

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

Allowance for Doubtful Accounts

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

Deferred Costs

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

Purchase Price Allocation

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

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

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

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RESULTS OF OPERATIONS

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

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

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

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

EXPLANATORY NOTES

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

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

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

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Total Revenue

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

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

Operating Expenses and Real Estate Taxes

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

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

Depreciation and Amortization Expense

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

Administrative Expenses

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

Interest Income/ Expense

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

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

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

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

Gain on termination of purchase contract

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

Minority Interest-partners share of consolidated real estate ventures

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

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

Minority Interest attributable to continuing operations LP units

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

Discontinued Operations

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

Net Income

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

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

Earnings per Common Share

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

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

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

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

		42,767		60,303	(1
nmon	$	0.62	$	1.15	$

EXPLANATORY NOTES

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

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

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Revenue

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

Operating Expenses and Real Estate Taxes

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

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

Interest Expense

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

Depreciation and Amortization Expense

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

Administrative Expenses

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

Equity in Income of Real Estate Ventures

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

Net Gains on Sales of Interests in Real Estate
During 2005, we sold three parcels of land, realizing net gains totaling $4.6 million. The increase from the prior year of $1.6 million is a result of the value of the land parcels sold in each year compared to their carrying values at the time of sale.
Minority Interest
Minority interest from continuing operations represents the equity in income attributable to the portion of the Operating Partnership and the consolidated Real Estate Ventures not owned by us. Minority interest from continuing operations decreased by $1.1 million in 2005 primarily due to decreased net income from our Operating Partnership and a decrease in the minority interest ownership percentage.
Discontinued Operations
Discontinued operations decreased by $0.7 million in 2005 primarily due to the timing of property sales for assets included in discontinued operations in 2005 as compared to 2004.
Net Income
Net income declined in 2005 by $17.5 million as increased revenues were not sufficient to offset increases in operating and financing costs. All major financial statement captions increased as a result of the Company s significant property acquisitions in fiscal 2004 and 2005 and the related financing required to complete those transactions. It should be noted that a significant element of these costs relate to additional depreciation and amortization charges relating to the significant property additions and the values ascribed to related acquired intangibles (e.g., in-place leases). These charges do not affect the Company s ability to pay dividends and may not be comparable to those of other real estate companies that have not made such acquisitions. Such charges can be expected to continue until the values ascribed to the lease intangibles are fully amortized. These intangibles are amortizing over the related lease terms or estimated tenant relationship. The size of these non-cash charges are expected to increase in the future as a result of the Prentiss transaction.
Earnings per Common Share
Earnings per common share of $0.62 in 2005 as compared to earnings per common share of $1.15 in 2004 as a result of the factors described in net income above and an increase in the average number of shares outstanding as a result of offerings completed in 2004.

LIQUIDITY AND CAPITAL RESOURCES

General

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

- fund normal recurring expenses,
- meet debt service requirements,
- fund capital expenditures, including capital and tenant improvements and leasing costs,
- fund current development and redevelopment costs, and
- fund distributions declared by our Board of Trustees.

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

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

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

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

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

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

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

Cash Flows

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

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

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

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

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

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

Capitalization

Indebtedness

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

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

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

Unsecured Credit Facility

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

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

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

Unsecured Notes

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

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

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

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

Unsecured Term Loans

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

Mortgage Indebtedness

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

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

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

(b) For loans that bear interest at a variable rate, the rates in effect at December 31, 2006 have been presented.

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

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

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Share Repurchases

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

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

Off-Balance Sheet Arrangements

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

Shelf Registration Statement

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

Short- and Long-Term Liquidity

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

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

Inflation

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

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Commitments

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

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

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

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

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

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

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

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

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

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

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Interest Rate Risk and Sensitivity Analysis

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

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

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

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

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

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

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

Item 8. Financial Statements and Supplementary Data

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

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

None

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

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

Management s Report on Internal Control Over Financial Reporting

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

Under the supervision and with the participation of each registrant s management, including its principal executive officer and principal financial officer, each registrant s management conducted an evaluation of the effectiveness of the registrant s internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation under the framework in *Internal Control Integrated Framework*, each registrant s management concluded that the registrant s internal control over financial reporting was effective as of December 31, 2006.

Management of each registrant has excluded our investments in Four and Six Tower Bridge Associates from its evaluation of the effectiveness of internal control over financial reporting as of December 31, 2006 because we do not have the right or authority to assess the internal controls of the individual entities and we also lack the ability, in practice, to make the assessment. Four and Six Tower Bridge Associates are two real estate partnerships, created prior to December 15, 2003, which we consolidate under Financial Accounting Standards Board Interpretation (FIN) 46R, Consolidation of Variable Interest Entities. We started consolidating Four and Six Tower Bridge Associates on March 31, 2004. The total assets and total revenue of Four and Six Tower Bridge Associates represent, in the aggregate, less than 1% of our consolidated total assets and consolidated total revenue as of and for the year ended December 31, 2006.

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

Changes in Internal Control over Financial Reporting.

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

Item 9B. Other Information

None

PART III

Item 10. Directors and Executive Officers of the Registrant

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

Item 11. Executive Compensation

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

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

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

Item 13. Certain Relationships and Related Transactions

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

Item 14. Principal Accountant Fees and Services

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

PART IV

Item 15. Exhibits and Financial Statement Schedules.

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

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

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3. ***Exhibits***

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

3.1.11 Amended and Restated Articles of Incorporation of Brandywine Realty Services Corporation (previously filed as an exhibit to Brandywine Realty Trust s Form 10-K for the fiscal year ended December 31, 2002 and incorporated herein by reference)

3.1.12 Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (the Operating Partnership) (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated December 17, 1997 and incorporated herein by reference)

3.1.13 First Amendment to Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated December 17, 1997 and incorporated herein by reference)

3.1.14 Second Amendment to the Amended and Restated Agreement of Limited Partnership Agreement of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated April 13, 1998 and incorporated herein by reference)

3.1.15 Third Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated May 14, 1998 and incorporated herein by reference)

3.1.16 Fourth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated October 13, 1998 and incorporated herein by reference)

3.1.17 Fifth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated October 13, 1998 and incorporated herein by reference)

3.1.18 Sixth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated October 13, 1998 and incorporated herein by reference)

3.1.19 Seventh Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust s Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)

3.1.20 Eighth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust s Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)

Exhibits No.	*Description*
3.1.21	Ninth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust s Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)
3.1.22	Tenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust s Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)
3.1.23	Eleventh Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust s Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)
3.1.24	Twelfth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust s Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)
3.1.25	Thirteenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated September 21, 2004 and incorporated herein by reference)
3.1.26	Fourteenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated January 10, 2006 and incorporated herein by reference)
3.1.27	Fifteenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated August 18, 2006 and incorporated herein by reference)
3.1.28	List of partners of Brandywine Operating Partnership, L.P.
3.2	Amended and Restated Bylaws of Brandywine Realty Trust (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated October 14, 2003 and incorporated herein by reference)
4.1	Form of 7.50% Series C Cumulative Redeemable Preferred Share Certificate (previously filed as an exhibit to Brandywine Realty Trust s Form 8-A dated December 29, 2003 and incorporated herein by reference)
4.2	Form of 7.375% Series D Cumulative Redeemable Preferred Share Certificate (previously filed as an exhibit to Brandywine Realty Trust s Form 8-A dated February 5, 2004 and incorporated herein by reference)
4.3.1	Indenture dated October 22, 2004 by and among Brandywine Operating Partnership, L.P., Brandywine Realty Trust, certain subsidiaries of Brandywine Operating Partnership, L.P. named therein and The Bank of New York, as Trustee (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated October 22, 2004 and incorporated herein by reference)

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

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Exhibits No.	*Description*
10.6	First Amendment to Contribution Agreement (with Donald E. Axinn) (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated October 13, 1998 and incorporated herein by reference)
10.7	Form of Donald E. Axinn Options** (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated July 30, 1998 and incorporated herein by reference)
10.8	Modification Agreement dated as of June 20, 2005 between Brandywine Operating Partnership, L.P. and Donald E. Axinn (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated June 21, 2005 and incorporated herein by reference)
10.9	Consent and Confirmation Agreement with Donald E. Axinn (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated February 15, 2006 and incorporated herein by reference)
10.10	Contribution Agreement dated August 18, 2004 with TRC Realty, Inc.-GP, TRC-LB LLC and TRC Associates Limited Partnership (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated August 19, 2004 and incorporated herein by reference)
10.11	Registration Rights Agreement (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated September 21, 2004 and incorporated herein by reference)
10.12	Tax Protection Agreement (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated September 21, 2004 and incorporated herein by reference)
10.13	Alternative Asset Purchase Agreement (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated January 10, 2006 and incorporated herein by reference)
10.14	Registration Rights Agreement dated as of October 3, 2005 (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated October 4, 2005 and incorporated herein by reference)
10.15	Letter to Cohen & Steers Capital Management, Inc. (previously filed as an exhibit to Brandywine Realty Trust s Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference)
10.16	Sales Agreement with Brinson Patrick Securities Corporation (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated November 29, 2004 and incorporated herein by reference)
10.17	Registration Rights Agreement dated as of October 4, 2006 relating to 3.875% Exchangeable Guaranteed Notes due 2026 (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated October 4, 2006 and incorporated herein by reference)
10.18	Common Share Delivery Agreement (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated October 4, 2006 and incorporated herein by reference)
10.19	2006 Amended and Restated Agreement dated as of January 5, 2006 with Anthony A. Nichols, Sr.** (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated January 10, 2006 and incorporated herein by reference)

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

Exhibits No.	*Description*
10.35	Second Amendment to the Amended and Restated Employment Agreement with Thomas F. August** (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated January 10, 2006 and incorporated herein by reference)
10.36	Form of Acknowledgment and Waiver Agreement** (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated January 10, 2006 and incorporated herein by reference)
10.37	1997 Long-Term Incentive Plan (previously filed as an exhibit to Brandywine Realty Trust s Form 10-Q for the quarter ended March 31, 2005 and incorporated herein by reference)
10.38	Amended and Restated Executive Deferred Compensation Plan effective March 25, 2004** (previously filed as an exhibit to Brandywine Realty Trust s Form 10-Q for the quarter ended March 31, 2004 and incorporated herein by reference)
10.39	Amended and Restated Executive Deferred Compensation Plan effective January 1, 2006** (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated December 26, 2006 and incorporated herein by reference)
10.40	Amended and Restated Non-Qualified Stock Option Award to Gerard H. Sweeney** (previously filed as an exhibit to Brandywine Realty Trust s Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference)
10.41	2002 Restricted Share Award for Gerard H. Sweeney** (previously filed as an exhibit to Brandywine Realty Trust s Form 10-Q for the quarter ended June 30, 2002 and incorporated herein by reference)
10.42	2002 Form of Restricted Share Award for Executive Officers (other than the President and Chief Executive Officer)** (previously filed as an exhibit to Brandywine Realty Trust s Form 10-Q for the quarter ended June 30, 2002 and incorporated herein by reference)
10.43	2002 Restricted Share Award to Christopher P. Marr** (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated August 27, 2002 and incorporated herein by reference)
10.44	2002 Non-Qualified Option to Gerard H. Sweeney** (previously filed as an exhibit to Brandywine Realty Trust s Form 10-Q for the quarter ended September 30, 2002 and incorporated herein by reference)
10.45	2003 Restricted Share Award to Gerard H. Sweeney** (previously filed as an exhibit to Brandywine Realty Trust s Form 10-K for the fiscal year ended December 31, 2002 and incorporated herein by reference)
10.46	2003 Restricted Share Award to Anthony S. Rimikis** (previously filed as an exhibit to Brandywine Realty Trust s Form 10-K for the fiscal year ended December 31, 2002 and incorporated herein by reference)
10.47	2003 Restricted Share Award to H. Jeffrey De Vuono** (previously filed as an exhibit to Brandywine Realty Trust s Form 10-K for the fiscal year ended December 31, 2002 and incorporated herein by

reference)

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

	Performance Share Award to Howard M. Sipzner ** (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated December 12, 2006 and incorporated herein by reference)
10.62	2007 Performance Share Award to Gerard H. Sweeney** (previously filed as an exhibit to Brandywine Realty Trust s Form 8-K dated February 14, 2007 and incorporated herein by reference)

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

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

Exchange Act of 1934.

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

** Management contract or compensatory plan or arrangement.

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SIGNATURES

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

BRANDYWINE REALTY TRUST

By: /s/ Gerard H. Sweeney

Gerard H. Sweeney
President and Chief Executive Officer

Date: February 28, 2007

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

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

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

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SIGNATURES

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.

By: Brandywine Realty Trust, its General Partner

By: /s/ Gerard H. Sweeney

Gerard H. Sweeney
President and Chief Executive Officer

Date: February 28, 2007

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

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

Wyche Fowler

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

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Report of Independent Registered Public Accounting Firm

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

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

Consolidated financial statements and financial statement schedules

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

Internal control over financial reporting

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

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

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company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

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

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

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

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

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

Commitments and contingencies (Note 22)

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

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

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

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

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

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

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

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

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

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

Number of Preferred A Shares	Par Value of Preferred A Shares	Number of Preferred C Shares	Par Value of Preferred C Shares	Number of Preferred D Shares	Par Value of Preferred D Shares	Number of Common Shares	Common Shares	Additional Paid-in Capital	Employee Stock Loans	Share Warrants	Cumulative Earnings	Accumulated Other Comprehensive Income (Loss)	Cumul Distribu
750,000	$ 8	2,000,000	$ 20		$	41,040,710	$ 411	$ 938,262	$ (1,533)	$ 401	$ 310,212	$ (2,158)	$ (473
											60,303		
												(972)	
						88,406	1	1,642					
				2,300,000	23			55,515					
(750,000)	(8)					1,339,286	13	(6)					
													4
						12,235,000	122	336,562					
						2,191		55					
									1,112				
						587,159	6	14,940		(401)			
								102					
													(9
													(88
	$	2,000,000	$ 20	2,300,000	$ 23	55,292,752	$ 553	$ 1,347,072	$ (421)	$	$ 370,515	$ (3,130)	$ (567

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

(7

(156

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

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

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

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

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

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

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

1. ORGANIZATION AND NATURE OF OPERATIONS

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

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

All references to building square footage, acres, occupancy percentage and the number of buildings are unaudited.

As more fully described in Note 3, on January 5, 2006, the Company acquired Prentiss Properties Trust (Prentiss) pursuant to an Agreement and Plan of Merger (the Merger Agreement) that the Company entered into with Prentiss on October 3, 2005.

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

When the Company obtains an economic interest in an entity, the Company evaluates the entity to determine if the entity is deemed a variable interest entity (VIE), and if the Company is deemed to be the primary beneficiary, in accordance with FASB Interpretation No. 46R, Consolidation of Variable Interest Entities (FIN 46R). When an entity is not deemed to be a VIE, the Company considers the provisions of EITF 04-05, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights (EITF 04-05). The Company consolidates (i) entities that are VIEs and of which the Company is deemed to be the primary beneficiary and (ii) entities that are non-VIEs which the Company controls and the limited partners do not have the ability to dissolve the entity or remove the Company without cause nor substantive participating rights. Entities that the Company accounts for under the equity method (i.e. at cost, increased or decreased by the Company s share of earnings or losses, less distributions) include (i) entities that are VIEs and of which the Company is not deemed to be the primary beneficiary (ii) entities that are non-VIEs which the Company does not control, but over which the Company has the ability to exercise significant influence and (iii) entities that are non-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. The cost of operating properties reflects their purchase price or development cost. Costs incurred for the acquisition and renovation of an operating property are capitalized to the Company s investment in that property. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

Purchase Price Allocation

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

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

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

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

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

Depreciation and Amortization

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

Construction in Progress

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

Impairment of Long-Lived Assets

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

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

Cash and Cash Equivalents

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

Restricted Cash

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

Accounts Receivable

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

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

Investments in Unconsolidated Real Estate Ventures

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

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

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

Deferred Costs

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

the life of the respective lease which generally ranges from one to 15 years. Management re-evaluates the remaining useful lives of leasing costs as economic and market conditions change.
Costs incurred in connection with debt financing are capitalized as deferred financing costs and charged to interest expense over the terms of the related debt agreements. Deferred financing costs consist primarily of loan fees which are amortized over the related loan term. Management re-evaluates the remaining useful lives of financing costs as economic and market conditions change.

Other Assets

As of December 31, 2006, other assets included a direct financing lease of $14.6 million, prepaid real estate taxes of $9.7 million, prepaid insurance of $4.4 million, marketable securities of $6.8 million, deposits on properties expected to be purchased in 2007 totaling $2.2 million, cash surrender value of life insurance of $11.6 million, furniture, fixtures and equipment of $5.8 million and $6 million of other assets. Also included in this balance are a $4.3 million note receivable with a 20 year amortization period for principal and interest (balloon payment in December 2007) that bears interest at 7.5% and an $8.0 million note receivable with a 20 year amortization period for principal and interest (balloon payment in December 2007) that bears interest at 7.5%.
As of December 31, 2005, other assets included a direct financing lease of $15.2 million, prepaid real estate taxes of $8.1 million, deposits on properties to be purchased in 2006 totaling $6.9 million, cash surrender value of life insurance of $8.2 million, furniture, fixtures and equipment of $2.6 million and $4.3 million of other assets. Also included in this balance is a $4.3 million note receivable with a 20 year amortization period for principal and interest (balloon payment in December 2007) that bears interest at 7.5%.

Revenue Recognition

Rental revenue is recognized on the straight-line basis from the later of the date of the commencement of the lease or the date of acquisition of the property subject to existing leases, which averages minimum rents over the terms of the leases. The cumulative difference between lease revenue recognized under this method and contractual lease payment terms is recorded as accrued rent receivable on the accompanying balance sheets. The straight-line rent adjustment increased revenue by approximately $31.3 million in 2006, $15.0 million in 2005 and $6.0 million in 2004. The leases also typically provide for tenant reimbursement of a portion of common area maintenance and other operating expenses. Other income is recorded when earned and is primarily comprised of termination fees received from tenants, bankruptcy settlement fees, third party leasing commissions, and third party management fees. During 2006, 2005, and 2004, the Company earned $7.8 million, $6.1 million, and $1.5 million in termination fees. In 2004, the Company recorded approximately $1.0 million plus accrued interest as other income relating to the settlement of litigation. Additionally, during 2004, the Company recorded approximately $0.9 million in other income from the favorable settlement of an accrued liability. Deferred rents represent rental revenue received from tenants prior to their due dates.
No tenant represented greater than 10% of the Company s rental revenue in 2006, 2005 or 2004.

Income Taxes

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

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

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

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

Earnings Per Share

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

Stock-Based Compensation Plans

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

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

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

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

Comprehensive Income

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

Accounting for Derivative Instruments and Hedging Activities

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

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

Reclassifications

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

New Pronouncements

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

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

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

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

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

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

3. REAL ESTATE INVESTMENTS

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

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

Acquisitions and Dispositions

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

2006

Prentiss Acquisition

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

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

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

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

		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.

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

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

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

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

Diluted	as reported	$	0.03	$	0.62
Diluted	as pro forma	$	0.03	$	(0.26)

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

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Other Acquisitions and Dispositions

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

2005

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

2004

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

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

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

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

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

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

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

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

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

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

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

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

4. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURES

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

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

The Company accounts for its unconsolidated interests in its Real Estate Ventures using the equity method. Unconsolidated interests range from 6% to 50%, subject to specified priority allocations in certain of the Real Estate Ventures.

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

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

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

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

(1) Ownership percentage represents the Company s entitlement to residual distributions after payments of priority returns, where applicable.

(2) The Company s interest consists solely of a residual profits interest.

(3) Property is under development as of December 31, 2006, with an expected completion date in the first quarter of 2007, at which time the outstanding balance is expected to be converted to permanent financing.

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

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

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

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

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

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

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

5. DEFERRED COSTS

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

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

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

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

6. INTANGIBLE ASSETS/LIABILITIES

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

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

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

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

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

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

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7. MORTGAGE NOTES PAYABLE

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

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

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

(b) For loans that bear interest at a variable rate, the rates in effect at December 31, 2006 have been presented.

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

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

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

8. UNSECURED NOTES

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

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

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

agreements.

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

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

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

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

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

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

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

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

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

9. UNSECURED CREDIT FACILITY

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

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

10. UNSECURED TERM LOANS

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

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

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

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

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The following are financial instruments for which the Company estimates of fair value differ from the carrying amounts (in thousands):

	December 31, 2006		**December 31, 2005**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Mortgage payable	$ 888,470	$ 859,490	$481,006	$521,607
Unsecured Notes payable	$1,829,701	$1,826,357	$936,607	$920,470

12. RISK MANAGEMENT AND USE OF FINANCIAL INSTRUMENTS

Risk Management

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

Use of Derivative Financial Instruments

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

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

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

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

Concentration of Credit Risk

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

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13. DISCONTINUED OPERATIONS

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

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

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

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

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

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

14. MINORITY INTEREST IN OPERATING PARTNERSHIP AND REAL ESTATE VENTURES

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

rata share of net income of the Operating Partnership allocated to the Class A Units. In February 2004, the Operating Partnership redeemed the Series B Preferred Units for an aggregate price of $93.0 million together with accrued but unpaid distributions from January 1, 2004. The Series B Preferred Units had an aggregate stated value of $97.5 million and accrued distributions at 7.25. The Company recorded a $4.5 million gain related to the redemption. The Company declared distributions of $0.8 million in 2004 to the holders of Series B Preferred Units and $2.0 million in 2006, $3.6 million in 2005 and $3.3 million in 2004 to holders of Class A Units. As of December 31, 2006 and 2005, the Company had outstanding 3,961,235 Class A Units and 1,945,267 Class A Units, respectively, held by third party investors. No Series B Preferred Units were outstanding as of December 31, 2006 and 2005. During the year ended December 31, 2006, 424,608 Class A units were issued in connection with the acquisition of a property. These Class A units were subsequently redeemed for $13.5 million and this amount is included in distributions to minority interest holders on the consolidated statement of cash flows.

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

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

The minority interests associated with certain of the Real Estate Ventures, that have finite lives under the terms of the partnership agreements represent mandatorily redeemable interests as defined in SFAS 150. As of December 31, 2006 and 2005, the aggregate book value of these minority interests in the accompanying consolidated balance sheet was $0, and the Company believes that the aggregate settlement value of these interests was approximately $8.1 million. This amount is based on the estimated liquidation values of the assets and liabilities and the resulting proceeds that the Company would distribute to its Real Estate Venture partners upon dissolution, as required under the terms of the respective partnership agreements. Subsequent changes to the estimated fair values of the assets and liabilities of the consolidated Real Estate Ventures will affect the Company s estimate of the aggregate settlement value. The partnership agreements do not limit the amount that the minority partners would be entitled to in the event of liquidation of the assets and liabilities and dissolution of the respective partnerships.

15. BENEFICIARIES EQUITY

Earnings per Share (EPS)

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

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

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

Common and Preferred Shares

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

Common Share Repurchases

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

Board has not limited the duration of the program.

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

Share Based Compensation

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

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

Stock Options

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

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

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

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

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

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

401(k) Plan

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

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

Restricted Stock Awards

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

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

Outperformance Program

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

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

16. PREFERRED SHARES

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

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

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

17. DISTRIBUTIONS

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

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

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

January 4, 2006.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

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

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

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

19. SEGMENT INFORMATION

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

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

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

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

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

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

20. RELATED-PARTY TRANSACTIONS

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

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

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

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21. OPERATING LEASES

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

Year	Minimum Rent
2007	$ 526,755
2008	488,853
2009	426,608
2010	349,210
2011	264,411
Thereafter	879,490

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

22. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is involved from time to time in litigation on various matters, including disputes with tenants and disputes arising out of agreements to purchase or sell properties. Given the nature of the Company s business activities, these lawsuits are considered routine to the conduct of its business. The result of any particular lawsuit cannot be predicted, because of the very nature of litigation, the litigation process and its adversarial nature, and the jury system. The Company does not expect that the liabilities, if any, that may ultimately result from such legal actions will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

There have been recent reports of lawsuits against owners and managers of multifamily and office properties asserting claims of personal injury and property damage caused by the presence of mold in residential units or office space. The Company has been named as a defendant in two lawsuits in the State of New Jersey that allege personal injury as a result of the presence of mold. In 2005, one lawsuit was dismissed by way of summary judgment with prejudice. Unspecified damages are sought on the remaining lawsuit. The Company has referred this lawsuits to its environmental insurance carrier and, as of the date of this Form 10-K, the insurance carrier is tendering a defense to this claim.

Letters-of-Credit

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

Ground Rent

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

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

Other Commitments or Contingencies

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

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

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

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

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

23. SUBSEQUENT EVENT

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

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

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24. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

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

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

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

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

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

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

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

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

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

1000 Howard Boulevard	Mt. Laurel	NJ		2,297	9,288	1,328	2,297	10,616	12,913	3,402	1988	1997	40
10000 Midlantic Drive	Mt. Laurel	NJ		3,206	12,857	1,100	3,206	13,957	17,163	4,347	1990	1997	40
100-300 Gundy Drive	Reading	PA		6,495	25,180	7,583	6,495	32,763	39,258	9,563	1970	1997	40
1007 Laurel Oak Road	Voorhees	NJ		1,563	6,241	16	1,564	6,256	7,820	1,754	1996	1997	40
1120 Executive Boulevard	Marlton	NJ		2,074	8,415	541	2,074	8,956	11,030	2,864	1987	1997	40
1336 Enterprise Drive	West Goshen	PA		731	2,946	52	731	2,998	3,729	926	1989	1997	40
15000 Midlantic Drive	Mt. Laurel	NJ		3,061	12,254	165	3,061	12,419	15,480	3,710	1991	1997	40
17 Campus Boulevard	Newtown Square	PA	5,002	1,108	5,155	48	1,108	5,203	6,311	1,357	2001	1997	40
2 Foster Avenue	Gibbsboro	NJ		185	730	42	185	772	957	225	1974	1997	40
20 East Clementon Road	Gibbsboro	NJ		769	3,055	496	769	3,552	4,320	1,072	1986	1997	40
200 Berwyn Park	Berwyn	PA	9,415	1,533	9,460	2,071	1,533	11,531	13,064	3,386	1987	1997	40
2000 Midlantic Drive	Mt. Laurel	NJ	9,160	2,202	8,823	780	2,203	9,602	11,805	3,083	1989	1997	40
220 Commerce Drive	Fort Washington	PA		1,086	4,338	945	1,010	5,359	6,369	1,537	1985	1997	40
300 Berwyn Park	Berwyn	PA	12,594	2,206	13,422	2,618	2,206	16,041	18,246	4,878	1989	1997	40
300 Welsh Road Building I	Horsham	PA	2,370	894	3,572	978	894	4,550	5,444	1,352	1980	1997	40
321 Norristown Road	Lower Gwynedd	PA		1,290	5,176	1,580	1,221	6,825	8,046	2,268	1988	1997	40
323 Norristown Road	Lower Gwynedd	PA		1,685	6,751	4,263	1,601	11,098	12,699	3,471	1988	1997	40
4 Foster Avenue	Gibbsboro	NJ		183	726	93	183	820	1,002	255	1974	1997	40
4000 Midlantic Drive	Mt. Laurel	NJ	2,980	714	5,085	(1,939)	714	3,146	3,860	951	1998	1997	40
5 Foster Avenue	Gibbsboro	NJ		9	32	26	9	58	67	14	1968	1997	40

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

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

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

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

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

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

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

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

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

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

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

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

980 Harvest Drive	Blue Bell												
565 East Swedesford Road	Wayne	PA		1,872	7,489	890	1,872	8,379	10,251	785	1984	2003	40
575 East Swedesford Road	Wayne	PA		2,178	8,712	459	2,178	9,171	11,349	783	1985	2003	40
585 East Swedesford Road	Wayne	PA		1,350	5,401	34	1,350	5,435	6,785	432	1998	2003	40
595 East Swedesford Road	Wayne	PA		2,729	10,917	374	2,729	11,291	14,020	891	1998	2003	40
989 Lenox Drive	Lawrenceville	NJ		3,701	14,802	860	3,700	15,662	19,363	1,196	1984	2003	40
100 North 18th Street	Philadelphia	PA	74,079	16,066	100,255	1,416	16,066	101,671	117,737	8,913	1988	2004	33
130 North 18th Street	Philadelphia	PA		14,496	107,736	728	14,473	108,487	122,960	9,514	1998	2004	23
130 Radnor Chester Road	Radnor	PA		2,573	8,338	(23)	2,567	8,320	10,888	582	1983	2004	25
150 Radnor Chester Road	Radnor	PA		11,925	36,986	8,223	11,897	45,237	57,134	4,146	1983	2004	29
170 Radnor Chester Road	Radnor	PA		2,514	8,147	30	2,509	8,182	10,691	569	1983	2004	25
201 King of Prussia Road	Radnor	PA		8,956	29,811	1,192	8,949	31,009	39,959	3,147	2001	2004	25
300 Delaware Avenue	Wilmington	DE		6,368	13,739	1,089	6,369	14,827	21,196	1,721	1989	2004	23
525 Lincoln Drive West	Marlton	NJ		3,727	17,620	1,770	3,727	19,390	23,117	2,267	1986	2004	40
555 Lancaster Avenue	Radnor	PA		8,014	16,508	16,468	7,991	32,999	40,990	832	1973	2004	24
920 North King Street	Wilmington	DE		6,141	21,140	528	6,141	21,668	27,809	2,016	1989	2004	30
Five Radnor Corporate Center	Radnor	PA		6,506	25,525	1,977	6,578	27,430	34,008	2,162	1998	2004	38
Four Radnor Corporate Center	Radnor	PA		5,406	21,390	7,648	5,705	28,739	34,444	2,609	1995	2004	30
Four Tower Bridge	Conshohocken	PA	10,626	2,672	14,221	(112)	2,672	14,109	16,781	5,192	1998	2004	40
One Radnor Corporate Center	Radnor	PA		7,323	28,613	(34)	7,323	28,579	35,902	2,683	1998	2004	29
Six Tower Bridge	Conshohocken	PA	14,744	2,827	15,525	20	2,827	15,545	18,372	4,731	1999	2004	40

Three Radnor Corporate Center	Radnor	PA		4,773	17,961	(100)	4,791	17,843	22,634	1,654	1998	2004	29
Two Radnor Corporate Center	Radnor	PA		3,937	15,484	82	3,942	15,560	19,503	1,501	1998	2004	29
1 West Elm Street	W. Conshohocken	PA		3,557	14,249		3,557	14,254	17,811	446	1999	2005	40
101 West Elm Street	W. Conshohocken	PA		6,251	25,209	647	6,251	25,856	32,107	942	1999	2005	40
Arcadia Land	Upper Macungie	PA		5		0	5		5		N/A	2005	40
1 Kaiser Plaza	Oakland	CA	50,088	15,034	107,422	1,130	15,291	108,294	123,585	3,653	1978	2006	46
100 Lenox Drive	Lawrenceville	NJ		2,035	8,158	36	2,035	8,194	10,229	188	1991	2006	40
101-103 Juniper Street	Philadelphia	PA		464	1,843	1	464	1,844	2,308	35	N/A	2006	40
11700 Beltsville Drive	Beltsville	MD		2,808	12,081	46	2,858	12,077	14,935	313	1981	2006	46
11710 Beltsville Drive	Beltsville	MD		2,278	11,100	(944)	2,317	10,117	12,434	324	1987	2006	46
11720 Beltsville Drive	Beltsville	MD		3,831	16,661	414	3,897	17,009	20,906	536	1987	2006	46
11740 Beltsville Drive	Bethesda	MD		198	870	9	202	875	1,077	36	1987	2006	46
1177 East Beltline Road	Coppell	TX	20,337	1,516	14,895	13	1,517	14,908	16,425	597	1998	2006	42
11781 Lee Jackson Memorial Highway	Fairfax	VA		3,246	19,836	167	3,302	19,948	23,250	999	1982	2006	40
1200 Concord Avenue	Concord	CA	20,519	6,395	24,664	551	6,504	25,106	31,610	1,673	1984	2006	34
12015 Lee Jackson Memorial Highway	Fairfax	VA		3,770	22,895	184	3,835	23,014	26,849	1,011	1985	2006	42
1220 Concord Avenue	Concord	CA	20,528	6,476	24,966	9	6,476	24,975	31,451	1,673	1984	2006	34
1221 Mopac Expressway	Austin	TX		3,290	31,548	459	3,361	31,935	35,296	1,045	2001	2006	55
1250 Capital of Texas Hwy South	Austin	TX		5,152	37,928	(51)	5,241	37,788	43,029	1,367	1984	2006	52

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

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

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

-11 Dulles orner Park	Herndon	VA		7,279	46,340	406	7,404	46,621	54,026	1,674	1990	2006	5
711 N askell venue	Dallas	TX		8,597	97,681	647	8,753	98,171	106,924	5,858	1998	2006	3
30 airview rk Drive	Falls Church	VA		6,576	51,605	247	6,688	51,740	58,428	1,275	1999	2006	5
41 airview rk Drive	Falls Church	VA		5,918	40,981	295	6,038	41,157	47,195	1,340	1988	2006	5
41 airview rk Drive	Falls Church	VA		733	4,939	(4)	733	4,935	5,668	134	1988	2006	5
41 airview rk Drive	Falls Church	VA		297	1,964	1	297	1,965	2,262	40	1988	2006	5
-01 Fair akes Court	Fairfax	VA		1,569	11,982	(47)	1,596	11,908	13,504	375	1988	2006	5
780 & 5790 eet Street	Carlsbad	CA	14,500	7,073	22,907	8	7,072	22,916	29,988	1,836	1999	2006	5
900 & 5950 a Place ourt	Carlsbad	CA	8,252	3,706	11,185	4	3,706	11,189	14,895	691	1988	2006	4
963 La ace Court	Carlsbad	CA	6,534	2,824	9,413	4	2,824	9,417	12,241	560	1987	2006	5
973 venida ncinas	Carlsbad	CA	5,486	2,121	8,361	3	2,121	8,364	10,485	618	1986	2006	4
500 ockledge rive	Bethesda	MD			37,421	36		37,457	37,457	733	1981	2006	5
300 Paragon ace	Richmond	VA		4,552	18,414	24	4,552	18,438	22,990	120	1986	2006	4
01 isconsin venue	Bethesda	MD		9,634	48,402	2,215	9,799	50,452	60,251	1,626	1975	2006	4
735 Old eorgetown oad	Bethesda	MD		4,370	23,192	261	4,445	23,379	27,824	903	1997	2006	4
260 reensboro rive	Mclean	VA	33,958	7,952	33,964	(50)	8,088	33,777	41,866	1,179	1980	2006	5
521 eesburg ke	Vienna	VA		4,316	30,885	549	4,390	31,360	35,749	1,166	1984	2006	5
ityplace onference enter	Dallas	TX		505	5,071	2	505	5,073	5,578	137	1998	2006	3
929 Arch reet	Philadelphia	PA			208,570	79		208,649	208,649	5,659	2005	N/A	4

22 wedesford oad	Berwyn	PA		218			218		218		N/A	N/A	4
	Subtotal:		$ 878,969	$ 754,373	$ 3,887,653	$ 284,763	$ 756,383	$ 4,170,923	$ 4,927,305	$ 515,698			
eal Estate lassified as eld for Sale @ /31/06:													
50 - 180 est ermantown East ke	Norriton	PA	5,105	1,603	6,418	1,587	1,603	8,005	9,608	2,260	1982	1998	4
505/1507 BJ Freeway	Farmers Branch	TX		4,393	27,825	(603)	4,165	27,450	31,614	1,263	1989	2006	4
501/1503 BJ Freeway	Farmers Branch	TX		3,727	28,099	(4,142)	3,210	24,474	27,683	1,217	1985	2006	3
501 LBJ eeway	Dallas	TX		3,122	16,194	(65)	3,099	16,152	19,250	681	1982	2006	3
503 LBJ eeway	Dallas	TX		1,170	18,045	40	1,149	18,106	19,255	629	1985	2006	3
	Subtotal:		$ 5,105	$ 14,015	$ 96,580	$ (3,183)	$ 13,225	$ 94,186	$ 107,411	$ 6,050			
	Total:		$ 884,074	$ 768,388	$ 3,984,233	$ 281,579	$ 769,608	$ 4,265,108	$ 5,034,716	$ 521,748			

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(a) Reconciliation of Real Estate:

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

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

(b) Reconciliation of Accumulated Depreciation:

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

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

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

(2)

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

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Report of Independent Registered Public Accounting Firm

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

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

Consolidated financial statements and financial statement schedules

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

Internal control over financial reporting

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

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

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

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

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

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

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

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

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

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

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

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

Basic earnings per Common Partnership Unit:						
Continuing operations	$	(0.25)	$	0.54	$	1.07
Discontinued operations		0.27		0.08		0.08
	$	0.03	$	0.62	$	1.15
Diluted earnings per Common Partnership Unit:						
Continuing operations	$	(0.24)	$	0.54	$	1.07
Discontinued operations		0.27		0.08		0.08
	$	0.03	$	0.62	$	1.14
Basic weighted average common partnership unit		93,703,601		57,852,842		49,600,634
Diluted weighted average common partnership unit		94,222,125		58,111,162		49,837,549

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

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

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

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

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BRANDYWINE OPERATING PARTNERSHIP, L.P.
CONSOLIDATED STATEMENT OF PARTNERS EQUITY
(in thousands, except Units)

	Series A Preferred Mirror Units		Series D Preferred Mirror Units		Series E Preferred Mirror Units		General Partner Capital		Accumulated Other Comprehensive	Total Partner s
	Units	**Amount**	**Units**	**Amount**	**Units**	**Amount**	**Units**	**Amount**	**Income**	**Equity**
alance, ecember 31, 003	750,000	37,500	2,000,000	47,912			41,040,710	677,033	(2,158)	760,287
et income								63,081		63,081
et income llocable to edeemable artnership units								(1,943)		(1,943
ther omprehensive ncome:									(972)	(972
esting of estricted units							90,597	1,697		1,697
ssuance of referred mirror nits					2,300,000	55,538				55,538
onversion of referred mirror nits	(750,000)	(37,500)					1,339,286	37,500		
edemption of referred units								4,500		4,500
ssuance of eneral artnership units							12,235,000	336,683		336,683
xercise of arrants/options o purchase eneral artnership units							587,159	14,545		14,545
epayment of mployee stock oans								1,112		1,112
mortization of ock options								102		102
djustment of edeemable artnership units o liquidation alue at period nd								(5,967)		(5,967

istributions to referred Mirror nits						(9,720)		(9,720
istributions to referred Units						(835)		(835
istributions to eneral artnership unit older						(88,644)		(88,644
alance, ecember 31, 004	2,000,000	47,912	2,300,000	55,538	55,292,752	1,029,144	(3,130)	1,129,464
et income						44,013		44,013
et income locable to edeemable artnership units						(276)		(276
ther omprehensive ncome:							(39)	(39
onversion of P units to ommon shares					107,692	2,584		2,584
esting of estricted units					72,950	1,630		1,630
xercise of arrants/options o purchase eneral artnership units					705,681	18,999		18,999
epayment of mployee stock ans						50		50
djustment of edeemable artnership units o liquidation alue at period nd						190		190
istributions to referred Mirror nits						(7,992)		(7,992
istributions to eneral artnership unit older						(100,145)		(100,145
	2,000,000	47,912	2,300,000	55,538	56,179,075	988,197	(3,169)	1,088,478

alance, ecember 31, 005								
et income						10,626		10,626
epurchase of ommon artnership units					(3,009,200)	(94,473)		(94,473
ther omprehensive ncome:							4,744	4,744
onversion of P units to ommon shares					14,700	488		488
suance of ommon artnership units					34,542,151	1,022,173		1,022,173
esting of estricted units					81,142	1,887		1,887
suance of ustee/bonus hares					3,257	90		90
xercise of arrants/options purchase eneral artnership units					515,916	11,413		11,413
epayment of mployee stock ans						371		371
djustment of edeemable artnership units liquidation alue at period nd						(25,913)		(25,913
istributions to referred Mirror nits						(7,992)		(7,992
istributions to eneral artnership unit older						(156,122)		(156,122
alance, ecember 31, 006	$ 2,000,000	$ 47,912	2,300,000	$ 55,538	88,327,041	$ 1,750,745	$ 1,575	$ 1,855,770

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

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

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

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

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

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

1. ORGANIZATION AND NATURE OF OPERATIONS

Brandywine Operating Partnership, L.P. (referred to herein as we , us or the Partnership) is the entity through which Brandywine Realty Trust, a Maryland real estate investment trust (the Company), a self-administered and self-managed real estate investment trust, conducts its business and own its assets. The Partnership s activities include acquiring, developing, redeveloping, leasing and managing office and industrial properties. The Company s common shares of beneficial interest are publicly traded on the New York Stock Exchange under the ticker symbol BDN .

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

All references to building square footage, acres, occupancy percentage and the number of buildings are unaudited.

As more fully described in Note 3, on January 5, 2006, the Company acquired Prentiss Properties Trust (Prentiss) pursuant to an agreement and plan of merger that the Company entered into with Prentiss on October 3, 2005.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

the primary beneficiary, in accordance with FASB Interpretation No. 46R, Consolidation of Variable Interest Entities (FIN 46R). When an entity is not deemed to be a VIE, the Partnership considers the provisions of EITF 04-05, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights (EITF 04-05). The Partnership consolidates (i) entities that are VIEs and of which the Partnership is deemed to be the primary beneficiary and (ii) entities that are non-VIEs which the Partnership controls and the limited partners do not have either the ability to dissolve the entity or remove the Partnership without cause or substantive participating rights. Entities that the Partnership accounts for under the equity method (i.e. at cost, increased or decreased by the Partnership s share of earnings or losses, less distributions) include (i) entities that are VIEs and of which the Partnership is not deemed to be the primary beneficiary (ii) entities that are non-VIEs which the Partnership does not control, but over which the Partnership has the ability to exercise significant influence and (iii) entities that are non-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 events occur that are likely to cause a change in the original determinations. The portion of these entities not owned by the Partnership is presented as minority interest as of and during the periods consolidated. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Operating Properties

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

Purchase Price Allocation

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

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

costs, the Partnership includes

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

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

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

Depreciation and Amortization

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

Construction in Progress

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

Impairment of Long-Lived Assets

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

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

Cash and Cash Equivalents

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

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Restricted Cash

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

Accounts Receivable

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

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

Investments in Unconsolidated Real Estate Ventures

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

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

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

Deferred Costs

Costs incurred in connection with property leasing are capitalized as deferred leasing costs. Deferred leasing costs consist primarily of leasing commissions that are amortized on the straight-line method over the life of the respective lease which generally ranges from one to 15 years. Management re-evaluates the remaining useful lives of leasing costs as economic and market conditions change.

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

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Other Assets

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

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

Revenue Recognition

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

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

Income Taxes

No federal or state income taxes are payable by the Partnership, and accordingly, no provision for taxes has been made in the accompanying consolidated financial statements. The partners are to include their respective share of the Partnership s profits or losses in their individual tax returns. The Partnership s tax returns and the amount of allocable Partnership profits and losses are subject to examination by federal and state taxing authorities. If such examination results in changes to Partnership profits or losses, then the tax liability of the partners would be changed accordingly.

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

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

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

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

Earnings Per Common Partnership Unit

Basic earnings per Common Partnership Unit is calculated by dividing income allocated to Common Partnership Units by the weighted-average number of units outstanding during the period. Diluted earnings per Common Partnership Unit includes the effect of common partnership unit equivalents outstanding during the period.

Stock-Based Compensation Plans

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

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

For stock-based compensation awards granted prior to 2002, the Partnership accounted for stock options issued under the recognition and measurement provisions of APB No. 25, *Accounting for Stock Issued to Employees and Related Interpretations*. Under this method, no stock-based compensation expense was recognized. Because stock options granted prior to 2002 vested over a three-year term, the resulting compensation cost based on the fair value of the awards on the date of grant, on a pro forma basis, would have been expensed in 2003, 2004, and 2005. Accordingly, had the Partnership applied the fair value recognition provisions of SFAS 123, the net income applicable to common partnership units would remain the same on a pro forma basis in 2006, and would have been reduced by $511,000 and $556,000 in 2005 and 2004, respectively, with no change in basic or diluted net income per share.

Comprehensive Income

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

Accounting for Derivative Instruments and Hedging Activities

The Partnership accounts for its derivative instruments and hedging activities under SFAS No. 133 (SFAS 133), *Accounting for Derivative Instruments and Hedging Activities*, and its corresponding amendments under SFAS No. 138, *Accounting for Certain Derivative Instruments and Hedging Activities An Amendment of SFAS 133*. SFAS 133 requires the Partnership to measure every derivative instrument

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(including certain derivative instruments embedded in other contracts) at fair value and record them in the balance sheet as either an asset or liability. For derivatives designated as fair value hedges, the changes in fair value of both the derivative instrument and the hedged item are recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of changes in the fair value of the derivative are reported in other comprehensive income. Changes in fair value of derivative instruments and ineffective portions of hedges are recognized in earnings in the current period. For the year-ended 2006 and 2005, the Partnership was not party to any derivative contract designated as a fair value hedge.

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

Reclassifications

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

New Pronouncements

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

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

In October 2005, the FASB issued Staff Position No. 13-1 Accounting for Rental Costs Incurred during a Construction Period (FSP FAS 13-1). FSP FAS 13-1 addresses the accounting for rental costs associated with operating leases that are incurred during the construction period. FSP FAS 13-1 makes no distinction between the right to use a leased asset during the construction period and the right to use that asset after the construction period. Therefore, rental costs associated with ground or building operating leases that are incurred during a construction period shall be recognized as rental expense, allocated over the lease term in accordance with SFAS No. 13 and Technical Bulletin 85-3. The terms of FSP FAS 13-1 are not applicable to lessees that account for the sale or rental of real estate projects in accordance with SFAS No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects. FSP FAS 13-1 was effective for the first reporting period beginning after December 15, 2005. Retrospective application in accordance with SFAS 154 is permitted but not required. The adoption of FSP FAS 13-1 did not have a material effect on the consolidated financial statements of the Partnership.

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

position and results of operations.

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

3. REAL ESTATE INVESTMENTS

As of December 31, 2006 and 2005, the gross carrying value of the Partnership s properties was as follows:

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

Acquisitions and Dispositions

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

2006

Prentiss Acquisition

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

The Partnership funded the approximately $1.05 billion cash portion of the merger consideration, related transaction costs and prepayments of approximately $543.3 million in Prentiss mortgage debt at the closing of the merger through (i) a $750 million unsecured term loan that matured on January 4, 2007 and was repaid in March 2006; (ii) approximately $676.5 million of cash from Prudential s acquisition of certain of the Prentiss properties; and (iii) approximately $195.0 million through borrowing under a revolving credit facility.

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

		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 Partnership (Class A units). Accordingly, based on 49,375,723 Prentiss common shares outstanding and 139,000 Prentiss OP Units electing

to receive merger consideration at closing of the acquisition, the Company issued 34,541,946 common shares and paid an aggregate of approximately $1.05 billion in cash to the accounts of the former Prentiss shareholders. Based on 1,572,612 Prentiss OP Units outstanding at closing of the acquisition that did not elect to receive merger consideration, the Operating Partnership issued 2,170,047 Class A units. In addition, options issued by Prentiss that were exercisable for an aggregate of 342,662 Prentiss common shares were converted into options exercisable for an aggregate of 496,037 Brandywine common shares at a weighted average exercise price of $22.00 per share. Through its acquisition of Prentiss the Partnership also assumed approximately $611.2 million in aggregate principal amount of Prentiss debt.

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

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For purposes of computing the total purchase price reflected in the financial statements, the common shares, Class A units, restricted shares and options that were issued in the Prentiss transaction were valued based on the average trading price per Brandywine common share of $29.54. The average trading price was based on the average of the high and low trading prices for each of the two trading days before, the day of and the two trading days after the merger was announced (i.e., September 29, September 30, October 3, October 4 and October 5).
The Partnership considered the provisions of FIN 47 for these acquisitions and, where necessary, recorded a conditional asset retirement obligation as part of the purchase price. The aggregate asset retirement recorded in connection with the Prentiss acquisition was approximately $2.7 million.
Pro forma information relating to the acquisition of Prentiss is presented below as if Prentiss was acquired and the related financing transactions occurred on January 1, 2005. These pro forma results are not necessarily indicative of the results which actually would have occurred if the acquisition had occurred on the first day of the periods presented, nor does the pro forma financial information purport to represent the results of operations for future periods (in thousands, except per share amounts):

	December 31,	
	2006	2005
	(unaudited)	
Pro forma revenue	$ 666,205	$ 644,273
Pro forma loss from continuing operations	(14,694)	(19,163)
Pro forma income (loss) allocated to common partnership units	2,999	(22,404)
Earnings per common partnership units from continuing operations		
Basic as reported	$ (0.25)	$ 0.54
Basic as pro forma	$ (0.24)	$ (0.30)
Diluted as reported	$ (0.24)	$ 0.54
Diluted as pro forma	$ (0.24)	$ (0.29)
Earnings per common partnership units		
Basic as reported	$ 0.03	$ 0.63
Basic as pro forma	$ 0.03	$ (0.24)
Diluted as reported	$ 0.03	$ 0.62
Diluted as pro forma	$ 0.03	$ (0.24)

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

Other Acquisitions and Dispositions

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

2005

During 2005, the Partnership acquired one industrial property containing 385,884 net rentable square feet, two office properties containing 283,511 net rentable square feet and 36.4 acres of developable land for an aggregate purchase price of $94.5 million. The Partnership sold the industrial property containing 385,884

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net rentable square feet and three parcels of land containing 18.0 acres for an aggregate $30.2 million, realizing net gains totaling $6.8 million.

2004

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

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

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

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

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

Total liabilities assumed		120,095
Net assets acquired	$	550,396

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

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

The Partnership financed the TRC acquisition using the net proceeds from the Company s September 2004 common share offering, after repayment of the Partnership s $100.0 million unsecured term loan facility, and the net proceeds received from two unsecured term loans.

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

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

During 2004, the Partnership recognized a $2.5 million deferred gain from the sale of a property in 2002 that did not previously qualify for gain recognition under the full-accrual method. During 2004, the buyer of the property repaid the seller provided financing and the criteria for gain recognition under the full-accrual method were met. The deferred gain recognized was presented within discontinued operations consistent with the historical operating results from the property.

4. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURES

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

The Partnership also has investments in four real estate ventures that are variable interest entities under FIN No. 46R and of which the Partnership is the primary beneficiary.

The Partnership accounts for its unconsolidated interests in its Real Estate Ventures using the equity method. Unconsolidated ownership interests range from 6% to 50%, subject to specified priority allocations in certain of the Real Estate Ventures.

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

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

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	Ownership Percentage (1)	Carrying Amount	Company s Share of Real Estate Venture Income (Loss)	Real Estate Venture Debt at 100%	Current Interest Rate	Debt Maturity
Two Tower Bridge Associates	35%	$ 2,290	$ (102)	$ 11,430	6.82%	May-08
Five Tower Bridge Associates	15%	162	57	29,927	6.77%	Feb-09
Eight Tower Bridge Associates	5.5%	1,184	(175)	41,830	7.68%	Feb-12
1000 Chesterbrook Boulevard	50%	2,608	660	26,791	6.88%	Nov-11
PJP Building Two, LC	30%	143	107	5,282	6.12%	Nov-23
PJP Building Three, LC	25%	30	76		N/A	N/A
PJP Building Five, LC	25%	169	59	6,503	6.47%	Aug-19
PJP Building Six, LC	25%	75		4,597	7.08%	(3)
Macquarie BDN Christina LLC	20%	3,351	927	74,500	4.62%	Jan-09
Broadmoor Austin Associates	50%	63,793	446	117,249	5.79%	Apr-11
Residence Inn Tower Bridge	50%	769	110	14,480	5.63%	Jan-16
Invesco, L.P. (2)	35%				N/A	N/A
		$ 74,574	$ 2,165	$ 332,589		

(1) Ownership percentage represents the Partnership s entitlement to residual distributions after payments of priority returns, where applicable.

(2) The Partnership s interest consists solely of a residual profits interest.

(3) Property is under development as of December 31, 2006, with an expected completion date in the first quarter of 2007, at which time the outstanding balance is expected to be converted to permanent financing.

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

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

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

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

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

2007	$ 28,166
2008	20,592
2009	38,109
2010	9,336
2011	110,440
Thereafter	125,946
	$ 332,589

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

5. DEFERRED COSTS

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

	December 31, 2006		
	Total Cost	Accumulated Amortization	Deferred Costs, net
Leasing Costs	$ 83,629	$ (28,278)	$ 55,351
Financing Costs	24,648	(6,291)	18,357
Total	$ 108,277	$ (34,569)	$ 73,708

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

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

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6. INTANGIBLE ASSETS/LIABILITIES

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

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

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

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

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

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

7. MORTGAGE NOTES PAYABLE

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

Property / Location	December 31, 2006	December 31, 2005	Effective Interest Rate @ 12/31/06		Maturity Date
111 Arrandale Blvd	$	$ 1,043			Aug-06
429 Creamery Way		2,927			Sep-06
Interstate Center	552	766	6.19%	(b)	Mar-07
440 & 442 Creamery Way	5,421	5,581	8.55%		Jul-07
Norriton Office Center		5,191	8.50%		Oct-07
481 John Young Way	2,294	2,360	8.40%		Nov-07
400 Commerce Drive	11,797	11,989	7.12%		Jun-08
Two Logan Square	71,348	72,468	5.78%	(a)	Jul-09
The Bluffs	10,700		6.00%	(a)	Jul-09
Pacific Ridge	14,500		6.00%	(a)	Aug-09
Pacific View/Camino	26,000		6.00%	(a)	Aug-09
Computer Associates Building	31,000		6.00%	(a)	Aug-09
200 Commerce Drive	5,841	5,911	7.12%	(a)	Jan-10
Presidents Plaza	30,900		6.00%	(a)	May-10
1333 Broadway	24,418		5.18%	(a)	May-10
The Ordway	46,199		7.95%	(a)	Aug-10
World Savings Center	27,524		7.91%	(a)	Nov-10
Plymouth Meeting Exec.	44,103	44,687	7.00%	(a)	Dec-10
Four Tower Bridge	10,626	10,763	6.62%		Feb-11
Arboretum I, II, III & V	22,750	23,238	7.59%		Jul-11
Midlantic Drive/Lenox Drive/DCC I	62,678	63,803	8.05%		Oct-11
Research Office Center	42,205		7.64%	(a)	Oct-11
Concord Airport Plaza	38,461		7.20%	(a)	Jan-12
Six Tower Bridge	14,744	15,083	7.79%		Aug-12
Newtown Square/Berwyn Park/Libertyview	63,231	64,429	7.25%		May-13
Coppell Associates	3,737		6.89%		Dec-13
Southpoint III	4,948	5,431	7.75%		Apr-14
Tysons Corner	100,000		4.84%	(a)	Aug-15
Coppell Associates	16,600		5.75%		Mar-16
Grande A	59,512	61,092	7.48%		Jul-27
Grande A		11,456			Jul-27
Grande A		1,551			Jul-27
Grande B	77,534	79,036	7.48%		Jul-27
Principal balance outstanding	869,623	488,805			
Plus: unamortized fixed-rate debt premiums	14,294	5,972			
Total mortgage indebtedness	$ 883,917	$ 494,777			

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

(d) For loans that bear interest at a variable rate, the rates in effect at December 31, 2006 have been presented.

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

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

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

8. UNSECURED NOTES

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

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

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

treasury lock
agreements.

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

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

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

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

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

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

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

9. UNSECURED CREDIT FACILITY

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

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

10. UNSECURED TERM LOANS

On March 28, 2006, the Partnership terminated, and repaid all amounts outstanding under, the $750 million Term Loan Agreement that it entered into on January 5, 2006 with JPMorgan Chase Bank, N.A., as Administrative Agent and Syndication Agent, J.P. Morgan Securities Inc., as Lead Arranger and Sole

Bookrunner, and the lenders identified therein. The Partnership entered into the Term Loan Agreement in connection with its acquisition through the merger of Prentiss on January 5, 2006.

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

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

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

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The following are financial instruments for which the Partnership estimates of fair value differ from the carrying amounts (in thousands):

	December 31, 2006		**December 31, 2005**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Mortgage payable	$ 88,470	$ 859,490	$ 481,006	$ 521,607
Unsecured Notes payable	$ 1,829,701	$ 1,826,357	$ 936,607	$ 920,470

12. RISK MANAGEMENT AND USE OF FINANCIAL INSTRUMENTS

Risk Management

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

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Use of Derivative Financial Instruments

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

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

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

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

Concentration of Credit Risk

Concentrations of credit risk arise when a number of tenants related to the Partnership s investments or rental operations are engaged in similar business activities, or are located in the same geographic region, or have similar economic features that would cause their inability to meet contractual obligations, including those to the Partnership, to be similarly affected. The Partnership regularly monitors its tenant base to assess potential concentrations of credit risk. Management believes the current credit risk portfolio is reasonably well diversified and does not contain any unusual concentration of credit risk. No tenant accounted for 10% or more of the Partnership s rents during 2006, 2005 and 2004. See Note 18 for geographic segment information.

13. DISCONTINUED OPERATIONS

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

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

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

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	Years Ended December 31,		
	2006	2005	2004
Revenue:			
Rents	$ 43,410	$ 10,060	$ 8,336
Tenant reimbursements	5,314	1,010	1,120
Other	982	41	36
Total revenue	49,706	11,111	9,492
Expenses:			
Property operating expenses	17,769	3,862	4,166
Real estate taxes	6,145	1,316	1,441
Depreciation & amortization	17,284	2,939	2,607
Total operating expenses	41,198	8,117	8,214
Operating income	8,508	2,994	1,278
Interest income	14	6	
Interest expense	(841)	(445)	(451)
Income from discontinued operations before gain on sale of interests in real estate and minority interest	7,681	2,555	827
Net gain on sale of interests in real estate	18,486	2,196	3,136
Minority interest partners share of net gain on sale	1,757		
Minority interest partners share of consolidated real estate venture	(2,239)		
Minority interest attributable to discontinued operations common partnership units	(1,172)	(163)	(144)
Income from discontinued operations	$ 24,513	$ 4,588	$ 3,819

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

14. MINORITY INTEREST IN REAL ESTATE VENTURES

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

The minority interests associated with certain of the Real Estate Ventures, that have finite lives under the terms of the partnership agreements represent mandatorily redeemable interests as defined in SFAS 150. As of December 31, 2006 and 2005, the aggregate book value of these minority interests in the accompanying consolidated balance sheet was $0, and the Partnership believes that the aggregate settlement value of these interests was approximately $8.1 million. This amount is based on the estimated liquidation values of the assets and liabilities and the resulting proceeds that the Partnership would distribute to its Real Estate Venture partners upon dissolution, as required under the terms of the respective partnership agreements. Subsequent changes to the estimated fair values of the assets and liabilities of the consolidated Real Estate Ventures will affect the Partnership s estimate of the aggregate settlement value. The partnership agreements do not limit the amount that the minority partners would be entitled to in the event of liquidation of the assets and liabilities and dissolution of the respective partnerships.

15. PARTNERS EQUITY

Earnings per Common Partnership Unit

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

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	For the years ended December 31,					
	2006		2005		2004	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Income from continuing operations	$ (15,059)	$ (15,059)	$ 39,262	$ 39,262	$ 59,118	$ 59,118
Income from discontinued operations	25,685	25,685	4,751	4,751	3,963	3,963
Income allocated to Preferred Units	(7,992)	(7,992)	(7,992)	(7,992)	(10,555)	(10,555)
Preferred Unit redemption/conversion benefit (charge)					4,500	4,500
	$ 2,634	$ 2,634	$ 36,021	$ 36,021	$ 57,026	$ 57,026
Weighted-average common partnership units outstanding	93,703,601	93,703,601	57,852,842	57,852,842	49,600,634	49,600,634
Options, warrants and unvested restricted stock		518,524		258,320		236,915
Total weighted-average units outstanding	93,703,601	94,222,125	57,852,842	58,111,162	49,600,634	49,837,549
Earnings per Common Partnership Unit						
Continuing operations	$ (0.25)	$ (0.24)	$ 0.54	$ 0.54	$ 1.07	$ 1.07
Discontinued operations	0.27	0.27	0.08	0.08	0.08	0.08
Total	$ 0.03	$ 0.03	$ 0.62	$ 0.62	$ 1.15	$ 1.15

Common Partnership Unit and Preferred Mirror Units

The Company is the sole general partner of the Partnership and conducts substantially all its business and owns its assets through the Partnership and as a result does not have any significant assets, liabilities or operations, other than its investment in the Partnership s Units, nor does it have any employees of its own. Pursuant to the Partnership Agreement, the Partnership reimburses the Company for all expenses incurred on behalf of its operations.

The Partnership issues partnership units to the Company in exchange for the contribution of the net proceeds of any equity security issuance by the Company. The number and terms of such partnership units correspond in number and terms of the related equity securities issued by the Company. In addition, the Partnership may also issue separate classes of partnership units. Historically, the Partnership has had the following types of partnership units outstanding (i) Preferred Partnership Units which have been issued to parties other than the Company (ii) Preferred Mirror Partnership Units which have been issued to the Company and (iii) Common Partnership Units which include both interests held by the Company and those held by other limited partners. Each of these interests are described in more detail below.

Preferred Partnership Units

The Partnership issued 1,950,000 Series B Preferred Units for $97.5 million in 1998. The Preferred Units bore a preferred distribution of 7.25% per annum and had a stated value of $50.00 per share. The Preferred Units were convertible into Class A Limited Partnership Units at a conversion price of $28.00. As more fully discussed in the Common Partnership Unit section, the Class A Limited Partnership units are subject to certain redemption rights. Due to these redemption rights, the Series B Preferred Partnership Units limited partnership units have been excluded from partners capital and reflected at the greater of their liquidation preference or the Class A Limited Partnership redemption value as of the end of the periods presented based on the closing market price of Company s common stock at December 31, 2006, 2005 and 2004, which was $33.25, $27.91 and $29.39 respectively. In February 2004, the Partnership redeemed all of its outstanding Series B Preferred Units for an aggregate price of $93.0 million, together with accrued but unpaid distributions from January 1, 2004. The Series B Preferred Units had an aggregate stated value of $97.5 million and accrued distributions at 7.25% per annum. The Partnership recorded a gain of $4.5 million related to the redemption as an adjustment to net income available to common partnership unitholders.

Preferred Mirror Partnership Units

In exchange for the proceeds received in corresponding offerings by the Company of preferred shares of beneficial interest, the Partnership has issued to the Company a corresponding amount of Preferred Mirror Partnership Units with terms consistent with that of the preferred securities issued by the Company.

On September 28, 1998, the Partnership issued 750,000 Series A Preferred Mirror Units to the Company in exchange for its contribution of the net proceeds of its Series A Preferred Shares. The 750,000 Series A Preferred Mirror Units had an aggregate liquidation preference of $37.5 million, or $50.00 per unit. Cumulative distributions on the Series A Preferred Mirror Units were payable quarterly at an annualized rate of 7.25% of the liquidation preference. In November 2004, the holders of the Series A Preferred Shares converted the shares into 1.3 million common shares of the Company at a price of $24.00 and the Partnership converted the Company s Series A Preferred Mirror Units to 1.3 million Class A Units.

On December 30, 2003, the Partnership issued 2,000,000 Series D Preferred Mirror Units to Brandywine Realty Trust in exchange for its contribution of the proceeds of its Series C Preferred Shares. The 2,000,000 Series D Preferred Mirror Units outstanding have an aggregate liquidation preference of $50 million, or $25.00 per unit. Cumulative distributions on the Series D Preferred Mirror Units are payable quarterly at an annualized rate of 7.50% of the liquidation preference. In the event that any of the Series C Preferred Shares of Brandywine Realty Trust are redeemed, which may occur at the option of Brandywine Realty Trust at any time on or after December 30, 2008, then an equivalent number of Series D Preferred Mirror Units will be redeemed.

On February 27, 2004, the Partnership issued 2,300,000 Series E Preferred Mirror Units to Brandywine Realty Trust in exchange for its contribution of the net proceeds of its Series D Preferred Shares. The 2,300,000 Series E Preferred Mirror Units outstanding have an aggregate liquidation preference of $57.5 million, or $25.00 per unit. Cumulative distributions on the Series E Preferred Mirror Units are payable quarterly at an annualized rate of 7.375% of the liquidation preference. In the event that any of the Series D Preferred Shares of Brandywine Realty Trust are redeemed, which may occur at the option of Brandywine Realty Trust at any time on or after February 27, 2009, then an equivalent number of Series E Preferred Mirror Units will be redeemed.

Common Partnership Units (Redeemable and General)

The Partnership has two classes of Common Partnership Units: (i) Class A Limited Partnership Interest which are held by both the Company and outside third parties and (ii) General Partnership Interests which are held by the Company. (Collectively, the Class A Limited Partnership Interest and General Partnership Interests are referred to as Common Partnership Units). The holders of the Common Partnership Units are entitled to share in cash distributions from, and in profits and losses of, the Partnership, in proportion to their respective percentage interests, subject to preferential distributions on the preferred mirror units and the preferred units.

The Common Partnership Units held by the Company (comprised of both General Partnership Units and Class A Limited Partnership Units) are presented as partner s equity in the consolidated financial statements. Class A Limited Partnership Interest held by parties other than the Company are redeemable at the option of the holder for a like number of common shares of the Company, or cash, or a combination thereof, at the election of the Company. Because the form of settlement of these redemption rights are not within the control of the Partnership, these Common Partnership Units have been excluded from partner s equity and are presented as redeemable limited partnership units measured at the potential cash redemption value as of the end of the periods presented based on the closing market price of the Company s common shares at December 31, 2006, 2005 and 2004, which was $33.25, $27.91 and $29.39 respectively. As of December 31, 2006 and 2005 3,961,235 and 1,945,267 Class A Units were outstanding and owned by outside limited partners of the Partnership (See Note 18).

On August 15, 2006, the Partnership acquired two office properties in Northern Virginia. In connection with these acquisitions, the Partnership issued 424,608 Class A Units valued at $32.546 per unit totaling $13.8 million.

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

Common Share Repurchases

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

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

Share Based Compensation

In December 2004, the FASB issued SFAS No. 123(R), Share-Based Payment (SFAS 123(R)). SFAS 123(R) is an amendment of SFAS 123 and requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements. The cost is required to be measured based on the fair value of the equity or liability instruments issued. SFAS 123(R) also contains additional minimum disclosures requirements including, but not limited to, the valuation method and assumptions used, amounts of compensation capitalized and modifications made. The effective date of SFAS 123(R) was subsequently amended by the SEC to be as of the beginning of the first interim or annual reporting period of the first fiscal year that begins on or after December 15, 2005, and allows several different methods of transition. The Partnership adopted SFAS 123(R) using the prospective method on January 1, 2006. This adoption did not have a material effect on our consolidated financial statements.

Stock Options

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

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

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

	Years ended December 31,					
	2005			2004		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)
Outstanding at beginning of year	2,008,022	26.89		2,372,627	26.70	
Granted						
Exercised	(705,678)	26.94		(337,161)	25.39	
Forfeite/Expired	(25,622)	28.80		(27,444)	28.93	
Outstanding at end of year	1,276,722	26.82	1.97	2,008,022	26.89	2.88
Exercisable at end of year	1,276,722	26.82		2,008,022	26.89	

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

401(k) Plan

The Partnership sponsors a 401(k) defined contribution plan for its employees. Each employee may contribute up to 100% of annual compensation, subject to specific limitations under the Internal Revenue Code. At its discretion, the

Partnership can make matching contributions equal to a percentage of the employee s elective contribution and profit sharing contributions. Employees vest in employer contributions over a three-year service period. The Partnership contributions were $1.1 million in 2006, $1.0 million in 2005 and $0.9 million in 2004.

Restricted Share Awards

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

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

Outperformance Program

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

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

16. DISTRIBUTIONS

	Years ended December 31,		
	2006	2005 (a)	2004
Common Partnership Unit Distributions:			
Total distributions per unit	$ 1.76	$ 1.78	$ 1.76
Preferred Unit Distributions:			
Total distributions declared	$7,992,000	$7,992,000	$10,555,000

(a) Includes a $0.02 special distribution declared in December 2005 for unitholders of record for the period

January 1, 2006
through
January 4, 2006
(pre-Prentiss
merger period).

17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

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

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

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

18. SEGMENT INFORMATION

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

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

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

	Pennsylvania West	Pennsylvania North	New Jersey	Urban	Richmond, Virginia	California - North	California - South	Mid-Atlantic	Southwest
2006:									
Real estate investments, at cost:									
Operating properties	$ 922,347	$ 530,436	$ 570,009	$ 568,008	$ 244,519	$ 396,927	$ 95,942	$ 1,255,940	$ 343,177
Construction-in-progress									
Land held for development									
Total revenue	$ 124,301	$ 74,391	$ 96,926	$ 85,995	$ 32,526	$ 58,203	$ 11,564	$ 112,344	$ 57,734
Property operating expenses and real estate taxes	39,163	38,124	41,334	34,362	11,876	23,016	4,039	33,897	23,872
Net operating income	$ 85,138	$ 36,267	$ 55,592	$ 51,633	$ 20,650	$ 35,187	$ 7,525	$ 78,447	$ 33,862
2005:									
Real estate investments, at cost:									
Operating properties	$ 867,089	$ 558,803	$ 562,832	$ 351,407	$ 219,930	$	$	$	$
Construction-in-progress									
Land held for development									
Total revenue	$ 111,911	$ 72,154	$ 96,683	$ 65,643	$ 28,758	$	$	$	$
Property operating expenses and real estate taxes	39,116	32,517	39,152	27,183	11,612				
Net operating income	$ 72,795	$ 39,637	$ 57,531	$ 38,460	$ 17,146	$	$	$	$
2004:									
Total revenue	$ 87,535	$ 73,882	$ 94,096	$ 26,319	$ 27,099	$	$	$	$
Property operating expenses and real estate taxes	25,677	31,079	35,599	12,126	11,772				
Net operating income	$ 61,858	$ 42,803	$ 58,497	$ 14,193	$ 15,327	$	$	$	$

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

	Year Ended December 31,		
	2006	2005	2004
	(amounts in thousands)		
Consolidated net operating income (loss)	$ 409,216	$ 231,252	$ 200,304
Less:			
Interest income	9,513	1,370	841
Interest expense	(171,177)	(70,152)	(52,642)
Deferred financing costs	(4,607)	(3,766)	(1,968)
Depreciation and amortization	(248,132)	(109,118)	(77,521)
Administrative expenses	(29,644)	(17,982)	(15,100)
Minority interest partners share of consolidated real estate ventures	270	(154)	206
Plus:			
Equity in income of real estate ventures	2,165	3,172	2,023
Net gain on sales of interests in real estate	14,190	4,640	2,975
Gain on termination of purchase contract	3,147		
Income (loss) from continuing operations	(15,059)	39,262	59,118
Income (loss) from discontinued operations	25,685	4,751	3,963
Net income (loss)	$ 10,626	$ 44,013	$ 63,081

19. RELATED-PARTY TRANSACTIONS

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

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

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

20. OPERATING LEASES

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

Year	Minimum Rent
2007	$526,755
2008	488,853
2009	426,608
2010	49,210
2011	264,411
Thereafter	879,490

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

21. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Partnership is involved from time to time in litigation on various matters, including disputes with tenants and disputes arising out of agreements to purchase or sell properties. Given the nature of the Partnership s business activities, these lawsuits are considered routine to the conduct of its business. The result of any particular lawsuit cannot be predicted, because of the very nature of litigation, the litigation process and its adversarial nature, and the jury system. The Partnership does not expect that the liabilities, if any, that may ultimately result from such legal actions will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Partnership.

There have been lawsuits against owners and managers of multifamily and office properties asserting claims of personal injury and property damage caused by the presence of mold in residential units or office space. The Partnership has been named as a defendant in two lawsuits in the State of New Jersey that allege personal injury as a result of the presence of mold. In 2005, one lawsuit was dismissed by way of summary judgment with prejudice. Unspecified damages are sought on the remaining lawsuit. The Partnership has referred this lawsuit to its environmental insurance carrier and, as of the date of this Form 10-Q, the insurance carrier is tendering a defense to this claim.

Letters-of-Credit

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

Ground Rent

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

2007	$ 1,736
2008	1,736
2009	1,736
2010	1,818
2011	1,818
Thereafter	271,340

Other Commitments or Contingencies

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

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

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

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

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

22. SUBSEQUENT EVENT

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

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

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23. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

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

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2006:				
Total revenue	$153,582	$161,523	$172,962	$174,734
Net income (loss)	(2,850)	(12,171)	496	25,151
Income (loss) allocated to Common Partnership Units	(4,848)	(14,169)	(1,502)	23,153
Basic earnings per Common Partnership Units	$ (0.05)	$ (0.15)	$ (0.02)	$ 0.25
Diluted earnings per Common Partnership Units	$ (0.05)	$ (0.15)	$ (0.02)	$ 0.25
2005:				
Total revenue	$ 96,690	$ 92,843	$ 93,431	$ 97,660
Net income	9,691	9,185	16,280	8,856
Income allocated to Common Partnership Units	7,693	7,187	14,282	6,858
Basic earnings per Common Partnership Units	$ 0.13	$ 0.12	$ 0.25	$ 0.12
Diluted earnings per Common Partnership Units	$ 0.13	$ 0.12	$ 0.25	$ 0.12

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

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Brandywine Operating Partnership, L.P.
Schedule II
Valuation and Qualifying Accounts
(in thousands)

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

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.
Real Estate and Accumulated Depreciation December 31, 2006
(in thousands)

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

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

1000 Howard Boulevard	Mt. Laurel	NJ		2,297	9,288	1,328	2,297	10,616	12,913	3,402	1988	1997	40
10000 Midlantic Drive	Mt. Laurel	NJ		3,206	12,857	1,100	3,206	13,957	17,163	4,347	1990	1997	40
100-300 Gundy Drive	Reading	PA		6,495	25,180	7,583	6,495	32,763	39,258	9,563	1970	1997	40
1007 Laurel Oak Road	Voorhees	NJ		1,563	6,241	16	1,564	6,256	7,820	1,754	1996	1997	40
1120 Executive Boulevard	Marlton	NJ		2,074	8,415	541	2,074	8,956	11,030	2,864	1987	1997	40
1336 Enterprise Drive	West Goshen	PA		731	2,946	52	731	2,998	3,729	926	1989	1997	40
15000 Midlantic Drive	Mt. Laurel	NJ		3,061	12,254	165	3,061	12,419	15,480	3,710	1991	1997	40
17 Campus Boulevard	Newtown Square	PA	5,002	1,108	5,155	48	1,108	5,203	6,311	1,357	2001	1997	40
2 Foster Avenue	Gibbsboro	NJ		185	730	42	185	772	957	225	1974	1997	40
20 East Clementon Road	Gibbsboro	NJ		769	3,055	496	769	3,552	4,320	1,072	1986	1997	40
200 Berwyn Park	Berwyn	PA	9,415	1,533	9,460	2,071	1,533	11,531	13,064	3,386	1987	1997	40
2000 Midlantic Drive	Mt. Laurel	NJ	9,160	2,202	8,823	780	2,203	9,602	11,805	3,083	1989	1997	40
220 Commerce Drive	Fort Washington	PA		1,086	4,338	945	1,010	5,359	6,369	1,537	1985	1997	40
300 Berwyn Park	Berwyn	PA	12,594	2,206	13,422	2,618	2,206	16,041	18,246	4,878	1989	1997	40
300 Welsh Road Building I	Horsham	PA	2,370	894	3,572	978	894	4,550	5,444	1,352	1980	1997	40
321 Norristown Road	Lower Gwynedd	PA		1,290	5,176	1,580	1,221	6,825	8,046	2,268	1988	1997	40
323 Norristown Road	Lower Gwynedd	PA		1,685	6,751	4,263	1,601	11,098	12,699	3,471	1988	1997	40
4 Foster Avenue	Gibbsboro	NJ		183	726	93	183	820	1,002	255	1974	1997	40
4000 Midlantic Drive	Mt. Laurel	NJ	2,980	714	5,085	(1,939)	714	3,146	3,860	951	1998	1997	40
5 Foster Avenue	Gibbsboro	NJ		9	32	26	9	58	67	14	1968	1997	40

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

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BRANDYWINE OPERATING PARTNERSHIP, L.P.
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(in thousands)

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

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

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

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

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

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

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

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

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BRANDYWINE OPERATING PARTNERSHIP, L.P.
Real Estate and Accumulated Depreciation December 31, 2006
(in thousands)

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

980 Harvest Drive	Blue Bell												
565 East Swedesford Road	Wayne	PA		1,872	7,489	890	1,872	8,379	10,251	785	1984	2003	40
575 East Swedesford Road	Wayne	PA		2,178	8,712	459	2,178	9,171	11,349	783	1985	2003	40
585 East Swedesford Road	Wayne	PA		1,350	5,401	34	1,350	5,435	6,785	432	1998	2003	40
595 East Swedesford Road	Wayne	PA		2,729	10,917	374	2,729	11,291	14,020	891	1998	2003	40
989 Lenox Drive	Lawrenceville	NJ		3,701	14,802	860	3,700	15,662	19,363	1,196	1984	2003	40
100 North 18th Street	Philadelphia	PA	74,079	16,066	100,255	1,416	16,066	101,671	117,737	8,913	1988	2004	33
130 North 18th Street	Philadelphia	PA		14,496	107,736	728	14,473	108,487	122,960	9,514	1998	2004	23
130 Radnor Chester Road	Radnor	PA		2,573	8,338	(23)	2,567	8,320	10,888	582	1983	2004	25
150 Radnor Chester Road	Radnor	PA		11,925	36,986	8,223	11,897	45,237	57,134	4,146	1983	2004	29
170 Radnor Chester Road	Radnor	PA		2,514	8,147	30	2,509	8,182	10,691	569	1983	2004	25
201 King of Prussia Road	Radnor	PA		8,956	29,811	1,192	8,949	31,009	39,959	3,147	2001	2004	25
300 Delaware Avenue	Wilmington	DE		6,368	13,739	1,089	6,369	14,827	21,196	1,721	1989	2004	23
525 Lincoln Drive West	Marlton	NJ		3,727	17,620	1,770	3,727	19,390	23,117	2,267	1986	2004	40
555 Lancaster Avenue	Radnor	PA		8,014	16,508	16,468	7,991	32,999	40,990	832	1973	2004	24
920 North King Street	Wilmington	DE		6,141	21,140	528	6,141	21,668	27,809	2,016	1989	2004	30
Five Radnor Corporate Center	Radnor	PA		6,506	25,525	1,977	6,578	27,430	34,008	2,162	1998	2004	38
Four Radnor Corporate Center	Radnor	PA		5,406	21,390	7,648	5,705	28,739	34,444	2,609	1995	2004	30
Four Tower Bridge	Conshohocken	PA	10,626	2,672	14,221	(112)	2,672	14,109	16,781	5,192	1998	2004	40
One Radnor Corporate Center	Radnor	PA		7,323	28,613	(34)	7,323	28,579	35,902	2,683	1998	2004	29
Six Tower Bridge	Conshohocken	PA	14,744	2,827	15,525	20	2,827	15,545	18,372	4,731	1999	2004	40

Three Radnor Corporate Center	Radnor	PA		4,773	17,961	(100)	4,791	17,843	22,634	1,654	1998	2004	29
Two Radnor Corporate Center	Radnor	PA		3,937	15,484	82	3,942	15,560	19,503	1,501	1998	2004	29
1 West Elm Street	W. Conshohocken	PA		3,557	14,249		3,557	14,254	17,811	446	1999	2005	40
101 West Elm Street	W. Conshohocken	PA		6,251	25,209	647	6,251	25,856	32,107	942	1999	2005	40
Arcadia Land	Upper Macungie	PA		5		0	5		5		N/A	2005	40
1 Kaiser Plaza	Oakland	CA	50,088	15,034	107,422	1,130	15,291	108,294	123,585	3,653	1978	2006	46
100 Lenox Drive	Lawrenceville	NJ		2,035	8,158	36	2,035	8,194	10,229	188	1991	2006	40
101-103 Juniper Street	Philadelphia	PA		464	1,843	1	464	1,844	2,308	35	N/A	2006	40
11700 Beltsville Drive	Beltsville	MD		2,808	12,081	46	2,858	12,077	14,935	313	1981	2006	46
11710 Beltsville Drive	Beltsville	MD		2,278	11,100	(944)	2,317	10,117	12,434	324	1987	2006	46
11720 Beltsville Drive	Beltsville	MD		3,831	16,661	414	3,897	17,009	20,906	536	1987	2006	46
11740 Beltsville Drive	Bethesda	MD		198	870	9	202	875	1,077	36	1987	2006	46
1177 East Beltline Road	Coppell	TX	20,337	1,516	14,895	13	1,517	14,908	16,425	597	1998	2006	42
11781 Lee Jackson Memorial Highway	Fairfax	VA		3,246	19,836	167	3,302	19,948	23,250	999	1982	2006	40
1200 Concord Avenue	Concord	CA	20,519	6,395	24,664	551	6,504	25,106	31,610	1,673	1984	2006	34
12015 Lee Jackson Memorial Highway	Fairfax	VA		3,770	22,895	184	3,835	23,014	26,849	1,011	1985	2006	42
1220 Concord Avenue	Concord	CA	20,528	6,476	24,966	9	6,476	24,975	31,451	1,673	1984	2006	34
1221 Mopac Expressway	Austin	TX		3,290	31,548	459	3,361	31,935	35,296	1,045	2001	2006	55
1250 Capital of Texas Hwy South	Austin	TX		5,152	37,928	(51)	5,241	37,788	43,029	1,367	1984	2006	52

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.
Real Estate and Accumulated Depreciation December 31, 2006
(in thousands)

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

11 Dulles orner Park	Herndon	VA		7,279	46,340	406	7,404	46,621	54,026	1,674	1990	2006	5
711 N askell venue	Dallas	TX		8,597	97,681	647	8,753	98,171	106,924	5,858	1998	2006	3
30 irview rk Drive	Falls Church	VA		6,576	51,605	247	6,688	51,740	58,428	1,275	1999	2006	5
41 irview rk Drive	Falls Church	VA		5,918	40,981	295	6,038	41,157	47,195	1,340	1988	2006	5
41 irview rk Drive	Falls Church	VA		733	4,939	(4)	733	4,935	5,668	134	1988	2006	5
41 irview rk Drive	Falls Church	VA		297	1,964	1	297	1,965	2,262	40	1988	2006	5
01 Fair akes Court	Fairfax	VA		1,569	11,982	(47)	1,596	11,908	13,504	375	1988	2006	5
780 & 5790 eet Street	Carlsbad	CA	14,500	7,073	22,907	8	7,072	22,916	29,988	1,836	1999	2006	5
900 & 5950 a Place ourt	Carlsbad	CA	8,252	3,706	11,185	4	3,706	11,189	14,895	691	1988	2006	4
963 La ace Court	Carlsbad	CA	6,534	2,824	9,413	4	2,824	9,417	12,241	560	1987	2006	5
973 venida ncinas	Carlsbad	CA	5,486	2,121	8,361	3	2,121	8,364	10,485	618	1986	2006	4
500 ockledge rive	Bethesda	MD			37,421	36		37,457	37,457	733	1981	2006	5
300 Paragon ace	Richmond	VA		4,552	18,414	24	4,552	18,438	22,990	120	1986	2006	4
01 isconsin venue	Bethesda	MD		9,634	48,402	2,215	9,799	50,452	60,251	1,626	1975	2006	4
735 Old eorgetown oad	Bethesda	MD		4,370	23,192	261	4,445	23,379	27,824	903	1997	2006	4
260 reensboro rive	Mclean	VA	33,958	7,952	33,964	(50)	8,088	33,777	41,866	1,179	1980	2006	5
521 eesburg ke	Vienna	VA		4,316	30,885	549	4,390	31,360	35,749	1,166	1984	2006	5
typlace onference enter	Dallas	TX		505	5,071	2	505	5,073	5,578	137	1998	2006	3
929 Arch reet	Philadelphia	PA			208,570	79		208,649	208,649	5,659	2005	N/A	4

22 wedesford oad	Berwyn	PA		218			218		218		N/A	N/A	4
	Subtotal:		$ 878,969	$ 754,373	$ 3,887,653	$ 284,763	$ 756,383	$ 4,170,923	$ 4,927,305	$ 515,698			
eal Estate lassified as Held r Sale @ /31/06:													
60 - 180 est ermantown ke	East Norriton	PA	5,105	1,603	6,418	1,587	1,603	8,005	9,608	2,260	1982	1998	4
505/1507 BJ Freeway	Farmers Branch	TX		4,393	27,825	(603)	4,165	27,450	31,614	1,263	1989	2006	4
501/1503 BJ Freeway	Farmers Branch	TX		3,727	28,099	(4,142)	3,210	24,474	27,683	1,217	1985	2006	3
501 LBJ eeway	Dallas	TX		3,122	16,194	(65)	3,099	16,152	19,250	681	1982	2006	3
503 LBJ eeway	Dallas	TX		1,170	18,045	40	1,149	18,106	19,255	629	1985	2006	3
	Subtotal:		$ 5,105	$ 14,015	$ 96,580	$ (3,183)	$ 13,225	$ 94,186	$ 107,411	$ 6,050			
	Total:		$ 884,074	$ 768,388	$ 3,984,233	$ 281,579	$ 769,608	$ 4,265,108	$ 5,034,716	$ 521,748			

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(a) Reconciliation of Real Estate:

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

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

(b) Reconciliation of Accumulated Depreciation:

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

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

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

(2)

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