BRANDYWINE REALTY TRUST
Form 8-K
September 27, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant To Section 13 or 15(d)

of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 27, 2006

BRANDYWINE REALTY TRUST

(Exact name of issuer as specified in charter)

Maryland	**1-9106**	**23-2413352**
(State or Other Jurisdiction of Incorporation or Organization)	(Commission file number)	(I.R.S. Employer Identification Number)

555 East Lancaster Avenue, Suite 100

Radnor, Pennsylvania 19087

(Address of principal executive offices)

(610) 325-5600

(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events

Brandywine Realty Trust (the Company) is re-issuing its unaudited historical financial statements for the quarter ended March 31, 2006 in connection with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144). During the quarter ended June 30, 2006, the Company sold one property and classified another property as held for sale and in compliance with SFAS 144 has reported revenue and expenses of these properties as discontinued operations in its quarterly report for the quarter ended June 30, 2006. These two properties were acquired as part of the Company s merger with Prentiss on January 5, 2006. This reclassification has no effect on the Company s reported net income statement of cash flows or financial position. Since these properties were acquired in January 2006, there is no impact on financial statements filed prior to the quarter ended March 31, 2006.

This Report on Form 8-K updates Part I Items 1 and 2 and Part II Item 6 of the Company s March 31, 2006 Form 10-Q filed on May 10, 2006, to reflect the property sold and the property classified as held for sale during the quarter ended June 30, 2006 as discontinued operations. All other items of the March 31, 2006 Form 10-Q remain unchanged. The unchanged and updated sections of the Company s March 31, 2006 Form 10-Q are attached hereto as Exhibit 99.1. No attempt has been made to update matters in the Form 10-Q except to the extent expressly provided above.

Item 9.01 Financial Statements and Exhibit

Exhibit

99.1	Brandywine Realty Trust Updated March 31, 2006 Form 10-Q

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Date: September 27, 2006

BRANDYWINE REALTY TRUST

By: /s/ Gerard H. Sweeney

Gerard H. Sweeney
President and Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	**Description**
99.1	Brandywine Realty Trust Updated March 31, 2006 Form 10-Q

BRANDYWINE REALTY TRUST
TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. - Financial Statements

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

	March 31, 2006	December 31, 2005
ASSETS		
Real estate investments:		
Operating properties	$ 4,694,451	$ 2,560,061
Accumulated depreciation	(436,212)	(390,333)
Operating real estate investments, net	4,258,239	2,169,728
Construction-in-progress	296,049	273,240
Land held for development	142,263	98,518
Total real estate investments, net	4,696,551	2,541,486
Cash and cash equivalents	36,301	7,174
Escrowed cash	20,345	18,498
Accounts receivable, net	24,786	12,874
Accrued rent receivable, net	54,129	47,034
Marketable securities	189,775	
Asset held for sale	22,735	
Investment in real estate ventures	79,055	13,331
Deferred costs, net	44,873	37,602
Intangible assets, net	370,264	78,097
Other assets	62,064	49,649
Total assets	$ 5,600,878	$ 2,805,745
LIABILITIES AND BENEFICIARIES EQUITY		
Mortgage notes payable	$ 915,454	$ 494,777
Unsecured notes	2,047,584	936,607
Unsecured credit facility	100,000	90,000
Accounts payable and accrued expenses	86,358	52,635
Distributions payable	42,091	28,880
Tenant security deposits and deferred rents	38,346	20,953
Acquired below market leases, net of accumulated amortization of $12,457 and $6,931	108,075	34,704
Other liabilities	16,593	4,466
Mortgage notes payable and other liabilities held for sale	14,125	
Total liabilities	3,368,626	1,663,022
Minority interest	140,388	37,859
Commitments and contingencies (Note 15)		
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-90,900,778 in 2006 and 56,179,075 in 2005	909	562
Additional paid-in capital	2,395,530	1,369,913
Cumulative earnings	410,640	413,282
Accumulated other comprehensive income (loss)	846	(3,169)
Cumulative distributions	(716,104)	(675,767)
Total beneficiaries equity	2,091,864	1,104,864
Total liabilities and beneficiaries equity	$ 5,600,878	$ 2,805,745

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

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

	For the three-month periods ended March 31,	
	2006	**2005**
Revenue:		
Rents	$ 141,085	$ 81,228
Tenant reimbursements	17,892	12,082
Other	4,379	6,016
Total revenue	163,356	99,326
Operating Expenses:		
Property operating expenses	48,194	29,879
Real estate taxes	16,546	9,657
Depreciation and amortization	59,331	28,435
Administrative expenses	8,490	4,752
Total operating expenses	132,561	72,723
Operating income	30,795	26,603
Other Income (Expense):		
Interest income	2,650	378
Interest expense	(40,967)	(17,797)
Equity in income of real estate ventures	965	558
Income (loss) before minority interest	(6,557)	9,742
Minority interest - partners share of consolidated real estate ventures	286	
Minority interest attributable to continuing operations - LP units	376	(327)
Income (loss) from continuing operations	(5,895)	9,415
Discontinued operations:		
Income from discontinued operations	3,596	
Minority interest - partners share of consolidated real estate ventures	(187)	
Minority interest attributable to discontinued operations - LP units	(156)	
Income from discontinued operations	3,253	
Net income (loss)	(2,642)	9,415
Income allocated to Preferred Shares	(1,998)	(1,998)
Income (loss) allocated to Common Shares	$ (4,640)	$ 7,417
Basic earnings per Common Share:		
Continuing operations	$ (0.09)	$ 0.13
Discontinued operations	0.04	

	$ (0.05)	$ 0.13
Diluted earnings per Common Share:		
Continuing operations	$ (0.09)	$ 0.13
Discontinued operations	0.04	
	$ (0.05)	$ 0.13
Dividends declared per common share	$ 0.44	$ 0.44
Basic weighted average shares outstanding	89,299,967	55,441,773
Diluted weighted average shares outstanding	89,742,981	55,682,792

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

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

	For the three-month periods ended March 31,	
	2006	**2005**
Net income (loss)	$ (2,642)	$ 9,415
Other comprehensive income:		
Unrealized gain on derivative financial instruments	1,758	
Less: minority interest - consolidated real estate venture partner s share of unrealized gain on derivative financial instruments	(513)	
Realized gain on derivative financial instruments	3,266	
Reclassification of realized gains/losses on derivative financial instruments to operations, net	96	113
Unrealized gain (loss) on available-for-sale securities	(592)	192
Total other comprehensive income	4,015	305
Comprehensive income	$ 1,373	$ 9,720

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

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

	Three-month periods ended March 31, 2006	Three-month periods ended March 31, 2005
Cash flows from operating activities:		
Net income	$ (2,642)	$ 9,415
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	41,079	21,203
Amortization:		
Deferred financing costs	480	644
Deferred leasing costs	2,166	1,950
Acquired above (below) market leases, net	(1,939)	(505)
Assumed lease intangibles	16,806	5,282
Deferred compensation costs	776	691
Straight-line rent	(7,708)	(3,275)
Provision for doubtful accounts	1,056	400
Real estate venture income in excess of distributions	(486)	(146)
Minority interest	(319)	327
Changes in assets and liabilities:		
Accounts receivable	(4,018)	(213)
Other assets	(7,028)	(4,437)
Accounts payable and accrued expenses	3,870	(4,356)
Tenant security deposits and deferred rents	10,918	(416)
Other liabilities	2,681	(89)
Net cash from operating activities	55,692	26,475
Cash flows from investing activities:		
Acquisition of Prentiss, net	(935,856)	
Acquisition of properties	(12,480)	(11,629)
Sales of properties, net	134,064	
Capital expenditures	(52,364)	(33,247)
Investment in unconsolidated Real Estate Ventures	(358)	(48)
Escrowed cash	(454)	(811)
Cash distributions from unconsolidated Real Estate Ventures in excess of equity in income	1,717	190
Leasing costs	(2,621)	(3,182)
Net cash from investing activities	(868,352)	(48,727)
Cash flows from financing activities:		
Proceeds from Credit Facility borrowings	215,000	48,000
Repayments of Credit Facility borrowings	(205,000)	
Proceeds from mortgage notes payable	20,520	
Repayments of mortgage notes payable	(6,807)	(4,905)
Proceeds from term loan	750,000	
Repayments of term loan	(750,000)	
Proceeds from unsecured notes	847,818	
Proceeds from forward starting swap termination	3,266	
Repayments on employee stock loans	10	50
Debt financing costs	(5,581)	(59)
Exercise of stock options	1,923	7,120

Repurchases of Common Shares and minority interest units		(239)
Distributions paid to shareholders	(27,985)	(26,456)
Distributions to minority interest holders	(1,377)	(1,132)
Net cash from financing activities	841,787	22,379
Increase in cash and cash equivalents	29,127	127
Cash and cash equivalents at beginning of period	7,174	15,346
Cash and cash equivalents at end of period	$ 36,301	$ 15,473
Supplemental disclosure:		
Cash paid for interest, net of capitalized interest	$ 39,191	$ 8,828
Supplemental disclosure of non-cash activity:		
Common shares issued in the Prentiss acquisition	1,021,269	
Operating Partnership units issued in the Prentiss acquisition	64,103	
Mortgage notes payable assumed in the Prentiss acquisition	532,607	

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

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

1. THE COMPANY

Brandywine Realty Trust, a Maryland real estate investment trust (collectively with its subsidiaries, the Company), 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. As of March 31, 2006, the Company owned 279 office properties, 23 industrial facilities and 1 mixed-use property (collectively, the Properties) containing an aggregate of approximately 30.3 million net rentable square feet. As of March 31, 2006, the Company owned economic interests in ten unconsolidated real estate ventures that contain approximately 2.7 million net rentable square feet (the Real Estate Ventures) and in four consolidated real estate ventures that own 16 office properties containing approximately 1.6 million net rentable square feet. The Properties are located in or areas surrounding Philadelphia, Pennsylvania; Wilmington, Delaware; Austin, Texas; Dallas, Texas; Richmond, Virginia; Northern and Southern California; Southern and Central New Jersey and Northern Virginia.

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

The Company owns its assets through Brandywine Operating Partnership, L.P. a Delaware limited partnership (the Operating Partnership). The Company is the sole general partner of the Operating Partnership and, as of March 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., Brandywine Properties I Limited, Inc. (BPI), and Brandywine Properties Management, L.P. (BPM). BRSCO, BTRS, Inc. and BPI are taxable REIT subsidiaries. The Operating Partnership owns a 95% interest in BRSCO and the remaining 5% interest is owned by a partnership comprised of a current executive and former executive of the Company, each of whom is a member of the Company s Board of Trustees. The Company owns 100% of BTRS, Inc. BPM is a limited partnership that is 99% owned by Brandywine Acquisition Partners, L.P. The other 1% of BPM is owned by BPI.

As of March 31, 2006, the Management Companies were managing properties containing an aggregate of approximately 44.2 million net rentable square feet, of which approximately 30.3 million net rentable square feet related to Properties owned by the Company and approximately 13.9 million net rentable square feet related to properties owned by third parties and certain Real Estate Ventures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared by the Company without audit except as to the balance sheet as of December 31, 2005, which has been derived from audited data, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the included disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (consisting solely of normal recurring matters) for a fair statement of the financial position of the Company as of March 31, 2006, the results of its operations for the three-month periods ended March 31, 2006 and 2005 and its cash flows for the three-month periods ended March 31, 2006 and 2005 have been included. The results of operations for such interim periods are not necessarily indicative of the results for a full year. These consolidated financial statements should be read in conjunction with the Company s consolidated financial statements and footnotes included in the Company s 2005 Annual Report on Form 10-K. Certain prior period amounts have been reclassified to conform to the current period presentation.

Principles of Consolidation

The accompanying consolidated financial statements include all accounts of the Company, and its majority-owned and/or controlled subsidiaries. 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.

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

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). The Company consolidates (i) entities that are VIEs where the Company is deemed to be the primary beneficiary and (ii) entities that are non-VIEs which the Company controls. 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 where the Company is not deemed to be the primary beneficiary and (ii) entities that are non-VIEs which the Company does not control, but over which the Company has the ability to exercise significant influence. The Company will reconsider its determination of whether an entity is a VIE and who the primary beneficiary is if certain events occur that are likely to cause a change in the original determinations.

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. 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. 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.

Characteristics considered by the Company in allocating value to its tenant relationships include the nature and extent

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

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.

Revenue Recognition and Accounts Receivable

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 $7.7 million and $3.3 million for the three-month periods ended March 31, 2006 and 2005. Tenant receivables and accrued rent receivables are carried net of the allowances for doubtful accounts of $6.9 million as of March 31, 2006 and $4.9 million as of December 31, 2005. The allowance is based on management s evaluation of the collectability of receivables, taking into account tenant specific considerations as well as the overall credit of the tenant portfolio. 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 the three-month periods ended March 31, 2006 and 2005, other income includes net termination fees of $0.6 million and $4.0 million, respectively. Deferred rents represent rental revenue received from tenants prior to their due dates.

Beginning in 2002, SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, required us to separately report as discontinued operations the historical operating results attributable to operating properties sold or held for sale and the applicable gain or loss on the disposition of the properties. The consolidated statements of operations for prior periods are also adjusted to conform with this classification. There is no impact on our previously reported consolidated financial position, net income or cash flows. In all cases, gains and losses are recognized using the full accrual method of accounting. Gains relating to transactions which do not meet the requirements of the full accrual method of accounting are deferred and recognized when the full accrual method of accounting criteria are met.

Stock-based Compensation Plans

The Company maintains a shareholder-approved equity incentive plan that authorizes various equity-based awards including incentive stock options. The terms and conditions of option awards are determined by the Board of Trustees or the Compensation Committee of the Board. Incentive stock options may not be granted at exercise prices less than fair value of the stock at the time of grant. Options granted by the Company generally vest over two to five years. All options awarded by the Company to date are non-qualified stock options. As of March 31, 2006 the Company was authorized to issue 6,600,000 common shares under the incentive plan of which 2.7 million shares remained available for future award under the plan.

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 income. In the three months ended March 31, 2006 and 2005, the Company recognized $776,000 and $691,000 of stock-based compensation expense, respectively.

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 2003, 2004, and 2005. Accordingly, had the Company applied the fair value recognition provisions of SFAS 123, the net income applicable to common shares would remain the same on a pro forma basis for the quarter ended March 31, 2006, and would have been reduced by $139,000 for the quarter ended March 31, 2005, with no change in basic or diluted net income per share.

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

The Company s primary share-based compensation plan is restricted stock which is issued under a shareholder approved equity incentive plan that authorizes various equity-based awards. As of March 31, 2006, 378,653 restricted shares were outstanding and vest over five years. The remaining compensation expense to be recognized associated with the 378,653 restricted shares outstanding at March 31, 2006 was approximately $10.2 million. That expense is expected to be recognized over a weighted average remaining vesting period of 2.4 years. For the three months ended March 31, 2006, the Company recognized $776,000 of compensation expense related to our outstanding restricted stock. The following table summarizes our restricted stock activity for the first three months of 2006:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2006	316,134	$ 25.62
Granted	227,113	30.49
Vested	(156,274)	26.19
Forfeited	(8,320)	29.49
Nonvested at March 31, 2006	378,653	$28.22

At March 31, 2006, the Company had 1,698,648 options outstanding under the shareholder approved equity incentive plan. No options are unvested as of March 31, 2006 and therefore there is no remaining unrecognized compensation expense associated with these options. Option activity as of March 31, 2006 and changes during the three months ended March 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	0.87	4,841
Exercised	(74,111)	24.41	0.94	545
Forfeited	—	—	—	—
Outstanding at March 31, 2006	1,698,648	25.52	2.17	10,601
Vested and expected to vest at March 31, 2006	1,698,648	$ 25.52	2.17	10,601
Exercisable at March 31, 2006	1,698,648	$ 25.52	2.17	10,601

There were no option awards granted to employees during the three-months ended March 31, 2006 and 2005.

As of March 31, 2006, $10.2 million of total unrecognized compensation expense cost related to non-vested stock-based compensation awards is expected to be recognized over a weighted-average period of 2.4 years.

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

Accounting for Derivative Instruments and Hedging Activities

The Company accounts for its derivative instruments and hedging activities under SFAS No. 133 (SFAS 133), *Accounting for Derivative Instruments and Hedging Activities*, and its corresponding amendments under SFAS No. 138, *Accounting for Certain Derivative Instruments and Hedging Activities An Amendment of SFAS 133*. SFAS 133 requires the Company to measure every derivative instrument (including certain derivative instruments embedded in other contracts) at fair value and record them in the balance sheet as either an asset or liability. For derivatives designated as fair value hedges, the changes in fair value of both the derivative instrument and the hedged item are recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of changes in the fair value of the derivative are reported in other comprehensive income. Changes in fair value of derivative instruments and ineffective portions of hedges are recognized in earnings in the current period. For the three-month periods ended March 31, 2006 and 2005, the Company was not party to any derivative contract designated as a fair value hedge.

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.

Income Taxes

The Company and a subsidiary REIT elect to be taxed as real estate investment trusts under Sections 856-860 of the Internal Revenue Code. In order to maintain its qualification as a REIT, the Company is required, among other things, to distribute at least 90% of its REIT taxable income to its shareholders and meet certain tests regarding the nature of its income and assets. As a REIT, the Company is not subject to federal income tax with respect to that portion of its income which meets certain criteria and is distributed annually to the shareholders. Accordingly, no provision for federal income taxes is included in the accompanying consolidated financial statements. The Company plans to continue to operate so that it meets the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. If the Company 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.

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

New Pronouncements

In February 2006, the FASB issued SFAS No.155, *Accounting for Certain Hybrid Financial Instruments An Amendment of FASB No. 133 and 140.* The purpose of SFAS No.155 is to simplify the accounting for certain hybrid financial instruments by permitting fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. SFAS No. 155 also eliminates the restriction on passive derivative instruments that a qualifying special-purpose entity may hold. SFAS No. 150 is effective for all financial instruments acquired or issued after the beginning of an entity s first fiscal year beginning after September 15, 2006. The Company does not expect the adoption of this standard on January 1, 2007 to have a material effect on the consolidated financial statements.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets, an Amendment of SFAS No. 140.* SFAS No. 156 requires separate recognition of a servicing asset and a servicing liability each time an entity undertakes an obligation to service a financial asset by entering into a service contract. This statement also requires that servicing assets and liabilities be initially recorded at fair value and subsequently adjusted to the fair value at the end of each reporting period. This statement is effective in fiscal years beginning after September 15, 2006. The Company does not expect the adoption of this standard on January 1, 2007 to have a material effect on the consolidated financial statements.

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 June 2005, the Emerging Issues Task Force issued 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 scope of EITF 04-05 is limited to limited partnerships or similar entities that are not variable interest entities under FIN 46R. The Task Force reached a consensus that the general partners in a limited partnership (or similar entity) are presumed to control the entity regardless of the level of their ownership and, accordingly, may be required to consolidate the entity. This presumption may be overcome if the agreements provide the limited partners with either (a) the substantive ability to dissolve (liquidate) the limited partnership or otherwise remove the general partners without cause or (b) substantive participating rights. If it is deemed that the limited partners rights overcome the presumption of control by a general partner of the limited partnership, the general partner shall account for its investment in the limited partnership using the equity method of accounting. EITF 04-05 was effective immediately for all arrangements created or modified after June 29, 2005. For all other arrangements, application of EITF 04-05 is required effective for the first reporting period in fiscal years beginning after December 15, 2005 (i.e., effective January 1, 2006 for the Company) using either a cumulative-effect-type adjustment or using a retrospective application. The adoption of EITF 04-05 did not have an effect on the Company s consolidated financial statements.

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

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

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.

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.

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.

3. REAL ESTATE INVESTMENTS

As of March 31, 2006 and December 31, 2005, the carrying value of the Company s operating properties was as follows:

	March 31, 2006	December 31, 2005
	(amounts in thousands)	
Land	$ 738,657	$ 456,736
Building and improvements	3,661,860	1,951,252
Tenant improvements	293,934	152,073
	4,694,451	2,560,061
Less: accumulated depreciation	(436,212)	(390,333)
Operating real estate investments, net	$ 4,258,239	$ 2,169,728

Acquisitions and Dispositions

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

2006

On January 5, 2006, the Company acquired Prentiss under 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 (includes 13 properties that are owned by consolidated joint ventures and 7 properties that are owned by an

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

unconsolidated joint venture) that contain an aggregate of 14.0 million net rentable square feet. The results of the operations of Prentiss have been included in the Company s condensed consolidated financial statements since January 5, 2006.

Subsequent to its acquisition of Prentiss and the related sale of certain properties to Prudential, the Company sold eight of these acquired properties that contained an aggregate of 1.6 million net rentable square feet. One additional property acquired in the acquisition of Prentiss is classified as held for sale at March 31, 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 the 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	264,726
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

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

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 for the accounts of the former Prentiss shareholders. Based on 1,572,612 Prentiss OP Units outstanding at closing of the acquisition, 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 the Company s acquisition of Prentiss we 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. At the Operating Partnership s option, they may satisfy the redemption either for an amount, per unit, of cash equal to the then market price of one Brandywine common share (based on the prior ten-day trading average) or for one Brandywine common share. The Brandywine Class A Units issued in the merger were not registered under the Securities Act of 1933, or any state securities laws, and may not be offered or sold in the United States absent registration or an applicable exemption from registration.

For purposes of computing the total purchase price, the common shares, operating partnership units, restricted shares and options that were issued in the Prentiss transaction were valued based on the average trading price per Brandywine 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):

	Three-month periods ended March 31,	
	2006	**2005**
	(unaudited)	
Pro forma revenue	$ 166,760	$ 169,921
Pro forma loss from continuing operations	(5,546)	(628)
Pro forma loss allocated to common shares	(4,291)	(2,645)
Earnings per common share from continuing operations		
Basic as reported	$ (0.09)	$ 0.13
Basic as pro forma	$ (0.08)	$ (0.03)
Diluted - as reported	$ (0.09)	$ 0.13

Diluted - as pro forma	$	(0.08)	$	(0.03)
Earnings per common share				
Basic as reported	$	(0.05)	$	0.13
Basic as pro forma	$	(0.05)	$	(0.03)
Diluted - as reported	$	(0.05)	$	0.13
Diluted - as pro forma	$	(0.05)	$	(0.03)

During the three-months ended March 31, 2006, the Company also acquired one office property containing 92,980 net rentable square feet for $10.2 million.

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

2005

During the three-month period ended March 31, 2005, the Company acquired 6.9 acres of developable land for an aggregate purchase price of $11.6 million.

4. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURES

As of March 31, 2006, the Company had an aggregate investment of approximately $76.7 million in ten unconsolidated Real Estate Ventures (net of returns of investment). The Company and 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 Charlottesville, Virginia.

The Company also has investments in four real estate ventures that are variable interest entities under FIN No. 46R and of which the Company is the primary beneficiary.

The Company accounts for its non-consolidating interests in its Real Estate Ventures using the equity method. Non-consolidating ownership interests range from 6% to 50%, subject to specified priority allocations in certain of the Real Estate Ventures. The Company s investments, initially recorded at cost, are subsequently adjusted for the Company s share of the Real Estate Ventures income or loss and cash contributions and distributions.

The amounts reflected below (except for the 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 following is a summary of the financial position of the Real Estate Ventures as of March 31, 2006 and December 31, 2005 (in thousands):

	March 31, 2006	December 31, 2005
Operating property, net of accumulated depreciation	$ 358,727	$ 286,601
Other assets	50,284	32,267
Liabilities	25,582	24,855
Debt	331,987	205,018
Equity	51,442	88,995
Company s investment in real estate ventures	76,712	13,331

In addition to its investment in the ten unconsolidated Real Estate Ventures, the Company also has an investment of $2.3 million in Prentiss Properties Capital Trust I and Prentiss Properties Capital Trust II that is accounted for using the cost method of accounting.

The following is a summary of results of operations of the Real Estate Ventures for the three-month periods ended March 31, 2006 and 2005 (in thousands):

Three-month periods ended March 31,

	2006	2005
Revenue	$ 19,724	$ 11,120
Operating expenses	7,994	4,930
Interest expense, net	4,994	2,785
Depreciation and amortization	4,873	2,218
Net income	1,862	1,187
Company s share of income (Company basis)	965	558

As of March 31, 2006, the Company had guaranteed repayment of approximately $0.6 million of loans for the 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 the Real Estate Ventures.

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

5. INTANGIBLE ASSETS

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

	March 31, 2006		
	Total Cost	**Accumulated Amortization**	**Deferred Costs, net**
In-place lease value	$ 236,905	$ (27,284)	$ 209,621
Tenant relationship value	136,027	(9,202)	126,825
Above market leases acquired	41,686	(7,868)	33,818
Total	$ 414,618	$ (44,354)	$ 370,264

	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

6. MORTGAGE NOTES PAYABLE

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

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

Property / Location	March 31, 2006	December 31, 2005	Effective Interest Rate		Maturity Date
111 Arrandale Blvd	$ 1,028	$ 1,043	8.65%		Aug-06
429 Creamery Way	2,885	2,927	8.30%		Sep-06
Interstate Center	715	766	5.81%	(b)	Mar-07
440 & 442 Creamery Way	5,542	5,581	8.55%		Jul-07
Norriton Office Center	5,170	5,191	8.50%		Oct-07
481 John Young Way	2,344	2,360	8.40%		Nov-07
400 Commerce Drive	11,945	11,989	7.12%		Jun-08
Two Logan Square	72,196	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	5,893	5,911	7.12%	(a)	Jan-10
Presidents Plaza	30,900		6.00%		May-10
1333 Broadway	24,848		5.18%		May-10
The Ordway	46,683		7.95%		Aug-10
World Savings Center	27,783		7.91%		Nov-10
Plymouth Meeting Exec.	44,545	44,687	7.00%	(a)	Dec-10
Four Tower Bridge	10,729	10,763	6.62%		Feb-11
Arboretum I, II, III & V	23,119	23,238	7.59%		Jul-11
Midlantic Drive/Lenox Drive/DCC I	63,504	63,803	8.05%		Oct-11
Research Office Center	42,682		7.64%	(a)	Oct-11
Concord Airport Plaza	39,080		7.20%	(a)	Jan-12
Six Tower Bridge	14,999	15,083	7.79%		Aug-12
Newtown Square/Berwyn Park/Libertyview	64,164	64,429	7.25%		May-13
Southpoint III	5,314	5,431	7.75%		Apr-14
Tysons Corner	100,000		4.84%	(a)	Aug-15
Grande A	60,792	61,092	7.48%		Jul-27
Grande A	9,511	11,456	7.72%	(b)	Jul-27
Grande A	458	1,551	7.89%	(b)	Jul-27
Grande B	78,651	79,036	7.48%		Jul-27
Coppell Associates	16,600		5.75%		Mar-16
Coppell Associates	3,895		6.89%		Dec-13
Principal balance outstanding	898,175	488,805			
Plus: unamortized fixed-rate debt premiums	17,279	5,972			
Total mortgage indebtedness	$ 915,454	$ 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 March 31, 2006 have been presented.

During the three-month periods ended March 31, 2006 and 2005, the Company s weighted-average interest rate on its mortgage notes payable was 6.3% and 7.1%, respectively.

7. 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 (the 2009 Notes), (2) $300,000,000 aggregate principal amount of its 5.75% notes due 2012 (the 2012 Notes) and (3) $250,000,000 aggregate principal amount of its 6.00% 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 following table sets forth information regarding our unsecured notes outstanding (in thousands):

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

Year of Maturity	March 31, 2006	December 31, 2005	Maturity	Stated Interest Rate		Effective Interest Rate
2007	$ 184,647	$	Feb-07	4.46%	(b)	4.46%
2008	113,000	113,000	Dec-08	4.34%	(a)	4.34%
2009	300,000		Apr-09	Libor + 0.45%	(a)	5.41%
2009	275,000	275,000	Nov-09	4.50%	(a)	4.62%
2010	300,000	300,000	Dec-10	5.625%	(a)	5.61%
2012	300,000		Apr-12	5.75%	(a)	5.77%
2014	250,000	250,000	Nov-14	5.40%	(a)	5.53%
2016	250,000		Apr-16	6.00%	(a)	5.95%
2035	27,062		Mar-35	Libor + 1.25%	(b)	6.21%
2035	25,774		Apr-35	Libor + 1.25%	(b)	6.21%
2035	25,774		Jul-35	Libor + 1.25%	(b)	6.21%
Total face amount	$ 2,051,257	$ 938,000				
Less: unamortized discounts	(3,673)	(1,393)				
Total unsecured notes	$ 2,047,584	$ 936,607				

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

(b) Loans were assumed as part of the acquisition of Prentiss. Interest rates presented above reflect the market rate at time of acquisition.

The indenture relating to the $300 million 2009, $275 million 2009, $300 million 2010, $300 million 2012, $250 million 2014 and $250 million 2016 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 the 2008 unsecured notes contains covenants that are similar to the above covenants.

The loan with a maturity date of February 2007 is the result of a voluntary defeasance that was completed in the fourth quarter of 2005 by Prentiss. On October 7, 2005, Prentiss exercised the right to complete a voluntary defeasance of their $180.1 million PPREFI portfolio loan collateralized by certain properties acquired by the Company. Pursuant to the defeasance, Prentiss transferred the mortgage loan to an unrelated successor entity along with the proceeds necessary to acquire U.S. Treasury Securities sufficient to cover debt service including both interest and principal payments from the defeasance date through maturity of the loan. The U.S. Treasury Securities are included in investment in marketable securities on the balance sheet. The loan may be repaid at par beginning in November 2006. Management intends to elect to prepay the loan at par when allowed to do so, at which point it expects to receive a portion of the proceeds of the sales of the securities in excess of the loan balance.

8. 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 our existing lenders or new lenders. As of March 31, 2006, the Company had $100.0 million of borrowings and $10.7 million of letters of credit outstanding under the Credit Facility, leaving $489.3 million of unused availability.

For the three-month periods ended March 31, 2006 and 2005, the weighted-average interest rate on the Company s unsecured credit facilities, including the effect of interest rate hedges, was 5.4% during 2006 and 3.4% during 2005.

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

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

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

Concentration of Credit Risk

Concentrations of credit risk arise when a number of tenants related to the Company s investments or rental operations are engaged in similar business activities, or are located in the same geographic region, or have similar economic features that would cause their inability to meet contractual obligations, including those to the Company, to be similarly affected. The Company regularly monitors its tenant base to assess potential concentrations of credit risk. Management believes the current credit risk portfolio is reasonably well diversified and does not contain any unusual concentration of credit risk. No tenant accounted for 5% or more of the Company s rents during the three-month periods ended March 31, 2006 or 2005.

10. DISCONTINUED OPERATIONS

For the three-month period ended March 31, 2006, income from discontinued operations relates to 10 properties that the Company sold during 2006 and one property designated as held-for-sale as of March 31, 2006. These properties were acquired by the Company as part of its acquisition of Prentiss. For the three month-period ended March 31, 2005, the Company had no discontinued operations. The following table summarizes the balance sheet information for the one property identified as held for sale at March 31, 2006 (in thousands):

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

Real Estate Investments:		
Operating Properties	$	23,282
Accumulated depreciation		(1,066)
		22,216
Other assets		519
Total Assets Held for Sale	$	22,735
Mortgage note payable and other liabilities	$	14,125

The following table summarizes the revenue and expense information for properties classified as discontinued operations for the three-month period ended March 31, 2006 (in thousands):

		Three-month period ended March 31, 2006
Revenue:		
Rents	$	6,697
Tenant reimbursements		1,211
Other		206
Total revenue		8,114
Expenses:		
Property operating expenses		2,191
Real estate taxes		1,148
Depreciation and amortization		1,003
Total operating expenses		4,342
Operating income		3,772
Interest expense		(176)
Income from discontinued operations before gain on sale of interests in real estate and minority interest		3,596
Net gain on sale of interests in real estate		
Minority interest - partners share of consolidated real estate venture		(187)
Minority interest attributable to discontinued operations - LP units		(156)