BRANDYWINE REALTY TRUST
Form 10-Q
May 10, 2007

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

(Mark One)

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2007

or

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

Commission file number **001-9106 (Brandywine Realty Trust)**
000-24407 (Brandywine Operating Partnership, L.P.)

Brandywine Realty Trust
Brandywine Operating Partnership, L.P.
(Exact name of registrant as specified in its charter)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Brandywine Realty Trust	Yes o No þ

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

A total of 87,045,858 Common Shares of Beneficial Interest, par value $0.01 per share, were outstanding as of May 9, 2007.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Brandywine Realty Trust

		Page
Item 1.	Financial Statements (unaudited)	
	Consolidated Balance Sheets as of March 31, 2007 and December 31, 2006	3
	Consolidated Statements of Operations for the three-month periods ended March 31, 2007 and 2006	4
	Consolidated Statements of Other Comprehensive Income for the three-month periods ended March 31, 2007 and 2006	5
	Consolidated Statements of Cash Flows for the three-month periods ended March 31, 2007 and March 31, 2006	6
	Notes to Unaudited Consolidated Financial Statements	7
	Brandywine Operating Partnership, L.P.	
Item 1.	Financial Statements (unaudited)	
	Consolidated Balance Sheets as of March 31, 2007 and December 31, 2006	30
	Consolidated Statements of Operations for the three-month periods ended March 31, 2007 and 2006	31
	Consolidated Statements of Other Comprehensive Income for the three-month periods ended March 31, 2007 and 2006	32
	Consolidated Statements of Cash Flows for the three-month periods ended March 31, 2007 and March 31, 2006	33
	Notes to Unaudited Consolidated Financial Statements	34
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	56
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	68
Item 4.	Controls and Procedures	68

PART II - OTHER INFORMATION

Item 1.	Legal Proceedings	68

Item 1A.	Risk Factors	69
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	69
Item 3.	Defaults Upon Senior Securities	69
Item 4.	Submission of Matters to a Vote of Security Holders	69
Item 5.	Other Information	69
Item 6.	Exhibits	69
	Signatures	71

Amended and Restated 1997 Long-Term Incentive Plan
2007 Non-Qualified Employee Share Purchase Plan
Restricted Share Award
Statement re Computation of Ratios of Brandywine Realty Trust
Statement re Computation of Ratios of Brandywine Operating Partnership, L.P.
Certification of Chief Executive Officer
Certification of Chief Financial Officer
Certification of Chief Executive Officer, in its capacity as the general partner
Certification of Chief Financial Officer, in its capacity as the general partner
Certification of Chief Executive Officer, as Adopted Pursuant to Section 906
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Certification of Chief Financial Officer, in its capacity as the general partner, as Adopted Pursuant to Section 906

Filing Format

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

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, 2007	December 31, 2006
ASSETS		
Real estate investments:		
Operating properties	$ 4,773,814	$ 4,927,305
Accumulated depreciation	(522,286)	(515,698)
Operating real estate investments, net	4,251,528	4,411,607
Development land and construction-in-progress	346,555	328,119
Total real estate investments, net	4,598,083	4,739,726
Cash and cash equivalents	3,885	25,379
Cash escrowed with qualified intermediary (Note 3)	109,102	
Accounts receivable, net	18,339	19,957
Accrued rent receivable, net	72,433	71,589
Asset held for sale, net	127,333	126,016
Investment in real estate ventures, at equity	72,983	74,574
Deferred costs, net	77,002	73,708
Intangible assets, net	248,384	281,251
Other assets	107,936	96,818
Total assets	$ 5,435,480	$ 5,509,018
LIABILITIES AND BENEFICIARIES EQUITY		
Mortgage notes payable	$ 879,232	$ 883,920
Unsecured notes, net of discounts	1,908,435	2,208,310
Unsecured credit facility	404,000	60,000
Accounts payable and accrued expenses	103,650	108,400
Distributions payable	42,321	42,760
Tenant security deposits and deferred rents	58,655	55,697
Acquired below market leases, net	76,639	92,527
Other liabilities	16,620	14,661
Mortgage notes payable and other liabilities held for sale	14,404	20,826
Total liabilities	3,503,956	3,487,101
Minority interest partners share of consolidated real estate ventures		34,428
Minority interest attributable to continuing operations LP units	87,664	89,563
Commitments and contingencies (Note 14)		
Beneficiaries equity:		
Preferred Shares (shares authorized 20,000,000):		
	20	20

7.50% Series C Preferred Shares, $0.01 par value; issued and outstanding 2,000,000 in 2007 and 2006		
7.375% Series D Preferred Shares, $0.01 par value; issued and outstanding 2,300,000 in 2007 and 2006	23	23
Common Shares of beneficial interest, $0.01 par value; shares authorized 200,000,000; issued and outstanding 87,302,191 in 2007 and 88,327,041 in 2006	872	883
Additional paid-in capital	2,277,828	2,311,541
Cumulative earnings	443,136	423,764
Accumulated other comprehensive income (loss)	2,428	1,576
Cumulative distributions	(880,447)	(839,881)
Total beneficiaries equity	1,843,860	1,897,926
Total liabilities, minority interest and beneficiaries equity	$ 5,435,480	$ 5,509,018

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,	
	2007	**2006**
Revenue:		
Rents	$ 137,940	$ 123,069
Tenant reimbursements	20,823	16,634
Other	4,338	4,215
Total revenue	163,101	143,918
Operating Expenses:		
Property operating expenses	61,232	55,181
Depreciation and amortization	62,047	51,212
Administrative expenses	7,269	8,490
Total operating expenses	130,548	114,883
Operating income	32,553	29,035
Other Income (Expense):		
Interest income	787	2,650
Interest expense	(40,358)	(40,378)
Interest expense Deferred financing costs	(1,258)	(479)
Equity in income of real estate ventures	754	965
Income (loss) before minority interest	(7,522)	(8,207)
Minority interest partners share of consolidated real estate ventures	(116)	298
Minority interest attributable to continuing operations LP units	411	435
Income (loss) from continuing operations	(7,227)	(7,474)
Discontinued operations:		
Income from discontinued operations	1,776	5,246
Net gain on disposition of discontinued operations	26,009	
Minority interest partners share of consolidated real estate ventures		(187)
Minority interest attributable to discontinued operations LP units	(1,186)	(227)
Income from discontinued operations	26,599	4,832
Net income (loss)	19,372	(2,642)
Income allocated to Preferred Shares	(1,998)	(1,998)
Income (loss) allocated to Common Shares	$ 17,374	$ (4,640)
Basic earnings per Common Share:		

Continuing operations	$ (0.10)	$ (0.11)
Discontinued operations	0.30	0.05
	$ 0.20	$ (0.05)
Diluted earnings per Common Share:		
Continuing operations	$ (0.10)	$ (0.11)
Discontinued operations	0.30	0.05
	$ 0.19	$ (0.05)
Dividends declared per Common Share	$ 0.44	$ 0.44
Basic weighted average shares outstanding	88,287,426	89,299,967
Diluted weighted average shares outstanding	89,236,342	89,742,981

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,	
	2007	**2006**
Net income (loss)	$ 19,372	$ (2,642)
Other comprehensive income:		
Unrealized gain (loss) on derivative financial instruments	1,450	1,758
Less: minority interest consolidated real estate venture partner s share of unrealized gain (loss) on derivative financial instruments		(513)
Settlement of forward starting swaps		3,266
Reclassification of realized (gains)/losses on derivative financial instruments to operations, net	9	96
Unrealized gain (loss) on available-for-sale securities	(607)	(592)
Total other comprehensive income (loss)	852	4,015
Comprehensive income	$ 20,224	$ 1,373

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, 2007	2006
Cash flows from operating activities:		
Net income (loss)	$ 19,372	$ (2,642)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	48,508	41,079
Amortization:		
Deferred financing costs	1,257	480
Deferred leasing costs	3,842	2,166
Acquired above (below) market leases, net	(3,613)	(1,939)
Acquired lease intangibles	14,247	16,806
Deferred compensation costs	1,213	776
Straight-line rent	(7,063)	(7,708)
Provision for doubtful accounts	500	1,056
Real estate venture income in excess of distributions	(84)	(486)
Net gain on sale of interests in real estate	(26,009)	
Minority interest	891	(319)
Changes in assets and liabilities:		
Accounts receivable	5,416	(4,018)
Other assets	(11,167)	(7,482)
Accounts payable and accrued expenses	7,286	3,870
Tenant security deposits and deferred rents	3,390	10,918
Other liabilities	(7,465)	2,681
Net cash from operating activities	50,521	55,238
Cash flows from investing activities:		
Acquisition of Prentiss		(935,856)
Acquisition of properties		(12,480)
Acquisition of minority interest partners share of consolidated real estate venture	(63,732)	
Sales of properties, net	109,127	134,064
Capital expenditures	(68,015)	(52,364)
Investment in unconsolidated real estate ventures	(512)	(358)
Cash distributions from unconsolidated real estate ventures in excess of equity in income	1,849	1,717
Leasing costs	(9,259)	(2,621)
Net cash from investing activities	(30,542)	(867,898)
Cash flows from financing activities:		
Proceeds from Credit Facility borrowings	442,000	215,000
Repayments of Credit Facility borrowings	(98,000)	(205,000)
Proceeds from mortgage notes payable		20,520
Repayments of mortgage notes payable	(4,695)	(6,807)
Proceeds from term loan		750,000

Repayments of term loan		(750,000)
Proceeds from unsecured notes		847,818
Repayments of unsecured notes	(299,866)	
Proceeds from forward starting swap termination		3,266
Repayments on employee stock loans		10
Debt financing costs	(72)	(5,581)
Exercise of stock options	6,166	1,923
Repurchases of Common Shares	(44,677)	
Distributions paid to shareholders	(41,031)	(27,985)
Distributions to minority interest holders	(1,298)	(1,377)
Net cash from financing activities	(41,473)	841,787
Increase (decrease) in cash and cash equivalents	(21,494)	29,127
Cash and cash equivalents at beginning of period	25,379	7,174
Cash and cash equivalents at end of period	$ 3,885	$ 36,301
Supplemental disclosure:		
Cash paid for interest, net of capitalized interest	$ 24,023	$ 23,350
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
Cash escrowed with qualified intermediary (Note 3)	109,102	
Debt, minority interest and other liabilities, net, assumed in the Prentiss acquisition		679,520

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

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

1. THE COMPANY

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 March 31, 2007, the Company owned 236 office properties, 23 industrial facilities and one mixed-use property (collectively, the Properties) containing an aggregate of approximately 26.5 million net rentable square feet. The Company also has six properties under development and 12 properties under redevelopment containing an aggregate 2.7 million net rentable square feet. As of March 31, 2007, the Company consolidates three office properties owned by real estate ventures containing 0.4 million net rentable square feet. Therefore, the Company wholly owns or consolidates 281 properties with an aggregate of 29.6 million net rentable square feet. As of March 31, 2007, the Company owned economic interests in 11 unconsolidated real estate ventures that contain approximately 2.8 million net rentable square feet (collectively, the Real Estate Ventures). The Properties and the properties owned by the Real Estate Ventures are located in and surrounding Philadelphia, PA, Wilmington, DE, Southern and Central New Jersey, Richmond, VA, Metropolitan Washington, D.C., Dallas/Fort Worth, TX, Austin, TX, Oakland and San Diego, CA.

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 March 31, 2007, owned a 95.7% interest in the Operating Partnership. The Company conducts its third-party real estate management services business primarily through four management companies (collectively, the Management Companies): Brandywine Realty Services Corporation (BRSCO), BTRS, Inc. (BTRS), Brandywine Properties I Limited, Inc. (BPI) and Brandywine Properties Management, L.P. (BPM). Each of BRSCO, BTRS and BPI is a taxable REIT subsidiary. The Operating Partnership owns a 95% interest in BRSCO and the remaining 5% interest is owned by a partnership comprised of a current executive and former executive of the Company, each of whom is a member of the Company s Board of Trustees. The Operating Partnership owns, directly and indirectly, 100% of each of BTRS, BPI and BPM.

As of March 31, 2007, the Management Companies were managing properties containing an aggregate of approximately 41.1 million net rentable square feet, of which approximately 26.5 million net rentable square feet related to Properties owned by the Company and approximately 12.8 million net rentable square feet related to properties owned by third parties and Real Estate Ventures. Unless otherwise indicated, all references to square feet represent net rentable area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

2006 and its cash flows for the three-month periods ended March 31, 2007 and 2006 have been included. The results of operations for such interim periods are not necessarily indicative of the results for a full year. These consolidated financial statements should be read in conjunction with the Company s consolidated financial statements and footnotes included in the Company s 2006 Annual Report on Form 10-K. Certain prior period amounts have been reclassified to conform to the current period presentation.

Principles of Consolidation

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

Use of Estimates

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

Operating Properties

Operating properties are carried at historical cost less accumulated depreciation and impairment losses. 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-

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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.

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 $7.1 and $7.7 million for the three-month periods ended March 31, 2007 and 2006. The leases also typically provide for tenant reimbursement of a portion of common area maintenance and other operating expenses to the extent that a tenant s pro rata share of expenses exceeds a base year level set in the lease. Tenant receivables and accrued rent receivables are carried net of the allowances for doubtful accounts of $8.7 million as of March 31, 2007 and $9.3 million as of December 31, 2006. The allowance is based on management s evaluation of the collectability of receivables, taking into account tenant specific considerations as well as the overall credit of the tenant portfolio. Other income is recorded when earned and is primarily comprised of 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, 2007 and 2006, other income includes termination fees of $1.3 million and $0.6 million, respectively. Deferred rents represent rental revenue received prior to their due dates.

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

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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 ten years. As of March 31, 2007, 2.5 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 March 31, 2007, approximately 1.6 million common shares remain available for issuance or subject to award under the assumed Prentiss share incentive plans.

On January 1, 2002, the Company began to expense the fair value of stock-based compensation awards granted subsequent to January 1, 2002 over the applicable vesting period as a component of general and administrative expenses in the Company s consolidated Statements of Operations. The Company recognized stock-based compensation expense of $1.2 million and $0.8 million during the three-month periods ended March 31, 2007 and 2006.

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, 2007 and 2006, the Company was not party to any derivative contract designated as a fair value hedge and there are no ineffective portions of our cash flow hedges.

The Company actively manages its ratio of fixed-to-floating rate debt. To manage its fixed and floating rate debt in a cost-effective manner, the Company, from time to time, 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

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

Brandywine Realty Trust may elect to treat one or more of its subsidiaries as a taxable REIT subsidiary (TRS). In

general, a TRS of Brandywine Realty Trust may perform additional services for tenants of Brandywine Realty Trust and generally may engage in any real estate or non-real estate related business (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. Brandywine Realty Trust has elected to treat certain of its corporate subsidiaries as TRSs, these entities provide third party property management services and certain services to tenants that could not otherwise be provided.

New Pronouncements

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

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. This statement clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability. SFAS No. 157 establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data. SFAS No. 157 applies whenever other standards require assets or liabilities to be measured at fair value. 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. The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized no material adjustments regarding its tax accounting treatment. The Company expects to recognize interest and penalties, to the extent incurred related to uncertain tax positions, if any, as income tax expense, which would be included in general and administrative expense.

3. REAL ESTATE INVESTMENTS

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

	March 31, 2007	December 31, 2006
Land	$ 724,642	$ 756,400
Building and improvements	3,665,362	3,807,040
Tenant improvements	383,810	363,865
	4,773,814	4,927,305

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

Acquisitions and Dispositions

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

2007

During the three-months ended March 31, 2007, the Company acquired the remaining 49% interest in a consolidated real estate venture previously owned by Stichting Pensioenfonds ABP containing ten office properties for a purchase price of $63.7 million. The Company owned a 51% interest in this real estate venture through the acquisition of Prentiss in January 5, 2006 and had already consolidated this venture. This purchase was accounted for as a step acquisition and the difference between the purchase price of the minority interest and the carrying value of the pro rata share of the assets of the real estate venture was allocated to the real estate venture s assets and liabilities based on their relative fair value.

During the three-months ended March 31, 2007, the Company sold seventeen office properties containing an aggregate of 2.2 million net rentable square feet and 4.7 acres of land for an aggregate sales price of $234.1 million. The net proceeds from the sale of ten of these properties, totaling $109.1 million, have been recorded as cash escrowed with qualified intermediary in the Company s Consolidated Balance Sheet because the cash is held in escrow for the purpose of potentially accomplishing a like-kind exchange under Section 1031 of the Code. The Company is in the process of identifying replacement assets to accomplish the like-kind exchange by May 14, 2007 and purchase such assets by the statutory expiration date of September 26, 2007.

2006

Prentiss Acquisition

On January 5, 2006, the Company acquired Prentiss pursuant to the Merger Agreement that the Company entered into with Prentiss on October 3, 2005. In conjunction with the Company s acquisition of Prentiss, designees of The Prudential Insurance Company of America (Prudential) acquired certain of Prentiss properties that contain an aggregate of approximately 4.32 million net rentable square feet for a total consideration of approximately $747.7 million. Through its acquisition of Prentiss (and after giving effect to the Prudential acquisition of Prentiss properties), the Company acquired a portfolio of 79 office properties (including 13 properties that were owned by consolidated Real Estate Ventures and seven properties that were owned by an unconsolidated Real Estate Venture) that contain an aggregate of 14.0 million net rentable square feet. The results of the operations of Prentiss have been included in the Company s 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; (ii) approximately $676.5 million of cash from Prudential s acquisition of the Prentiss properties; and (iii) approximately $195.0 million through borrowing under a revolving credit facility.

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

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

		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.

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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

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

Pro forma information relating to the acquisition of Prentiss is presented below as if Prentiss was acquired and the related financing transactions occurred on January 1, 2006. 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 period ended March 31, 2006 (unaudited)
Pro forma revenue	$	147,322
Pro forma loss from continuing operations		(7,124)
Pro forma loss allocated to common shares		(4,289)
Earnings per common share from continuing operations		
Basic as reported	$	(0.11)
Basic as pro forma	$	(0.10)
Diluted as reported	$	(0.11)
Diluted as pro forma	$	(0.10)
Earnings per common share		
Basic as reported	$	(0.05)
Basic as pro forma	$	(0.05)
Diluted as reported	$	(0.05)
Diluted as pro forma	$	(0.05)

Subsequent to its acquisition of Prentiss and the related sale of certain properties to Prudential, the Company sold eight of the acquired properties that contained an aggregate of 1.6 million net rentable square feet during the three-month period ended March 31, 2006. One additional property acquired in the acquisition of Prentiss was classified as held for sale at March 31, 2006.

During the quarter ended March 31, 2007, the Company sold four of the acquired properties that contained an aggregate of 1.1 million net rentable square feet and a 4.7 acre parcel of land. As of March 31, 2007, one of the acquired properties was classified as held for sale.

Since January 5, 2006, the Company has sold a total of 21 of the acquired properties that contained an aggregate of 4.0 million net rentable square feet and two parcels of land totaling 15.6 acres. Upon the completion of the sale of the one property classified as held for sale at March 31, 2007 (which occurred on April 30, 2007), the Company no longer has any wholly owned properties in Dallas, TX.

Other Acquisitions and Dispositions

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

In addition to the acquisition activity related to Prentiss, during the three-month period ended March 31, 2006, the Company also acquired one office property containing 93.0 net rentable square feet for $10.2 million.

4. INVESTMENT IN UNCONSOLIDATED VENTURES

As of March 31, 2007, the Company had an aggregate investment of approximately $73.0 million in 11 unconsolidated Real Estate Ventures (net of returns of investment). The Company formed these ventures with unaffiliated third parties, or acquired them, to develop office properties or to acquire land in anticipation of possible development of office properties. Nine of the Real Estate Ventures own 15 office buildings that contain an aggregate of approximately 2.8 million net rentable square feet, one Real Estate Venture developed a hotel property that contains 137 rooms and one Real Estate Venture is developing an office property located in Albemarle County, VA.

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

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

The following is a summary of the financial position of the Real Estate Ventures as of March 31, 2007 and December 31, 2006 (in thousands):

	2007	2006
Operating property, net of accumulated depreciation	$ 376,574	$ 365,168
Other assets	42,645	52,935
Liabilities	26,333	28,764
Debt	358,659	332,589
Equity	39,610	56,888
Company s share of equity (Company s basis)	72,983	74,574

The following is a summary of results of operations of the Real Estate Ventures for the three-month periods ended March 31, 2007 and 2006 (in thousands):

	Three-month periods ended March 31,	
	2007	2006
Revenue	$ 18,314	$ 19,724
Operating expenses	6,297	7,994
Interest expense, net	5,238	4,994
Depreciation and amortization	4,229	4,873
Net income	2,551	1,862
Company s share of income (Company basis)	754	965

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

As of March 31, 2007, the Company had guaranteed repayment of approximately $0.6 million of loans for the Real Estate Ventures. The Company also provides customary environmental indemnities and completion guarantees in connection with construction and permanent financing both for its own account and on behalf of the Real Estate Ventures.

5. DEFERRED COSTS

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

	March 31, 2007		
	Total Cost	Accumulated Amortization	Deferred Costs, net
Leasing Costs	$ 88,913	$ (29,083)	$ 59,830
Financing Costs	22,322	(5,150)	17,172
Total	$ 111,235	$ (34,233)	$ 77,002

	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

6. INTANGIBLE ASSETS

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

	March 31, 2007		
	Total Cost	Accumulated Amortization	Deferred Costs, net
In-place lease value	$ 183,089	$ (51,153)	$ 131,936
Tenant relationship value	119,377	(22,375)	97,002
Above market leases acquired	31,878	(12,432)	19,446
Total	$ 334,344	$ (85,960)	$ 248,384
Below market leases acquired	$ 103,865	$ (27,226)	$ 76,639

	December 31, 2006		
	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

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

As of March 31, 2007, the Company s annual amortization for its intangible assets/liabilities is as follows (in thousands, and assuming no early lease terminations):

	Assets	Liabilities
2007	$ 39,395	$ 14,009
2008	45,049	14,747
2009	39,795	12,758
2010	33,920	10,258
2011	27,040	8,471
Thereafter	63,185	16,396
Total	$ 248,384	$ 76,639

7. DEBT OBLIGATIONS

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

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

MORTGAGE DEBT

Property / Location	March 31, 2007	December 31, 2006	Effective Interest Rate		Maturity Date
Interstate Center		552	6.19%		Mar-07
The Bluffs	10,700	10,700	6.00%	(a), (b)	Apr-07
Pacific Ridge	14,500	14,500	6.00%	(a), (b)	Apr-07
Pacific View/Camino	26,000	26,000	6.00%	(a), (b)	Apr-07
Computer Associates Building	31,000	31,000	6.00%	(a), (b)	Apr-07
Presidents Plaza	30,900	30,900	6.00%	(a), (b)	Apr-07
440 & 442 Creamery Way	5,379	5,421	8.55%	(b)	May-07
481 John Young Way	2,277	2,294	8.40%		Nov-07
400 Commerce Drive	11,742	11,797	7.12%		Jun-08
Two Logan Square	71,054	71,348	5.78%	(a)	Jul-09
200 Commerce Drive	5,821	5,841	7.12%	(a)	Jan-10
1333 Broadway	24,311	24,418	5.18%	(a)	May-10
The Ordway	46,033	46,199	7.95%	(a)	Aug-10
World Savings Center	27,424	27,524	7.91%	(a)	Nov-10
Plymouth Meeting Exec.	43,949	44,103	7.00%	(a)	Dec-10
Four Tower Bridge	10,591	10,626	6.62%		Feb-11
Arboretum I, II, III & V	22,623	22,750	7.59%		Jul-11
Midlantic Drive/Lenox Drive/DCC I	62,289	62,678	8.05%		Oct-11
Research Office Center	42,040	42,205	7.64%	(a)	Oct-11
Concord Airport Plaza	38,245	38,461	7.20%	(a)	Jan-12
Six Tower Bridge	14,655	14,744	7.79%		Aug-12
Newtown Square/Berwyn Park/Libertyview	63,011	63,231	7.25%		May-13
Coppell Associates	3,682	3,737	6.89%		Dec-13
Southpoint III	4,822	4,949	7.75%		Apr-14
Tysons Corner	100,000	100,000	4.84%	(a)	Aug-15
Coppell Associates	16,600	16,600	5.75%		Mar-16
Grande A	59,190	59,513	7.48%		Jul-27
Grande B	77,120	77,535	7.48%		Jul-27
Principal balance outstanding	865,958	869,626			
Plus: unamortized fixed-rate debt premiums	13,274	14,294			
Total mortgage indebtedness	$ 879,232	$ 883,920			
UNSECURED DEBT:					
Line-of-Credit	404,000	60,000	Libor + 0.80%		Dec-09
2009 Five Year Notes	275,000	275,000	4.62%		Nov-09

2014 Ten Year Notes	250,000	250,000	5.53%	Nov-14
Private Placement Notes due 2008	113,000	113,000	4.34%	Dec-08
2010 Five Year Notes	300,000	300,000	5.61%	Dec-10
Indenture IA (Preferred Trust I)	27,062	27,062	Libor + 1.25%	Mar-35
Indenture IB (Preferred Trust I)	25,774	25,774	Libor + 1.25%	Apr-35
Indenture II (Preferred Trust II)	25,774	25,774	Libor + 1.25%	Jul-35
2009 Three Year Notes	-	300,000	Libor + 0.45	Apr-09
2012 Six Year Notes	300,000	300,000	5.77%	Apr-12
2016 Ten Year Notes	250,000	250,000	5.95%	Apr-16
3.874% Exchangeable Notes	345,000	345,000	3.87%	Oct-11
Principal balance outstanding	2,315,610	2,271,610		
Plus: unamortized fixed-rate debt premiums	(3,175)	(3,300)		
Total mortgage indebtedness	$ 2,312,435	$ 2,268,310		
Total Debt Obligations	$ 3,191,667	$ 3,152,230		

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

(b) In April, 2007, the Company elected to prepay the loan on the date indicated in the Maturity date column.

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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

During the three-month periods ended March 31, 2007 and 2006, the Company s weighted-average effective interest rate on its mortgage notes payable was 6.67% and 6.30%, respectively.

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

On October 4, 2006, the Operating Partnership 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 share. The initial exchange rate is 25.4065 shares per $1,000 principal amount of notes (which is equivalent to an initial exchange price of $39.36 per share). The 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 29, 2006, the Company gave notice of redemption of the 2009 Notes and redeemed the 2009 Notes on January 2, 2007.

The Operating Partnership s indenture relating to unsecured notes contains financial restrictions and requirements, including (1) a leverage ratio not to exceed 60%, (2) a secured debt leverage ratio not to exceed 40%, (3) a debt service coverage ratio of greater than 1.5 to 1.0, and (4) an unencumbered asset value of not less than 150% of unsecured debt.

In addition, the note purchase agreement relating to the Operating Partnership s $113 million principal unsecured notes due 2008 contains covenants that are similar to the covenants in the indenture.

The Company utilizes credit facility borrowings for general business purposes, including the acquisition, development and redevelopment of properties and the repayment of other debt. 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 March 31, 2007, the Company had $404.0 million of borrowings and $24.2 million of letters of credit outstanding under the Credit Facility, leaving $171.8 million of unused availability. For the three-month periods ended March 31, 2007 and 2006, the weighted-average interest rate on the Credit Facility, including the effect of interest rate hedges, was 6.1% and 5.4%, respectively.

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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.

As of March 31, 2007, the Company s aggregate scheduled principal payments of debt obligations, excluding amortization of discounts and premiums, are as follows (in thousands):

2007	$ 129,683
2008	138,227
2009	762,306
2010	453,803
2011	481,158
Thereafter	1,216,391
Total indebtedness	$ 3,181,568

8. RISK MANAGEMENT AND USE OF FINANCIAL INSTRUMENTS

Risk Management

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

Use of Derivative Financial Instruments

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

In March 2007, in anticipation of the offering of $300 million of 5.70% unsecured guaranteed notes due May 1, 2017 (2017 Notes) (See Note 15), the Company entered into two treasury lock agreements. The treasury lock agreements were designated as cash flow hedges on interest rate risk and qualified for hedge accounting. Each of the treasury lock agreements were for notional amounts of $75.0 million for an expiration of 10 years at all-in rates of 4.5585% and 4.498% and had fair values of $0.7 million and $1.0 million, respectively at March 31, 2007. The agreements were settled in April 2007 upon completion of the offering of the 2017 Notes at a total benefit of $1.1 million. This benefit will be recorded as a component of accumulated other comprehensive income in the accompanying consolidated balance sheet and amortized over the term of the 2017 Notes.

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

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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 were included as part of the real estate venture in which the Company purchased the remaining 49% of the minority interest partner s share in March 2007. One of the swaps with a notional amount of $20 million has a maturity date of February 1, 2010 at an all-in rate of 4.675% and had a fair value of $0.1 million at March 31, 2007. The other, with a notional amount of $70 million, has a maturity date of August 1, 2008 at an all in rate of 4.675% and had a fair value of $0.3 million at March 31, 2007. The agreements were settled in April 2007 in connection with the repayment of five mortgage notes (see Note 7), at a total benefit of $0.4 million.

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

Concentration of Credit Risk

Concentrations of credit risk arise when a number of tenants related to the Company s investments or rental operations are engaged in similar business activities, or are located in the same geographic region, or have similar economic features that would cause their inability to meet contractual obligations, including those to the Company, to be similarly affected. The Company regularly monitors its tenant base to assess potential concentrations of credit risk. Management believes the current credit risk portfolio is reasonably well diversified and does not contain any unusual concentration of credit risk. No tenant accounted for 5% or more of the Company s rents during the three-month periods ended March 31, 2007 or 2006.

9. DISCONTINUED OPERATIONS

For the three-month periods ended March 31, 2007, income from discontinued operations relates to 17 properties that the Company sold during 2007 and one property designated as held for sale as of March 31, 2007. The following table summarizes the revenue and expense information for properties classified as discontinued operations for the three-month period ended March 31, 2007 (in thousands):

	Three-month period ended March 31, 2007
Revenue:	
Rents	$ 10,937
Tenant reimbursements	684
Other	69
Total revenue	11,690
Expenses:	
Property operating expenses	4,012
Real estate taxes	1,308
Depreciation and amortization	4,594
Total operating expenses	9,914
Income from discontinued operations before gain on sale of interests in real estate and minority interest	1,776

Net gain on sale of interests in real estate		26,009
Minority interest attributable to discontinued operations LP units		(1,186)
Income from discontinued operations	$	26,599

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

For the three-month period ended March 31, 2006, income from discontinued operations relates to properties sold during 2006 and 2007 and one property held for sale at March 31, 2007. The following table summarizes the revenue and expense information for the 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	$ 24,713
Tenant reimbursements	2,469
Other	370
Total revenue	27,552
Expenses:	
Property operating expenses	9,411
Real estate taxes	3,487
Depreciation and amortization	9,122
Total operating expenses	22,020
Operating income	5,532
Interest expense	(286)
Income from discontinued operations before gain on sale of interests in real estate and minority interest	5,246
Minority interest partners share of consolidated real estate venture	(187)
Minority interest attributable to discontinued operations LP units	(227)
Income from discontinued operations	$ 4,832

The following table summarizes the balance sheet information for the property identified as held for sale at March 31, 2007 (in thousands):

Real Estate Investments:	
Operating Property	$ 114,237
Accumulated depreciation	(7,774)
	106,463
Other assets	20,870
Total Assets Held for Sale	$ 127,333

Other liabilities	$ 14,404

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.

10. MINORITY INTEREST IN OPERATING PARTNERSHIP AND REAL ESTATE VENTURES

The Company is the sole general partner of the Operating Partnership and, as of March 31, 2007, owned a 95.7% interest in the Operating Partnership. On March 14, 2007, the Operating Partnership declared a $0.44 per unit cash distribution to holders of Class A Units totaling $1.7 million.

As of March 31, 2007, the Company owned interests in three consolidated real estate ventures that own three office properties containing approximately 0.4 million net rentable square feet. Minority interest in consolidated real estate ventures represents the portion of these consolidated real estate ventures not owned by the Company.

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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

11. BENEFICIARIES   EQUITY

Earnings per Share (EPS)

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

	Three-month periods ended March 31,			
	2007		2006	
	Basic	Diluted	Basic	Diluted
Income (loss) from continuing operations	$ (7,227)	$ (7,227)	$ (7,474)	$ (7,474)
Income (loss) from discontinued operations	26,599	26,599	4,832	4,832
Income allocated to Preferred Shares	(1,998)	(1,998)	(1,998)	(1,998)
Net income available to common shareholders	$ 17,374	$ 17,374	$ (4,640)	$ (4,640)
Weighted-average shares outstanding	88,287,426	88,287,426	89,299,967	89,299,967
Contingent securities/Stock based compensation		948,916		443,014
Total weighted-average shares outstanding	88,287,426	89,236,342	89,299,967	89,742,981
Earnings per Common Share:				
Continuing operations	$ (0.10)	$ (0.10)	$ (0.11)	$ (0.11)
Discontinued operations	0.30	0.30	0.05	0.05
	$ 0.20	$ 0.19	$ (0.05)	$ (0.05)

Securities (including Class A Units of the Operating Partnership) totaling 3,939,284 and 4,115,314 as of March 31, 2007 and 2006, respectively, were excluded from the earnings per share computations because their effect would have been antidilutive.

Common and Preferred Shares

On March 14, 2007, the Company declared a distribution of $0.44 per Common Share, totaling $38.6 million, which was paid on April 18, 2007 to shareholders of record as of April 4, 2007. On March 14, 2007, the Company declared distributions on its Series C Preferred Shares and Series D Preferred Shares to holders of record as of March 30, 2007. These shares are entitled to a preferential return of 7.50% and 7.375%, respectively. Distributions paid on April 16, 2007 to holders of Series C Preferred Shares and Series D Preferred Shares totaled $0.9 million and $1.1 million, respectively.

In 2003, the Company issued 2,000,000 7.50% Series C Cumulative Redeemable Preferred Shares (the   Series C Preferred Shares   ) for net proceeds of $48.1 million. The Series C Preferred Shares are perpetual. The Company may not redeem Series C Preferred Shares before December 30, 2008 except to preserve its REIT status. On or after

December 30, 2008, the Company, at its option, may redeem the Series C Preferred Shares, in whole or in part, by paying $25.00 per share plus accrued but unpaid dividends.

In 2004, the Company issued 2,300,000 7.375% Series D Cumulative Redeemable Preferred Shares (the Series D Preferred Shares) for net proceeds of $55.5 million. The Series D Preferred Shares are perpetual. The Company may not redeem Series D Preferred Shares before February 27, 2009 except to preserve its REIT status. On or after

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

February 27, 2009, the Company, at its option, may redeem the Series D Preferred Shares, in whole or in part, by paying $25.00 per share plus accrued but unpaid dividends.

Common Share Repurchases

The Company repurchased 1,301,000 shares during the three-month period ending March 31, 2007 for an aggregate consideration of $44.7 million under its share repurchase program. As of March 31, 2007, the Company may purchase an additional 1,018,800 shares under the plan. Repurchases may be made from time to time in the open market or in privately negotiated transactions, subject to market conditions and compliance with legal requirements. The share repurchase program does not contain any time limitation and does not obligate the Company to repurchase any shares. The Company may discontinue the program at any time.

12. SHARE BASED COMPENSATION

In December 2004, the FASB issued SFAS No. 123(R), Share-Based Payment (SFAS 123(R)). SFAS 123(R) is an amendment of SFAS 123 and requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements. The cost is required to be measured based on the fair value of the equity or liability instruments issued. SFAS 123(R) also contains additional minimum disclosures requirements including, but not limited to, the valuation method and assumptions used, amounts of compensation capitalized and modifications made. The 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 March 31, 2007, the Company had 1,087,575 options outstanding under its shareholder approved equity incentive plan. No options were unvested as of March 31, 2007 and therefore there is no remaining unrecognized compensation expense associated with these options. Option activity as of March 31, 2007 and changes during the three months ended March 31, 2007 were as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in 000's)
Outstanding at January 1, 2007	1,286,070	$ 26.45	1.50	8,739
Granted				
Exercised	(198,495)	28.80	0.87	1,171
Forfeited				
Outstanding at March 31, 2007	1,087,575	$ 26.03	1.32	8,029
Vested at March 31, 2007	1,087,575	$ 26.03	1.32	8,029
Exercisable at March 31, 2007	1,087,575	$ 26.03	1.32	8,029

There were no option awards granted to employees during the three-month period ended March 31, 2007.

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

Restricted Stock Awards

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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 March 31, 2007, 457,496 restricted shares were outstanding and vest over five to seven years from the initial grant date. The remaining compensation expense to be recognized for the 457,496 restricted shares outstanding at March 31, 2007 was approximately $14.9 million. That expense is expected to be recognized over a weighted average remaining vesting period of 4.6 years. For the three-month period ended March 31, 2007 and 2006, the Company recognized $0.8 million of compensation expense included in general and administrative expense in each period related to outstanding restricted shares. The following table summarizes the Company s restricted share activity for the three-months ended March 31, 2007:

	Shares		Weighted Average Grant Date Fair value
Non-vested at January 1, 2007	338,860	$	28.23
Granted	216,828		35.19
Vested	(96,068)		26.28
Forfeited	(2,124)		30.55
Non-vested at March 31, 2007	457,496	$	31.90

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 86.5% of the total that may be awarded; the remaining amount available will be valued when the awards are granted to individuals. In January 2007, the Company awarded an additional 4.5% under the outperformance program. The fair value of the additional award is $0.3 million and will be amortized over the remaining portion of the 5 year period. For the three-month period ended March 31, 2007, the Company recognized $0.4 million of compensation expenses related to the outperformance program.

13. SEGMENT INFORMATION

The Company currently manages its portfolio within nine segments: (1) Pennsylvania West, (2) Pennsylvania North, (3) New Jersey, (4) Urban, (5) Richmond, Virginia, (6) Northern California (7) Southern California, (8) Metropolitan Washington, D.C. and (9) Southwest. The Pennsylvania West segment includes properties in Chester, Delaware and

Montgomery counties in the Philadelphia suburbs of Pennsylvania. The Pennsylvania North segment includes properties north of Philadelphia in Bucks, Lehigh and Montgomery counties. The New Jersey segment includes properties in counties in the southern part of New Jersey including Burlington, Camden and Mercer counties and in Bucks County, Pennsylvania. The Urban segment includes properties in the City of Philadelphia, Pennsylvania and the state of Delaware. The Richmond, Virginia segment includes properties primarily in Albemarle, Chesterfield and Henrico counties, the City of Richmond and Durham, North Carolina. The Northern California segment includes properties in the City of Oakland and Concord. The Southern California segment includes properties in San Diego County. The Metropolitan Washington, D.C. segment includes properties in Northern Virginia and Suburban Maryland. The Southwest segment includes properties in Travis County of Texas. Corporate is responsible for cash and investment management, development of certain real estate properties during the construction period, and certain other general support functions.

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

Segment information as of and for the three-month periods ended March 31, 2007 and 2006 is as follows (in thousands):

	Pennsylvania	Pennsylvania			Richmond,	Northern	Southern	Metropolitan			
			New					Washington,			
	West	North	Jersey	Urban	Virginia	California	California	D.C.	Southwest	Corporate	
ch 31, 2007:											
e investments,											
properties	$ 926,700	$ 440,726	$ 554,586	$ 575,636	$ 250,935	$ 402,033	$ 105,810	$ 1,284,748	$ 232,640	$	$
ent and on-in-progress										346,555	
ember 31,											
e investments,											
properties	$ 922,347	$ 530,436	$ 570,009	$ 568,008	$ 244,519	$ 396,927	$ 95,942	$ 1,255,940	$ 343,177	$	$
ent and on-in-progress										328,119	
ee-months rch 31, 2007:											
nue	$ 27,509	$ 19,481	$ 24,675	$ 23,455	$ 8,940	$ 15,091	$ 3,141	$ 32,385	$ 8,239	$ 185	$
perating	11,696	7,641	11,264	9,734	3,495	6,679	1,727	11,785	4,222	(7,011)	
ing income	$ 15,813	$ 11,840	$ 13,411	$ 13,721	$ 5,445	$ 8,412	$ 1,414	$ 20,600	$ 4,017	$ 7,196	$
ee-months rch 31, 2006:											
nue	$ 25,233	$ 18,275	$ 23,695	$ 19,560	$ 7,483	$ 13,678	$ 2,674	$ 26,157	$ 9,409	$ (2,246)	$
perating	8,468	9,776	9,815	8,871	2,966	5,137	1,103	9,270	3,795	(4,020)	
ing income	$ 16,765	$ 8,499	$ 13,880	$ 10,689	$ 4,517	$ 8,541	$ 1,571	$ 16,887	$ 5,614	$ 1,774	$

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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

	Three-month periods ended March 31,	
	2007	2006
Consolidated net operating income (loss)	$ 101,869	$ 88,737
Less:		
Interest income	787	2,650
Interest expense	(40,358)	(40,378)
Deferred financing costs	(1,258)	(479)
Depreciation and amortization	(62,047)	(51,212)
Administrative expenses	(7,269)	(8,490)
Minority interest partners share of consolidated real estate ventures	(116)	298
Minority interest attributable to continuing operations LP units	411	435
Plus:		
Equity in income of real estate ventures	754	965
Income (loss) from continuing operations	(7,227)	(7,474)
Income (loss) from discontinued operations	26,599	4,832
Net income (loss)	$ 19,372	$ (2,642)

14. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

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

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

Environmental

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

Ground Rent

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.

BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

Other Commitments or Contingencies

As part of the Company s September 2004 acquisition of a portfolio of 14 properties (the TRC Acquisition), the Operating Partnership agreed to issue to the sellers up to a maximum of $9.7 million of Class A Units of the Operating Partnership if certain of the acquired properties achieve at least 95% occupancy prior to September 21, 2007. At March 31, 2007 the maximum amount payable under this arrangement was $1.2 million.

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

As part of the Prentiss acquisition, TRC acquisition and several of our other acquisitions, the Company has agreed not to sell certain of the acquired properties. In the case of TRC, the Company agreed not to sell certain of the acquired properties for periods ranging from three to 15 years from the acquisition date as follows: 201 Radnor Financial Center, 555 Radnor Financial Center and 300 Delaware Avenue (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). In the case of the Prentiss acquisition, the Company assumed the obligation of Prentiss not to sell Concord Airport Plaza before March 2018 and 6600 Rockledge before July 2008. The Company also owns 14 other properties that aggregate 1.0 million square feet and has agreed not to sell these properties for periods that expire through 2008. These agreements generally provide that the Company may dispose of the subject Properties only in transactions that qualify as tax-free exchanges under Section 1031 of the Code or in other tax deferred transactions. In the event that the Company sells any of the properties within the applicable restricted period in non-exempt transactions, the Company has agreed to pay significant tax liabilities that would be incurred by the parties who sold the applicable property.

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

15. SUBSEQUENT EVENTS

The Company repaid five mortgage notes totaling $113.1 million in April 2007 (notice of which was given in March 2007) and one mortgage note totaling $5.4 million in May 2007. The Company funded the repayments of these notes from borrowings under its Credit Facility and there was no prepayment penalties associated with these prepayments.

In April 2007, the Company, through its Operating Partnership, sold $300 million of 5.70% unsecured guaranteed notes due May 1, 2017. Interest on the notes will be payable semi-annually on May 1 and November 1, commencing November 1, 2007. The net proceeds of the offering were used to repay indebtedness under the Credit Facility.

During April 2007, the Company sold one property, classified as held for sale at March 31, 2007, totaling 1.3 million net rentable square feet for a sales price of $115.0 million. The Company may receive an additional $10.0 million from the buyer should certain events occur at the property in the future.

During April 2007, the Company repurchased 265,000 shares for $8.8 million under it share repurchase program.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2007	December 31, 2006
ASSETS		
Real estate investments:		
Operating properties	$ 4,773,814	$ 4,927,305
Accumulated depreciation	(522,286)	(515,698)
Operating real estate investments, net	4,251,528	4,411,607
Development land and construction-in-progress	346,555	328,119
Total real estate investments, net	4,598,083	4,739,726
Cash and cash equivalents	3,885	25,379
Cash escrowed with qualified intermediary (Note 3)	109,102	
Accounts receivable, net	18,339	19,957
Accrued rent receivable, net	72,433	71,589
Asset held for sale, net	127,333	126,016
Investment in real estate ventures, at equity	72,983	74,574
Deferred costs, net	77,002	73,708
Intangible assets, net	248,384	281,251
Other assets	107,936	96,818
Total assets	$ 5,435,480	$ 5,509,018
LIABILITIES AND PARTNERS EQUITY		
Mortgage notes payable	$ 879,232	$ 883,920
Unsecured notes, net of discounts	1,908,435	2,208,310
Unsecured credit facility	404,000	60,000
Accounts payable and accrued expenses	103,650	108,400
Distributions payable	42,321	42,760
Tenant security deposits and deferred rents	58,655	55,697
Acquired below market leases, net	76,639	92,527
Other liabilities	16,620	14,661
Mortgage notes payable and other liabilities held for sale	14,404	20,826
Total liabilities	3,503,956	3,487,101
Minority interest partners share of consolidated real estate ventures		34,436
Commitments and contingencies (Note 14)		
Redeemable limited partnership units at redemption value; 3,939,284 and 3,961,235 issued and outstanding in 2007 and 2006, respectively	135,039	131,711
Partners equity:		
	47,912	47,912

7.50% Series D Preferred Mirror Units; 2,000,000 issued and outstanding in 2007 and 2006		
7.375% Series E Preferred Mirror Units; 2,300,000 issued and outstanding in 2007 and 2006	55,538	55,538
General Partnership Capital, 87,302,191 and 88,327,041 units issued and outstanding in 2007 and 2006, respectively	1,690,608	1,750,745
Accumulated other comprehensive loss	2,427	1,575
Total partners equity	1,796,485	1,855,770
Total liabilities, minority interest, and partners equity	$ 5,435,480	$ 5,509,018

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

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

	For the three-month periods ended March 31,	
	2007	2006
Revenue:		
Rents	$ 137,940	$ 123,069
Tenant reimbursements	20,823	16,634
Other	4,338	4,215
Total revenue	163,101	143,918
Operating Expenses:		
Property operating expenses	61,232	55,181
Depreciation and amortization	62,047	51,212
Administrative expenses	7,269	8,490
Total operating expenses	130,548	114,883
Operating income	32,553	29,035
Other Income (Expense):		
Interest income	787	2,650
Interest expense	(40,358)	(40,378)
Interest expense Deferred financing costs	(1,258)	(479)
Equity in income of real estate ventures	754	965
Income (loss) before minority interest	(7,522)	(8,207)
Minority interest partners share of consolidated real estate ventures	(116)	298
Income (loss) from continuing operations	(7,638)	(7,909)
Discontinued operations:		
Income from discontinued operations	1,776	5,246
Net gain on disposition of discontinued operations	26,009	
Minority interest partners share of consolidated real estate ventures		(187)
Income from discontinued operations	27,785	5,059
Net income (loss)	20,147	(2,850)
Income allocated to Preferred Units	(1,998)	(1,998)
Income (loss) allocated to Common Partnership Units	$ 18,149	$ (4,848)
Basic earnings per Common Partnership Unit:		
Continuing operations	$ (0.10)	$ (0.11)
Discontinued operations	0.30	0.05
	$ 0.20	$ (0.05)

Diluted earnings per Common Partnership Unit:				
Continuing operations	$	(0.10)	$	(0.11)
Discontinued operations		0.30		0.05
	$	0.19	$	(0.05)
Basic weighted average Common Partnership Unit		92,227,034		93,318,834
Diluted weighted average Common Partnership Unit		93,175,950		93,761,848

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

Table of Contents

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

	For the three-month periods ended March 31,	
	2007	2006
Net income (loss)	$ 18,149	$ (4,848)
Other comprehensive income:		
Unrealized gain (loss) on derivative financial instruments	1,450	1,758
Less: minority interest consolidated real estate venture partner s share of unrealized gain (loss) on derivative financial instruments		(513)
Settlement of forward starting swaps		3,266
Reclassification of realized (gains)/losses on derivative financial instruments to operations, net	9	96
Unrealized gain (loss) on available-for-sale securities	(607)	(592)
Total other comprehensive income (loss)	852	4,015
Comprehensive income	$ 19,001	$ (833)

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

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

	Three-month periods ended March 31,	
	2007	2006
Cash flows from operating activities:		
Net income (loss)	$ 18,149	$ (4,848)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	48,508	41,079
Amortization:		
Deferred financing costs	1,257	480
Deferred leasing costs	3,842	2,166
Acquired above (below) market leases, net	(3,613)	(1,939)
Acquired lease intangibles	14,247	16,806
Deferred compensation costs	1,213	776
Straight-line rent	(7,063)	(7,708)
Provision for doubtful accounts	500	1,056
Real estate venture income in excess of distributions	(84)	(486)
Net gain on sale of interests in real estate	(26,009)	
Minority interest	2,114	1,887
Changes in assets and liabilities:		
Accounts receivable	5,416	(4,018)
Other assets	(11,167)	(7,482)
Accounts payable and accrued expenses	7,286	3,870
Tenant security deposits and deferred rents	3,390	10,918
Other liabilities	(7,465)	2,681
Net cash from operating activities	50,521	55,238
Cash flows from investing activities:		
Acquisition of Prentiss		(935,856)
Acquisition of properties		(12,480)
Acquisition of minority interest partners share of consolidated real estate venture	(63,732)	
Sales of properties, net	109,127	134,064
Capital expenditures	(68,015)	(52,364)
Investment in unconsolidated real estate ventures	(512)	(358)
Cash distributions from unconsolidated real estate ventures in excess of equity in income	1,849	1,717
Leasing costs	(9,259)	(2,621)
Net cash from investing activities	(30,542)	(867,898)
Cash flows from financing activities:		
Proceeds from Credit Facility borrowings	442,000	215,000
Repayments of Credit Facility borrowings	(98,000)	(205,000)
Proceeds from mortgage notes payable		20,520
Repayments of mortgage notes payable	(4,695)	(6,807)
Proceeds from term loan		750,000
Repayments of term loan		(750,000)

Proceeds from unsecured notes		847,818
Repayments of unsecured notes	(299,866)	
Proceeds from forward starting swap termination		3,266
Repayments on employee stock loans		10
Debt financing costs	(72)	(5,581)
Exercise of stock options	6,166	1,923
Repurchases of Common Partnership Units	(44,677)	
Distributions paid to preferred and common partnership unitholders	(42,329)	(29,362)
Net cash from financing activities	(41,473)	841,787
Increase (decrease) in cash and cash equivalents	(21,494)	29,127
Cash and cash equivalents at beginning of period	25,379	7,174
Cash and cash equivalents at end of period	$ 3,885	$ 36,301
Supplemental disclosure:		
Cash paid for interest, net of capitalized interest	$ 24,023	$ 23,350
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
Cash escrowed with qualified intermediary (Note 3)	109,102	
Debt, minority interest and other liabilities, net, assumed in the Prentiss acquisition		679,520

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

1. ORGANIZATION AND NATURE OF OPERATIONS

Brandywine Operating Partnership, L.P. (the Partnership) is the entity through which Brandywine Realty Trust, a Maryland real estate investment trust (the Company), a self-administered and self-managed real estate investment trust, conducts its business and own its assets. The Partnership s activities include acquiring, developing, redeveloping, leasing and managing office and industrial properties. The Company s common shares of beneficial interest are publicly traded on the New York Stock Exchange under the ticker symbol BDN . As of March 31, 2007, the Partnership owned 236 office properties, 23 industrial facilities and one mixed-use property (collectively, the Properties) containing an aggregate of approximately 26.5 million net rentable square feet. The Partnership also has six properties under development and 12 properties under redevelopment containing an aggregate 2.7 million net rentable square feet. As of March 31, 2007, the Partnership consolidates three office properties owned by real estate ventures containing 0.4 million net rentable square feet. Therefore, the Partnership wholly owns or consolidates 281 properties with an aggregate 29.6 million net rentable square feet. As of March 31, 2007, the Partnership owned economic interests in 11 unconsolidated real estate ventures that contain approximately 2.8 million net rentable square feet (collectively, the Real Estate Ventures). The Properties and the properties owned by the Real Estate Ventures are located in and surrounding Philadelphia, PA, Wilmington, DE, Southern and Central New Jersey, Richmond, VA, Metropolitan Washington, D.C., Dallas/Fort Worth, TX, Austin, TX, Oakland and San Diego, CA.

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

The Company is the sole general partner of the Partnership and, as of March 31, 2007 owned a 95.7 % interest in the Partnership. The Company conducts its third-party real estate management services business primarily through four management companies (collectively, the Management Companies), Brandywine Realty Services Corporation (BRSCO), BTRS, Inc., Brandywine Properties I Limited, Inc. (BPI), and Brandywine Properties Management, L.P. (BPM). BRSCO, BTRS, Inc. and BPI are taxable REIT subsidiaries. The Partnership owns a 95% interest in BRSCO and the remaining 5% interest is owned by a partnership comprised of a current executive and former executive of the Company, each of whom is a member of the Company s Board of Trustees. The Partnership owns, directly and indirectly, 100% of each of BTRS, Inc., BPI and BPM.

As of March 31, 2007 the Management Companies were managing properties containing an aggregate of approximately 41.1 million net rentable square feet, of which approximately 26.5 million net rentable square feet related to Properties owned by the Partnership and approximately 12.8 million net rentable square feet related to properties owned by third parties and certain Real Estate Ventures. Unless otherwise indicated, all references to square feet represent net rentable area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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

Principles of Consolidation

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

Use of Estimates

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

Operating Properties

Operating properties are carried at historical cost less accumulated depreciation and impairment losses. 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

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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.

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 $7.1 and $7.7 million for the three-month periods ended March 31, 2007 and 2006. The leases also typically provide for tenant reimbursement of a portion of common area maintenance and other operating expenses to the extent that a tenant s pro rata share of expenses exceeds a base year level set in the lease. Tenant receivables and accrued rent receivables are carried net of the allowances for doubtful accounts of $8.7 million as of March 31, 2007 and $9.3 million as of December 31, 2006. The allowance is based on management s evaluation of the collectability of receivables, taking into account tenant specific considerations as well as the overall credit of the tenant portfolio. Other income is recorded when earned and is primarily comprised of 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, 2007 and 2006, other income includes termination fees of $1.3 million and $0.6 million, respectively. Deferred rents represent rental revenue received prior to their due dates.

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 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

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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 ten years. As of March 31, 2007, 2.5 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 March 31, 2007, approximately 1.6 million common shares remained available for issuance or subject to award under the assumed Prentiss share incentive plans.

On January 1, 2002, the Partnership began to expense the fair value of stock-based compensation awards granted subsequent to January 1, 2002 over the applicable vesting period as a component of general and administrative expenses in the Partnership s consolidated Statements of Operations. The Partnership recognized stock-based compensation expense of $1.2 million and $0.8 million during the three-month periods ended March 31, 2007 and 2006.

Accounting for Derivative Instruments and Hedging Activities

The Partnership accounts for its derivative instruments and hedging activities under SFAS No. 133 (SFAS 133), *Accounting for Derivative Instruments and Hedging Activities*, and its corresponding amendments under SFAS No. 138, *Accounting for Certain Derivative Instruments and Hedging Activities An Amendment of SFAS 133*. SFAS 133 requires the Partnership to measure every derivative instrument (including certain derivative instruments embedded in other contracts) at fair value and record them in the balance sheet as either an asset or liability. For derivatives designated as fair value hedges, the changes in fair value of both the derivative instrument and the hedged item are recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of changes in the fair value of the derivative are reported in other comprehensive income. Changes in fair value of derivative instruments and ineffective portions of hedges are recognized in earnings in the current period. For the three-month periods ended March 31, 2007 and 2006, the Partnership was not party to any derivative contract designated as a fair value hedge and there are no ineffective portions of our cash flow hedges.

The Partnership actively manages its ratio of fixed-to-floating rate debt. To manage its fixed and floating rate debt in a cost-effective manner, the Partnership, from time to time, 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

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 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.

New Pronouncements

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

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. This statement clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability. SFAS No. 157 establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data. SFAS No. 157 applies whenever other standards require assets or liabilities to be measured at fair value. 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. The Partnership adopted FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Partnership recognized no material adjustments regarding its tax accounting treatment. The Partnership expects to recognize interest and penalties, to the extent incurred related to uncertain tax positions, if any, as income tax expense, which would be included in general and administrative expense.

3. REAL ESTATE INVESTMENTS

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

	March 31, 2007	December 31, 2006
Land	$ 724,642	$ 756,400
Building and improvements	3,665,362	3,807,040
Tenant improvements	383,810	363,865
	4,773,814	4,927,305

Acquisitions and Dispositions

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

2007

During the three-months ended March 31, 2007, the Partnership acquired the remaining 49% interest in a consolidated real estate venture previously owned by Stichting Pensioenfonds ABP containing ten office properties for a purchase price of $63.7 million. The Partnership owned a 51% interest in this real estate venture through the acquisition of Prentiss in January 5, 2006 and had already consolidated this venture. This purchase was accounted for as a step acquisition and the difference between the purchase price of the minority interest and the carrying value of the pro rata share of the assets of the real estate venture was allocated to the real estate venture s assets and liabilities based on their relative fair value.

During the three-months ended March 31, 2007, the Partnership sold seventeen office properties containing an aggregate of 2.2 million net rentable square feet and 4.7 acres of land for an aggregate sales price of $234.1 million. The net proceeds from the sale of ten of these properties, totaling $109.1 million, have been recorded as cash escrowed with qualified intermediary in the Partnership s Consolidated Balance Sheets because the cash is held in escrow for the purpose of potentially accomplishing a like-kind exchange under Section 1031 of the Code. The Partnership is in the process of identifying replacement assets to accomplish the like-kind exchange by May 14, 2007 and purchase such assets by the statutory expiration date of September 26, 2007.

2006

Prentiss Acquisition

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

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

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

		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.

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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

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

Pro forma information relating to the acquisition of Prentiss is presented below as if Prentiss was acquired and the related financing transactions occurred on January 1, 2006. 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 period ended March 31, 2006 (unaudited)
Pro forma revenue	$	147,322
Pro forma loss from continuing operations		(7,544)
Pro forma loss allocated to common shares		(4,482)
Earnings per common share from continuing operations		
Basic as reported	$	(0.11)
Basic as pro forma	$	(0.10)
Diluted as reported	$	(0.11)
Diluted as pro forma	$	(0.10)
Earnings per common share		
Basic as reported	$	(0.05)
Basic as pro forma	$	(0.05)
Diluted as reported	$	(0.05)
Diluted as pro forma	$	(0.05)

Subsequent to its acquisition of Prentiss and the related sale of certain properties to Prudential, the Partnership sold eight of the acquired properties that contained an aggregate of 1.6 million net rentable square during the three-month period ended March 31, 2006. One additional property acquired in the acquisition of Prentiss was classified as held for sale at March 31, 2006.

During the quarter ended March 31, 2007, the Partnership sold four of the acquired properties that contained an aggregate of 1.1 million net rentable square feet and a 4.7 acres parcel of land. As of March 31, 2007, one of the acquired properties was classified as held for sale.

Since January 5, 2006, the Partnership has sold a total of 21 of the acquired properties that contained an aggregate of 4.0 million net rentable square feet and two parcels of land totaling 15.6 acres. Upon the completion of the sale of the one property classified as held for sale at March 31, 2007 (which occurred on April 30, 2007), the Partnership no longer has any wholly owned properties in Dallas, TX.

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

Other Acquisitions and Dispositions

In addition to the acquisition activity related to Prentiss, during the three-month period ended March 31, 2006, the Partnership also acquired one office property containing 93.0 net rentable square feet for $10.2 million.

4. INVESTMENT IN UNCONSOLIDATED VENTURES

As of March 31, 2007, the Partnership had an aggregate investment of approximately $73.0 million in 11 unconsolidated Real Estate Ventures (net of returns of investment). The Partnership formed these ventures with unaffiliated third parties, or acquired them, to develop office properties or to acquire land in anticipation of possible development of office properties. Nine of the Real Estate Ventures own 15 office buildings that contain an aggregate of approximately 2.8 million net rentable square feet, one Real Estate Venture developed a hotel property that contains 137 rooms and one Real Estate Venture is developing an office property located in Albemarle County, VA.

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

The Partnership also has investments in three consolidated Real Estate Ventures that are variable interest entities under FIN 46R and of which the Partnership is the primary beneficiary.

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

The following is a summary of the financial position of the Real Estate Ventures as of March 31, 2007 and December 31, 2006 (in thousands):

	2007	2006
Operating property, net of accumulated depreciation	$ 376,574	$ 365,168
Other assets	42,645	52,935
Liabilities	26,333	28,764
Debt	358,659	332,589
Equity	39,610	56,888
Partnership s share of equity (Partnership s basis)	72,983	74,574

The following is a summary of results of operations of the Real Estate Ventures for the three-month periods ended March 31, 2007 and 2006 (in thousands):

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

	Three-month periods ended March 31,	
	2007	2006
Revenue	$ 18,314	$ 19,724
Operating expenses	6,297	7,994
Interest expense, net	5,238	4,994
Depreciation and amortization	4,229	4,873
Net income	2,551	1,862
Partnership s share of income (Partnership basis)	754	965

As of March 31, 2007, the Partnership had guaranteed repayment of approximately $0.6 million of loans for the Real Estate Ventures. The Partnership also provides customary environmental indemnities and completion guarantees in connection with construction and permanent financing both for its own account and on behalf of the Real Estate Ventures.

5. DEFERRED COSTS

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

	March 31, 2007		
	Total Cost	Accumulated Amortization	Deferred Costs, net
Leasing Costs	$ 88,913	$ (29,083)	$ 59,830
Financing Costs	22,322	(5,150)	17,172
Total	$ 111,235	$ (34,233)	$ 77,002

	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

6. INTANGIBLE ASSETS

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

	March 31, 2007		
	Total Cost	Accumulated Amortization	Deferred Costs, net
In-place lease value	$ 183,089	$ (51,153)	$ 131,936
Tenant relationship value	119,377	(22,375)	97,002
Above market leases acquired	31,878	(12,432)	19,446
Total	$ 334,344	$ (85,960)	$ 248,384
Below market leases acquired	$ 103,865	$ (27,226)	$ 76,639

	December 31, 2006		
	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

As of March 31, 2007, the Partnership s annual amortization for its intangible assets/liabilities are as follows (in thousands and assuming no early lease terminations):

	Assets	Liabilities
2007	$ 39,395	$ 14,009
2008	45,049	14,747
2009	39,795	12,758
2010	33,920	10,258
2011	27,040	8,471
Thereafter	63,185	16,396
Total	$ 248,384	$ 76,639

7. DEBT OBLIGATIONS

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

MORTGAGE DEBT

Property / Location	March 31, 2007	December 31, 2006	Effective Interest Rate		Maturity Date
Interstate Center		552	6.19%		Mar-07
The Bluffs	10,700	10,700	6.00%	(a), (b)	Apr-07
Pacific Ridge	14,500	14,500	6.00%	(a), (b)	Apr-07
Pacific View/Camino	26,000	26,000	6.00%	(a), (b)	Apr-07
Computer Associates Building	31,000	31,000	6.00%	(a), (b)	Apr-07
Presidents Plaza	30,900	30,900	6.00%	(a), (b)	Apr-07
440 & 442 Creamery Way	5,379	5,421	8.55%	(b)	May-07
481 John Young Way	2,277	2,294	8.40%		Nov-07
400 Commerce Drive	11,742	11,797	7.12%		Jun-08
Two Logan Square	71,054	71,348	5.78%	(a)	Jul-09
200 Commerce Drive	5,821	5,841	7.12%	(a)	Jan-10
1333 Broadway	24,311	24,418	5.18%	(a)	May-10
The Ordway	46,033	46,199	7.95%	(a)	Aug-10
World Savings Center	27,424	27,524	7.91%	(a)	Nov-10
Plymouth Meeting Exec.	43,949	44,103	7.00%	(a)	Dec-10
Four Tower Bridge	10,591	10,626	6.62%		Feb-11
Arboretum I, II, III & V	22,623	22,750	7.59%		Jul-11
Midlantic Drive/Lenox Drive/DCC I	62,289	62,678	8.05%		Oct-11
Research Office Center	42,040	42,205	7.64%	(a)	Oct-11
Concord Airport Plaza	38,245	38,461	7.20%	(a)	Jan-12
Six Tower Bridge	14,655	14,744	7.79%		Aug-12
Newtown Square/Berwyn Park/Libertyview	63,011	63,231	7.25%		May-13
Coppell Associates	3,682	3,737	6.89%		Dec-13
Southpoint III	4,822	4,949	7.75%		Apr-14
Tysons Corner	100,000	100,000	4.84%	(a)	Aug-15
Coppell Associates	16,600	16,600	5.75%		Mar-16
Grande A	59,190	59,513	7.48%		Jul-27
Grande B	77,120	77,535	7.48%		Jul-27
Principal balance outstanding	865,958	869,626			
Plus: unamortized fixed-rate debt premiums	13,274	14,294			
Total mortgage indebtedness	$ 879,232	$ 883,920			
UNSECURED DEBT:					
Line-of-Credit	404,000	60,000			Dec-09

			Libor + 0.80%	
2009 Five Year Notes	275,000	275,000	4.62%	Nov-09
2014 Ten Year Notes	250,000	250,000	5.53%	Nov-14
Private Placement Notes due 2008	113,000	113,000	4.34%	Dec-08
2010 Five Year Notes	300,000	300,000	5.61%	Dec-10
Indenture IA (Preferred Trust I)	27,062	27,062	Libor + 1.25%	Mar-35
Indenture IB (Preferred Trust I)	25,774	25,774	Libor + 1.25%	Apr-35
Indenture II (Preferred Trust II)	25,774	25,774	Libor + 1.25%	Jul-35
2009 Three Year Notes		300,000	Libor + 0.45	Apr-09
2012 Six Year Notes	300,000	300,000	5.77%	Apr-12
2016 Ten Year Notes	250,000	250,000	5.95%	Apr-16
3.874% Exchangeable Notes	345,000	345,000	3.87%	Oct-11
Principal balance outstanding	2,315,610	2,271,610		
Plus: unamortized fixed-rate debt premiums	(3,175)	(3,300)		
Total mortgage indebtedness	$ 2,312,435	$ 2,268,310		
Total Debt Obligations	$ 3,191,667	$ 3,152,230		

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

(b) In April 2007, the Partnership has elected to prepay the loan on the date indicated in the Maturity date column.

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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

During the three-month periods ended March 31, 2007 and 2006, the Partnership s weighted-average effective interest rate on its mortgage notes payable was 6.67% and 6.30%, respectively.

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.

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

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

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 March 31, 2007, the Partnership had $404.0 million of borrowings and $24.2 million of letters of credit outstanding under the Credit Facility, leaving $171.8 million of unused availability. For the three-month periods ended March 31, 2007 and 2006, the weighted-average interest rate on the Credit Facility, including the effect of interest rate hedges, was 6.1% and 5.4%, respectively.

Table of Contents

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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.

As of March 31, 2007, the Partnership s aggregate scheduled principal payments of debt obligations, excluding amortization of discounts and premiums, are as follows (in thousands):

2007	$ 129,683
2008	138,227
2009	762,306
2010	453,803
2011	481,158
Thereafter	1,216,391
Total indebtedness	$ 3,181,568

8. 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.

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.

In March 2007, in anticipation of the offering of $300 million of 5.70% unsecured guaranteed notes due May 1, 2017 (2017 Notes) (See Note 15), the Partnership entered into two treasury lock agreements. The treasury lock agreements were designated as cash flow hedges on interest rate risk and qualified for hedge accounting. Each of the treasury lock agreements were for notional amounts of $75.0 million for an expiration of 10 years at all-in rates of 4.5585% and 4.498% and had fair values of $0.7 million and $1.0 million, respectively at March 31, 2007. The agreements were settled in April 2007 upon completion of the offering of the 2017 Notes at a total benefit of $1.1 million. This benefit will be recorded as a component of accumulated other comprehensive income in the accompanying consolidated balance sheet and amortized over the term of the 2017 Notes.

In March 2006, in anticipation of the offering of the 2009 Notes, the 2012 Notes and the 2016 Notes, the 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.

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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 were included as part of the real estate venture in which the Partnership purchased the remaining 49% of the minority interest partner s share in March 2007. One of the swaps with a notional amount of $20 million has a maturity date of February 1, 2010 at an all-in rate of 4.675% and had a fair value of $0.1 million at March 31, 2007. The other, with a notional amount of $70 million, has a maturity date of August 1, 2008 at an all in rate of 4.675% and had a fair value of $0.3 million at March 31, 2007. The agreements were settled in April 2007 in connection with the repayment of five mortgage notes (see Note 7), at a total benefit of $0.4 million.

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 5% or more of the Partnership s rents during the three-month periods ended March 31, 2007 or 2006.

9. DISCONTINUED OPERATIONS

For the three-month periods ended March 31, 2007, income from discontinued operations relates to 17 properties that the Partnership sold during 2007 and one property designated as held for sale as of March 31, 2007. The following table summarizes the revenue and expense information for properties classified as discontinued operations for the three-month period ended March 31, 2007 (in thousands):

		Three-month period ended March 31, 2007
Revenue:		
Rents	$	10,937
Tenant reimbursements		684
Other		69
Total revenue		11,690
Expenses:		
Property operating expenses		4,012
Real estate taxes		1,308
Depreciation and amortization		4,594
Total operating expenses		9,914
Income from discontinued operations before gain on sale of interests in real estate and minority interest		1,776

Net gain on sale of interests in real estate		26,009
Income from discontinued operations	$	27,785

For the three-month period ended March 31, 2006, income from discontinued operations relates to properties sold during 2006 and 2007 and one property held for sale March 31, 2007. The following table summarizes the revenue and expense information for the properties classified as discontinued operations for the three-month period ended March 31, 2006 (in thousands):

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

	Three-month period ended March 31, 2006
Revenue:	
Rents	$ 24,713
Tenant reimbursements	2,469
Other	370
Total revenue	27,552
Expenses:	
Property operating expenses	9,411
Real estate taxes	3,487
Depreciation and amortization	9,122
Total operating expenses	22,020
Operating income	5,532
Interest expense	(286)
Income from discontinued operations before gain on sale of interests in real estate and minority interest	5,246
Minority interest partners share of consolidated real estate venture	(187)
Income from discontinued operations	$ 5,059

The following table summarizes the balance sheet information for the property identified as held for sale at March 31, 2007 (in thousands):

Real Estate Investments:	
Operating Property	$ 114,237
Accumulated depreciation	(7,774)
	106,463
Other assets	20,870
Total Assets Held for Sale	$ 127,333
Other liabilities	$ 14,404

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.

10. MINORITY INTEREST IN REAL ESTATE VENTURES

As of March 31, 2007, the Partnership owned interests in three consolidated real estate ventures that own three office properties containing approximately 0.4 million net rentable square feet. Minority interest in consolidated real estate ventures represents the portion of these consolidated real estate ventures not owned by the Partnership.

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

11. 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):

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

	Three-month periods ended March 31,			
	2007		2006	
	Basic	Diluted	Basic	Diluted
Income (loss) from continuing operations	$ (7,638)	$ (7,638)	$ (7,909)	$ (7,909)
Income (loss) from discontinued operations	27,785	27,785	5,059	5,059
Income allocated to Preferred Units	(1,998)	(1,998)	(1,998)	(1,998)
Net income available to common partnership unitholders	$ 18,149	$ 18,149	$ (4,848)	$ (4,848)
Weighted-average common partnership units outstanding	92,227,034	92,227,034	93,318,834	93,318,834
Contingent securities/Stock based compensation		948,916		443,014
Total weighted-average partnership units outstanding	92,227,034	93,175,950	93,318,834	93,761,848
Earnings per Common Partnership Unit:				
Continuing operations	$ (0.10)	$ (0.10)	$ (0.11)	$ (0.11)
Discontinued operations	0.30	0.30	0.05	0.05
	$ 0.20	$ 0.19	$ (0.05)	$ (0.05)

Common Partnership Unit and Preferred Mirror Units

On March 14, 2007, the Partnership declared a $0.44 per unit cash distribution to holders of Class A Units totaling $1.7 million.

On March 14, 2007, the Partnership declared a distribution of $0.44 per Common Partnership Unit, totaling $38.6 million, which was paid on April 18, 2007 to unitholders of record as of April 4, 2007. On March 14, 2007, the Partnership declared distributions on its Series D Preferred Mirror Units and Series E Preferred Mirror Units to holders of record as of March 30, 2007. These units are entitled to a preferential return of 7.50% and 7.375%, respectively. Distributions paid on April 16, 2007 to holders of Series D Preferred Mirror Units and Series E Preferred Mirror Units totaled $0.9 million and $1.1 million, respectively.

Common Share Repurchases

The Partnership repurchased 1,301,000 shares during the three-month period ending March 31, 2007 for an aggregate consideration of $44.7 million under its share repurchase program. As of March 31, 2007, the Partnership may purchase an additional 1,018,800 shares under the plan. Repurchases may be made from time to time in the open market or in privately negotiated transactions, subject to market conditions and compliance with legal requirements. The share repurchase program does not contain any time limitation and does not obligate the Partnership to repurchase any shares. The Partnership may discontinue the program at any time.

12. SHARE BASED COMPENSATION

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

Stock Options

At March 31, 2007, the Company had 1,087,575 options outstanding under its shareholder approved equity incentive plan. No options were unvested as of March 31, 2007 and therefore there is no remaining unrecognized compensation expense associated with these options. Option activity as of March 31, 2007 and changes during the three months ended March 31, 2007 were as follows:

				Weighted	
		Weighted		Average	
				Remaining	Aggregate
		Average		Contractual	Intrinsic
		Exercise			Value (in
	Shares	Price		Term (in years)	000 s)
Outstanding at January 1, 2007	1,286,070	$	26.45	1.50	8,739
Granted					
Exercised	(198,495)		28.80	0.87	1,171
Forfeited					
Outstanding at March 31, 2007	1,087,575	$	26.03	1.32	8,029
Vested at March 31, 2007	1,087,575	$	26.03	1.32	8,029
Exercisable at March 31, 2007	1,087,575	$	26.03	1.32	8,029

There were no option awards granted to employees during the three-month period ended March 31, 2007.

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

Restricted Stock Awards

The Company s primary form of share-based compensation has been restricted shares issued under a shareholder approved equity incentive plan that authorizes various equity-based awards. As of March 31, 2007, 457,496 restricted shares were outstanding and vest over five to seven years from the initial grant date. The remaining compensation expense to be recognized for the 457,496 restricted shares outstanding at March 31, 2007 was approximately $14.9 million. That expense is expected to be recognized over a weighted average remaining vesting period of 4.6 years. For the three-month period ended March 31, 2007 and 2006, the Company recognized $0.8 million of compensation expense included in general and administrative expense in each period related to outstanding restricted shares. The following table summarizes the Company s restricted share activity for the three-months ended March 31, 2007:

			Weighted
			Average
			Grant
			Date Fair
	Shares		value
Non-vested at January 1, 2007	338,860	$	28.23
Granted	216,828		35.19
Vested	(96,068)		26.28
Forfeited	(2,124)		30.55
Non-vested at March 31, 2007	457,496	$	31.90

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 86.5% of the total that may be awarded; the remaining amount available will be valued when the awards are granted to individuals. In January 2007, the Company awarded an additional 4.5% under the outperformance program. The fair value of the additional award is $0.3 million and will be amortized over the remaining portion of the 5 year period. For the three-month period ended March 31, 2007, the Company recognized $0.4 million of compensation expenses related to the outperformance program.

13. 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) Northern California (7) Southern California, (8) Metropolitan Washington, D.C. and (9) Southwest. The Pennsylvania West segment includes properties in Chester, Delaware and Montgomery counties in the Philadelphia suburbs of Pennsylvania. The Pennsylvania North segment includes properties north of Philadelphia in Bucks, Lehigh and Montgomery counties. The New Jersey segment includes properties in counties in the southern part of New Jersey including Burlington, Camden and Mercer counties and in Bucks County, Pennsylvania. The Urban segment includes properties in the City of Philadelphia, Pennsylvania and the state of Delaware. The Richmond, Virginia segment includes properties primarily in Albemarle, Chesterfield and Henrico counties, the City of Richmond and Durham, North Carolina. The Northern California segment includes properties in the City of Oakland and Concord. The Southern California segment includes properties in San Diego County. The Metropolitan Washington, D.C. segment includes properties in Northern Virginia and Suburban Maryland. The Southwest segment includes properties in Travis County of Texas. Corporate is responsible for cash and investment management, development of certain real estate properties during the construction period, and certain other general support functions.

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

Segment information as of and for the three-month periods ended March 31, 2007 and 2006 is as follows (in thousands):

	Pennsylvania	Pennsylvania			Richmond,	Northern	Southern	Metropolitan			
			New					Washington,			
	West	North	Jersey	Urban	Virginia	California	California	D.C.	Southwest	Corporate	
ch 31, 2007:											
e investments,											
properties	$ 926,700	$ 440,726	$ 554,586	$ 575,636	$ 250,935	$ 402,033	$ 105,810	$ 1,284,748	$ 232,640	$	$ 4
ent and											
on-in-progress										346,555	
ember 31,											
e investments,											
properties	$ 922,347	$ 530,436	$ 570,009	$ 568,008	$ 244,519	$ 396,927	$ 95,942	$ 1,255,940	$ 343,177	$	$ 4
ent and											
on-in-progress										328,119	
ree-months											
rch 31, 2007:											
nue	$ 27,509	$ 19,481	$ 24,675	$ 23,455	$ 8,940	$ 15,091	$ 3,141	$ 32,385	$ 8,239	$ 185	$
perating											
	11,696	7,641	11,264	9,734	3,495	6,679	1,727	11,785	4,222	(7,011)	
ing income	$ 15,813	$ 11,840	$ 13,411	$ 13,721	$ 5,445	$ 8,412	$ 1,414	$ 20,600	$ 4,017	$ 7,196	$
ree-months											
rch 31, 2006:											
nue	$ 25,233	$ 18,275	$ 23,695	$ 19,560	$ 7,483	$ 13,678	$ 2,674	$ 26,157	$ 9,409	$ (2,246)	$
perating											
	8,468	9,776	9,815	8,871	2,966	5,137	1,103	9,270	3,795	(4,020)	
ing income	$ 16,765	$ 8,499	$ 13,880	$ 10,689	$ 4,517	$ 8,541	$ 1,571	$ 16,887	$ 5,614	$ 1,774	$

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

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

	Three-month periods ended March 31,	
	2007	2006
Consolidated net operating income (loss)	$101,869	$ 88,737
Less:		
Interest income	787	2,650
Interest expense	(40,358)	(40,378)
Deferred financing costs	(1,258)	(479)
Depreciation and amortization	(62,047)	(51,212)
Administrative expenses	(7,269)	(8,490)
Minority interest partners share of consolidated real estate ventures	(116)	298
Plus:		
Equity in income of real estate ventures	754	965
Income (loss) from continuing operations	(7,638)	(7,909)
Income (loss) from discontinued operations	27,785	5,059
Net income (loss)	$ 20,147	$ (2,850)

14. 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. 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.

Environmental

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

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.

Other Commitments or Contingencies

BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007

As part of the Partnership s September 2004 acquisition of a portfolio of 14 properties (the TRC Acquisition), the Operating Partnership agreed to issue to the sellers up to a maximum of $9.7 million of Class A Units of the Operating Partnership if certain of the acquired properties achieve at least 95% occupancy prior to September 21, 2007. At March 31, 2007 the maximum amount payable under this arrangement was $1.2 million.

As part of the TRC acquisition, the Partnership acquired an interest in Two Logan Square, a 696,477 square foot office building in Philadelphia, Pennsylvania, primarily through a second and third mortgage secured by this property pursuant to which the Partnership receives substantially all cash flows from the property. The Partnership currently does not expect to take title fee 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 mortgages, the Partnership has agreed to make a payment to an unaffiliated third party with a residual interest as a fee owner of this property. The amount of the payment would be $0.6 million if the Partnership must pay a state and local transfer tax upon taking title, or $2.9 million if no transfer tax is payable upon the transfer.

As part of the Prentiss acquisition, TRC acquisition and several of our other acquisitions, the Partnership has agreed not to sell certain of the acquired properties. In the case of TRC, the Partnership agreed not to sell certain of the acquired properties for periods ranging from three to 15 years from the acquisition date as follows: 201 Radnor Financial Center, 555 Radnor Financial Center and 300 Delaware Avenue (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). In the case of the Prentiss acquisition, the Partnership assumed the obligation of Prentiss not to sell Concord Airport Plaza before March 2018 and 6600 Rockledge before July 2008. The Partnership also owns 14 other properties that aggregate 1.0 million square feet and has agreed not to sell these properties for periods that expire through 2008. These agreements generally provide that the Partnership may dispose of the subject Properties only in transactions that qualify as tax-free exchanges under Section 1031 of the Code or in other tax deferred transactions. In the event that the Partnership sells any of the properties within the applicable restricted period in non-exempt transactions, the Partnership has agreed to pay significant tax liabilities that would be incurred by the parties who sold the applicable property.

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

15. SUBSEQUENT EVENTS

The Partnership repaid five mortgage notes totaling $113.1 million in April 2007 (notice of which was given in March 2007) and one mortgage note totaling $5.4 million in May 2007. The Partnership funded the repayments of these notes from borrowings under its Credit Facility and there was no prepayment penalties associated with these prepayments.

In April 2007, the Partnership sold $300 million of 5.70% unsecured guaranteed notes due May 1, 2017. Interest on the notes will be payable semi-annually on May 1 and November 1, commencing November 1, 2007. The net proceeds of the offering will be used to repay indebtedness under the Credit Facility.

During April 2007, the Partnership sold one property, classified as held for sale at March 31, 2007, totaling 1.3 million net rentable square feet for a sales price of $115.0 million. The Partnership may receive an additional $10.0 million from the buyer should certain events occur at the property in the future.

During April 2007, the Company repurchased 265,000 shares for $8.8 million under its share repurchase program.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

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

changes in general economic conditions;

changes in local real estate conditions (including changes in rental rates and the number of competing properties);

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

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

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

the bankruptcy of major tenants;

changes in prevailing interest rates;

the unavailability of equity and debt financing;

unanticipated costs associated with the acquisition and integration of our acquisitions;

unanticipated costs to complete and lease-up pending developments;

impairment charges;

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

demand for tenant services beyond those traditionally provided by landlords;

potential liability under environmental or other laws;

earthquakes and other natural disasters;

risks associated with state and local tax audits:

the existence of complex regulations relating to our status as a REIT and to our acquisition, disposition and development activities, the adverse consequences of our failure to qualify as a REIT;

the impact of newly adopted accounting principles on our accounting policies and on period-to-period comparisons of financial results and the other risks identified in the Risk Factors section and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2006.

Given these uncertainties, we caution readers not to place undue reliance on forward-looking statements. We assume no obligation to update or supplement forward-looking statements that become untrue because of subsequent events except as required by law.

The discussion that follows is based primarily on our consolidated financial statements as of March 31, 2007 and December 31, 2006 and for the three months ended March 31, 2007 and 2006 and should be read along with the consolidated financial statements and related notes appearing elsewhere in this report. The ability to compare one period to another may be significantly affected by acquisitions completed, development properties placed in service and dispositions made during those periods.

OVERVIEW

As of March 31, 2007, our portfolio consisted of 236 office properties, 23 industrial facilities and one mixed-use property that contain an aggregate of approximately 26.5 million net rentable square feet. We also have 6 properties under development and 12 properties under redevelopment containing an aggregate 2.7 million net rentable square feet. As of March 31, 2007, we consolidate 3 office properties owned by real estate ventures containing 0.4 million net rentable square feet. Therefore, we wholly own or consolidate 281 properties with an aggregate of 29.6 million net rentable square feet. We held economic interests in 11 unconsolidated real estate ventures that contain approximately 2.8 million net rentable square feet (the Real Estate Ventures) formed with third parties to develop or own commercial properties.

As of March 31, 2007 we managed our portfolio within nine geographic segments: (1) Pennsylvania West, (2) Pennsylvania North, (3) New Jersey, (4) Urban, (5) Richmond, Virginia, (6) Northern California, (7) Southern California, (8) Metropolitan Washington, D.C. and (9) Southwest. The Pennsylvania West segment includes properties in Chester, Delaware and Montgomery counties in the Philadelphia suburbs of Pennsylvania. The Pennsylvania North segment includes properties north of Philadelphia in Bucks, Lehigh and Montgomery counties. The New Jersey segment includes properties in counties in the southern 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 Northern California segment includes properties in the City of Oakland and Concord. The Southern California segment includes properties in San Diego County. The Metropolitan Washington D.C. segment includes properties in Northern Virginia and Suburban Maryland. The Southwest segment includes properties in Travis County of Texas.

We generate cash and revenue from leases of space at our properties and, to a lesser extent, from the management of properties owned by third parties and from investments in the Real Estate Ventures. Factors that we evaluate when leasing space include rental rates to be paid, costs of tenant improvements, the tenant creditworthiness, current and expected operating costs, vacancy levels and demand for office and industrial space. We also generate cash through sales of assets, including assets that we do not view as core to our portfolio, either because of location or expected growth potential, and assets that are commanding premium prices from third party investors.

Our financial and operating performance is dependent upon the demand for office, industrial and other commercial space in our markets, our leasing results, our acquisition, disposition and development activity, our financing activity, our cash requirements and economic and market conditions, including prevailing interest rates.

We seek revenue growth through an increase in occupancy of and rental rates at our portfolio. Our occupancy was 93.0% at March 31, 2007, or 87.5% including eighteen properties under development or redevelopment.

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

Tenant Rollover Risk:

We are subject to the risk that tenant leases, upon expiration, are not renewed, that space may not be relet, or that the terms of renewal or reletting (including the cost of renovations) may be less favorable to us than the current lease terms. Leases accounting for approximately 7.6% of our aggregate annualized base rents as of March 31, 2007 (representing approximately 7.3% of the net rentable square feet of the Properties) expire without penalty through the end of 2007. We maintain an active dialogue with our tenants in an effort to achieve a high level of lease renewals. Our retention rate for leases that were scheduled to expire in the three-month period ended March 31, 2007 was 72.0%. If we were unable to renew leases for a substantial portion of the space under expiring leases, or to promptly relet this space, at anticipated rental rates, our cash flow would be adversely impacted.

Tenant Credit Risk:

In the event of a tenant default, we may experience delays in enforcing our rights as a landlord and may incur substantial costs in protecting our investment. Our management regularly evaluates our accounts receivable reserve policy in light of its tenant base and general and local economic conditions. The accounts receivable allowances were $8.7 million or 8.7% of total receivables (including accrued rent receivable) as of March 31, 2007 compared to $9.3 million or 9.0% of total receivables (including accrued rent receivable) as of December 31, 2006.

Development Risk:

As of March 31, 2007, we had in development or redevelopment 18 sites aggregating approximately 2.7 million square feet. We estimate the total cost of these projects to be $373.0 million and we had incurred $234.0 million of these costs as of March 31, 2007. 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 March 31, 2007, we owned approximately 387 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 zoning, land-use, building, occupancy and other required governmental approvals.

RECENT ACQUISITIONS AND DISPOSITIONS

During the three month period ended March 31, 2007, we sold 17 properties, containing an aggregate of 2.2 million net rentable square feet, and a 4.7 acre land parcel and we acquired the 49% minority interest in one of our consolidated real estate ventures that owns 10 office properties containing an aggregate of 1.1 million net rentable square feet.

Highlights of the three months ended March 31, 2007 include:

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

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

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

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

On March 30, 2007, we sold 10 office properties located in Reading and Harrisburg, Pennsylvania containing 940,486 net rentable square feet, for a sales price of $112.0. We structured this transaction to qualify as a like-kind exchange under Section 1031 of the Code and the cash from the sale is held by a qualified intermediary for purposes of accomplishing the like-kind exchange. We expect to identify a replacement property prior to May 14, 2007 and consummate the acquisition of the replacement property prior to September 26, 2007.

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 these 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 the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. 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 accounting policies are reasonably likely to occur from period to period. Management bases its estimates and assumptions on historical experience and current economic conditions. On an on-going basis, management evaluates its estimates and assumptions including those related to revenue, impairment of long-lived assets and the allowance for doubtful accounts. Actual results may differ from those estimates and assumptions.

Our Annual Report on Form 10-K for the year ended December 31, 2006 contains a discussion of our critical accounting policies. There have been no significant changes in our critical accounting policies since December 31, 2006. See also Note 2 in our unaudited consolidated financial statements for the three-month period ended March 31, 2007 set forth herein. Management discusses our critical accounting policies and management s judgments and estimates with our Audit Committee.

RESULTS OF OPERATIONS

Comparison of the Three-Month Periods Ended March 31, 2007 and 2006

The table below shows selected operating information for the Same Store Property Portfolio and the Total Portfolio. The Same Store Property Portfolio consists of 257 Properties containing an aggregate of approximately 25.3 million net rentable square feet that we owned for the entire three-month periods ended March 31, 2007 and substantially all of the period ended March 31, 2006. We consider the properties that we acquired in the Prentiss merger on January 5, 2006 as part of our Same Store Portfolio, therefore the results of operations for the quarter ended March 31, 2006 do not include four days of activity. This table also includes a reconciliation from the Same Store Property Portfolio to the Total Portfolio net income (i.e., all properties owned by us during the three-month periods ended March 31, 2007 and 2006) by providing information for the properties which were acquired, under development (including lease-up assets) or placed into service and administrative/elimination information for the three-month periods ended March 31, 2007 and 2006 (in thousands).

The Total Portfolio net income presented in the table agrees to the net income of Brandywine Realty Trust. The only difference between the reported net income of Brandywine Realty Trust and Brandywine Operating Partnership is the allocation of the minority interest attributable to continuing and discontinued operations for limited partnership units that is on the statement of operations for Brandywine Realty Trust.

Comparison of three-months ended March 31, 2007 to the three-months ended March 31, 2006

					Properties		Development		Administrative/				
	Same Store Property Portfolio				Acquired		Properties (a)		Eliminations (b)			Total Portfoli	
			Increase/	%									In
ands)	2007	2006	(Decrease)	Change	2007	2006	2007	2006	2007	2006	2007	2006	(De
	$ 113,350	$ 107,932	$ 5,418	5.0%	$ 4,756	$	$ 9,625	$ 7,035	$ (880)	$ 103	$ 126,851	$ 115,070	$ 1
ts	3,372	4,851	(1,479)	-30.5%	127		4,745	1,209			8,244	6,060	
1	2,258	2,064	194	9.4%	713		(126)	(125)			2,845	1,939	
	118,980	114,847	4,133	3.6%	5,596		14,244	8,119	(880)	103	137,940	123,069	1
	19,346	15,739	3,607	22.9%	268		1,100	773	109	122	20,823	16,634	
s	558	589	(31)	-5.3%	772						1,330	589	
g	661	785	(124)	-15.8%	17		36	28	2,294	2,813	3,008	3,626	
	139,545	131,960	7,585	5.7%	6,653		15,380	8,920	1,523	3,038	163,101	143,918	1
ng	56,439	52,758	3,681	7.0%	1,481		6,828	5,035	(3,516)	(2,612)	61,232	55,181	
	83,106	79,202	3,904	4.9%	5,172		8,552	3,885	5,039	5,650	101,869	88,737	1
				0.0%							7,269	8,490	
d	48,038	48,565	(527)	-1.1%	2,805		10,422	2,199	782	448	62,047	51,212	1
ne	$ 35,068	$ 30,637	$ 4,431	14.5%	$ 2,367	$	$ (1,870)	$ 1,686	$ 4,257	$ 5,202	$ 32,553	$ 29,035	$
erties	257	257			4		20				281		
	25,294	25,294			747		3,515				29,556		
	93.3%	91.7%			97.4%		46.8%				87.5%		
(Expense):													
me											787	2,650	
nse											(40,358)	(40,378)	
nse Deferred financing costs											(1,258)	(479)	
me of real estate ventures											754	965	
before minority interest											(7,522)	(8,207)	
est partners share of consolidated real estate ventures											(116)	298	
est attributable to continuing operations LP units											411	435	
from continuing operations											(7,227)	(7,474)	
from discontinued operations											26,599	4,832	2

oss)	$ 19,372	$ (2,642)	$ 2
ommon share	$ 0.20	($0.05)	$

EXPLANATORY NOTES

(a) Results include: eighteen developments and redevelopments and two 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

Revenue

Cash rents from the Total Portfolio increased by $11.8 million during the three month period ended March 31, 2007 compared to the same period in 2006, primarily reflecting:

1) An additional $5.4 million at the Same Store Portfolio from increased occupancy and increased rents received on lease renewals.

2) An additional $4.8 million from four properties that we acquired after the first quarter of 2006.

3) An additional $2.5 million from increased occupancy at one of our development properties (Cira Centre).

Straight-line rents at the Total Portfolio increased by $2.2 million, primarily reflecting an increase of $3.5 million in straight line rents from commencement of leases at our development properties, offset by a $1.5 million decrease in straight line rental income at the Same Store Portfolio. Approximately $0.8 million of this decrease resulted from free rent recognized in the first quarter of 2006 and the balance resulted from the shortening of the remaining stipulated increase period in leases.

Our rents at the Total Portfolio that we recognized from the net amortization of above and below market leases at acquired properties, in conformity with SFAS No. 141, increased by $0.9 million primarily as a result of four properties that we acquired after the first quarter of 2006.

Tenant reimbursements at the Total Portfolio increased by $4.2 million primarily as a result of increased operating expenses of $6.1 million.

Property Operating Expenses

Property operating expenses at the Total Portfolio increased by $6.1 million during the three month period ended March 31, 2007 compared to the same period in 2006, primarily reflecting:

1) An increase of $3.7 million at the Same Store Portfolio, primarily due to increased occupancy and real estate tax reassessments. Increased occupancy at our properties causes an increase in the amount of expense incurred for utilities, security, and janitorial services.

2) The incurrence of $1.5 million of property operating expenses for the four properties that we acquired after the first quarter of 2006.

3) An increase of $1.8 million at our development properties, with approximately $1.1 million attributable to increased occupancy at the Cira Centre over the first quarter of 2006 and the balance reflecting the timing of properties being placed in service and occupancy by tenants.

Depreciation and Amortization Expense

Depreciation and amortization increased by $10.9 million during the three month period ended March 31, 2007 compared to the same period in 2006, primarily reflecting:

1) The incurrence of $2.8 million of depreciation and amortization expense on account of the four properties acquired after the first quarter of 2006.

2) The incurrence of $2.4 million of depreciation and amortization expense during the first quarter of 2007 on account of Cira Centre, which we placed in service in the fourth quarter of 2006.

3) The incurrence of $2.8 million of accelerated amortization related to customer relationship and in-place lease intangible assets for one of our properties now included in Development Properties. The value ascribed to these intangibles considered renewal periods and when the renewals did not occur the remaining value of the intangibles was written off and the property was placed into development for future tenants.

4) The incurrence of $2.0 million of accelerated depreciation associated with tenant move-outs, primarily one tenant that was in a Development Property. There was no termination fee received in connection with this move-out as a result of the tenant s bankruptcy.

Administrative Expenses

Our administrative expenses decreased by approximately $1.2 million during the three month period ended March 31, 2007 compared to the same period in 2006, primarily reflecting higher fees in 2006 incurred as part of our integration activities following our merger with Prentiss.

Interest Income/ Expense

We used our investment in marketable securities to paydown defeased debt in the fourth quarter of 2006. This paydown caused a decrease of $1.9 million in interest income.

Interest expense deferred financing costs increased by $0.8 million as a result of unsecured notes that were entered into subsequent to the first quarter of 2006.

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 March 31, 2007 we held an ownership interest in 3 properties through consolidated joint ventures, compared to 14 properties owned by consolidated joint ventures at March 31, 2006, one of which was sold in the third quarter of 2006. On March 1, 2007 we acquired the minority interest partners share of 10 properties for $63.7 million.

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. Minority interests owned 4.6% of the Operating Partnership as of March 31, 2007 and 2006

Discontinued Operations

During the quarter ending March 31, 2007, we sold one property in East Norriton, PA, four properties in Dallas, TX, and 11 properties in Reading and Harrisburg, PA and one in Voorhees, NJ. These properties had total revenue of $11.7 million, operating expenses of $9.9 million, gains on sale of $26.0 million and minority interest attributable to discontinued operations of $1.1 million.

The March 31, 2006 amount is reclassified to include the operations of the properties sold during the first quarter of 2007, as well as the 23 properties that were sold during the year ending December 31, 2006. Therefore, the discontinued operations amount for the quarter ending March 31, 2006 includes 40 properties with total revenue of $27.5 million, operating expenses of $22.0 million, interest expense of $0.3 million and minority interest of $0.4 million. Of the 23 properties that were sold during the year ending December 31, 2006, eight were sold in the quarter ending March 31, 2006. The eight properties that were sold in the first quarter of 2006 did not have gains on sale since such properties were acquired as part of the Prentiss merger and the value ascribed to those properties in purchase accounting was the fair value amount that the properties were sold for.

Net Income

Net income increased by $22.0 million from the first quarter of 2006 primarily as a result of the gains recognized on the buildings sold of $26.0 million, offset by the other items noted above.

Earnings Per Share

Earnings per share was $0.20 in the first quarter of 2007 as compared to a loss per share of $(0.05) in the first quarter of 2006 as a result of the factors described above and a decrease in the average number of common shares outstanding. The decrease in the average number of common shares outstanding is the result of 1.3 million shares repurchased in 2007 and 1.2 million shares repurchased in 2006, subsequent to the end of the first quarter. This decrease in the number of shares is partially offset by the issuance of shares upon option exercises and restricted share vesting.

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

General

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

fund normal recurring expenses,

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. We seek to increase cash flows from our properties by maintaining quality standards for our properties that promote high occupancy rates and permit increases in rental rates while reducing tenant turnover and controlling operating expenses. 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 the financial performance 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. In April 2007 and March 2006, we sold $300 million and $850 million, respectively of unsecured notes and in October 2006, we completed an offering of $345.0 million of convertible notes and expect to utilize the debt and equity markets for other long-term capital needs.

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 our company 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.

The impact of asset sales during 2006 and through the first quarter of 2007 has also been a significant source of cash. During the first quarter of 2007 we sold 17 properties, containing an aggregate of 2.2 million net rentable square feet and a land parcel containing 4.7 acres for aggregate proceeds of $234.1 million. We have several options for proceeds from asset sales, which include acquiring assets in our core markets, repaying debt, repurchasing our shares, or a combination of these options. In the case of the sale of our March 2007 sale of 10 properties in Reading and Harrisburg, Pennsylvania, we have escrowed the proceeds of sale with a qualified intermediary in anticipation of the completion of a tax-deferred like-kind exchange.

Cash Flows

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

As of March 31, 2007 and December 31, 2006, we maintained cash and cash equivalents of $3.9 million and $25.4 million, respectively, a decrease of $21.5 million. This increase was the result of the following changes in cash flow from our activities for the three-month period ended March 31 (in thousands):

Activity	2007	2006
Operating	$ 50,521	$ 55,238
Investing	(30,542)	(867,898)
Financing	(41,473)	841,787
Net cash flows	$ (21,494)	$ 29,127

Our principal source of cash flows is from the operation of our properties. The decrease in cash inflows is primarily the result of the timing of cash receipts from our tenants and cash expenditures in the normal course of operations of our properties.

The decrease in cash outflows from investing activities is primarily attributable to our acquisition of Prentiss on January 5, 2006 resulting in a cash outflow of $935.9 million compared to the $63.7 million outflow incurred in the first quarter of 2007 for the acquisition of the 49% minority interest partners share in the Brandywine Office Investors real estate venture. These outflows were offset by net proceeds on property sales of $109.1 and $134.1 for the quarters ending March 31, 2007 and 2006, respectively.

Decreased cash flow from financing activities is primarily attributable to our repurchase of 1.3 million shares for $44.7 million in the quarter ended March 31, 2007 compared to our issuance of $850.0 million of unsecured notes for the same period in 2006. During the quarter ended March 31, 2007 we repaid our $300.0 million 2009 three year floating rate note, issued in March 2006, using proceeds from our Credit Facility.

Capitalization

Indebtedness

On March 28, 2006, we consummated the public offering of (1) $300 million aggregate principal amount of unsecured floating rate notes due 2009, (2) $300 million aggregate principal amount of its 5.75% notes due 2012 and (3) $250 million aggregate principal amount of its 6.00% notes due 2016. We guaranteed the payment of principal of and interest on the Notes.

On October 4, 2006, we completed an offering of $300 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 our common shares. 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 our 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. We used net proceeds from the October 2006 note sale to repurchase approximately $60.0 million of common shares 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 called for redemption our $300 million floating rate guaranteed notes due 2009 and repaid these notes on January 2, 2007 in accordance with the November call. As a result of the early repayment of these notes, we incurred accelerated amortization of the $1.4 million in associated deferred financing costs in the fourth quarter 2006.

As of March 31, 2007, we had approximately $3.2 billion of outstanding indebtedness. The table below summarizes our mortgage notes payable, our unsecured notes and our revolving credit facility at March 31, 2007 and December 31, 2006:

Balance:		
Fixed rate	$ 2,709,057	$ 2,718,173
Variable rate	482,610	439,162
Total	$ 3,191,667	$ 3,157,335
Percent of Total Debt:		
Fixed rate	85%	86%
Variable rate	15%	14%
Total	100%	100%
Weighted-average interest rate at period end:		
Fixed rate	5.65%	5.61%
Variable rate	6.04%	5.97%
Total	5.71%	5.66%

The variable rate debt shown above generally bears interest based on various spreads over LIBOR (the term of which is selected by us).

On April 30, 2007, our Operating Partnership consummated the public offering of $300 million aggregate principal amount of its 5.70% Guaranteed Notes due 2017 and used proceeds of these note to reduce borrowings under the credit facility.

We have used 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 5.32% as of March 31, 2007) 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. 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. We believe that we are in compliance with all financial covenants as of March 31, 2007.

The indenture under which we have issued our unsecured notes and note purchase agreements that governs an additional $113 million unsecured note contain 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 Notes contains covenants that are similar to the above covenants. At March 31, 2007, we were in compliance with each of these financial restrictions and requirements.

We have mortgage loans that are collateralized by certain of our properties. Payments on mortgage loans are generally due in monthly installments of principal and interest, or interest only.

We intend to refinance or repay our mortgage loans as they mature, primarily through the use of unsecured debt or equity.

The amount of indebtedness that we may incur, and the policies with respect thereto, are not limited by our declaration of trust and bylaws, and are solely within the discretion of our board of trustees, limited only by various financial covenants in the indenture and our credit agreements.

Equity

On March 14, 2007, we declared a distribution of $0.44 per Common Share, totaling $38.6 million, which we paid on April 18, 2007 to shareholders of record as of April 4, 2007. The Operating Partnership simultaneously declared a $0.44 per unit cash distribution to holders of Class A Units totaling $1.7 million.

On March 14, 2007, we declared distributions on our Series C Preferred Shares and Series D Preferred Shares to holders of record as of March 30, 2007. These shares are entitled to a preferential return of 7.50% and 7.375%, respectively. Distributions paid on April16, 2007 to holders of Series C Preferred Shares and Series D Preferred Shares totaled $0.9 million and $1.1 million, respectively.

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 three-month period ended March 31, 2007, we repurchased approximately 1.3 million common shares under this program at an average price of $34.34 per share, leaving approximately 1.0 million shares in remaining capacity. Our Board has not limited the duration of the program and it may be terminated at any time.

Shelf Registration Statement

Together with our Operating Partnership, we maintain a shelf registration statement that registered 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 intend 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 our 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 its 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 significantly offset by expense reimbursement and contractual rent increases.

Commitments and Contingencies

The following table outlines the timing of payment requirements related to our contractual commitments as of March 31, 2007:

		Payments by Period (in thousands)			
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Mortgage notes payable (a)	$ 865,958	$ 129,683	$ 108,533	$ 289,961	$ 337,781
Revolving credit facility	404,000		404,000		
Unsecured debt (a)	1,911,610		388,000	645,000	878,610
Ground leases (b)	279,956	1,736	3,472	3,636	271,112
Other liabilities	2,005		1,317		688
	$ 3,463,529	$ 131,419	$ 905,322	$ 938,597	$ 1,488,191

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

(b) 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.

We intend to refinance or repay our mortgage notes payable as they become due or repay those that are secured by properties being sold.

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 March 31, 2007, the maximum balance payable under this arrangement was $1.2 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 fee 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 upon taking title, and $2.9 million if no transfer tax is payable upon the transfer.

As part of the Prentiss acquisition, the TRC acquisition and several of our other acquisitions, we agreed not to sell certain of the acquired properties. In the case of the TRC acquisition, we agreed not to sell certain of the acquired properties for periods ranging from three to 15 years from the acquisition date as follows: 201 Radnor Financial

Center, 555 Radnor Financial Center and 300 Delaware Avenue (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). In the case of the Prentiss acquisition, we assumed the obligation of Prentiss not to sell Concord Airport Plaza before March 2018 and 6600 Rockledge before July 2008. We also own 14 other properties that aggregate 1.0 million square feet and have agreed not to sell these properties for periods that expire by the end of 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.

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 March 31, 2007, our consolidated debt consisted of $879.2 million in fixed rate mortgages, $404.0 million variable rate borrowings under our Credit Facility and $1.9 billion in unsecured notes (net of discounts) of which $1.83 billion are fixed rate borrowings and $78.6 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 $4.8 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 $4.8 million.

If market rates of interest increase by 1%, the fair value of our outstanding fixed-rate debt would decrease by approximately $103.3 million. If market rates of interest decrease by 1%, the fair value of our outstanding fixed-rate debt would increase by approximately $110.4 million.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the exposure to loss resulting from changes in interest rates, commodity prices and equity prices. In pursuing our business plan, the primary market risk to which we are exposed is interest rate risk. Changes in the general level of interest rates prevailing in the financial markets may affect the spread between our yield on invested assets and cost of funds and, in turn, our ability to make distributions or payments to our shareholders. While we have not experienced any significant credit losses, in the event of a significant rising interest rate environment and/or economic downturn, defaults could increase and result in losses to us which adversely affect our operating results and liquidity.

There have been no material changes in Quantitative and Qualitative disclosures in 2007 from the disclosures included in our Annual Report on Form 10-K for the year ended December 31, 2006. Reference is made to Item 7 included in our Annual Report on Form 10-K for the year ended December 31, 2006 and the caption Interest Rate Risk and Sensitivity Analysis under Item 2 of this Quarterly Report on Form 10-Q.

Item 4. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our 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) as of the end of the period covered by this quarterly report, have concluded that the Company s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

(b) *Changes in internal controls over financial reporting.* There was no change in the Company s internal control over financial reporting that occurred during the period covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 1A. Risk Factors

There has been no material change to the risk factors previously disclosed by us in our Form 10-K for the fiscal year ended December 31, 2006.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes the share repurchases during the three-month period ended March 31, 2007:

	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)
2007:				
January				2,319,800
February				2,319,800
March	1,301,000	$ 34.34	1,301,000	1,018,800
Total	1,301,000		1,301,000	

(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 the remaining share repurchase availability under the Board s prior authorization from September 2001). There is no

expiration date on
the share
repurchase
program.

Item 3. Defaults Upon Senior Securities

Not applicable.

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

Not applicable.

Item 5. Other Information

(I)

We held our annual meeting of shareholders on May 9, 2007. At the meeting, each of the ten individuals nominated for election to our Board of Trustees was elected to the Board. These individuals will serve on the Board until the next annual meeting of shareholders and until their successors are elected and qualified or until their earlier resignation. The number of shares cast for or withheld for each nominee is set forth below:

Trustee	For	Withheld
Walter D Alessio	81,277,885	680,203
D. Pike Aloian	81,636,876	321,212
Thomas F. August	76,724,716	5,233,372
Donald E. Axinn	67,991,394	13,966,694
Wyche Fowler	81,638,270	319,818
Michael J. Joyce	81,692,258	265,830
Anthony A. Nichols Sr.	80,951,549	1,006,539
Michael V. Prentiss	76,725,961	5,232,127
Charles P. Pizzi	81,337,394	620,694
Gerard H. Sweeney	81,283,927	674,161

At our annual meeting of shareholders, our shareholders voted as follows to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the calendar year 2007 as follows:

Votes for	81,839,917
Votes Against	32,296
Abstentions	19,196

At our annual meeting of shareholders, our shareholders approved the amendment and restatement of our Amended and Restated 1997 Long-Term Incentive Plan, voting as follows:

Votes for	72,411,880
Votes Against	3,816,076
Abstentions	109,452
Broker Non-Votes	5,620,680

At our annual meeting of shareholders, our shareholders approved the 2007 Non-Qualified Share Purchase Plan, voting as follows:

Votes for	76,075,023
Votes Against	188,980
Abstentions	73,406
Broker Non-Votes	5,620,679

(II)

At our annual meeting of shareholders, each non-employee Trustee received his annual trustee fee of $35,000, payable in cash or common shares at the election of non-employee Trustee, and his $40,000 annual restricted share award (1,209 shares), the form of which is attached as Exhibit 10.7.

Item 6. Exhibits

(a) Exhibits

10.1 Employment letter agreement with Darryl M. Dunn (incorporated by reference to Brandywine s Current Report on Form 8-K filed on January 9, 2007)**

10.2 Performance Share Award to President and Chief Executive Officer (incorporated by reference to Brandywine s Current Report on Form 8-K filed on February 14, 2007)**

10.3 Form of Performance Award to Executives other than President and Chief Executive Officer (incorporated by reference to Brandywine s Current Report on Form 8-K filed on February 14, 2007)**

10.4 Amended and Restated Employment Agreement for President and Chief Executive Officer (incorporated by reference to Brandywine s Current Report on Form 8-K filed on February 14, 2007)**

10.5 Amended and Restated 1997 Long-Term Incentive Plan**

10.6 2007 Non-Qualified Employee Share Purchase Plan**

10.7 Form of 2007 Restricted Share Award to Non-Employee Trustees

12.1 Statement re Computation of Ratios of Brandywine Realty Trust

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

31.1 Certification of the Chief Executive Officer of Brandywine Realty Trust pursuant to 13a-14 under the Securities Exchange Act of 1934

31.2 Certification of the Chief Financial Officer of Brandywine Realty Trust pursuant to 13a-14 under the Securities Exchange Act of 1934

31.3 Certification of the Chief Executive Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., pursuant to 13a-14 under the Securities Exchange Act of 1934

31.4 Certification of the Chief Financial Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., pursuant to 13a-14 under the Securities Exchange Act of 1934

32.1 Certification of the Chief Executive Officer of Brandywine Realty Trust pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of the Chief Financial Officer of Brandywine Realty Trust pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.3 Certification of the Chief Executive Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.4 Certification of the Chief Financial Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

** Management contract or compensatory plan or arrangement

SIGNATURES OF REGISTRANT

Pursuant to the requirements 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 (Registrant)
Date: May 10, 2007	By: /s/ Gerard H. Sweeney
	Gerard H. Sweeney, President and Chief Executive Officer (Principal Executive Officer)
Date: May 10, 2007	By: /s/ Howard M. Sipzner
	Howard M. Sipzner, Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: May 10, 2007	By: /s/ Darryl M. Dunn
	Darryl M. Dunn, Vice President, Chief Accounting Officer & Treasurer (Principal Accounting Officer)

SIGNATURES OF REGISTRANT

Pursuant to the requirements 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.
(Registrant)

BRANDYWINE REALTY TRUST, as general partner

Date: May 10, 2007

By: /s/ Gerard H. Sweeney

Gerard H. Sweeney, President
and Chief Executive Officer
(Principal Executive Officer)

Date: May 10, 2007

By: /s/ Howard M. Sipzner

Howard M. Sipzner, Executive Vice President
and Chief Financial Officer
(Principal Financial Officer)

Date: May 10, 2007

By: /s/ Darryl M. Dunn

Darryl M. Dunn, Vice President,
Chief Accounting Officer & Treasurer
(Principal Accounting Officer)