

BRANDYWINE REALTY TRUST

Form 10-Q

August 05, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2010**

or

**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)
DELAWARE (Brandywine Operating Partnership
L.P.)**

**23-2413352
23-2862640**

**(State or other jurisdiction of
Incorporation or organization)**

**(I.R.S. Employer
Identification No.)**

**555 East Lancaster Avenue
Radnor, Pennsylvania
(Address of principal executive offices)**

**19087
(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 No
Brandywine Operating Partnership, L.P. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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

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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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
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Brandywine Operating Partnership, L.P.:

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
--	--	--	--

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 <input type="checkbox"/> No <input type="checkbox"/>
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Brandywine Operating Partnership, L.P.	Yes <input type="checkbox"/> No <input type="checkbox"/>
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A total of 132,000,301 Common Shares of Beneficial Interest, par value \$0.01 per share, were outstanding as of August 2, 2010.

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Filing Format

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

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

	June 30, 2010	December 31, 2009
ASSETS		
Real estate investments:		
Rental properties	\$ 4,445,083	\$ 4,512,618
Accumulated depreciation	(750,848)	(716,956)
Operating real estate investments, net	3,694,235	3,795,662
Construction-in-progress	334,196	271,962
Land inventory	106,715	97,368
Total real estate investments, net	4,135,146	4,164,992
Cash and cash equivalents	297	1,567
Accounts receivable, net	19,603	10,934
Accrued rent receivable, net	88,105	87,173
Investment in real estate ventures, at equity	77,908	75,458
Deferred costs, net	102,664	106,097
Intangible assets, net	87,507	105,163
Notes receivable	59,939	59,008
Other assets	46,015	53,358
Total assets	\$ 4,617,184	\$ 4,663,750
LIABILITIES AND BENEFICIARIES EQUITY		
Mortgage notes payable	\$ 503,570	\$ 551,720
Borrowing under credit facilities	160,000	92,000
Unsecured term loan	183,000	183,000
Unsecured senior notes, net of discounts	1,563,471	1,627,857
Accounts payable and accrued expenses	79,358	88,599
Distributions payable	22,295	21,799
Tenant security deposits and deferred rents	52,435	58,572
Acquired below market leases, net	32,641	37,087
Deferred income	73,695	47,379
Other liabilities	25,712	33,997
Total liabilities	2,696,177	2,742,010
Commitments and contingencies (Note 16)		
Brandywine Realty Trust's equity:		
Preferred Shares (shares authorized-20,000,000):		

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7.50% Series C Preferred Shares, \$0.01 par value; issued and outstanding- 2,000,000 in 2010 and 2009, respectively	20	20
7.375% Series D Preferred Shares, \$0.01 par value; issued and outstanding- 2,300,000 in 2010 and 2009, respectively	23	23
Common Shares of Brandywine Realty Trust's beneficial interest, \$0.01 par value; shares authorized 200,000,000; 132,134,448 and 128,849,176 issued in 2010 and 2009, respectively and 132,000,301 and 128,597,412 outstanding in 2010 and 2009, respectively	1,319	1,286
Additional paid-in capital	2,652,695	2,610,421
Deferred compensation payable in common stock	6,023	5,549
Common shares in treasury, at cost, 134,147 and 251,764 in 2010 and 2009, respectively	(3,806)	(7,205)
Common shares in grantor trust, 299,314 in 2010 and 255,700 in 2009	(6,023)	(5,549)
Cumulative earnings	494,989	501,384
Accumulated other comprehensive loss	(5,056)	(9,138)
Cumulative distributions	(1,256,962)	(1,213,359)
Total Brandywine Realty Trust's equity	1,883,222	1,883,432
Non-controlling interests	37,785	38,308
Total equity	1,921,007	1,921,740
Total liabilities and equity	\$ 4,617,184	\$ 4,663,750

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

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

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2010	2009	2010	2009
Revenue:				
Rents	\$ 114,532	\$ 119,445	\$ 230,041	\$ 239,730
Tenant reimbursements	17,704	16,999	39,187	37,687
Termination fees	1,331	963	3,085	1,076
Third party management fees, labor reimbursement and leasing	2,904	4,097	6,371	8,861
Other	1,024	570	1,945	1,451
Total revenue	137,495	142,074	280,629	288,805
Operating Expenses:				
Property operating expenses	38,748	39,119	83,896	82,541
Real estate taxes	13,698	13,952	26,750	28,784
Third party management expenses	1,493	1,968	2,905	4,083
Depreciation and amortization	52,125	52,708	104,747	103,923
General and administrative expenses	6,653	5,515	12,745	10,473
Total operating expenses	112,717	113,262	231,043	229,804
Operating income	24,778	28,812	49,586	59,001
Other Income (Expense):				
Interest income	963	642	1,828	1,221
Interest expense	(31,210)	(34,944)	(62,734)	(70,590)
Interest expense amortization of deferred financing costs	(862)	(1,894)	(1,873)	(3,146)
Recognized hedge activity		(305)		(305)
Equity in income of real estate ventures	1,025	1,533	2,321	2,119
(Loss) gain on early extinguishment of debt	(445)	12,013	(1,637)	18,652
Income (loss) from continuing operations	(5,751)	5,857	(12,509)	6,952
Discontinued operations:				
Income from discontinued operations	151	1,148	161	2,686
Net (loss) gain on disposition of discontinued operations		(1,225)	6,349	(1,031)
Provision for impairment				(3,700)
Total discontinued operations	151	(77)	6,510	(2,045)
Net income (loss)	(5,600)	5,780	(5,999)	4,907

Net (income) loss from discontinued operations attributable to non-controlling interests LP units	(3)	2	(139)	63
Net (income) loss attributable to non-controlling interests partners share of consolidated real estate ventures		(28)		(22)
Net (income) loss attributable to non-controlling interests LP units	162	(141)	349	(113)
Net (income) loss attributable to non-controlling interests	159	(167)	210	(72)
Net income (loss) attributable to Brandywine Realty Trust	(5,441)	5,613	(5,789)	4,835
Distribution to Preferred Shares	(1,998)	(1,998)	(3,996)	(3,996)
Amount allocated to unvested restricted shareholders	(128)	(73)	(256)	(110)
Net income (loss) attributable to Common Shareholders of Brandywine Realty Trust	\$ (7,567)	\$ 3,542	\$ (10,041)	\$ 729
Basic earnings per Common Share:				
Continuing operations	\$ (0.06)	\$ 0.03	\$ (0.13)	\$ 0.03
Discontinued operations	0.00	(0.00)	0.05	(0.02)
	\$ (0.06)	\$ 0.03	\$ (0.08)	\$ 0.01
Diluted earnings per Common Share:				
Continuing operations	(0.06)	\$ 0.03	\$ (0.13)	\$ 0.03
Discontinued operations	0.00	(0.00)	0.05	(0.02)
	\$ (0.06)	\$ 0.03	\$ (0.08)	\$ 0.01
Basic weighted average shares outstanding	131,510,924	101,583,997	130,146,853	94,934,134
Diluted weighted average shares outstanding	131,510,924	102,742,343	130,146,853	95,495,746
Net income (loss) attributable to Brandywine Realty Trust				
Income (loss) from continuing operations	\$ (5,589)	\$ 5,688	\$ (12,160)	\$ 6,817
Income (loss) from discontinued operations	148	(75)	6,371	(1,982)
Net income (loss)	\$ (5,441)	\$ 5,613	\$ (5,789)	\$ 4,835

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

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

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2010	2009	2010	2009
Net income (loss)	\$ (5,600)	\$ 5,780	\$ (5,999)	\$ 4,907
Comprehensive income (loss):				
Unrealized gain (loss) on derivative financial instruments	2,355	(4,217)	4,171	6,069
Reclassification of realized (gains)/losses on derivative financial instruments to operations, net	14	(20)	(1)	(40)
Total comprehensive income (loss)	2,369	(4,237)	4,170	6,029
Comprehensive income (loss)	(3,231)	1,543	(1,829)	10,936
Comprehensive (income) loss attributable to non-controlling interest	109	(167)	122	(72)
Comprehensive income (loss) attributable to Brandywine Realty Trust	\$ (3,122)	\$ 1,376	\$ (1,707)	\$ 10,864

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

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**BRANDYWINE REALTY TRUST
CONSOLIDATED STATEMENTS OF BENEFICIARIES EQUITY
For the Six-Month Periods Ended June 30, 2010 and 2009
(unaudited, in thousands, except number of shares)**

June 30, 2010

e red	Number of Preferred D Shares	Par Value of Preferred D Shares	Number of Common Shares	Number of Treasury Shares	Common Number of Shares of Rabbi of	Brandywine Trust/Deferred Realty Trust s Beneficial interest	Additional Paid-in Capital	Common Shares in Treasury	Deferred Compensation Payable in Common Stock	Common Shares in Grantor Trust	Accumulated Other Comprehensive Income (Loss)	Cummulative Earnings	Cummulative Earnings
0	2,300,000	\$ 23	128,849,176	251,764	255,700	\$ 1,286	\$ 2,610,421	\$(7,205)	\$ 5,549	\$(5,549)	\$ 501,384	\$(9,138)	\$(1,417)
			3,285,345				33	41,659				(5,789)	
								(770)					4,082
				(32,607)	32,607			871	369	(369)		(502)	
				(76,598)	8,989			(1,114)	2,304	103	(103)	(1,417)	
								1,806					
								424					
			(73)		(1,002)				(33)	33			
								503					
								246					

(8,412) 3,020 224 35 (35) (126)

(480)

1,439

2,300,000 \$ 23 132,134,448 134,147 299,314 \$ 1,319 \$ 2,652,695 \$ (3,806) \$ 6,023 \$ (6,023) \$ 494,989 \$ (5,056) \$ (

CONSOLIDATED STATEMENTS OF BENEFICIARIES EQUITY

June 30, 2009

	Number of	Par Value of	Number of	Number of	Number of	Common Shares of	Additional	Common	Deferred	Common	Accumulated	
	Preferred	Preferred	Common	Treasury	Compensation	Brandywine	Paid-in	Shares	Compensation	Shares	Other	
	Shares	Shares	Shares	Shares	Shares	Trust/Deferre	Capital	in	in	in	Other	
						Realty		Treasury	Common	Common	Comprehensive	
						Beneficial		Shares	Payable	Grantor	Earnings	Income
						interest		in	in	Trust		(Loss)
								Treasury	Common			Di
								Stock	Stock			
2,300,000	\$ 23	88,610,053	451,116	215,742	\$ 882	\$ 2,351,428	\$ (14,121)	\$ 6,274	\$ (6,274)	\$ 498,716	\$ (17,005)	\$ (
										4,835		
											6,353	
		40,250,000			402	242,043						
			(36,826)				1,228			(1,105)		

(78,607) 8,971 2 (778) 2,704 56 (56) (2,142)

1,644

99

(2,719) (54,854) 35,186 (21) 1,830 (507) 507 (1,670)

(7,081) (46)

227

615

(13,987) 4,895 466 35 (35) (366)

12,709

2,300,000 \$ 23 128,850,253 266,842 264,794 \$ 1,286 \$ 2,607,920 \$ (7,893) \$ 5,858 \$ (5,858) \$ 498,268 \$ (10,652) \$

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

	Six-month periods ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ (5,999)	\$ 4,907
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation	80,447	80,109
Amortization:		
Deferred financing costs	1,873	3,146
Amortization of debt discount/(premium), net	490	1,215
Deferred leasing costs	10,139	8,928
Acquired above (below) market leases, net	(3,181)	(3,487)
Acquired lease intangibles	14,036	17,051
Stock-based compensation costs	2,492	2,288
Recognized hedge activity		305
Straight-line rent	(5,408)	(4,094)
Provision for doubtful accounts	1,717	3,907
Provision for impairment in real estate		3,700
Real estate venture income in excess of distributions	(1,958)	(1,026)
Net loss (gain) on sale of interests in real estate	(6,349)	1,031
Loss (gain) on early extinguishment of debt	1,637	(18,652)
Contributions from historic tax credit transaction, net of deferred costs	27,396	
Cumulative interest accretion of repayments of unsecured notes	(2,716)	(1,955)
Changes in assets and liabilities:		
Accounts receivable	161	2,671
Other assets	2,074	9,412
Accounts payable and accrued expenses	(7,089)	2,611
Tenant security deposits and deferred rents	(4,570)	(2,707)
Other liabilities	(2,190)	(4,262)
Net cash from operating activities	103,002	105,098
Cash flows from investing activities:		
Sales of properties, net	10,445	33,354
Capital expenditures	(75,423)	(94,810)
Advances for purchase of tenant assets	(9,116)	
Investment in unconsolidated Real Estate Ventures		(14,980)
Escrowed cash		31,385
Cash distributions from unconsolidated Real Estate Ventures in excess of cumulative equity income	801	11,346
Decrease in cash due to the deconsolidation of variable interest entities	(1,382)	
Leasing costs	(25,609)	(14,286)
Net cash used in investing activities	(100,284)	(47,991)

Cash flows from financing activities:

Proceeds from Credit Facility borrowings	231,000	347,000
Repayments of Credit Facility borrowings	(163,000)	(426,000)
Proceeds from mortgage notes payable		89,800
Repayments of mortgage notes payable	(4,467)	(73,576)
Repayments of unsecured notes	(64,604)	(174,823)
Debt financing costs	8	(21,525)
Net proceeds from issuance of shares	41,021	242,455
Distributions paid to shareholders	(43,104)	(39,299)
Distributions to noncontrolling interest	(842)	(1,127)
Net cash from (used in) financing activities	(3,988)	(57,095)
Increase (decrease) in cash and cash equivalents	(1,270)	12
Cash and cash equivalents at beginning of period	1,567	3,924
Cash and cash equivalents at end of period	\$ 297	\$ 3,936

Supplemental disclosure:

Cash paid for interest, net of capitalized interest during the six months ended June 30, 2010 and 2009 of \$6,791 and \$3,459, respectively	\$ 37,578	\$ 74,584
Supplemental disclosure of non-cash activity:		
Note receivable issued in a property sale transaction		950
Change in capital expenditures financed through accounts payable at period end	(2,739)	8,300
Change in capital expenditures financed through retention payable at period end	1,624	582
Change in unfunded tenant allowance	(2,418)	
Change in real estate investments due to the deconsolidation of variable interest entities	(37,126)	
Change in mortgage notes payable due to the deconsolidation of variable interest entities	(42,877)	

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

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BRANDYWINE REALTY TRUST
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010

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, that provides leasing, property management, development, redevelopment, acquisition and other tenant-related services for a portfolio of office and industrial properties. Brandywine Realty Trust owns its assets and conducts its operations through Brandywine Operating Partnership, L.P., a Delaware limited partnership (the Operating Partnership) and subsidiaries of the Operating Partnership. Brandywine Realty Trust, the Operating Partnership and their consolidated subsidiaries are collectively referred to below as the Company. The Company's common shares of beneficial interest are publicly traded on the New York Stock Exchange under the ticker symbol BDN .

As of June 30, 2010, the Company owned 213 office properties, 20 industrial facilities and three mixed-use properties (collectively, the Properties) containing an aggregate of approximately 23.6 million net rentable square feet. The Company also has two properties under development and one property under redevelopment containing an aggregate 1.4 million net rentable square feet. Therefore, as of June 30, 2010, the Company owned 239 properties containing an aggregate of 25.0 million net rentable square feet. In addition, as of June 30, 2010, the Company owned economic interests in 15 unconsolidated real estate ventures that contain approximately 4.6 million net rentable square feet (collectively, the Real Estate Ventures). The Properties and the properties owned by the Real Estate Ventures are located in or near Philadelphia, Pennsylvania, Metropolitan Washington, D.C., Southern and Central New Jersey, Richmond, Virginia, Wilmington, Delaware, Austin, Texas and Oakland, Concord, Carlsbad and Rancho Bernardo, California.

Brandywine Realty Trust is the sole general partner of the Operating Partnership and, as of June 30, 2010, owned a 97.9% interest in the Operating Partnership. The Company conducts its third-party real estate management services business primarily through wholly-owned management company subsidiaries.

As of June 30, 2010, the management company subsidiaries were managing properties containing an aggregate of approximately 34.4 million net rentable square feet, of which approximately 25.0 million net rentable square feet related to Properties owned by the Company and approximately 9.4 million net rentable square feet related to properties owned by third parties and Real Estate Ventures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC) for interim financial statements information. 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. In the opinion of management, all adjustments (consisting solely of normal recurring matters) for a fair statement of the financial position of the Company as of June 30, 2010, the results of its operations for the three and six-month periods ended June 30, 2010 and 2009 and its cash flows for the six-month periods ended June 30, 2010 and 2009 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 2009 Annual Report on Form 10-K filed with the SEC on March 1, 2010.

Reclassifications and Revisions

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

Table of Contents***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 the accounting standard for the consolidation of variable interest entities. When an entity is not deemed to be a VIE, the Company considers the provisions of the same accounting standard to determine whether a general partner, or the general partners as a group, controls a limited partnership or similar entity when the limited partner have certain rights. 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 neither have the ability to dissolve the entity or remove the Company without cause nor any 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, plus contributions, less distributions) include (i) entities that are VIEs and of which the Company is not deemed to be the primary beneficiary (ii) entities that are non-VIEs which the Company does not control, but over which the Company has the ability to exercise significant influence and (iii) entities that are non-VIEs that the Company controls through its general partner status, but the limited partners in the entity have the substantive ability to dissolve the entity or remove the Company without cause or have substantive participating rights. The Company will reconsider its determination of whether an entity is a VIE and who the primary beneficiary is, and whether or not the limited partners in an entity have substantive rights, if certain events occur that are likely to cause a change in the original determinations. The portion of the entities that are consolidated but not owned by the Company is presented as non-controlling 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, valuation of real estate and related intangible assets and liabilities, 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. Acquisition related costs are expensed as incurred. Costs incurred for the renovation and betterment of an operating property are capitalized to the Company's investment in that property. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

Purchase Price Allocation

The Company allocates the purchase price of properties to net tangible and identified intangible assets acquired based on fair values. Above-market and below-market in-place lease values for acquired properties are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) the Company's estimate of the fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease (includes the below market fixed renewal period). 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 below market 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 the accounting standard governing asset retirement obligations and when necessary, will record a conditional asset retirement obligation as part of its purchase price.

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

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

Impairment or Disposal of Long-Lived Assets

The accounting standard for property, plant and equipment provides a single accounting model for long-lived assets as held-for-sale, broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

The Company reviews long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The review of recoverability is based on an estimate of the future undiscounted cash flows (excluding interest charges) expected to result from the long-lived asset's use and eventual disposition. These cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If impairment exists due to the inability to recover the carrying value of a long-lived asset, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair-value of the property. The Company is required to make subjective assessments as to whether there are impairments in the values of the investments in long-lived assets. These assessments have a direct impact on its net income because recording an impairment loss results in an immediate negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. Although the Company's strategy is generally to hold its properties over the long-term, the Company will dispose of properties to meet its liquidity needs or for other strategic needs. If the Company's strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized to reduce the property to the lower of the carrying amount or fair value less costs to sell, and such loss could be material. If the Company determines that impairment has occurred and the assets are classified as held and used, the affected assets must be reduced to their fair-value.

Where properties have been identified as having a potential for sale, additional judgments are required related to the determination as to the appropriate period over which the undiscounted cash flows should include the operating cash flows and the amount included as the estimated residual value. Management determines the amounts to be included based on a probability weighted cash flow. This requires significant judgment. In some cases, the results of whether an impairment is indicated are sensitive to changes in assumptions input into the estimates, including the hold period until expected sale.

During the Company's impairment review for the six months period ended June 30, 2010, it was determined that no impairment charges were necessary. For the six months period ended June 30, 2009, the Company determined that one of its properties, during testing for impairment under the held and used model, had a historical cost greater than the probability weighted undiscounted cash flows. Accordingly, the recorded amount was reduced to an amount based on management's estimate of the current fair value. This property was sold in the second quarter of the prior year.

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 straight-line rent adjustment increased revenue by approximately \$1.8 million and \$3.8 million for the three and six-month periods ended June 30, 2010 and approximately \$1.6 million and \$2.6 million for the three and six-month periods ended June 30, 2009, respectively. Deferred rents on the balance sheet represent rental revenue received prior to their due dates and amounts paid by the tenant for certain improvements considered to be landlord assets that will remain as the Company's property at the end of the tenant's lease term. The amortization of the amounts

paid by the tenant for such improvements is calculated on a straight-line basis over the term of the tenant's lease and is a component of straight-line rental income and increased revenue by \$0.7 million and \$1.6 million for the three and six-month periods ended June 30, 2010 and by \$0.6 million and \$1.5 million for the three and six-month periods ended June 30, 2009, respectively. Lease incentives, which are included as reductions of rental revenue in the accompanying consolidated statements of operations, are recognized on a straight-line basis over the term of the lease. Lease incentives decreased revenue by \$0.3 million and \$1.0 million for the three and six-month periods ended June 30, 2010 and by \$0.2 million and \$0.4 million for the three and six-month periods ended June 30 2009, respectively.

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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 or to the extent that the tenant has a lease on a triple net basis. For certain leases, significant assumptions and judgments are made by the Company in determining the lease term such as when termination options are provided to the tenant. The lease term impacts the period over which minimum rents are determined and recorded and also considers the period over which lease related costs are amortized. Termination fees received from tenants, bankruptcy settlement fees, third party management fees, labor reimbursement and leasing income are recorded when earned.

Stock-Based Compensation Plans

The Company maintains a shareholder-approved equity-incentive plan known as the Amended and Restated 1997 Long-Term Incentive Plan (the "1997 Plan"). The 1997 Plan is administered by the Compensation Committee of the Company's Board of Trustees. Under the 1997 Plan, the Compensation Committee is authorized to award equity and equity-based awards, including incentive stock options, non-qualified stock options, restricted shares and performance-based shares. On June 2, 2010, the Company's shareholders approved amendments to the 1997 Plan that, among other things, increased the number of common shares available for future awards under the 1997 Plan by 6,000,000 (of which 3,600,000 shares are available solely for options and share appreciation rights). As of June 30, 2010, 6,761,947 common shares remained available for future awards under the 1997 Plan (including those shares available solely for options and share appreciation rights). Through June 30, 2010, all options awarded under the 1997 Plan had a one to ten-year term.

The Company incurred stock-based compensation expense of \$1.4 million and \$2.5 million during the three and six-month periods ended June 30, 2010 and, in addition, \$0.4 million and \$0.6 million, respectively, were capitalized as part of the Company's review of employee salaries eligible for capitalization. The Company recognized stock-based compensation expense of \$1.3 million and \$2.3 million during the three and six-month periods ended June 30, 2009, of which \$0.2 million and \$0.5 million, respectively, were also capitalized. The expensed amounts are included in general and administrative expense on the Company's consolidated income statement in the respective periods.

Accounting for Derivative Instruments and Hedging Activities

The Company accounts for its derivative instruments and hedging activities in accordance with the accounting standard for derivative and hedging activities. The accounting standard 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. See disclosures below related to the Company's adoption of the accounting standard for fair value measurements and disclosures.

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 while the ineffective portions are recognized in earnings. During the three months ended June 30, 2009, the Company recognized \$0.3 million for the ineffective portion of its two forward starting swaps. The ineffectiveness resulted from the change in the forecasted debt transaction issuance date. The interest rate swaps were cash settled in December 2009.

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.

Fair Value Measurements

The Company estimates the fair value of its outstanding derivatives and available-for-sale-securities in accordance with the accounting standard for fair value measurements and disclosures. The accounting standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. Financial assets and liabilities recorded on the Consolidated Balance Sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity or information.

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In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The following table sets forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2010:

Description	Fair Value Measurements at Reporting Date Using:			
	June 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Recurring Assets:				
Available-for-Sale Securities	\$ 216	\$ 216	\$	\$
Liabilities:				
Interest Rate Swaps	\$ 3,150	\$	\$ 3,150	\$

The following table sets forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2009:

Description	Fair Value Measurements at Reporting Date Using:			
	December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Available-for-Sale Securities	\$ 431	\$ 431	\$	\$
Liabilities:				
Interest Rate Swaps	\$ 7,320	\$	\$ 7,320	\$

Non-financial assets and liabilities recorded at fair value on a non-recurring basis to which the Company would apply the accounting standard where a measurement was required under fair value would include:

Non-financial assets and liabilities initially measured at fair value in an acquisition or business combination that are not remeasured at least quarterly at fair value,

Long-lived assets measured at fair value due to an impairment in accordance with the accounting standard for the impairment or disposal of long-lived assets,

Equity and cost method investments measured at fair value due to an impairment in accordance with the accounting standard for investments,

Notes receivable adjusted for any impairment in its value in accordance with the accounting standard for loan receivables, and,

Asset retirement obligations initially measured at fair value under the accounting standard for asset retirement obligations.

There were no items that were accounted for at fair value on a non-recurring basis as of June 30, 2010.

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 order to continue to qualify as a REIT, Brandywine Realty Trust is required to, among other things, distribute at least 90% of its annual REIT taxable income to its stockholders and meet certain tests regarding the nature of its income and assets. As a REIT, Brandywine Realty Trust is not subject to federal and state income taxes with respect to the portion of its income that meets certain criteria and is distributed annually to its stockholders. Accordingly, no provision for federal and state income taxes is included in the accompanying consolidated financial statements with respect to the operations of Brandywine Realty Trust. Brandywine Realty Trust intends to continue to operate in a manner that allows it to meet the requirements for taxation as a REIT. If Brandywine Realty Trust fails to qualify as a REIT in any taxable year, Brandywine Realty Trust will be subject to federal and state income taxes and may not be able to qualify as a REIT for the four subsequent tax years. Brandywine Realty Trust is subject to certain local income 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.

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Brandywine Realty Trust has elected to treat several of its subsidiaries as REITs under Sections 856 through 860 of the Code. As a result, each subsidiary REIT generally is not subject to federal and state income taxation at the corporate level to the extent it distributes annually at least 100% of its REIT taxable income to its stockholders and satisfies certain other organizational and operational requirements. Each subsidiary REIT has met these requirements and, accordingly, no provision has been made for federal and state income taxes in the accompanying consolidated financial statements. If any subsidiary REIT fails to qualify as a REIT in any taxable year, that subsidiary REIT will be subject to federal and state income taxes and may not be able to qualify as a REIT for the four subsequent taxable years. In addition, this non-qualification can adversely impact Brandywine Realty Trust's ability to qualify as a REIT. Also, each subsidiary REIT may be subject to local income taxes.

Brandywine Realty Trust has elected to treat several of its subsidiaries as taxable REIT subsidiaries (each a TRS). A TRS is subject to federal, state and local income tax. In general, a TRS may perform non-customary services for tenants, hold assets that Brandywine Realty Trust, as a REIT, cannot hold directly and generally may engage in any real estate or non-real estate related business.

Accounting Pronouncements Adopted During 2010

In January 2010, the FASB issued a new accounting standard for distributions to stockholders with components of stock and cash. The guidance clarifies that in calculating earnings per share, an entity should account for the stock portion of the distribution as a stock issuance and not as a stock dividend. The new standard is effective for fiscal years and interim periods ending after December 15, 2009, and should be applied on a retrospective basis. The Company's adoption of the new standard did not have a material impact on its consolidated financial position or results of operations, as no distributions were paid with stock.

In January 2010, the FASB issued an amendment to the accounting standard for fair value measurements and disclosures. The amendment clarifies and provides additional disclosure requirements related to recurring and non-recurring fair value measurements. This amendment is effective for fiscal years and interim periods ending after December 15, 2009. The Company's adoption of the new standard did not have a material impact on its consolidated financial position or results of operations.

In December 2009, the FASB issued a new accounting standard governing transfer of financial assets. This new standard is a revision to the existing accounting standard for the transfer and servicing of financial assets and amends the guidance on accounting for transfers of financial assets, including securitization transactions, where entities have continued exposure to risks related to transferred financial assets. The new accounting standard also expands the disclosure requirements for such transactions. This amendment is effective for fiscal years beginning after November 15, 2009. The Company's adoption of the new standard did not have a material impact on its consolidated financial position or results of operations.

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for the consolidation of variable interest entities (VIE). The elimination of the concept of a qualifying special-purpose entity (QSPE) removes the exception from applying the consolidation guidance within this amendment. This amendment requires an enterprise to perform a qualitative analysis when determining whether or not it must consolidate a VIE. The amendment also requires an enterprise to continuously reassess whether it must consolidate a VIE. Additionally, the amendment requires enhanced disclosures about an enterprise's involvement with VIEs and any significant change in risk exposure due to that involvement, as well as how its involvement with VIEs impacts the enterprise's financial statements. Finally, an enterprise will be required to disclose significant judgments and assumptions used to determine whether or not to consolidate a VIE. This amendment was adopted on January 1, 2010 and applied prospectively. As a result of the adoption of the amendment to the accounting and disclosure requirements for the consolidation of VIEs, the Company has determined that it will no longer consolidate three of the VIEs that it has previously consolidated. In reaching its conclusion, the Company considered the requirements provided by the accounting standard to qualitatively assess if the Company is the primary beneficiary of the VIEs based on whether the Company has (i) the power to direct those matters that most significantly impact the activities of the VIE and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company's consideration included an assessment of each of the entities with which it has involvement and review of applicable documents such as, but not limited to applicable partnership agreements, real estate venture agreements,

LLC agreements, management and leasing agreements. As of January 1, 2010, the Company held interests in 17 real estate ventures, 15 of which are unconsolidated and two of which the Company continues to consolidate. The Company's basis in reaching its conclusion for these entities is provided below:

Table of Contents***Previously Consolidated:******Four Tower Bridge and Six Tower Bridge Ventures***

Each of the Four Tower Bridge and Six Tower Bridge Real Estate Ventures was formed as a limited partnership to own and manage an office property located in Conshohocken, Pennsylvania. The Company entered into these ventures with two other partners during 1997 and 1998, respectively. The other partner in Four Tower Bridge owns a 35% interest in the partnership entity and the other partner in Six Tower Bridge owns a 37% interest in the partnership entities. These Real Estate Ventures were determined to be VIEs and were previously consolidated in the Company's financial statements in accordance with the amended accounting standard for the consolidation of VIEs. The Real Estate Ventures were determined to be VIEs due to insufficient equity at the latest reconsideration event. However, upon the Company's adoption of the new accounting standard on January 1, 2010, the Company has determined that it will no longer consolidate these Real Estate Ventures after it was determined that the partners have shared power in the ventures and no related party considerations were identified. All significant decisions are approved by both partners in the venture. Based on the facts and circumstances provided, the Company deconsolidated these two Real Estate Ventures in accordance with the new accounting standard.

Coppell Associates

Coppell Associates is a Real Estate Venture that owns one property in Austin, Texas. The Company entered into this venture with another partner which owns a 50% interest in the partnership. This Real Estate Venture is a VIE and was previously consolidated in the Company's financial statements in accordance with the amended accounting standard for the consolidation of VIEs. The venture was determined to be a VIE due to insufficient equity at the latest reconsideration event. However, upon the Company's adoption of the new accounting standard on January 1, 2010, the Company has determined that it will no longer consolidate this Real Estate Venture after it concluded that the partners have shared power in the venture. All significant decisions are approved by both partners in the venture. Based on the facts and circumstances provided, the Company deconsolidated this Real Estate Venture in accordance with the new accounting standard.

Other VIEs:***PJP VII***

The Company holds a 25% interest in a Real Estate Venture that it entered into with two other partners. One of the other partners has 50% ownership interest in the venture while the other one has ownership interest of 25%. This venture is considered a VIE due to the fact that at the last reconsideration event, it entered into a construction loan to fund the building construction of the property and it was determined that there was insufficient equity in the joint venture. In addition, this loan has not been refinanced as of June 30, 2010 and the Company guarantees \$0.7 million or 8.75% of the total construction note. It is expected that this entity will remain a VIE until the venture refinances the construction loan into a permanent financing. It was determined that the Company does not have the power to direct the significant economic activities of the Real Estate Venture in accordance with the standard and as a result is not the primary beneficiary of this real estate venture.

Residence Inn Hotel

The Company holds a 50% interest in a Real Estate Venture that owns a Residence Inn Hotel located in Conshohocken, Pennsylvania. The Company has two other partners in this venture with one of them having a 46.4% interest while the other one has 3.6% interest. The Real Estate Venture was considered as a VIE in accordance with the amended accounting standard for the consolidation of VIEs due to the participating rights of the non-equity holder hotel manager. However, the Company has determined that the partners have shared power in the venture. All significant decisions are approved by all partners in the venture. Accordingly this Real Estate Venture was not consolidated in the financial statements of the Company. Upon the adoption of the new accounting standard, the Company still has the same determination that it does not have the power to control the business of the Real Estate Venture and that it is still appropriate to account for this venture under the equity method of accounting.

G&I VI Interchange Office LLC

The Company holds a 20% interest in a Real Estate Venture that owns a portfolio of 29 office properties located in Montgomery, Bucks, and Lehigh counties in Pennsylvania. The other partner in this venture holds an 80% ownership interest. The Real Estate Venture was considered as a VIE in accordance with the amended accounting standard for

the consolidation of VIEs. The venture continues to be determined a VIE due to the disproportionate voting rights. The Company has determined that it is not the primary beneficiary of the venture. Accordingly, this Real Estate Venture was not consolidated in the financial statements of the Company. Upon the adoption of the new accounting standard, the Company still has the same determination that it does not have the power to control the business of the Real Estate Venture and that it is still appropriate to account for this venture under the equity method of accounting.

Table of Contents***Seven Tower Bridge***

The Company has a 10% total ownership interest in a Real Estate Venture that will develop a suburban office building in Conshohocken, Pennsylvania. The Company has three other partners in this venture having ownership interests of 50%, 20%, and 20%, respectively. This venture is considered a VIE as the property is under development and there is insufficient equity to fund the construction. The Company has determined that it is not the primary beneficiary of the venture. Accordingly, this Real Estate Venture was not consolidated in the financial statements of the Company. Upon the adoption of the new accounting standard, the Company still has the same determination that it does not have the power to control the business of the Real Estate Venture and that it is still appropriate to account for this venture under the equity method of accounting.

VIEs that Continue to be Consolidated:***Projects Related to the Company's Tax Credit Transactions***

During 2008, the Company closed two transactions with US Bancorp related to the historic rehabilitation of the 30th Street Post Office and the Cira Garage Project both located in Philadelphia, Pennsylvania. The real estate ventures created to facilitate the tax credit transactions were considered as VIEs because the equity investment at risk is not sufficient to permit the entities to receive the tax credits without the financial support from US Bancorp. The Company has also concluded that it is the primary beneficiary of the projects based on the contractual arrangements that obligate the Company to deliver tax benefits and provide other guarantees to USB and that entitle the Company through fee arrangements to receive substantially all available cash flow from the projects. Please refer to Note 14 for a detailed discussion of these transactions as well as the amount of deferred income related to these VIEs that the Company has included in its consolidated balance sheets. There were no other significant amounts included in the Company's consolidated balance sheet related to these entities as the related amounts were eliminated during consolidation.

Other Unconsolidated Real Estate Venture

In accordance with the Company's adoption of the accounting standard for the consolidation of VIEs, it was determined that the Company would not consolidate the Real Estate Ventures below based on the evaluation of the substantive participating rights of the partners in each venture under the voting interest model:

- Two Tower Bridge (Company as co-General Partner with 35% Ownership Interest)
- Eight Tower Bridge (Company as Limited Partner with 3% Preferred Equity Interest)
- PJP Real Estate Ventures (Company as Operating Member with 25% to 30% Ownership Interest)
- Macquarie BDN Office LLC (Company as Operating Member with 20% Ownership Interest)
- Broadmoor Joint Venture (Company as co-Managing Venturer with 50% Ownership Interest)
- 1000 Chesterbrook (Company as co-General Partner with 50% Ownership Interest)

The other unconsolidated real estate ventures described above are not VIEs as the other partners in the ventures have either the substantive participating rights in the entities' normal business operations or the power to direct the activities is shared amongst the partners. As a result of the Company's review, it has concluded that it is appropriate to account for these entities as unconsolidated Real Estate Ventures under the equity method of accounting.

Additional Considerations

The supporting real estate venture agreements of the entities listed above provided a straightforward determination of whether the Company has control to direct the business activities of the entities. Where the Company has concluded that control is shared, it is generally because of at least one other partner and the Company must agree on decisions that are considered significant. The Company has also determined that it is not the primary beneficiary in these entities as it does not have the power to direct the activities that most significantly impact the economic performance of these entities. Also, if shared control was determined and the Company was considered to be a related party, the Company is not the party deemed to be the most closely associated with the business. For entities that the Company has determined to be VIEs but for which it is not the primary beneficiary, its maximum exposure to loss is the carrying amount of its investments, as the Company has not provided any guarantees other than the guarantee described for PJP VII which was approximately \$0.7 million at June 30, 2010. Also, for all entities determined to be VIEs, the Company does not provide financial support to the real estate ventures through liquidity arrangements, guarantees or other similar commitments, other than perhaps through its general partner standing.

The difference between the net amount removed from the Company's consolidated balance sheet and the amount of the Company's retained interest in the deconsolidated VIEs, amounting to \$1.4 million, was recognized as a cumulative effect of accounting change to cumulative earnings in the Company's consolidated balance sheets.

Table of Contents**3. REAL ESTATE INVESTMENTS**

As of June 30, 2010 and December 31, 2009 the gross carrying value of the Company's rental properties was as follows (in thousands):

	June 30, 2010	December 31, 2009
Land	\$ 681,279	\$ 690,441
Building and improvements	3,354,646	3,393,498
Tenant improvements	409,158	428,679
	\$ 4,445,083	\$ 4,512,618

Acquisitions and Dispositions

The Company did not complete any acquisitions during the period covered in these financial statements.

As of June 30, 2010, two of the Company's building properties located in King of Prussia, Pennsylvania are currently undergoing demolition and the remaining land balances are now presented as land inventory in the Company's consolidated balance sheets. The Company has determined that there was a change in the estimated useful lives of the properties resulting from the ongoing demolition causing an acceleration of depreciation expense. During the three months ended June 30, 2010, the Company recognized the remaining depreciation of both properties amounting to \$2.7 million with the land values of \$1.1 million being reclassified to land inventory for potential future development. All related demolition costs are charged to earnings.

On January 14, 2010, the Company sold Westmoreland Plaza, a 121,815 net rentable square feet office property located in Richmond, Virginia, for a sales price of \$10.8 million. This sale is included in discontinued operations (see Note 10).

4. INVESTMENT IN UNCONSOLIDATED VENTURES

As of June 30, 2010, the Company had an aggregate investment of approximately \$77.9 million in 15 unconsolidated Real Estate Ventures. The Company formed these ventures with unaffiliated third parties, or acquired interest in them, to develop office properties or to acquire land in anticipation of possible development of office properties. Thirteen of the Real Estate Ventures own 48 office buildings that contain an aggregate of approximately 4.6 million net rentable square feet, one Real Estate Venture owns three acres of undeveloped parcel of land and one Real Estate Venture developed a hotel property that contains 137 rooms in Conshohocken, PA.

The Company accounts for its unconsolidated interests in its Real Estate Ventures using the equity method. The Company's unconsolidated interests range from 3% to 65%, subject to specified priority allocations of distributable cash in certain of the Real Estate Ventures.

The amounts reflected in the following tables (except for the Company's share of equity and income) are based on the historical financial information of the individual Real Estate Ventures. One of the Real Estate Ventures, acquired in connection with the Prentiss Properties Trust merger in 2006, had a negative equity balance on a historical cost basis as a result of historical depreciation and distribution of excess financing proceeds. The Company reflected its acquisition of this Real Estate Venture interest at its relative fair value as of the date of the purchase of Prentiss. The difference between allocated cost and the underlying equity in the net assets of the investee is accounted for as if the entity were consolidated (i.e., allocated to the Company's relative share of assets and liabilities with an adjustment to recognize equity in earnings for the appropriate additional depreciation/amortization). The Company does not record operating losses of the Real Estate Ventures in excess of its investment balance unless the Company is liable for the obligations of the Real Estate Venture or is otherwise committed to provide financial support to the Real Estate Venture.

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The following is a summary of the financial position of the Real Estate Ventures as of June 30, 2010 and December 31, 2009 (in thousands):

	June 30, 2010 (a)	December 31, 2009
Net property	\$ 529,816	\$ 503,932
Other assets	109,766	96,643
Other Liabilities	32,865	37,774
Debt	515,774	470,232
Equity	90,943	92,569
Company's share of equity (Company's basis)	77,908	75,458

(a) - Includes the three real estate ventures that were deconsolidated upon the adoption of the new accounting standard for the consolidation of VIEs.

The following is a summary of results of operations of the Real Estate Ventures for the three and six-month periods ended June 30, 2010 and 2009 (in thousands):

	Three-month period ended June 30,		Six-month period ended June 30,	
	2010 (a)	2009	2010 (a)	2009
Revenue	\$ 30,528	\$ 27,125	\$ 54,598	\$ 53,869
Operating expenses	10,305	9,109	19,001	18,675
Interest expense, net	9,270	6,845	17,008	13,997
Depreciation and amortization	8,302	8,859	14,524	17,681
Net income	2,651	2,312	4,065	3,336
Company's share of income (Company's basis)	1,025	1,533	2,321	2,119

(a) - Includes the three real estate ventures that were deconsolidated upon the adoption of the new accounting standard for the consolidation of VIEs.

As of June 30, 2010, the Company had guaranteed repayment of approximately \$0.7 million of loans on behalf of certain Real Estate Ventures. The Company also provides customary environmental indemnities in connection with construction and permanent financing both for its own account and on behalf of its Real Estate Ventures.

5. DEFERRED COSTS

As of June 30, 2010 and December 31, 2009, the Company's deferred costs were comprised of the following (in thousands):

	June 30, 2010		
	Total Cost	Accumulated Amortization	Deferred Costs, net
Leasing Costs	\$ 128,954	\$ (55,566)	\$ 73,388
Financing Costs	40,396	(11,120)	29,276
Total	\$ 169,350	\$ (66,686)	\$ 102,664

	December 31, 2009		
	Total Cost	Accumulated Amortization	Deferred Costs, net
Leasing Costs	\$ 124,391	\$ (50,643)	\$ 73,748
Financing Costs	42,965	(10,616)	32,349
Total	\$ 167,356	\$ (61,259)	\$ 106,097

During the three and six-months ended June 30, 2010, the Company capitalized internal direct leasing costs of \$1.3 million and \$3.1 million, and \$1.8 million and \$3.0 million during the three and six-months ended June 30, 2009, respectively, in accordance with the accounting standard for the capitalization of leasing costs.

Table of Contents**6. INTANGIBLE ASSETS**

As of June 30, 2010 and December 31, 2009, the Company's intangible assets were comprised of the following (in thousands):

	June 30, 2010		
	Total Cost	Accumulated Amortization	Deferred Costs, net
In-place lease value	\$ 109,248	\$ (66,940)	\$ 42,308
Tenant relationship value	93,994	(52,447)	41,547
Above market leases acquired	14,198	(10,546)	3,652
Total	\$ 217,440	\$ (129,933)	\$ 87,507
Below market leases acquired	\$ 73,402	\$ (40,761)	\$ 32,641

	December 31, 2009		
	Total Cost	Accumulated Amortization	Deferred Costs, net
In-place lease value	\$ 123,456	\$ (71,402)	\$ 52,054
Tenant relationship value	97,566	(49,374)	48,192
Above market leases acquired	15,674	(10,757)	4,917
Total	\$ 236,696	\$ (131,533)	\$ 105,163
Below market leases acquired	\$ 75,325	\$ (38,238)	\$ 37,087

As of June 30, 2010, the Company's annual amortization for its intangible assets/liabilities is as follows (in thousands, and assuming no early lease terminations):

	Assets	Liabilities
2010	\$ 12,859	\$ 3,884
2011	22,137	6,991
2012	16,957	6,275
2013	12,191	5,836
2014	8,884	4,348
Thereafter	14,479	5,307
Total	\$ 87,507	\$ 32,641

Table of Contents**7. DEBT OBLIGATIONS**

The following table sets forth information regarding the Company's debt obligations outstanding at June 30, 2010 and December 31, 2009 (in thousands):

MORTGAGE DEBT:

Property / Location	June 30, 2010	December 31, 2009	Effective	Maturity Date
			Interest Rate	
Plymouth Meeting Exec. Four Tower Bridge	\$ 41,649	\$ 42,042	7.00% (a)	Dec-10
Arboretum I, II, III & V	20,722	21,046	6.62% (b)	Feb-11
Midlantic Drive/Lenox Drive/DCC I	57,381	58,215	7.59%	Jul-11
Research Office Center	39,581	39,999	8.05%	Oct-11
Concord Airport Plaza	35,054	35,594	5.30% (a)	Oct-11
Six Tower Bridge		13,557	5.55% (a)	Jan-12
Newtown Square/Berwyn Park/Libertyview	58,842	59,557	7.79% (b)	Aug-12
Coppell Associates II		2,711	7.25%	May-13
Southpoint III	2,932	3,255	6.89% (b)	Dec-13
Tysons Corner	97,284	98,056	7.75%	Apr-14
Coppell Associates I		16,600	5.36% (a)	Aug-15
Two Logan Square	89,800	89,800	5.75% (b)	Feb-16
One Logan Square	60,000	60,000	7.57%	Apr-16
			4.50%	Jul-16
Principal balance outstanding	503,245	550,590		
Plus: unamortized fixed-rate debt premiums, net	325	1,130		
Total mortgage indebtedness	\$ 503,570	\$ 551,720		

UNSECURED DEBT:

\$300.0M 5.625% Guaranteed Notes due 2010	196,774	198,545	5.61%	Dec-10
Bank Term Loan	183,000	183,000	LIBOR + 0.80%	Jun-11 (c)
Credit Facility	160,000	92,000	LIBOR + 0.725%	Jun-11 (c)
\$345.0M 3.875% Guaranteed Exchangeable Notes due 2026	73,535	127,960	5.50%	Oct-11 (d)
\$300.0M 5.750% Guaranteed Notes due 2012	176,769	187,825	5.77%	Apr-12
\$250.0M 5.400% Guaranteed Notes due 2014	242,681	242,681	5.53%	Nov-14
\$250.0M 7.500% Guaranteed Notes due 2015	250,000	250,000	7.75%	May-15
\$250.0M 6.000% Guaranteed Notes due 2016	250,000	250,000	5.95%	Apr-16
\$300.0M 5.700% Guaranteed Notes due 2017	300,000	300,000	5.75%	May-17
Indenture IA (Preferred Trust I)	27,062	27,062	LIBOR + 1.25%	Mar-35
Indenture IB (Preferred Trust I)	25,774	25,774	LIBOR + 1.25%	Apr-35
Indenture II (Preferred Trust II)	25,774	25,774	LIBOR + 1.25%	Jul-35
Principal balance outstanding	1,911,369	1,910,621		
Less: unamortized exchangeable debt discount	(1,808)	(4,327)		

unamortized fixed-rate debt discounts, net	(3,090)	(3,437)
Total unsecured indebtedness	\$ 1,906,471	\$ 1,902,857
Total Debt Obligations	\$ 2,410,041	\$ 2,454,577

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

(b) These loans were removed from the Company's balance sheet due to the deconsolidation of the related VIEs as discussed in Note 2.

(c) On July 20, 2010, the maturity date of the Bank Term Loan was extended from October 18, 2010 to June 29, 2011. The Bank Term Loan and the Credit Facility may be extended to June 29, 2012 at the Company's discretion.

(d)

On October 20, 2011, the holders of the Exchangeable Notes have the right to request the redemption of all or a portion of the Exchangeable Notes they hold at a price equal to 100% of the principal amount plus accrued and unpaid interest. Accordingly, the Exchangeable Notes have been presented with an October 20, 2011 maturity date.

During the six-month periods ended June 30, 2010 and 2009, the Company's weighted-average effective interest rate on its mortgage notes payable was 6.43% and 6.70%, respectively.

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During the six-months ended June 30, 2010, the Company repurchased \$67.3 million of its outstanding unsecured Notes in a series of transactions which are summarized in the table below (in thousands):

Notes	Repurchase Amount	Principal	Loss	Deferred Financing Amortization
2010 5.625% Notes	\$ 1,829	\$ 1,772	\$ (33)	\$ 2
2012 5.750% Notes	11,666	11,056	(369)	29
3.875% Notes	54,662	54,425	(1,235)	250
	\$ 68,157	\$ 67,253	\$ (1,637)	\$ 281

The Company utilizes credit facility borrowings for general business purposes, including the acquisition, development and redevelopment of properties and the repayment of other debt. The maturity date of the \$600.0 million Credit Facility (the Credit Facility) is June 29, 2011 (subject to an extension of one year, at the Company's option, upon its payment of an extension fee equal to 15 basis points of the committed amount under the Credit Facility). The per annum variable interest rate on the outstanding balances is LIBOR plus 0.725%. The interest rate and facility fee are subject to adjustment upon a change in the Company's unsecured debt ratings. The Company has the option to increase the Credit Facility to \$800.0 million subject to the absence of any defaults and the Company's ability to acquire additional commitments from its existing lenders or new lenders. As of June 30, 2010, the Company had \$160.0 million of borrowings, \$14.0 million in letters of credit outstanding, and a \$92.1 million holdback in connection with its historic tax credit transaction leaving \$333.9 million of unused availability. During the six-month periods ended June 30, 2010 and 2009, the weighted-average interest rate on Credit Facility borrowings was 1.01% and 1.87%, respectively. As of June 30, 2010 and 2009, the weighted average interest rate on the Credit Facility was 1.07% and 1.42%, respectively.

The Credit Facility requires the maintenance of ratios related to minimum net worth, debt-to-total capitalization and fixed charge coverage and includes non-financial covenants. The Company was in compliance with all financial covenants as of June 30, 2010.

On June 29, 2009, the Company entered into a forward financing commitment to borrow up to \$256.5 million under two separate loans which are secured by mortgages on the 30th Street Post Office (the Post Office project), the Cira South Garage (the garage project) and by the leases of space at these facilities upon the completion of these projects. Of the total borrowings, \$209.7 million and \$46.8 million will be allocated to the Post Office project and to the garage project, respectively. The Company paid a \$17.7 million commitment fee, which includes a \$1.5 million arrangement fee, in connection with this commitment. The total loan amount together with the net commitment fee was deposited in an escrow account to be administered by The Bank of New York Mellon (the trustee). In accordance with the trust agreement between the lender and the trustee, the lender assigned its rights under the loans to the Trust. The Trust issued certificates to third parties in an amount equal to the funding commitment. Upon investment of the escrow account in a portfolio of U.S. Government treasuries, the net commitment fee of \$16.2 million will be used together with the interest earned on the escrow account to pay interest costs of the loans through August 26, 2010. In order for funding to occur, certain conditions must be met by the Company which primarily relate to the completion of the projects and the commencement of the rental payments from the respective leases with the IRS on these properties. The loans will bear interest at 5.93% and require principal and interest payments based on a twenty year amortization schedule. The Company intends to use the loan proceeds to reduce borrowings under its credit facility and for general corporate purposes. As of June 30, 2010, the commitment fee is included as part of the deferred costs in the Company's consolidated balance sheet as it believes the funding is probable of occurring. The Company will amortize this cost over the term of the loan starting on the date the funding of the loans has occurred. In the event that the Company believes the funding will not occur, this cost will be written off in the period that such determination is made. In addition, should the funding not occur either because the Company does not meet the conditions or the Company

decides not to proceed with the funding, a termination fee is payable (see Note 16).

The Company accounts for its outstanding 3.875% Guaranteed Exchangeable Notes in accordance with the accounting standard for convertible debt instruments. The accounting standard requires the initial proceeds from convertible debt that may be settled in cash to be bifurcated between a liability component and an equity component. The accounting standard requires the initial proceeds from the Company's issuance of the 3.875% Guaranteed Exchangeable Notes to be allocated between a liability component and an equity component in a manner that reflects interest expense at the interest rate of a similar nonconvertible debt that could have been issued by the Company at such time. This is accomplished through the creation of a discount on the debt that would be accreted using the effective interest method as additional non-cash interest expense over the period the debt is expected to remain outstanding (i.e. through the first optional redemption date).

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The principal amount outstanding of the 3.875% Guaranteed Exchangeable Notes was \$73.5 at June 30, 2010 and \$128.0 million at December 31, 2009, respectively. At certain times and upon certain events, the notes are exchangeable for cash up to their principal amount and, with respect to the remainder, if any, of the exchange value in excess of such principal amount, cash or common shares. The initial exchange rate is 25.4065 shares per \$1,000 principal amount of notes (which is equivalent to an initial exchange price of \$39.36 per share). The carrying amount of the equity component is \$24.4 million and is reflected within Additional paid-in capital in the Company's consolidated balance sheets. The unamortized debt discount is \$1.8 million at June 30, 2010 and \$4.3 million at December 31, 2009, respectively, and will be amortized through October 15, 2011. The effective interest rate at June 30, 2010 and December 31, 2009 was 5.5%. The Company recognized contractual coupon interest of \$0.8 million and \$1.9 million for the three and six-month periods ended June 30, 2010 and \$2.4 million and \$5.4 million for the three and six-month periods ended June 30, 2009, respectively. In addition, the Company recognized interest on amortization of debt discount of \$0.4 million and \$0.9 million during the three and six-month periods ended June 30, 2010, and \$1.0 million and \$1.3 million during the three and six-month periods ended June 30, 2009, respectively. Debt discount write-offs resulting from debt repurchases amounted to \$0.5 million and \$1.6 million for the three and six-month periods ended June 30, 2010, respectively, and \$1.5 million for the three month period ended June 30, 2009.

As of June 30, 2010, the Company's aggregate scheduled principal payments of debt obligations, excluding amortization of discounts and premiums, are as follows (in thousands):

2010	\$ 242,484
2011	537,660
2012	214,835
2013	58,688
2014	246,158
Thereafter	1,114,789
Total principal payments	2,414,614
Net unamortized premiums/discounts	(4,573)
Outstanding indebtedness	\$ 2,410,041

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following fair value disclosure was determined by the Company using available market information and discounted cash flow analyses as of June 30, 2010 and December 31, 2009, respectively. The discount rate used in calculating fair value is the sum of the current risk free rate and the risk premium on the date of measurement of the instruments or obligations. Considerable judgment is necessary to interpret market data and to develop the related estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Company could realize upon disposition. The use of different estimation methodologies may have a material effect on the estimated fair value amounts. The Company believes that the carrying amounts reflected in the Consolidated Balance Sheets at June 30, 2010 and December 31, 2009 approximate the fair values for cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued expenses.

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

	June 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage payable, net of premiums	\$ 503,245	\$ 480,455	\$ 551,873	\$ 523,745

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Unsecured notes payable, net of discounts	\$ 1,489,758	\$ 1,522,901	\$ 1,557,011	\$ 1,497,356
Variable Rate Debt Instruments	\$ 421,610	\$ 406,645	\$ 353,610	\$ 341,210
Notes Receivable	\$ 72,965(a)	\$ 62,776	\$ 71,989(a)	\$ 62,776

(a) For purposes of this disclosure, one of the notes is presented gross of the recognized deferred gain of \$12.9 million arising from the sale of two properties in the prior year accounted for under the accounting standard for installment sales.

9. RISK MANAGEMENT AND USE OF FINANCIAL INSTRUMENTS

Risk Management

In the 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 primarily 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.

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Risks and Uncertainties

Deteriorating economic conditions have generally resulted in a reduction of the availability of financing and higher borrowing costs. These factors, coupled with a slowing economy, have reduced the volume of real estate transactions and created credit stresses on most businesses. The Company believes that vacancy rates will increase through 2010 and possibly beyond as the current economic climate negatively impacts tenants in the Properties. The current financial markets also have an adverse effect on the Company's other counter parties such as the counter parties in its derivative contracts.

The Company expects that the impact of the current state of the economy, including high unemployment and the unprecedented volatility and illiquidity in the financial and credit markets, will continue to have a dampening effect on the fundamentals of its business, including increases in past due accounts, tenant defaults, lower occupancy and reduced effective rents. These conditions would negatively affect the Company's future net income and cash flows and could have a material adverse effect on its financial condition.

The Company's Credit Facility, Bank Term Loan and the indenture governing the unsecured public debt securities (Note 7) contain restrictions, requirements and other limitations on the ability to incur indebtedness, including total debt to asset ratios, secured debt to total asset ratios, debt service coverage ratios and minimum ratios of unencumbered assets to unsecured debt which it must maintain. The ability to borrow under the Credit Facility is subject to compliance with such financial and other covenants. In the event that the Company fails to satisfy these covenants, it would be in default under the Credit Facility, the Bank Term Loan and the indenture and may be required to repay such debt with capital from other sources. Under such circumstances, other sources of capital may not be available, or may be available only on unattractive terms.

Availability of borrowings under the Credit Facility is subject to a traditional material adverse effect clause. Each time the Company borrows it must represent to the lenders that there have been no events of a nature which would have a material adverse effect on the business, assets, operations, condition (financial or otherwise) or prospects of the Company taken as a whole or which could negatively effect the ability of the Company to perform its obligations under the Credit Facility. While the Company believes that there are currently no material adverse effect events, the Company is operating in unprecedented economic times and it is possible that such events could arise which would limit the Company's borrowings under the Credit Facility. If an event occurs which is considered to have a material adverse effect, the lenders could consider the Company in default under the terms of the Credit Facility and the borrowings under the Credit Facility if any, would become due and payable. If the Company is unable to obtain a waiver, this would have a material adverse effect on the Company's financial position and results of operations. The Company was in compliance with all financial covenants as of June 30, 2010. Management continuously monitors the Company's compliance with and anticipated compliance with the covenants. Certain of the covenants restrict management's ability to obtain alternative sources of capital. While the Company currently believes it will remain in compliance with its covenants, in the event of a continued slow-down and continued volatility in the credit markets, the Company may not be able to remain in compliance with such covenants and if the lender would not provide a waiver, it could result in an event of default.

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 through derivative financial instruments.

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. The related ineffectiveness would be charged to the Statement of Operations. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

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To comply with the provisions of accounting standard for fair value measurements and disclosures, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of June 30, 2010 and December 31, 2009, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The fair value of the hedges at June 30, 2010 and December 31, 2009 is included in other liabilities and accumulated other comprehensive income in the accompanying balance sheet, except for the \$0.3 million of ineffectiveness charged to the consolidated statements of operations during the three months ended June 30, 2009 relating to the two forward starting swaps.

The following table summarizes the terms and fair values of the Company's derivative financial instruments at June 30, 2010 and December 31, 2009 (in thousands). The notional amounts present the Company's use of these instruments, but do not represent exposure to credit, interest rate or market risks.

Hedge Product	Hedge Type	Designation	Notional Amount		Strike	Trade Date	Maturity Date	Fair Value	
			6/30/2010	12/31/2009				6/30/2010	12/31/2009
Swap	Interest Rate	Cash Flow	\$ 152,700	\$ 123,000(a)	4.709%	9/20/07	10/18/10	\$ 2,213	\$ 5,162
		(b)							
Swap	Interest Rate	Cash Flow	25,000	25,000	4.415%	10/19/07	10/18/10	336	827
		(b)							
Swap	Interest Rate	Cash Flow	25,000	25,000	3.747%	11/26/07	10/18/10	280	688
		(b)							
Swap	Interest Rate	Cash Flow	25,774	25,774	2.975%	10/16/08	10/30/10	321	643
		(b)							
			\$ 228,474	\$ 198,774				\$ 3,150	\$ 7,320

(a) - Notional amount accruing up to \$155,000 through October 8, 2010.

(b) - Hedging unsecured variable rate

debt.

Concentration of Credit Risk

Concentrations of credit risk arise when a number of tenants related to the Company's investments or rental operations are engaged in similar business activities, or are located in the same geographic region, or have similar economic features that would cause their inability to meet contractual obligations, including those to the Company, to be similarly affected. The Company regularly monitors its tenant base to assess potential concentrations of credit risk. Management believes the current credit risk portfolio is reasonably well diversified and does not contain any unusual concentration of credit risk. No tenant accounted for 5% or more of the Company's rents during the three and six-month periods ended June 30, 2010 and 2009. Recent developments in the general economy and the global credit markets have had a significant adverse effect on companies in numerous industries. The Company has tenants concentrated in various industries that may be experiencing adverse effects from the current economic conditions and the Company could be adversely affected if such tenants go into default under their leases.

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For the three and six-month periods ended June 30, 2010, income from discontinued operations relates to the one property that the Company sold during 2010. The following table summarizes the revenue and expense information for the property classified as discontinued operations for the three and six-month periods ended June 30, 2010 (in thousands):

	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010
Revenue:		
Tenant reimbursements	\$ 172	220
Expenses:		
Property operating expenses	21	46
Real estate taxes		2
Depreciation & amortization		11
Total operating expenses	21	59
Income from discontinued operations before gain on sale of interests in real estate	151	161
Net gain on sale of interest in real estate		6,349
Income from discontinued operations	151	6,510
Income from discontinued operations attributable to non-controlling interest	(3)	(139)
Income from discontinued operations attributable to Brandywine Realty Trust	\$ 148	\$ 6,371

For the three and six-month periods ended June 30, 2009, income from discontinued operations relates to properties that the Company sold through June 30, 2010. The following table summarizes the revenue and expense information for properties classified as discontinued operations for the three and six-month periods ended June 30, 2009 (in thousands):

	Three-month period ended June 30, 2009	Six-month period ended June 30, 2009
Revenue:		
Rents	\$ 2,464	\$ 5,989
Tenant reimbursements	1,633	3,425
Other	16	121
Total revenue	4,113	9,535
Expenses:		
Property operating expenses	1,641	3,465

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Real estate taxes	582	1,230
Depreciation and amortization	742	2,154
Total operating expenses	2,965	6,849
Income from discontinued operations before gain on sale of interests in real estate	1,148	2,686
Net loss on sale of interests in real estate	(1,225)	(1,031)
Provision for impairment		(3,700)
Loss from discontinued operations	(77)	(2,045)
Loss from discontinued operations attributable to non-controlling interests	2	63
Loss from discontinued operations attributable to Brandywine Realty Trust	\$ (75)	\$ (1,982)

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.

11. NON-CONTROLLING INTERESTS IN OPERATING PARTNERSHIP

As of June 30, 2010 and December 31, 2009, the aggregate book value of the non-controlling interests (which reflect units in the Operating Partnership not owned by the Company) in the accompanying consolidated balance sheet was \$37.8 million and \$38.3 million, respectively, and the Company believes that the aggregate settlement value of these interests was approximately \$30.2 million and \$32.0 million, respectively. This amount is based on the number of units outstanding and the closing share price on the balance sheet date.

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

	Three-month periods ended June 30,			
	2010		2009	
	Basic	Diluted	Basic	Diluted
Numerator				
Income (loss) from continuing operations	\$ (5,751)	\$ (5,751)	\$ 5,857	\$ 5,857
Net (loss) income from continuing operations attributable to non-controlling interests	162	162	(169)	(169)
Amount allocable to unvested restricted shareholders	(128)	(128)	(73)	(73)
Preferred share dividends	(1,998)	(1,998)	(1,998)	(1,998)
Income (loss) from continuing operations available to common shareholders	(7,715)	(7,715)	3,617	3,617
Income (loss) from discontinued operations	151	151	(77)	(77)
Net (income) loss from discontinued operations attributable to non-controlling interests	(3)	(3)	2	2
Discontinued operations attributable to common shareholders	148	148	(75)	(75)
Net (loss) income attributable to common shareholders	\$ (7,567)	\$ (7,567)	\$ 3,542	\$ 3,542
Denominator				
Weighted-average shares outstanding	131,510,924	131,510,924	101,583,997	101,583,997
Contingent securities/Stock based compensation				1,158,346
Total weighted-average shares outstanding	131,510,924	131,510,924	101,583,997	102,742,343
Earnings per Common Share:				
(Loss) income from continuing operations attributable to common shareholders	\$ (0.06)	\$ (0.06)	\$ 0.03	\$ 0.03
Discontinued operations attributable to common shareholders				
Net (loss) income attributable to common shareholders	\$ (0.06)	\$ (0.06)	\$ 0.03	\$ 0.03

	Six-month periods ended June 30,			
	2010		2009	
	Basic	Diluted	Basic	Diluted
Numerator				
Income (loss) from continuing operations	\$ (12,509)	\$ (12,509)	\$ 6,952	\$ 6,952
Net (loss) income from continuing operations attributable to non-controlling interests	349	349	(135)	(135)
Amount allocable to unvested restricted shareholders	(256)	(256)	(110)	(110)
Preferred share dividends	(3,996)	(3,996)	(3,996)	(3,996)
Income (loss) from continuing operations available to common shareholders	(16,412)	(16,412)	2,711	2,711
Income (loss) from discontinued operations	6,510	6,510	(2,045)	(2,045)
(Income) loss from discontinued operations attributable to non-controlling interests	(139)	(139)	63	63
Discontinued operations attributable to common shareholders	6,371	6,371	(1,982)	(1,982)
Net (loss) income attributable to common shareholders	\$ (10,041)	\$ (10,041)	\$ 729	\$ 729
Denominator				
Weighted-average shares outstanding	130,146,853	130,146,853	94,934,134	94,934,134
Contingent securities/Stock based compensation				561,612
Total weighted-average shares outstanding	130,146,853	130,146,853	94,934,134	95,495,746
Earnings per Common Share:				
(Loss) income from continuing operations attributable to common shareholders	\$ (0.13)	\$ (0.13)	\$ 0.03	\$ 0.03
Discontinued operations attributable to common shareholders	0.05	0.05	(0.02)	(0.02)
Net (loss) income attributable to common shareholders	\$ (0.08)	\$ (0.08)	\$ 0.01	\$ 0.01

Securities totaling 2,809,108 and 2,816,621 as of June 30, 2010 and 2009, respectively, were excluded from the earnings per share computations because their effect would have been anti-dilutive.

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

Unvested restricted shares are considered participating securities which require the use of the two-class method for the computation of basic and diluted earnings per share. For the six months ended June 30, 2010 and 2009, earnings representing nonforfeitable dividends as noted in the table above were allocated to the unvested restricted shares.

Common and Preferred Shares

On June 2, 2010, the Company declared a distribution of \$0.15 per Common Share, totaling \$19.9 million, which was paid on July 20, 2010 to shareholders of record as of July 6, 2010. On June 2, 2010, the Company declared distributions on its Series C Preferred Shares and Series D Preferred Shares to holders of record as of June 30, 2010. These shares are entitled to a preferential return of 7.50% and 7.375%, respectively. Distributions paid on July 15, 2010 to holders of Series C Preferred Shares and Series D Preferred Shares totaled \$0.9 million and \$1.1 million, respectively.

In March 2010, the Company commenced a continuous equity offering program (the Offering Program), under which the Company may sell up to an aggregate amount of 15,000,000 common shares until March 10, 2013. The Company may sell common shares in amounts and at times to be determined by the Company. Actual sales will depend on a variety of factors as determined by the Company, including market conditions, the trading price of its common shares and determinations by the Company of the appropriate sources of funding. In conjunction with the Offering Program, the Company engaged sales agents who received compensation, in aggregate, of up to 2% of the gross sales price per share sold during the six months ended June 30, 2010. During the three -month period ended June 30, 2010, the Company sold 1,960,145 shares, under this program at an average sales price of \$12.89 per share resulting in net proceeds of \$24.8 million. From its inception in March 2010 through June 30, 2010, the Company has sold 3,285,345 under this program at an average sales price of \$12.69 per share resulting in net proceeds of \$40.9 million. The Company used the net proceeds from the sales to repay balances on its unsecured revolving credit facility and for general corporate purposes.

Common Share Repurchases

The Company maintains a share repurchase program under which the Board has authorized the Company to repurchase its common shares from time to time. The Board initially authorized this program in 1998 and has periodically replenished capacity under the program. On May 2, 2006 the Company's Board restored capacity to 3.5 million common shares.

The Company did not repurchase any shares during the six-month period ended June 30, 2010. As of June 30, 2010, the Company may purchase an additional 0.5 million 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.

13. SHARE BASED AND DEFERRED COMPENSATION***Stock Options***

At June 30, 2010, the Company had 3,129,372 options outstanding under its shareholder approved equity incentive plan. There were 1,731,884 options unvested as of June 30, 2010 and \$2.2 million of unrecognized compensation expense associated with these options to be recognized over a weighted average of 1.8 years. During the three and six months ended June 30, 2010, the Company recognized \$0.3 million and \$0.5 million of compensation expense, respectively, related to unvested options. During the three and six months ended June 30, 2009, the Company recognized \$0.1 million and \$0.2 million of compensation expense, respectively. The recognized compensation expenses are included in general and administrative expense in the Company's consolidated statements of operations. The Company has also capitalized nominal amounts of compensation expense for the said periods as part of the Company's review of employee salaries eligible for capitalization.

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Option activity as of June 30, 2010 and changes during the six months ended June 30, 2010 were as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2010	2,404,567	\$ 15.48	8.38	\$ (9,816,670)
Granted	724,805	11.31	8.18	5,303,686
Outstanding at June 30, 2010	3,129,372	\$ 14.52	8.30	\$ (11,785,528)
Vested/Exercisable at June 30, 2010	1,397,487	\$ 17.50	4.51	\$ (5,665,160)

Restricted Share Awards

As of June 30, 2010, 852,276 restricted shares were outstanding and vest over three to seven years from the initial grant date. The remaining compensation expense to be recognized at June 30, 2010 was approximately \$6.1 million. That expense is expected to be recognized over a weighted average remaining vesting period of 2.1 years. The Company recognized compensation expense related to outstanding restricted shares of \$1.0 million and \$1.8 million during the three and six months ended June 30, 2010, of which \$0.2 million and \$0.4 million, respectively, were capitalized as part of the Company's review of employee salaries eligible for capitalization. The Company recognized compensation expense related to outstanding restricted shares of \$1.2 million and \$1.6 million during the three and six months ended June 30, 2009, of which \$0.2 million and \$0.5 million, respectively, were also capitalized. The expensed amounts are included in general and administrative expense on the Company's consolidated statement of operations in the respective periods.

The following table summarizes the Company's restricted share activity for the six-months ended June 30, 2010:

	Shares	Weighted Average Grant Date Fair value
Non-vested at January 1, 2010	708,580	\$ 9.69
Granted	240,302	11.56
Vested	(95,798)	20.47
Forfeited	(808)	12.51
Non-vested at June 30, 2010	852,276	\$ 10.76

Restricted Performance Share Units Plan

On March 4, 2010 and April 1, 2009, the Company's Compensation Committee awarded an aggregate of 120,955 and 488,292 share-based awards, respectively, to its executives. These awards are referred to as Restricted Performance Share Units, or RPSUs. The RPSUs represent the right to earn common shares. The number of common shares, if any, deliverable to award recipients depends on the Company's performance based on its total return to shareholders during the three year measurement period that commenced on January 1, 2010 (in the case of the March 4, 2010 awards) and January 1, 2009 (in the case of the April 1, 2009 awards) and that ends on the earlier of December 31, 2012 or December 31, 2011 (as applicable) or the date of a change of control, compared to the total shareholder return of REITs within an index over such respective periods. The awards are also contingent upon the continued employment of the participants through the performance periods (with exceptions for death, disability and qualifying retirement).

Dividends are deemed credited to the performance units accounts and are applied to acquire more performance units for the account of the unit holder at the price per common share ending on the dividend payment date. If earned, awards will be settled in common shares in an amount that reflects both the number of performance units in the holder's account at the end of the applicable measurement period and the Company's total return to shareholders during the applicable three year measurement period relative to the total shareholder return of the REIT within the index. If the total shareholder return during the measurement period places the Company at or above a certain percentile as compared to its peers based on an industry-based index at the end of the measurement period then the number of shares that will be delivered shall equal a certain percentage of the participant's base units.

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The fair values of the 2010 and 2009 awards on the grant date were \$2.0 million and \$1.1 million, respectively, and are being amortized over the said cliff vesting period. On the date of each grant, the awards were valued using a Monte Carlo simulation. For the three and six-month periods ended June 30, 2010, the Company recognized total compensation expense for both awards of \$0.3 million and \$0.5 million, respectively, related to this plan of which nominal amounts were capitalized for each period as part of the Company's review of employee salaries eligible for capitalization. For the three months ended June 30, 2009, the Company recognized total compensation expense for the 2009 award of \$0.1 million related to this plan of which a nominal amount was also capitalized.

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) under the 1997 Plan. The outperformance program provided for share-based awards, with share issuances (if any), to take the form of both vested and restricted common shares and with any share issuances contingent upon the Company's total shareholder return during a three year measurement period exceeding specified performance hurdles. These hurdles were not met and, accordingly, no shares were delivered under the outperformance program and the outperformance program, has terminated in accordance with its terms. The awards under the outperformance program were accounted for in accordance with the accounting standard for stock-based compensation. The aggregate grant date fair value of the awards under the outperformance program, as adjusted for estimated forfeitures, was approximately \$5.9 million (with the values determined through a Monte Carlo simulation) and are being amortized into expense over the five-year vesting period beginning on the grant dates using a graded vesting attribution model. For the three and six-month periods ended June 30, 2010, the Company recognized \$0.1 million and \$0.2 million, respectively, of compensation expenses related to the outperformance program. For the three and six-month periods ended June 30, 2009, the Company recognized \$0.3 million and \$0.6 million, respectively, of compensation expenses related to the outperformance program.

Employee Share Purchase Plan

On May 9, 2007, the Company's shareholders approved the 2007 Non-Qualified Employee Share Purchase Plan (the ESPP). The ESPP is intended to provide eligible employees with a convenient means to purchase common shares of the Company through payroll deductions and voluntary cash purchases at an amount equal to 85% of the average closing price per share for a specified period. Under the plan document, the maximum participant contribution for the 2010 plan year is limited to the lesser of 20% of compensation or \$25,000. The number of shares reserved for issuance under the ESPP is 1.25 million. During the three and six-month periods ended June 30, 2010, employees made purchases of \$0.2 million and \$0.3 million, respectively, under the ESPP and the Company recognized \$0.1 million of compensation expense related to the ESPP. During the three and six-month periods ended June 30, 2009, employees made purchases of \$0.1 million and \$0.2 million, respectively, under the ESPP and the Company recognized \$0.1 million of compensation expense related to the ESPP. The Board of Trustees of the Company may terminate the ESPP at its sole discretion at anytime.

Deferred Compensation

In January 2005, the Company adopted a Deferred Compensation Plan (the Plan) that allows trustees and certain key employees to voluntarily defer compensation. Compensation expense is recorded for the deferred compensation and a related liability is recognized. Participants may elect designated benchmark investment options for the notional investment of their deferred compensation. The deferred compensation obligation is adjusted for deemed income or loss related to the investments selected. At the time the participants defer compensation, the Company records a liability, which is included in the Company's consolidated balance sheet. The liability is adjusted for changes in the market value of the participants selected investments at the end of each accounting period, and the impact of adjusting the liability is recorded as an increase or decrease to compensation cost. For the six month periods ended June 30, 2010 and 2009, the Company recorded a net decrease in compensation costs of \$0.2 million and a net increase of \$0.5 million, respectively, in connection with the Plan due to the change in market value of the participant investments in the Plan.

The deferred compensation obligations are unfunded, but the Company has purchased company-owned life insurance policies and mutual funds, which can be utilized as a funding source for the obligations under the Plan. Participants in the Plan have no interest in any assets set aside by the Company to meet its obligations under the Plan. For the six

month periods ended June 30, 2010 and 2009, the Company recorded a net increase in compensation cost of \$0.2 million and a net decrease of \$0.8 million, respectively, in connection with the investments in the Company-owned policies and mutual funds.

Participants in the Plan may elect to have all or a portion of their deferred compensation invested in the Company's common shares. The Company holds these shares in a rabbi trust, which is subject to the claims of the Company's creditors in the event of the Company's bankruptcy or insolvency. The Plan does not provide for diversification of a participant's deferral allocated to the Company common share and deferrals allocated to Company common share can only be settled with a fixed number of shares. In accordance with the accounting standard for deferred compensation arrangements where amounts earned are held in a rabbi trust and invested, the deferred compensation obligation associated with the Company's common share is classified as a component of shareholder's equity and the related shares are treated as shares to be issued and are included in total shares outstanding. At June 30, 2010 and 2009, there were 0.3 million shares to be issued included in total shares outstanding. Subsequent changes in the fair value of the common shares are not reflected in operations or shareholders' equity of the Company.

Table of Contents**14. TAX CREDIT TRANSACTIONS*****Historic Tax Credit Transaction***

On November 17, 2008, the Company closed a transaction with US Bancorp (USB) related to the historic rehabilitation of the 30th Street Post Office in Philadelphia, Pennsylvania (Project), an 862,692 square foot office building which is 100% pre-leased to the Internal Revenue Service (expected commencement of the IRS lease is on or about September 1, 2010). USB has agreed to contribute approximately \$64.8 million of Project costs and advanced \$10.2 million of that amount contemporaneously with the closing of the transaction. USB advanced an additional \$27.4 million and \$23.8 million in June 2010 and December 2009, respectively. The remaining funds will be advanced upon achievement of certain construction milestones and compliance with the federal rehabilitation regulations. In return for its investment, USB will, upon completion of the Project, receive substantially all of the rehabilitation credits available under section 47 of the Internal Revenue Code.

In exchange for its contributions into the Project, USB is entitled to substantially all of the benefits derived from the tax credit, but does not have a material interest in the underlying economics of the property. This transaction also includes a put/call provision whereby the Company may be obligated or entitled to repurchase USB's interest in the Project. The Company believes the put will be exercised and an amount attributed to that puttable non-controlling interest obligation is included in other liabilities and is being accreted to the expected fixed put price.

Based on the contractual arrangements that obligate the Company to deliver tax benefits and provide other guarantees to USB and that entitle the Company through fee arrangements to receive substantially all available cash flow from the Project, the Company concluded that the Project should be consolidated. The Company also concluded that capital contributions received from USB, in substance, are consideration that the Company receives in exchange for its obligation to deliver tax credits and other tax benefits to USB. These receipts other than the amounts allocated to the put obligation will be recognized as revenue in the consolidated financial statements beginning when the obligation to USB is relieved upon delivery of the expected tax benefits net of any associated costs. The tax credit is subject to 20% recapture per year beginning one year after the completion of the Project in September 2010. The total USB contributions made amounting to \$61.4 million and \$34.0 million is presented within deferred income in the Company's consolidated balance sheet at June 30, 2010 and December 31, 2009, respectively. The contributions were recorded net of the amount allocated to non-controlling interest as described above of \$1.7 million and \$0.7 million at June 30, 2010 and December 31, 2009, respectively. The Company anticipates that beginning in September 2011 it will recognize the cash received as revenue over the five year credit recapture period as defined in the Internal Revenue Code. The Company also expects that USB will exercise the put/call provision in December 2015 when the recapture period ends.

Direct and incremental costs incurred in structuring the arrangement are deferred and will be recognized as expense in the consolidated financial statements upon the recognition of the related revenue as discussed above. The deferred cost at June 30, 2010 is \$2.5 million and is included in other assets on the Company's consolidated balance sheet. Amounts included in interest expense related to the accretion of the non-controlling interest liability and the 2% return expected to be paid to USB on its non-controlling interest aggregate to \$0.3 million and \$0.4 million for the three and six-months ended June 30, 2010, respectively.

New Markets Tax Credit Transaction

On December 30, 2008, the Company entered into a transaction with USB related to the Cira Garage Project (garage project) in Philadelphia, Pennsylvania and expects to receive a net benefit of \$7.8 million under a qualified New Markets Tax Credit Program (NMTC). The NMTC was provided for in the Community Renewal Tax Relief Act of 2000 (the Act) and is intended to induce investment capital in underserved and impoverished areas of the United States. The Act permits taxpayers (whether companies or individuals) to claim credits against their Federal income taxes for up to 39% of qualified investments in qualified, active low-income businesses or ventures.

USB contributed \$13.3 million into the garage project and as such it is entitled to substantially all of the benefits derived from the tax credit, but it does not have a material interest in the underlying economics of the garage project. This transaction also includes a put/call provision whereby the Company may be obligated or entitled to repurchase USB's interest. The Company believes the put will be exercised and an amount attributed to that obligation is included in other liabilities and is being accreted to the expected fixed put price. The said put price is insignificant.

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Based on the contractual arrangements that obligate the Company to deliver tax benefits and provide various other guarantees to USB, the Company concluded that the investment entities established to facilitate the NMTC transaction should be consolidated. The USB contribution of \$13.3 million is included in deferred income on the Company's consolidated balance sheet at June 30, 2010 and December 31, 2009. The USB contribution other than the amount allocated to the put obligation will be recognized as income in the consolidated financial statements when the tax benefits are delivered without risk of recapture to the tax credit investors and the Company's obligation is relieved. The Company anticipates that it will recognize the net cash received as revenue within other income/expense in the year ended December 31, 2015. The NMTC is subject to 100% recapture for a period of seven years as provided in the Internal Revenue Code. The Company expects that USB will exercise the put/call provision in December 2015 at the end of the recapture period.

Direct and incremental costs incurred in structuring the arrangement are deferred and will be recognized as expense in the consolidated financial statements upon the recognition of the related revenue as discussed above. The deferred cost at June 30, 2010 is \$5.3 million and is included in other assets on the Company's consolidated balance sheet.

15. SEGMENT INFORMATION

As of June 30, 2010, the Company manages its portfolio within six segments: (1) Pennsylvania, (2) Metropolitan Washington D.C, (3) New Jersey/Delaware, (4) Richmond, Virginia, (5) Austin, Texas and (6) California. The Pennsylvania segment includes properties in Chester, Delaware, and Montgomery counties in the Philadelphia suburbs and the City of Philadelphia in Pennsylvania. The Metropolitan Washington, D.C. segment includes properties in Northern Virginia and suburban Maryland. The New Jersey/Delaware segment includes properties in Burlington, Camden and Mercer counties and in New Castle county in the state of Delaware. The Richmond, Virginia segment includes properties primarily in Albemarle, Chesterfield, Goochland and Henrico counties and Durham, North Carolina. The Austin, Texas segment includes properties in Austin. The California segment includes properties in Oakland, Concord, Carlsbad and Rancho Bernardo. The corporate group is responsible for cash and investment management, development of certain real estate properties during the construction period, and certain other general support functions. Land held for development and construction in progress are transferred to operating properties by region upon completion of the associated construction or project.

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Segment information is as follows (in thousands):

	Pennsylvania	Metropolitan, D.C.	New Jersey /Delaware	Richmond, Virginia	Austin, Texas	California	Corporate	Total
As of June 30, 2010:								
Real estate investments, at cost:								
Operating properties	\$ 1,683,428	\$ 1,354,998	\$ 594,520	\$ 292,956	\$ 266,807	\$ 252,374	\$	\$ 4,445,083
Construction-in-progress	\$	\$	\$	\$	\$	\$	\$ 334,196	\$ 334,196
Land inventory	\$	\$	\$	\$	\$	\$	\$ 106,715	\$ 106,715
As of December 31, 2009:								
Real estate investments, at cost:								
Operating properties	\$ 1,726,267	\$ 1,356,206	\$ 598,122	\$ 297,958	\$ 282,093	\$ 251,972	\$	\$ 4,512,618
Construction-in-progress	\$	\$	\$	\$	\$	\$	\$ 271,962	\$ 271,962
Land inventory	\$	\$	\$	\$	\$	\$	\$ 97,368	\$ 97,368
For the three-months ended June 30, 2010:								
Total revenue	\$ 55,970	\$ 34,661	\$ 24,028	\$ 8,769	\$ 8,358	\$ 5,966	\$ (257)	\$ 137,495
Property operating expenses, real estate taxes and third party management expenses	20,904	11,996	11,345	3,165	3,601	2,957	(29)	53,939
Net operating income	\$ 35,066	\$ 22,665	\$ 12,683	\$ 5,604	\$ 4,757	\$ 3,009	\$ (228)	\$ 83,556
For the three-months ended June 30, 2009:								
Total revenue	\$ 57,205	\$ 34,637	\$ 25,387	\$ 8,948	\$ 8,278	\$ 6,158	\$ 1,461	\$ 142,074
Property operating expenses, real estate taxes and third party management expenses	20,492	12,757	10,827	3,310	3,877	3,390	386	55,039
Net operating income	\$ 36,713	\$ 21,880	\$ 14,560	\$ 5,638	\$ 4,401	\$ 2,768	\$ 1,075	\$ 87,035
For the six-months ended June 30, 2010:								
Total revenue	\$ 114,245	\$ 69,403	\$ 50,823	\$ 18,168	\$ 16,745	\$ 11,871	\$ (626)	\$ 280,629
Property operating expenses, real estate taxes and third party	45,624	24,373	24,447	6,825	7,078	5,685	(481)	113,551

management expenses

Net operating income \$ 68,621 \$ 45,030 \$ 26,376 \$ 11,343 \$ 9,667 \$ 6,186 \$ (145) \$ 167,078

For the six-months
ended June 30, 2009:

Total revenue \$ 116,257 \$ 69,811 \$ 50,915 \$ 18,264 \$ 16,872 \$ 13,532 \$ 3,154 \$ 288,805

Property operating
expenses, real estate
taxes and third party
management expenses 43,517 26,661 23,136 6,966 7,748 6,742 638 115,408

Net operating income \$ 72,740 \$ 43,150 \$ 27,779 \$ 11,298 \$ 9,124 \$ 6,790 \$ 2,516 \$ 173,397

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Net operating income is defined as total revenue less property operating expenses, real estate taxes and third party management expenses. Segment net operating income includes revenue, real estate taxes and property operating expenses directly related to operation and management of the properties owned and managed within the respective geographical region. Segment net operating income excludes property level depreciation and amortization, revenue and expenses directly associated with third party real estate management services, expenses associated with corporate administrative support services, and inter-company eliminations. Below is a reconciliation of consolidated net operating income to consolidated income from continuing operations:

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2010	2009	2010	2009
	(amounts in thousands)		(amounts in thousands)	
Consolidated net operating income	\$ 83,556	\$ 87,035	\$ 167,078	\$ 173,397
Less:				
Interest expense	(31,210)	(34,944)	(62,734)	(70,590)
Deferred financing costs	(862)	(1,894)	(1,873)	(3,146)
Recognized Hedge Activity		(305)		(305)
Depreciation and amortization	(52,125)	(52,708)	(104,747)	(103,923)
Administrative expenses	(6,653)	(5,515)	(12,745)	(10,473)
Plus:				
Interest income	963	642	1,828	1,221
Equity in income of real estate ventures	1,025	1,533	2,321	2,119
Gain (loss) on early extinguishment of debt	(445)	12,013	(1,637)	18,652
Income (loss) from continuing operations	(5,751)	5,857	(12,509)	6,952
Income from discontinued operations	151	(77)	6,510	(2,045)
Net (loss) income	\$ (5,600)	\$ 5,780	\$ (5,999)	\$ 4,907

16. 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.

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-cancellable ground leases under which the Company is the lessee are expensed on a straight-line basis regardless of when payments are due. Minimum future rental payments on non-cancelable leases at June 30, 2010 are as follows (in thousands):

2010	\$	1,159
2011		2,318
2012		2,318
2013		2,318
2014		2,409
Thereafter		285,333

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One of the land leases for a property (currently under development) provides for contingent rent participation by the lessor in certain capital transactions and net operating cash flows of the property after certain returns are achieved by the Company. Such amounts, if any, will be reflected as contingent rent when incurred. The leases also provide for payment by the Company of certain operating costs relating to the land, primarily real estate taxes. The above schedule of future minimum rental payments does not include any contingent rent amounts nor any reimbursed expenses.

Other Commitments or Contingencies

As part of the Company's September 2004 acquisition of a portfolio of properties from The Rubenstein Company (which the Company refers to as the TRC acquisition), the Company acquired its interest in Two Logan Square, a 704,664 square foot office building in Philadelphia, primarily through its ownership of a second and third mortgage secured by this property. This property is consolidated as the borrower is a variable interest entity and the Company, through its ownership of the second and third mortgages, is the primary beneficiary. The Company currently does not expect to take title to Two Logan Square until, at the earliest, September 2019. If the Company takes fee title to Two Logan Square upon a foreclosure of its mortgage, the Company has agreed to pay an unaffiliated third party that holds a residual interest in the fee owner of this property an amount equal to \$0.6 million (if the Company must pay a state and local transfer upon taking title) and \$2.9 million (if no transfer tax is payable upon the transfer).

The Company is currently being audited by the Internal Revenue Service for its 2004 tax year. The audit concerns the tax treatment of the transaction in September 2004 in which the Company acquired a portfolio of properties through the acquisition of a limited partnership. At this time it does not appear that an adjustment, if any, would result in a material tax liability for the Company. However, an adjustment could raise a question as to whether a contributor of partnership interests in the 2004 transaction could assert a claim against the Company under the tax protection agreement entered into as part of the transaction.

As part of the Company's 2006 acquisition of Prentiss Properties Trust, the TRC acquisition in 2004 and several of our other transactions, the Company agreed not to sell certain of the properties it acquired in transactions that would trigger taxable income to the former owners. In the case of the TRC acquisition, the Company agreed not to sell acquired properties for periods up to 15 years from the date of the TRC acquisition as follows at June 30, 2010: One Rodney Square and 130/150/170 Radnor Financial Center (January 2015); and One Logan Square, Two Logan Square and Radnor Corporate Center (January 2020). In the Prentiss acquisition, the Company assumed the obligation of Prentiss not to sell Concord Airport Plaza before March 2018. The Company's agreements generally provide that it 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. If the Company were to sell a restricted property before expiration of the restricted period in a non-exempt transaction, the Company may be required to make significant payments to the parties who sold the applicable property on account of tax liabilities attributed to them.

As part of the Company's acquisition of properties from time to time in tax-deferred transactions, the Company has agreed to provide certain of the prior owners of the acquired properties with the right to guarantee the Company indebtedness. If the Company were to seek to repay the indebtedness guaranteed by the prior owner before the expiration of the applicable agreement, the Company will be required to provide the prior owner an opportunity to guaranty a qualifying replacement debt. These debt maintenance agreements may limit the Company's ability to refinance indebtedness on terms that will be favorable to the Company.

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

During 2008, in connection with the development of the PO Box/IRS and Cira Garage projects, the Company entered into a historic tax credit and new market tax credit arrangement, respectively. The Company is required to be in compliance with various laws, regulations and contractual provisions that apply to its historic and new market tax credit arrangements. Non-compliance with applicable requirements could result in projected tax benefits not being realized and require a refund or reduction of investor capital contributions, which are reported as deferred income in the Company's consolidated balance sheet, until such time as its obligation to deliver tax benefits is relieved. The

remaining compliance periods for its tax credit arrangements runs through 2015. The Company does not anticipate that any material refunds or reductions of investor capital contributions will be required in connection with these arrangements.

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On June 29, 2009, the Company entered into a forward financing commitment to borrow up to \$256.5 million under two separate loans which are secured by mortgages on the Post Office project, the garage project and by the leases of space at these facilities upon the completion of these projects. In order for funding to occur, certain conditions must be met by the Company including the completion of the projects and the commencement of the rental payments from the respective leases on these properties. The expected funding date is scheduled on or about September 1, 2010 which is also the anticipated completion date of the projects. In the event the conditions were not met, the Company has the right to extend the funding date by paying an extension fee amounting to \$1.8 million for each 30 day extension within the allowed two year extension period. In addition, the Company can also voluntarily elect to terminate the loans during the forward period including the extension period by paying a termination fee. The Company is also subject to a termination fee if the conditions were not met on the final advance date. The termination fee is calculated as the greater of the 0.5% of the total available principal to be funded or the difference between the present value of the scheduled interest and principal payments (based on the principal amount to be funded and the then 20-year treasury rate plus 50 basis points) from the funding date through the loans maturity date and the amount to be funded. In addition, deferred financing costs related to these loans will be accelerated if the Company chose to terminate the forward financing commitment.

17. SUBSEQUENT EVENTS

On August 5, 2010, the Company, through its Operating Partnership, acquired a 53 story Class A office tower at 1717 Arch Street in Philadelphia, together with related ground tenancy rights under a long-term ground lease, from BAT Partners, L.P. This property contains approximately 1.0 million of net rentable square feet and is currently 63% leased. The Company acquired 1717 Arch for approximately \$129.0 million funded through a combination of \$51.2 million of cash and 7,111,112 units of a newly-established class of limited partnership interest of the Operating Partnership designated as Class F (2010) Units. The Class F (2010) Units do not accrue a dividend prior to the first anniversary of the closing. The Company funded the cash portion of the acquisition price through an advance under its revolving credit facility and with available corporate funds.

On July 29, 2010, the Company received the full \$40.0 million of the purchase money mortgage note it extended to the buyer of its properties in Oakland, California in October 2008.

The Company has evaluated subsequent events through the date the financial statements were issued.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements**

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

	June 30, 2010	December 31, 2009
Real estate investments:		
Operating properties	\$ 4,445,083	\$ 4,512,618
Accumulated depreciation	(750,848)	(716,956)
Operating real estate investments, net	3,694,235	3,795,662
Construction-in-progress	334,196	271,962
Land inventory	106,715	97,368
Total real estate investments, net	4,135,146	4,164,992
Cash and cash equivalents	297	1,567
Accounts receivable, net	19,603	10,934
Accrued rent receivable, net	88,105	87,173
Investment in real estate ventures, at equity	77,908	75,458
Deferred costs, net	102,664	106,097
Intangible assets, net	87,507	105,163
Notes receivable	59,939	59,008
Other assets	46,015	53,358
Total assets	\$ 4,617,184	\$ 4,663,750
LIABILITIES AND EQUITY		
Mortgage notes payable	\$ 503,570	\$ 551,720
Borrowing under credit facilities	160,000	92,000
Unsecured term loan	183,000	183,000
Unsecured senior notes, net of discounts	1,563,471	1,627,857
Accounts payable and accrued expenses	79,358	88,599
Distributions payable	22,295	21,799
Tenant security deposits and deferred rents	52,435	58,572
Acquired below market leases, net	32,641	37,087
Deferred income	73,695	47,379
Other liabilities	25,712	33,997
Total liabilities	2,696,177	2,742,010
Commitments and contingencies (Note 15)		
Redeemable limited partnership units at redemption value; 2,809,108 issued and outstanding in 2010 and 2009, respectively	43,672	44,620
Brandywine Operating Partnership's equity:		
	47,912	47,912

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7.50% Series D Preferred Mirror Units; issued and outstanding- 2,000,000 in 2010 and 2009, respectively		
7.375% Series E Preferred Mirror Units; issued and outstanding- 2,300,000 in 2010 and 2009, respectively	55,538	55,538
General Partnership Capital, 132,134,448 and 128,849,176 units issued in 2010 and 2009, respectively and 132,000,301 and 128,597,412 units outstanding in 2010 and 2009, respectively	1,778,853	1,783,033
Accumulated other comprehensive loss	(4,968)	(9,428)
Total Brandywine Operating Partnership's equity	1,877,335	1,877,055
Non-controlling interest consolidated real estate ventures		65
Total Equity	1,877,335	1,877,120
Total liabilities and partners' equity	\$ 4,617,184	\$ 4,663,750

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

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

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2010	2009	2010	2009
Revenue:				
Rents	\$ 114,532	\$ 119,445	\$ 230,041	\$ 239,730
Tenant reimbursements	17,704	16,999	39,187	37,687
Termination fees	1,331	963	3,085	1,076
Third party management fees, labor reimbursement and leasing	2,904	4,097	6,371	8,861
Other	1,024	570	1,945	1,451
Total revenue	137,495	142,074	280,629	288,805
Operating Expenses:				
Property operating expenses	38,748	39,119	83,896	82,541
Real estate taxes	13,698	13,952	26,750	28,784
Third party management expenses	1,493	1,968	2,905	4,083
Depreciation and amortization	52,125	52,708	104,747	103,923
General & administrative expenses	6,653	5,515	12,745	10,473
Total operating expenses	112,717	113,262	231,043	229,804
Operating income	24,778	28,812	49,586	59,001
Other Income (Expense):				
Interest income	963	642	1,828	1,221
Interest expense	(31,210)	(34,944)	(62,734)	(70,590)
Interest expense - Deferred financing costs	(862)	(1,894)	(1,873)	(3,146)
Recognized hedge activity		(305)		(305)
Equity in income of real estate ventures	1,025	1,533	2,321	2,119
Gain on early extinguishment of debt	(445)	12,013	(1,637)	18,652
Income (loss) from continuing operations	(5,751)	5,857	(12,509)	6,952
Discontinued operations:				
Income from discontinued operations	151	1,148	161	2,686
Net (loss) gain on disposition of discontinued operations		(1,225)	6,349	(1,031)
Provision for impairment				(3,700)
	151	(77)	6,510	(2,045)
Net income (loss)	(5,600)	5,780	(5,999)	4,907

Net income attributable to non-controlling interests			(28)			(22)
Net income (loss) attributable to Brandywine Operating Partnership	(5,600)	5,752	(5,999)			4,885
Distribution to Preferred share dividends	(1,998)	(1,998)	(3,996)			(3,996)
Amount allocated to unvested restricted shareholders	(128)	(73)	(256)			(110)
Net income (loss) attributable to Common Partnership Unitholders Brandywine Operating Partnership	\$ (7,726)	\$ 3,681	\$ (10,251)			\$ 779
Basic earnings (loss) per Common Partnership Unit:						
Continuing operations	\$ (0.06)	\$ 0.04	\$ (0.13)			\$ 0.03
Discontinued operations	0.00	(0.00)	0.05			(0.02)
	\$ (0.06)	\$ 0.04	\$ (0.08)			\$ 0.01
Diluted earnings (loss) per Common Partnership Unit:						
Continuing operations	\$ (0.06)	\$ 0.04	\$ (0.13)			\$ 0.03
Discontinued operations	0.00	(0.00)	0.05			(0.02)
	\$ (0.06)	\$ 0.04	\$ (0.08)			\$ 0.01
Basic weighted average common partnership units outstanding	134,320,032	104,400,618	132,955,961			97,750,755
Diluted weighted average common partnership units outstanding	134,320,032	105,558,964	132,955,961			98,312,367
Net income (loss) attributable to Brandywine Operating Partnership						
Income (loss) from continuing operations	\$ (5,751)	\$ 5,829	\$ (12,509)			\$ 6,930
Income (loss) from discontinued operations	151	(77)	6,510			(2,045)
Net income (loss)	\$ (5,600)	\$ 5,752	\$ (5,999)			\$ 4,885

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

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

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2010	2009	2010	2009
Net income (loss)	\$ (5,600)	\$ 5,780	\$ (5,999)	\$ 4,907
Comprehensive income (loss):				
Unrealized gain (loss) on derivative financial instruments	2,355	(4,217)	4,171	6,069
Reclassification of realized (gains)/losses on derivative financial instruments to operations, net	14	(20)	(1)	(40)
Total comprehensive income (loss)	2,369	(4,237)	4,170	6,029
Comprehensive income (loss)	(3,231)	1,543	(1,829)	10,936
Comprehensive (income) loss attributable to non-controlling interest		(28)		(22)
Comprehensive income (loss) attributable to Brandywine Operating Partnership	\$ (3,231)	\$ 1,515	\$ (1,829)	\$ 10,914

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

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

	Six-month periods ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ (5,999)	\$ 4,907
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation	80,447	80,109
Amortization:		
Deferred financing costs	1,873	3,146
Amortization of debt discount/(premium), net	490	1,215
Deferred leasing costs	10,139	8,928
Acquired above (below) market leases, net	(3,181)	(3,487)
Acquired lease intangibles	14,036	17,051
Stock-based compensation costs	2,492	2,288
Recognized hedge activity		305
Straight-line rent	(5,408)	(4,094)
Provision for doubtful accounts	1,717	3,907
Provision for impairment in real estate		3,700
Real estate venture income in excess of distributions	(1,958)	(1,026)
Net loss (gain) on sale of interests in real estate	(6,349)	1,031
Loss (gain) on early extinguishment of debt	1,637	(18,652)
Contributions from historic tax credit, net of deferred costs	27,396	
Cumulative interest accretion of repayments of unsecured notes	(2,716)	(1,955)
Changes in assets and liabilities:		
Accounts receivable	161	2,671
Other assets	2,074	9,412
Accounts payable and accrued expenses	(7,089)	2,611
Tenant security deposits and deferred rents	(4,570)	(2,707)
Other liabilities	(2,190)	(4,262)
Net cash from operating activities	103,002	105,098
Cash flows from investing activities:		
Sales of properties, net	10,445	33,354
Capital expenditures	(75,423)	(94,810)
Advances for purchase of tenant assets	(9,116)	
Investment in unconsolidated Real Estate Ventures		(14,980)
Escrowed cash		31,385
Cash distributions from unconsolidated Real Estate Ventures in excess of cumulative equity income	801	11,346
Decrease in cash due to the deconsolidation of variable interest entities	(1,382)	
Leasing costs	(25,609)	(14,286)
Net cash used in investing activities	(100,284)	(47,991)

Cash flows from financing activities:

Proceeds from Credit Facility borrowings	231,000	347,000
Repayments of Credit Facility borrowings	(163,000)	(426,000)
Proceeds from mortgage notes payable		89,800
Repayments of mortgage notes payable	(4,467)	(73,576)
Repayments of unsecured notes	(64,604)	(174,823)
Debt financing costs	8	(21,525)
Net proceeds from issuance of operating units	41,021	242,455
Distributions paid to preferred and common partnership unitholders	(43,946)	(40,426)
Net cash from (used in) financing activities	(3,988)	(57,095)
Increase (decrease) in cash and cash equivalents	(1,270)	12
Cash and cash equivalents at beginning of period	1,567	3,924
Cash and cash equivalents at end of period	\$ 297	\$ 3,936
Supplemental disclosure:		
Cash paid for interest, net of capitalized interest during the six months ended June 30, 2010 and 2009 of \$6,791 and \$3,459, respectively	\$ 37,758	\$ 74,584
Supplemental disclosure of non-cash activity:		
Note receivable issued in a property sale transaction		950
Change in capital expenditures financed through accounts payable at period end	(2,739)	8,300
Change in capital expenditures financed through retention payable at period end	1,624	582
Change in unfunded tenant allowance	(2,418)	
Change in real estate investments due to the deconsolidation of variable interest entities	(37,126)	
Change in mortgage notes payable to the deconsolidation of variable interest entities	(42,877)	

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

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BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010

1. THE PARTNERSHIP

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

As of June 30, 2010, the Partnership owned 213 office properties, 20 industrial facilities and three mixed-use properties (collectively, the Properties) containing an aggregate of approximately 23.6 million net rentable square feet. The Partnership also has two properties under development and one property under redevelopment containing an aggregate 1.4 million net rentable square feet. Therefore as of June 30, 2010, the Partnership owned 239 properties containing an aggregate of 25.0 million net rentable square feet. In addition, as of June 30, 2010, the Partnership owned economic interests in 15 unconsolidated real estate ventures that contain approximately 4.6 million net rentable square feet (collectively, the Real Estate Ventures). The Properties and the properties owned by the Real Estate Ventures are located in or near Philadelphia, Pennsylvania, Metropolitan Washington, D.C., Southern and Central New Jersey, Richmond, Virginia, Wilmington, Delaware, Austin, Texas and Oakland, Concord, Carlsbad and Rancho Bernardo, California. The Company is the sole general partner of the Operating Partnership and, as of June 30, 2010, owned a 97.9% interest in the Operating Partnership. The Partnership conducts its third-party real estate management services business primarily through wholly-owned management company subsidiaries.

As of June 30, 2010, the management company subsidiaries were managing properties containing an aggregate of approximately 34.4 million net rentable square feet, of which approximately 25.0 million net rentable square feet related to Properties owned by the Partnership and approximately 9.4 million net rentable square feet related to properties owned by third parties and Real Estate Ventures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared by the Partnership pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC) for interim financial statements information. 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. In the opinion of management, all adjustments (consisting solely of normal recurring matters) for a fair statement of the financial position of the Partnership as of June 30, 2010, the results of its operations for the three and six-month periods ended June 30, 2010 and 2009 and its cash flows for the six-month periods ended June 30, 2010 and 2009 have been included. The results of operations for such interim periods are not necessarily indicative of the results for a full year. These consolidated financial statements should be read in conjunction with the Partnership's consolidated financial statements and footnotes included in the Partnership's 2009 Annual Report on Form 10-K filed with the SEC on March 1, 2010.

Reclassifications and Revisions

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

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 the accounting standard for the consolidation of variable interest entities. When an entity is not deemed to be a VIE, the Partnership considers the provisions of the same accounting standard to determine whether a general partner, or the general partners as a group, controls a limited partnership or similar entity when the limited partner have certain rights. 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 neither have the ability to dissolve the entity or remove the Partnership without cause nor any 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, plus contributions, less distributions) include (i) entities that are VIEs and of which the Partnership is not deemed to be the primary beneficiary (ii) entities that are non-VIEs which the Partnership does not control, but over which the Partnership has the ability to exercise significant influence and (iii) entities that are non-VIEs that the Partnership controls through its general partner status, but the limited partners in the entity have the substantive ability to dissolve the entity or remove the Partnership without cause or have substantive participating rights. The Partnership will reconsider its determination of whether an entity is a VIE and who the primary beneficiary is, and whether or not the limited partners in an entity have substantive rights, if certain events occur that are likely to cause a change in the original determinations. The portion of the entities that are consolidated but not owned by the Partnership is presented as non-controlling interest as of and during the periods consolidated. All intercompany accounts and transactions have been eliminated in consolidation.

Table of Contents***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, valuation of real estate and related intangible assets and liabilities, 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. Acquisition related costs are expensed as incurred. Costs incurred for the renovation and betterment of an operating property are capitalized to the Partnership's investment in that property. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

Purchase Price Allocation

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

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

Table of Contents***Impairment or Disposal of Long-Lived Assets***

The accounting standard for property, plant and equipment provides a single accounting model for long-lived assets as held-for-sale, broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

The Partnership reviews long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The review of recoverability is based on an estimate of the future undiscounted cash flows (excluding interest charges) expected to result from the long-lived asset's use and eventual disposition. These cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If impairment exists due to the inability to recover the carrying value of a long-lived asset, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair-value of the property. The Partnership is required to make subjective assessments as to whether there are impairments in the values of the investments in long-lived assets. These assessments have a direct impact on its net income because recording an impairment loss results in an immediate negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. Although the Partnership's strategy is generally to hold its properties over the long-term, the Partnership will dispose of properties to meet its liquidity needs or for other strategic needs. If the Company's strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized to reduce the property to the lower of the carrying amount or fair value less costs to sell, and such loss could be material. If the Partnership determines that impairment has occurred and the assets are classified as held and used, the affected assets must be reduced to their fair-value.

Where properties have been identified as having a potential for sale, additional judgments are required related to the determination as to the appropriate period over which the undiscounted cash flows should include the operating cash flows and the amount included as the estimated residual value. Management determines the amounts to be included based on a probability weighted cash flow. This requires significant judgment. In some cases, the results of whether an impairment is indicated are sensitive to changes in assumptions input into the estimates, including the hold period until expected sale.

During the Partnership's impairment review for the six months period ended June 30, 2010, it was determined that no impairment charges were necessary. For the six months period ended June 30, 2009, the Partnership determined that one of its properties, during testing for impairment under the held and used model, had a historical cost greater than the probability weighted undiscounted cash flows. Accordingly, the recorded amount was reduced to an amount based on management's estimate of the current fair value. This property was sold in the second quarter of the prior year.

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 straight-line rent adjustment increased revenue by approximately \$1.8 million and \$3.8 million for the three and six-month periods ended June 30, 2010 and by approximately \$1.6 million and \$2.6 million for the three and six-month periods ended June 30, 2009, respectively. Deferred rents on the balance sheet represent rental revenue received prior to their due dates and amounts paid by the tenant for certain improvements considered to be landlord assets that will remain as the Partnership's property at the end of the tenant's lease term. The amortization of the amounts paid by the tenant for such improvements is calculated on a straight-line basis over the term of the tenant's lease and is a component of straight-line rental income and increased revenue by \$0.7 million and \$1.6 million for the three and six-month periods ended June 30, 2010 and by \$0.6 million and \$1.5 million for the three and six-month periods ended June 30, 2009, respectively. Lease incentives, which are included as reductions of rental revenue in the accompanying consolidated statements of operations, are recognized on a straight-line basis over the term of the lease. Lease incentives decreased revenue by \$0.3 million and \$1.0 million for the three and six-month periods ended June 30, 2010 and by \$0.2 million and \$0.4 million for the three and six-month periods ended June 30, 2009, respectively.

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 or to the extent that the tenant has a lease on a triple net basis. For certain leases, significant assumptions and judgments are made by the Partnership in determining the lease term such as when termination options are provided to the tenant. The lease term impacts the period over which minimum rents are determined and recorded and also considers the period over which lease related costs are amortized. Termination fees received from tenants, bankruptcy settlement fees, third party management fees, labor reimbursement and leasing income are recorded when earned.

Table of Contents***Stock-Based Compensation Plans***

The Company maintains a shareholder-approved equity-incentive plan known as the Amended and Restated 1997 Long-Term Incentive Plan (the 1997 Plan). The 1997 Plan is administered by the Compensation Committee of the Company's Board of Trustees. Under the 1997 Plan, the Compensation Committee is authorized to award equity and equity-based awards, including incentive stock options, non-qualified stock options, restricted shares and performance-based shares. On June 2, 2010, the Company's shareholders approved amendments to the 1997 Plan that, among other things, increased the number of common shares available for future awards under the 1997 Plan by 6,000,000 shares (of which 3,600,000 shares are available solely for options and share appreciation rights). As of June 30, 2010, 6,761,947 common shares remained available for future awards under the 1997 Plan (including those shares available solely for options and share appreciation rights). Through June 30, 2010, all options awarded under the 1997 Plan had a one to ten-year term.

The Partnership incurred stock-based compensation expense of \$1.4 million and \$2.5 million during the three and six-month periods ended June 30, 2010, and, in addition, \$0.4 million and \$0.6 million, respectively, were capitalized as part of the Partnership's review of employee salaries eligible for capitalization. The Partnership recognized stock-based compensation expense of \$1.3 million and \$2.3 million during the three and six-month periods ended June 30, 2009, of which \$0.2 million and \$0.5 million, respectively, were also capitalized. The expensed amounts are included in general and administrative expense on the Partnership's consolidated income statement in the respective periods.

Accounting for Derivative Instruments and Hedging Activities

The Partnership accounts for its derivative instruments and hedging activities in accordance with the accounting standard for derivative and hedging activities. The accounting standard 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. See disclosures below related to the Partnership's adoption of the accounting standard for fair value measurements and disclosures.

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 while the ineffective portions are recognized in earnings. During the three months ended June 30, 2009, the Partnership recognized \$0.3 million for the ineffective portion of its two forward starting swaps. The ineffectiveness resulted from the change in the forecasted debt transaction issuance date. The interest rate swaps were cash settled in December 2009.

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.

Fair Value Measurements

The Partnership estimates the fair value of its outstanding derivatives and available-for-sale-securities in accordance with the accounting standard for fair value measurements and disclosures. The accounting standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. Financial assets and liabilities recorded on the Consolidated Balance Sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Partnership has the ability to access.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly

quoted intervals.

Level 3 inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity or information.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Partnership's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

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The following table sets forth the Partnership's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2010:

Description	Fair Value Measurements at Reporting Date Using:			
	June 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Recurring Assets:				
Available-for-Sale Securities	\$ 216	\$ 216	\$	\$
Liabilities:				
Interest Rate Swaps	\$ 3,150	\$	\$ 3,150	\$

The following table sets forth the Partnership's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2009:

Description	Fair Value Measurements at Reporting Date Using:			
	December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Available-for-Sale Securities	\$ 431	\$ 431	\$	\$
Liabilities:				
Interest Rate Swaps	\$ 7,320	\$	\$ 7,320	\$

Non-financial assets and liabilities recorded at fair value on a non-recurring basis to which the Company would apply the accounting standard where a measurement was required under fair value would include:

- Non-financial assets and liabilities initially measured at fair value in an acquisition or business combination that are not remeasured at least quarterly at fair value,
- Long-lived assets measured at fair value due to an impairment in accordance with the accounting standard for the impairment or disposal of long-lived assets,
- Equity and cost method investments measured at fair value due to an impairment in accordance with the accounting standard for investments,
- Notes receivable adjusted for any impairment in its value in accordance with the accounting standard for loan receivables, and,
- Asset retirement obligations initially measured at fair value under the accounting standard for asset retirement obligations.

There were no items that were accounted for at fair value on a non-recurring basis as of June 30, 2010.

Income Taxes

In general, the Partnership is not subject to federal and state income taxes, and accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The partners of the Partnership are required to include their respective share of the Partnership's profits or losses in their respective 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 elected to treat several of its subsidiaries as real estate investment trusts (each a REIT) under Sections 856 through 860 of the Code. As a result, each subsidiary REIT generally is not subject to federal and state income taxation at the corporate level to the extent it distributes annually at least 100% of its REIT taxable income to its stockholders and satisfies certain other organizational and operational requirements. Each subsidiary REIT has met these requirements and, accordingly, no provision has been made for federal and state income taxes in the accompanying consolidated financial statements. If any subsidiary REIT fails to qualify as a REIT in any taxable year, that subsidiary REIT will be subject to federal and state income taxes and may not be able to qualify as a REIT for the four subsequent taxable years. Also, each subsidiary REIT may be subject to certain local income taxes.

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The Partnership has elected to treat several of its subsidiaries as taxable REIT subsidiaries (each a TRS). A TRS is subject to federal, state and local income tax. In general, a TRS may perform non-customary services for tenants, hold assets that the Company, as a REIT, cannot hold directly and generally may engage in any real estate or non-real estate related business.

Accounting Pronouncements Adopted During 2010

In January 2010, the FASB issued a new accounting standard for distributions to stockholders with components of stock and cash. The guidance clarifies that in calculating earnings per share, an entity should account for the stock portion of the distribution as a stock issuance and not as a stock dividend. The new standard is effective for fiscal years and interim periods ending after December 15, 2009, and should be applied on a retrospective basis. The Partnership's adoption of the new standard did not have a material impact on its consolidated financial position or results of operations as no distributions were paid with stock.

In January 2010, the FASB issued an amendment to the accounting standard for fair value measurements and disclosures. The amendment clarifies and provides additional disclosure requirements related to recurring and non-recurring fair value measurements. This amendment is effective for fiscal years and interim periods ending after December 15, 2009. The Partnership's adoption of the new standard did not have a material impact on its consolidated financial position or results of operations.

In December 2009, the FASB issued a new accounting standard governing transfer of financial assets. This new standard is a revision to the existing accounting standard for the transfer and servicing of financial assets and amends the guidance on accounting for transfers of financial assets, including securitization transactions, where entities have continued exposure to risks related to transferred financial assets. The new accounting standard also expands the disclosure requirements for such transactions. This amendment is effective for fiscal years beginning after November 15, 2009. The Partnership's adoption of the new standard did not have a material impact on its consolidated financial position or results of operations.

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for the consolidation of variable interest entities (VIE). The elimination of the concept of a qualifying special-purpose entity (QSPE) removes the exception from applying the consolidation guidance within this amendment. This amendment requires an enterprise to perform a qualitative analysis when determining whether or not it must consolidate a VIE. The amendment also requires an enterprise to continuously reassess whether it must consolidate a VIE. Additionally, the amendment requires enhanced disclosures about an enterprise's involvement with VIEs and any significant change in risk exposure due to that involvement, as well as how its involvement with VIEs impacts the enterprise's financial statements. Finally, an enterprise will be required to disclose significant judgments and assumptions used to determine whether or not to consolidate a VIE. This amendment was adopted on January 1, 2010 and applied prospectively. As a result of the adoption of the amendment to the accounting and disclosure requirements for the consolidation of VIEs, the Partnership has determined that it will no longer consolidate three of the VIEs that it has previously consolidated. In reaching its conclusion, the Partnership considered the requirements provided by the accounting standard to qualitatively assess if the Partnership is the primary beneficiary of the VIE based on whether the Partnership has (i) the power to direct those matters that most significantly impact the activities of the VIE and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The Partnership's consideration included an assessment of each of the entities with which it has involvement and included review of applicable documents such as, but not limited to, applicable partnership agreements, real estate venture agreements, LLC agreements, management and leasing agreements. As of January 1, 2010, the Partnership held interests in 17 real estate ventures, 15 of which are unconsolidated and two of which the Partnership continues to consolidate. The Partnership's basis in reaching its conclusion for these entities is provided below.

Previously Consolidated:***Four Tower Bridge and Six Tower Bridge Ventures***

Each of the Four Tower Bridge and Six Tower Bridge Real Estate Ventures was formed as a limited partnership to own and manage an office property located in Conshohocken, Pennsylvania. The Partnership entered into these ventures with two other partners during 1997 and 1998, respectively. The other partner in Four Tower Bridge owns a 35% interest in the partnership entity and the other partner in Six Tower Bridge owns a 37% in the partnership entity.

These Real Estate Ventures were determined to be VIEs and were previously consolidated in the Partnership's financial statements in accordance with the amended accounting standard for the consolidation of VIEs. The ventures were determined to be VIEs due to insufficient equity at the latest reconsideration event. However, upon the Partnership's adoption of the new accounting standard on January 1, 2010, the Partnership has determined that it will no longer consolidate these Real Estate Ventures after it was determined that the partners have shared power in the ventures and no related party considerations were identified. All significant decisions are approved by both partners in the venture. Based on the facts and circumstances provided, the Partnership deconsolidated these two Real Estate Ventures in accordance with the new accounting standard.

Table of Contents***Coppell Associates***

Coppell Associates is a Real Estate Venture that owns one property in Austin, Texas. The Partnership entered into this venture with another partner which owns a 50% interest in the partnership. This Real Estate Venture is a VIE and was previously consolidated in the Partnership's financial statements in accordance with the amended accounting standard for the consolidation of VIEs. The venture was determined to be a VIE due to insufficient equity at the latest reconsideration event. However, upon the Partnership's adoption of the new accounting standard on January 1, 2010, the Partnership has determined that it will no longer consolidate this Real Estate Venture after it concluded that the partners have shared power in the venture. All significant decisions are approved by both partners in the venture. Based on the facts and circumstances provided, the Partnership deconsolidated this Real Estate Venture in accordance with the new accounting standard.

Other VIEs:***PJP VII***

The Partnership holds a 25% interest in a Real Estate Venture that it entered into with two other partners. One of the other partners has 50% ownership interest in the ventures while the other one has ownership interest of 25%. This venture is considered a VIE due to the fact that at the last reconsideration event, it entered into a construction loan to fund the building construction of the property and it was determined that there was insufficient equity in the joint venture. In addition, this loan has not been refinanced as of June 30, 2010 and the Partnership guarantees \$0.7 million or 8.75% of the total construction note. It is expected that this entity will remain a VIE until the venture refinances the construction loan into a permanent financing. It was determined that the Partnership does not have the power to direct the significant economic activities of the Real Estate Venture in accordance with the standard and as a result is not the primary beneficiary of this Real Estate Venture.

Residence Inn Hotel

The Partnership holds a 50% interest in a Real Estate Venture that owns a Residence Inn Hotel located in Conshohocken, Pennsylvania. The Partnership has two other partners in this venture with one of them having a 46.4% interest while the other one has 3.6% interest. The Real Estate Venture was considered as a VIE in accordance with the amended accounting standard for the consolidation of VIEs due to the participating rights of the non-equity holder hotel manager. However, the Partnership has determined that the partners have shared power in the venture. All significant decisions are approved by all partners in the venture. Accordingly this Real Estate Venture was not consolidated in the financial statements of the Partnership. Upon the adoption of the new accounting standard, the Partnership still has the same determination that it does not have the power to control the business of the Real Estate Venture and that it is still appropriate to account for this venture under the equity method of accounting.

G&I VI Interchange Office LLC

The Partnership holds a 20% ownership interest in a Real Estate Venture that owns a portfolio of 29 office properties located in Montgomery, Bucks, and Lehigh counties in Pennsylvania. The other partner in this venture holds an 80% ownership interest. The Real Estate Venture was considered as a VIE in accordance with the amended accounting standard for the consolidation of VIEs. The venture continues to be determined a VIE due to the disproportionate voting rights. The Partnership has determined that it is not the primary beneficiary of the venture. Accordingly, this Real Estate Venture was not consolidated in the financial statements of the Partnership. Upon the adoption of the new accounting standard, the Partnership still has the same determination that it does not have the power to control the business of the Real Estate Venture and that it is still appropriate to account for this venture under the equity method of accounting.

Seven Tower Bridge

The Partnership has a 10% total ownership interest in a Real Estate Venture that will develop a suburban office building in Conshohocken, PA. The Company has three other partners in this venture having ownership interests of 50%, 20%, and 20%, respectively. This venture is considered a VIE as the property is under development and there is insufficient equity to fund the construction. The Partnership has determined that it is not the primary beneficiary of the venture. Accordingly, this Real Estate Venture was not consolidated in the financial statements of the Partnership. Upon the adoption of the new accounting standard, the Partnership still has the same determination that it does not have the power to control the business of the Real Estate Venture and that it is still appropriate to account for this

venture under the equity method of accounting.

Table of Contents***VIEs that Continue to be Consolidated:******Projects Related to the Company's Tax Credit Transactions***

During 2008, the Partnership closed two transactions with US Bancorp related to the historic rehabilitation of the 30th Street Post Office and the Cira Garage Project both located in Philadelphia, Pennsylvania. The real estate ventures created to facilitate the tax credit transactions were considered as VIEs because the equity investment at risk is not sufficient to permit the entities to receive the tax credits without the financial support from US Bancorp. The Partnership has also concluded that it is the primary beneficiary of the projects based on the contractual arrangements that obligate the Partnership to deliver tax benefits and provide other guarantees to USB and that entitle the Partnership through fee arrangements to receive substantially all available cash flow from the projects. Please refer to Note 13 for a detailed discussion of these transactions as well as the amount of deferred income related to these VIEs that the Partnership has included in its consolidated balance sheets. There were no other significant amounts included in the Partnership's consolidated balance sheet related to these entities as the related amounts were eliminated during consolidation.

Other Unconsolidated Real Estate Ventures

In accordance with the Partnership's adoption of the accounting standard for the consolidation of VIEs, it was determined that the Partnership would not consolidate the real estate ventures below based on the evaluation of substantive participating rights of the partners in each venture under the voting interest model:

Two Tower Bridge (Partnership as co-General Partner with 35% Ownership Interest)

Eight Tower Bridge (Partnership as Limited Partner with 3% Preferred Equity Interest)

PJP Real Estate Ventures (Partnership as Operating Member with 25% to 30% Ownership Interest)

Macquarie BDN Office LLC (Partnership as Operating Member with 20% Ownership Interest)

Broadmoor Joint Venture (Partnership as co-Managing Venturer with 50% Ownership Interest)

1000 Chesterbrook (Partnership as co-General Partner with 50% Ownership Interest)

The other unconsolidated real estate ventures described above are not VIEs as the other partners in the ventures have either the substantive participating rights in the entities' normal business operations or the power to direct the activities is shared amongst the partners. As a result of the Partnership's review, it has concluded that it is appropriate to account for these entities as unconsolidated real estate ventures under the equity method of accounting.

Additional Considerations

The supporting real estate venture agreements of the entities listed above provided a straightforward determination of whether the Partnership has control to direct the business activities of the entities. Where the Partnership has concluded that control is shared, it is generally because at least one other partner and the Partnership must agree on decisions that are considered significant. The Partnership has also determined that it is not the primary beneficiary in these entities as it does not have the power to direct the activities that most significantly impact the economic performance of these entities. Also, if shared control was determined and the Partnership was considered to be a related party, the Partnership is not the party deemed to be mostly closely associated with the business. For entities that the Partnership has determined to be VIEs but for which it is not the primary beneficiary, its maximum exposure to loss is the carrying amount of its investments, as the Partnership has not provided any guarantees other than the guarantee described for PJP VII which was approximately \$0.7 million at June 30, 2010. Also, for all entities determined to be VIEs, the Partnership does not provide financial support to the real estate ventures through liquidity arrangements, guarantees or other similar commitments, other than perhaps through its general partner standing. The difference between the net amount removed from the Partnership's consolidated balance sheet and the amount of the Partnership's retained interest in the deconsolidated VIEs amounting to \$1.4 million was recognized as a cumulative effect of accounting change to cumulative earnings in the Partnership's consolidated balance sheets.

3. REAL ESTATE INVESTMENTS

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As of June 30, 2010 and December 31, 2009 the gross carrying value of the Partnership's rental properties was as follows (in thousands):

	June 30, 2010	December 31, 2009
Land	\$ 681,279	\$ 690,441
Building and improvements	3,354,646	3,393,498
Tenant improvements	409,158	428,679
	\$ 4,445,083	\$ 4,512,618

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Acquisitions and Dispositions

The Partnership did not complete any acquisitions during the period covered in these financial statements.

As of June 30, 2010, two of the Partnership's building properties located in King of Prussia, Pennsylvania are currently undergoing demolition and the remaining land balances are now presented as land inventory in the Partnership's consolidated balance sheets. The Partnership has determined that there was a change in the estimated useful lives of the properties resulting from the ongoing demolition causing an acceleration of depreciation expense. During the three months ended June 30, 2010, the Partnership recognized the remaining depreciation of both properties amounting to \$2.7 million with the land values of \$1.1 million being reclassified to land inventory for potential future development. All related demolition costs are charged to earnings.

On January 14, 2010, the Partnership sold Westmoreland Plaza, a 121,815 net rentable square feet property located in Richmond, Virginia, for a sales price of \$10.8 million. This sale is included in discontinued operations (see Noted 10).

4. INVESTMENT IN UNCONSOLIDATED VENTURES

As of June 30, 2010, the Partnership had an aggregate investment of approximately \$77.9 million in 15 unconsolidated Real Estate Ventures. The Partnership formed these ventures with unaffiliated third parties, or acquired interest in them, to develop office properties or to acquire land in anticipation of possible development of office properties. Thirteen of the Real Estate Ventures own 48 office buildings that contain an aggregate of approximately 4.6 million net rentable square feet, one Real Estate Venture owns three acres of undeveloped parcel of land, and one Real Estate Venture developed a hotel property that contains 137 rooms in Conshohocken, PA. The Partnership accounts for its interests in its unconsolidated Real Estate Ventures using the equity method. The Partnership's unconsolidated interests range from 3% to 65%, subject to specified priority allocations of distributable cash in certain of the Real Estate Ventures.

The amounts reflected in the following tables (except for the 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 Properties Trust merger in 2006, had a negative equity balance on a historical cost basis as a result of historical depreciation and distribution of excess financing proceeds. The Partnership reflected its acquisition of this Real Estate Venture interest at its relative fair value as of the date of the purchase of Prentiss. The difference between allocated cost and the underlying equity in the net assets of the investee is accounted for as if the entity were consolidated (i.e., allocated to the Partnership's relative share of assets and liabilities with an adjustment to recognize equity in earnings for the appropriate additional depreciation/amortization). The Partnership does not record operating losses of the Real Estate Ventures in excess of its investment balance unless the Partnership is liable for the obligations of the Real Estate Venture or is otherwise committed to provide financial support to the Real Estate Venture.

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The following is a summary of the financial position of the Real Estate Ventures as of June 30, 2010 and December 31, 2009 (in thousands):

	June 30, 2010 (a)	December 31, 2009
Net property	\$ 529,816	\$ 503,932
Other assets	109,766	96,643
Other Liabilities	32,865	37,774
Debt	515,774	470,232
Equity	90,943	92,569
Partnership's share of equity (Partnership's basis)	77,908	75,458

(a) - Includes the three real estate ventures that were deconsolidated upon the adoption of the new accounting standard for the consolidation of VIEs.

The following is a summary of results of operations of the Real Estate Ventures for the three and six-month periods ended June 30, 2010 and 2009 (in thousands):

	Three-month period ended June 30,		Six-month period ended June 30,	
	2010 (a)	2009	2010 (a)	2009
Revenue	\$ 30,528	\$ 27,125	54,598	53,689
Operating expenses	10,305	9,109	19,001	18,675
Interest expense, net	9,270	6,845	17,008	13,997
Depreciation and amortization	8,302	8,859	14,524	17,681
Net income	2,651	2,312	4,065	3,336
Partnership's share of income (Partnership's basis)	1,025	1,533	2,321	2,119

(a) - Includes the three real estate ventures that were deconsolidated upon the adoption of the new accounting standard for the consolidation of VIEs.

As of June 30, 2010, the Partnership had guaranteed repayment of approximately \$0.7 million of loans on behalf of certain Real Estate Ventures. The Partnership also provides customary environmental indemnities in connection with construction and permanent financing both for its own account and on behalf of its Real Estate Ventures.

5. DEFERRED COSTS

As of June 30, 2010 and December 31, 2009, the Partnership's deferred costs were comprised of the following (in thousands):

	June 30, 2010		
	Total Cost	Accumulated Amortization	Deferred Costs, net
Leasing Costs	\$ 128,954	\$ (55,566)	\$ 73,388
Financing Costs	40,396	(11,120)	29,276
Total	\$ 169,350	\$ (66,686)	\$ 102,664

	December 31, 2009		
	Total Cost	Accumulated Amortization	Deferred Costs, net
Leasing Costs	\$ 124,391	\$ (50,643)	\$ 73,748
Financing Costs	42,965	(10,616)	32,349
Total	\$ 167,356	\$ (61,259)	\$ 106,097

During the three and six-months ended June 30, 2010, the Partnership capitalized internal direct leasing costs of \$1.3 million and \$3.1 million, and \$1.8 million and \$3.0 million during the three and six months ended June 30, 2009, respectively, in accordance with the accounting standard for the capitalization of leasing costs.

Table of Contents**6. INTANGIBLE ASSETS**

As of June 30, 2010 and December 31, 2009, the Partnership's intangible assets were comprised of the following (in thousands):

	June 30, 2010		
	Total Cost	Accumulated Amortization	Deferred Costs, net
In-place lease value	\$ 109,248	\$ (66,940)	\$ 42,308
Tenant relationship value	93,994	(52,447)	41,547
Above market leases acquired	14,198	(10,546)	3,652
Total	\$ 217,440	\$ (129,933)	\$ 87,507
Below market leases acquired	\$ 73,402	\$ (40,761)	\$ 32,641

	December 31, 2009		
	Total Cost	Accumulated Amortization	Deferred Costs, net
In-place lease value	\$ 123,456	\$ (71,402)	\$ 52,054
Tenant relationship value	97,566	(49,374)	48,192
Above market leases acquired	15,674	(10,757)	4,917
Total	\$ 236,696	\$ (131,533)	\$ 105,163
Below market leases acquired	\$ 75,325	\$ (38,238)	\$ 37,087

As of June 30, 2010, the Partnership's annual amortization for its intangible assets/liabilities is as follows (in thousands and assuming no early lease terminations):

	Assets	Liabilities
2010	\$ 12,859	\$ 3,884
2011	22,137	6,991
2012	16,957	6,275
2013	12,191	5,836
2014	8,884	4,348
Thereafter	14,479	5,307
Total	\$ 87,507	\$ 32,641

Table of Contents**7. DEBT OBLIGATIONS**

The following table sets forth information regarding the Partnership's debt obligations outstanding at June 30, 2010 and December 31, 2009 (in thousands):

MORTGAGE DEBT:

Property / Location	June 30, 2010	December 31, 2009	Effective Interest Rate	Maturity Date
Plymouth Meeting Exec. Four Tower Bridge	\$ 41,649	\$ 42,042	7.00% (a)	Sep-10
Arboretum I, II, III & V	20,722	21,046	6.62% (b)	Feb-11
Midlantic Drive/Lenox Drive/DCC I	57,381	58,215	7.59%	Jul-11
Research Office Center	39,581	39,999	8.05%	Oct-11
Concord Airport Plaza	35,054	35,594	5.30% (a)	Oct-11
Six Tower Bridge		13,557	5.55% (a)	Jan-12
Newtown Square/Berwyn Park/Libertyview	58,842	59,557	7.79% (b)	Aug-12
Coppell Associates II		2,711	7.25%	May-13
Southpoint III	2,932	3,255	6.89% (b)	Dec-13
Tysons Corner	97,284	98,056	7.75%	Apr-14
Coppell Associates I		16,600	5.36% (a)	Aug-15
Two Logan Square	89,800	89,800	5.75% (b)	Feb-16
One Logan Square	60,000	60,000	7.57%	Apr-16
			4.50%	Jul-16
Principal balance outstanding	503,245	550,590		
Plus: unamortized fixed-rate debt premiums, net	325	1,130		
Total mortgage indebtedness	\$ 503,570	\$ 551,720		
UNSECURED DEBT:				
\$300.0M 5.625% Guaranteed Notes due 2010	196,774	198,545	5.61%	Dec-10
Bank Term Loan	183,000	183,000	LIBOR + 0.80%	Jun-11 (c)
Credit Facility	160,000	92,000	LIBOR + 0.725%	Jun-11 (c)
\$345.0M 3.875% Guaranteed Exchangeable Notes due 2026	73,535	127,960	5.50%	Oct-11 (d)
\$300.0M 5.750% Guaranteed Notes due 2012	176,769	187,825	5.77%	Apr-12
\$250.0M 5.400% Guaranteed Notes due 2014	242,681	242,681	5.53%	Nov-14
\$250.0M 7.500% Guaranteed Notes due 2015	250,000	250,000	7.75%	May-15
\$250.0M 6.000% Guaranteed Notes due 2016	250,000	250,000	5.95%	Apr-16
\$300.0M 5.700% Guaranteed Notes due 2017	300,000	300,000	5.75%	May-17
Indenture IA (Preferred Trust I)	27,062	27,062	LIBOR + 1.25%	Mar-35
Indenture IB (Preferred Trust I)	25,774	25,774	LIBOR + 1.25%	Apr-35

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			LIBOR + 1.25%	Jul-35
Indenture II (Preferred Trust II)	25,774	25,774		
Principal balance outstanding	1,911,369	1,910,621		
Less: unamortized exchangeable debt discount	(1,808)	(4,327)		
unamortized fixed-rate debt discounts, net	(3,090)	(3,437)		
Total unsecured indebtedness	\$ 1,906,471	\$ 1,902,857		
Total Debt Obligations	\$ 2,410,041	\$ 2,454,577		

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

(b) These loans were removed from the Partnership's balance sheet due to the deconsolidation of the related VIEs as discussed in Note 2.

(c) On July 20, 2010, the maturity date of the Bank Term Loan was extended from October 18, 2010 to June 29, 2011. The Bank Term Loan and the Credit Facility may be

extended to
June 29, 2012 at
the Company's
discretion.

- (d) On October 20, 2011, the holders of the Exchangeable Notes have the right to request the redemption of all or a portion of the Exchangeable Notes they hold at a price equal to 100% of the principal amount plus accrued and unpaid interest. Accordingly, the Exchangeable Notes have been presented with an October 20, 2011 maturity date.

During the six-month periods ended June 30, 2010 and 2009, the Partnership's weighted-average effective interest rate on its mortgage notes payable was 6.43% and 6.70%, respectively.

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During the six-months ended June 30, 2010, the Partnership repurchased \$67.3 million of its outstanding unsecured Notes in a series of transactions which are summarized in the table below (in thousands):

Notes	Repurchase Amount	Principal	Loss	Deferred Financing Amortization
2010 5.625% Notes	\$ 1,829	\$ 1,772	\$ (33)	\$ 2
2012 5.750% Notes	11,666	11,056	(369)	29
3.875% Notes	54,662	54,425	(1,235)	250
	\$ 68,157	\$ 67,253	\$ (1,637)	\$ 281

The Partnership utilizes credit facility borrowings for general business purposes, including the acquisition, development and redevelopment of properties and the repayment of other debt. The maturity date of the \$600.0 million Credit Facility (the Credit Facility) is June 29, 2011 (subject to an extension of one year, at the Partnership's option, upon its payment of an extension fee equal to 15 basis points of the committed amount under the Credit Facility). The per annum variable interest rate on the outstanding balances is LIBOR plus 0.725%. The interest rate and facility fee are subject to adjustment upon a change in the Partnership's unsecured debt ratings. The Partnership has the option to increase the Credit Facility to \$800.0 million subject to the absence of any defaults and the Company's ability to acquire additional commitments from its existing lenders or new lenders. As of June 30, 2010, the Partnership had \$160.0 million of borrowings, \$14.0 million in letters of credit outstanding, and a \$92.1 million holdback in connection with its historic tax credit transaction leaving \$333.9 million of unused availability. During the six-month periods ended June 30, 2010 and 2009, the weighted-average interest rate on Credit Facility borrowings was 1.01% and 1.87%, respectively. As of June 30, 2010 and 2009, the weighted average interest rate on the Credit Facility was 1.07% and 1.42%, respectively.

The Credit Facility requires the maintenance of ratios related to minimum net worth, debt-to-total capitalization and fixed charge coverage and includes non-financial covenants. The Partnership was in compliance with all financial covenants as of June 30, 2010.

On June 29, 2009, the Partnership entered into a forward financing commitment to borrow up to \$256.5 million under two separate loans which are secured by mortgages on the 30th Street Post Office (the Post Office project), the Cira South Garage (the garage project) and by the leases of space at these facilities upon the completion of these projects. Of the total borrowings, \$209.7 million and \$46.8 million will be allocated to the Post Office project and to the garage project, respectively. The Partnership paid a \$17.7 million commitment fee, which includes a \$1.5 million arrangement fee, in connection with this commitment. The total loan amount together with the net commitment fee was deposited in an escrow account to be administered by The Bank of New York Mellon (the trustee). In accordance with the trust agreement between the lender and the trustee, the lender assigned its rights under the loans to the Trust. The Trust issued certificates to third parties in an amount equal to the funding commitment. Upon investment of the escrow account in a portfolio of U.S. Government treasuries, the net commitment fee of \$16.2 million will be used together with the interest earned on the escrow account to pay interest costs of the loans through August 26, 2010. In order for funding to occur, certain conditions must be met by the Partnership which primarily relate to the completion of the projects and the commencement of the rental payments from the respective leases with the IRS on these properties. The loans will bear interest at 5.93% and require principal and interest payments based on a twenty year amortization schedule. The Partnership intends to use the loan proceeds to reduce borrowings under its credit facility and for general corporate purposes. As of June 30, 2010, the commitment fee is included as part of the deferred costs in the Partnership's consolidated balance sheet as it believes the funding is probable of occurring. The Partnership will amortize this cost over the term of the loan starting on the date the funding of the loans has occurred. In the event that the Partnership believes the funding will not occur, this cost will be written off in the period that such determination was made. In addition, should the funding not occur either because the Partnership does not meet the conditions or the Partnership decides not to proceed with the funding, a termination fee is payable (see Note 15).

The Partnership accounts for its outstanding 3.875% Guaranteed Exchangeable Notes in accordance with the accounting standard for convertible debt instruments. The accounting standard requires the initial proceeds from convertible debt that may be settled in cash to be bifurcated between a liability component and an equity component. The accounting standard requires the initial proceeds from the Partnership's issuance of the 3.875% Guaranteed Exchangeable Notes to be allocated between a liability component and an equity component in a manner that reflects interest expense at the interest rate of a similar nonconvertible debt that could have been issued by the Partnership at such time. This is accomplished through the creation of a discount on the debt that would be accreted using the effective interest method as additional non-cash interest expense over the period the debt is expected to remain outstanding (i.e. through the first optional redemption date).

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The principal amount outstanding of the 3.875% Guaranteed Exchangeable Notes was \$73.5 at June 30, 2010 and \$128.0 million at December 31, 2009, respectively. At certain times and upon certain events, the notes are exchangeable for cash up to their principal amount and, with respect to the remainder, if any, of the exchange value in excess of such principal amount, cash or common shares. The initial exchange rate is 25.4065 shares per \$1,000 principal amount of notes (which is equivalent to an initial exchange price of \$39.36 per share). The carrying amount of the equity component is \$24.4 million and is reflected within Additional paid-in capital in the Partnership's consolidated balance sheets. The unamortized debt discount is \$1.8 million at June 30, 2010 and \$4.3 million at December 31, 2009, respectively, and will be amortized through October 15, 2011. The effective interest rate at June 30, 2010 and December 31, 2009 was 5.5%. The Partnership recognized contractual coupon interest of \$0.8 million and \$1.9 million for the three and six-month periods ended June 30, 2010 and \$2.4 million and \$5.4 million for the three and six-month periods ended June 30, 2009, respectively. In addition, the Partnership recognized interest on amortization of debt discount of \$0.4 million and \$0.9 million for the three and six-month periods ended June 30, 2010, and \$1.0 million and \$1.3 million for the three and six-month periods ended June 30, 2009, respectively. Debt discount write-offs resulting from debt repurchases amounted to \$0.5 million and \$1.6 million for the three and six-month periods ended June 30, 2010, and \$1.5 million for the three month period ended June 30, 2009.

As of June 30, 2010, the Partnership's aggregate scheduled principal payments of debt obligations, excluding amortization of discounts and premiums, are as follows (in thousands):

2010	\$ 242,484
2011	537,660
2012	214,835
2013	58,688
2014	246,158
Thereafter	1,114,789
Total principal payments	2,414,614
Net unamortized premiums/discounts	(4,573)
Outstanding indebtedness	\$ 2,410,041

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following fair value disclosure was determined by the Partnership using available market information and discounted cash flow analyses as of June 30, 2010 and December 31, 2009, respectively. The discount rate used in calculating fair value is the sum of the current risk free rate and the risk premium on the date of measurement of the instruments or obligations. Considerable judgment is necessary to interpret market data and to develop the related estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Partnership could realize upon disposition. The use of different estimation methodologies may have a material effect on the estimated fair value amounts. The Partnership believes that the carrying amounts reflected in the Consolidated Balance Sheets at June 30, 2010 and December 31, 2009 approximate the fair values for cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued expenses.

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

	June 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage payable, net of premiums	\$ 503,245	\$ 480,455	\$ 551,873	\$ 523,745

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Unsecured notes payable, net of discounts	\$ 1,489,758	\$ 1,522,901	\$ 1,557,011	\$ 1,497,356
Variable Rate Debt Instruments	\$ 421,610	\$ 406,645	\$ 353,610	\$ 341,210
Notes Receivable	\$ 72,965(a)	\$ 62,776	\$ 71,989(a)	\$ 62,776

(a) For purposes of this disclosure, one of the notes is presented gross of the recognized deferred gain of \$12.9 million arising from the sale of two properties in the prior year accounted for under the accounting standard for installment sales.

9. RISK MANAGEMENT AND USE OF FINANCIAL INSTRUMENTS

Risk Management

In the 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 primarily the risk of inability or unwillingness of tenants to make contractually required payments. Market risk is the risk of declines in the value of properties due to changes in rental rates, interest rates or other market factors affecting the valuation of properties held by the Partnership.

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Risks and Uncertainties

Deteriorating economic conditions have generally resulted in a reduction of the availability of financing and higher borrowing costs. These factors, coupled with a slowing economy, have reduced the volume of real estate transactions and created credit stresses on most businesses. The Partnership believes that vacancy rates will increase through 2010 and possibly beyond as the current economic climate negatively impacts tenants in the Properties. The current financial markets also have an adverse effect on the Partnership's other counter parties such as the counter parties in its derivative contracts.

The Partnership expects that the impact of the current state of the economy, including high unemployment and the unprecedented volatility and illiquidity in the financial and credit markets, will continue to have a dampening effect on the fundamentals of its business, including increases in past due accounts, tenant defaults, lower occupancy and reduced effective rents. These conditions would negatively affect the Partnership's future net income and cash flows and could have a material adverse effect on its financial condition.

The Partnership's Credit Facility, Bank Term Loan and the indenture governing the unsecured public debt securities (Note 7) contain restrictions, requirements and other limitations on the ability to incur indebtedness, including total debt to asset ratios, secured debt to total asset ratios, debt service coverage ratios and minimum ratios of unencumbered assets to unsecured debt which it must maintain. The ability to borrow under the Credit Facility is subject to compliance with such financial and other covenants. In the event that the Partnership fails to satisfy these covenants, it would be in default under the Credit Facility, the Bank Term Loan and the indenture and may be required to repay such debt with capital from other sources. Under such circumstances, other sources of capital may not be available, or may be available only on unattractive terms.

Availability of borrowings under the Credit Facility is subject to a traditional material adverse effect clause. Each time the Partnership borrows it must represent to the lenders that there have been no events of a nature which would have a material adverse effect on the business, assets, operations, condition (financial or otherwise) or prospects of the Partnership taken as a whole or which could negatively effect the ability of the Partnership to perform its obligations under the Credit Facility. While the Partnership believes that there are currently no material adverse effect events, the Partnership is operating in unprecedented economic times and it is possible that such events could arise which would limit the Partnership's borrowings under the Credit Facility. If an event occurs which is considered to have a material adverse effect, the lenders could consider the Partnership in default under the terms of the Credit Facility and the borrowings under the Credit Facility if any, would become due and payable. If the Partnership is unable to obtain a waiver, this would have a material adverse effect on the Partnership's financial position and results of operations. The Partnership was in compliance with all financial covenants as of June 30, 2010. Management continuously monitors the Partnership's compliance with and anticipated compliance with the covenants. Certain of the covenants restrict management's ability to obtain alternative sources of capital. While the Partnership currently believes it will remain in compliance with its covenants, in the event of a continued slow-down and continued volatility in the credit markets, the Partnership may not be able to remain in compliance with such covenants and if the lender would not provide a waiver, it could result in an event of default.

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 through derivative financial instruments.

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. The related ineffectiveness would be charged to the Statement of Operations. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

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To comply with the provisions of accounting standard for fair value measurements and disclosures, the Partnership incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Partnership has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Partnership has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of June 30, 2010 and December 31, 2009, the Partnership has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Partnership has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The fair value of the hedges at June 30, 2010 and December 31, 2009 is included in other liabilities and accumulated other comprehensive income in the accompanying balance sheet, except for the \$0.3 million of ineffectiveness charged to the consolidated statements of operations during the three months ended June 30, 2009 relating to the two forward starting swaps.

The following table summarizes the terms and fair values of the Partnership's derivative financial instruments at June 30, 2010 and December 31, 2009 (in thousands). The notional amounts present the Partnership's use of these instruments, but do not represent exposure to credit, interest rate or market risks.

Hedge Product	Hedge Type	Designation	Notional Amount		Strike	Trade Date	Maturity Date	Fair Value	
			6/30/2010	12/31/2009				6/30/2010	12/31/2009
Swap	Interest Rate	Cash Flow (b)	\$ 152,700	\$ 123,000(a)	4.709%	9/20/07	10/18/10	\$ 2,213	\$ 5,162
Swap	Interest Rate	Cash Flow (b)	25,000	25,000	4.415%	10/19/07	10/18/10	336	827
Swap	Interest Rate	Cash Flow (b)	25,000	25,000	3.747%	11/26/07	10/18/10	280	688
Swap	Interest Rate	Cash Flow (b)	25,774	25,774	2.975%	10/16/08	10/30/10	321	643
			\$ 228,474	\$ 198,774				\$ 3,150	\$ 7,320

(a) - Notional amount accreting up to \$155,000 through October 8, 2010.

(b) - Hedging unsecured variable rate debt.

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 and six-month periods ended June 30, 2010 and 2009. Recent developments in the general economy and the global credit markets have had a significant adverse effect on companies in numerous industries. The Partnership has tenants concentrated in various industries that may be experiencing adverse effects from the current economic conditions and the Partnership could be adversely affected if such tenants go into default under their leases.

Table of Contents**10. DISCONTINUED OPERATIONS**

For the three and six-month periods ended June 30, 2010, income from discontinued operations relates to the one property that the Partnership sold during 2010. The following table summarizes the revenue and expense information for the properties classified as discontinued operations for the three and six-month periods ended June 30, 2010 (in thousands):

	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010
Revenue:		
Tenant reimbursements	\$ 172	\$ 220
Expenses:		
Property operating expenses	21	46
Real estate taxes		2
Depreciation & amortization		11
Total operating expenses	21	59
Income from discontinued operations before gain on sale of interests in real estate	151	161
Net gain on sale of interests in real estate		6,349
Income from discontinued operations attributable to Brandywine Operating Partnership	\$ 151	\$ 6,510

For the three and six-month periods ended June 30, 2009, income from discontinued operations relates to properties that the Partnership sold through June 30, 2010. The following table summarizes the revenue and expense information for properties classified as discontinued operations for the three and six-month periods ended June 30, 2009 (in thousands):

	Three-month period ended June 30, 2009	Six-month period ended June 30, 2009
Revenue:		
Rents	\$ 2,464	\$ 5,989
Tenant reimbursements	1,633	3,425
Other	16	121
Total revenue	4,113	9,535
Expenses:		
Property operating expenses	1,641	3,465
Real estate taxes	582	1,230
Depreciation and amortization	742	2,154
Total operating expenses	2,965	6,849

Income from discontinued operations before gain on sale of interests in real estate	1,148	2,686
Net loss on sale of interests in real estate	(1,225)	(1,031)
Provision for impairment		(3,700)
Loss from discontinued operations attributable to Brandywine Operating Partnership	\$ (77)	\$ (2,045)

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.

Table of Contents**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):

	Three-month periods ended June 30,			
	2010		2009	
	Basic	Diluted	Basic	Diluted
Numerator				
Income (loss) from continuing operations	\$ (5,751)	\$ (5,751)	\$ 5,857	\$ 5,857
Net (loss) income from continuing operations attributable to non-controlling interests			(28)	(28)
Amount allocable to unvested restricted shareholders	(128)	(128)	(73)	(73)
Preferred share dividends	(1,998)	(1,998)	(1,998)	(1,998)
Loss from continuing operations available to common unitholders	(7,877)	(7,877)	3,758	3,758
Discontinued operations attributable to common unitholders	151	151	(77)	(77)
Net income available to common unitholders	\$ (7,726)	\$ (7,726)	\$ 3,681	\$ 3,681
Denominator				
Weighted-average shares outstanding	134,320,032	134,320,032	104,400,618	104,400,618
Contingent securities/Stock based compensation				1,158,346
Total weighted-average shares outstanding	134,320,032	134,320,032	104,400,618	105,558,964
Earnings per Common Share:				
Income from continuing operations attributable to common unitholders	\$ (0.06)	\$ (0.06)	\$ 0.04	\$ 0.04
Discontinued operations attributable to common unitholders				
Net income attributable to common unitholders	\$ (0.06)	\$ (0.06)	\$ 0.04	\$ 0.04

Six-month periods ended June 30,
2010 2009

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	Basic	Diluted	Basic	Diluted
Numerator				
Income (loss) from continuing operations	\$ (12,509)	\$ (12,509)	\$ 6,952	\$ 6,952
Net (loss) income from continuing operations attributable to non-controlling interests			(22)	(22)
Amount allocable to unvested restricted shareholders	(256)	(256)	(110)	(110)
Preferred share dividends	(3,996)	(3,996)	(3,996)	(3,996)
Loss from continuing operations available to common unitholders	(16,761)	(16,761)	2,824	2,824
Discontinued operations attributable to common unitholders	6,510	6,510	(2,045)	(2,045)
Net income available to common unitholders	\$ (10,251)	\$ (10,251)	\$ 779	\$ 779
Denominator				
Weighted-average shares outstanding	132,955,961	132,955,961	97,750,755	97,750,755
Contingent securities/Stock based compensation				561,612
Total weighted-average shares outstanding	132,955,961	132,955,961	97,750,755	98,312,367
Earnings per Common Share:				
Income from continuing operations attributable to common unitholders	\$ (0.13)	\$ (0.13)	\$ 0.03	\$ 0.03
Discontinued operations attributable to common unitholders	0.05	0.05	(0.02)	(0.02)
Net income attributable to common unitholders	\$ (0.08)	\$ (0.08)	\$ 0.01	\$ 0.01

Unvested restricted shares are considered participating securities which require the use of the two-class method for the computation of basic and diluted earnings per share. For the six-months ended June 30, 2010 and 2009, earnings representing nonforfeitable dividends as noted in the table above were allocated to the unvested restricted shares.

Table of Contents***Common Partnership Unit and Preferred Mirror Units***

On June 2, 2010, the Partnership declared a distribution of \$0.15 per Common Partnership Unit, totaling \$19.9 million, which was paid on July 20, 2010 to unitholders of record as of July 6, 2010.

On June 2, 2010, the Partnership declared distributions on its Series C Preferred Mirror Units and Series D Preferred Mirror Units to holders of record as of June 30, 2010. These units are entitled to a preferential return of 7.50% and 7.375%, respectively. Distributions paid on July 15, 2010 to holders of Series C Preferred Mirror Units and Series D Preferred Mirror Units totaled \$0.9 million and \$1.1 million, respectively.

In March 2010, the Company commenced a continuous equity offering program (the Offering Program), under which the Company may sell up to an aggregate amount of 15,000,000 common shares until March 10, 2013. The Company may sell common shares in amounts and at times to be determined by the Company. Actual sales will depend on a variety of factors as determined by the Company, including market conditions, the trading price of its common shares and determinations by the Company of the appropriate sources of funding. In conjunction with the Offering Program, the Company engaged sales agents who received compensation, in aggregate, of up to 2% of the gross sales price per share sold during the six months ended June 30, 2010. During the three months ended June 30, 2010, the Company sold 1,960,145 shares under this program at an average sales price of \$12.89 per share resulting in net proceeds of \$24.8 million. From its inception in March 2010 through June 30, 2010, the Company has sold 3,285,345 under this program at an average sales price of \$12.69 per share resulting in net proceeds of \$40.9 million. The Company contributed the net proceeds from the sale of its shares to the Partnership and the Partnership then issued 3,285,345 common partnership units to the Company. The Partnership used the net proceeds from the sales to repay balances on its unsecured revolving credit facility and for general corporate purposes.

Common Share Repurchases

The Company maintains a share repurchase program under which the Board has authorized the Company to repurchase its common shares from time to time. The Board initially authorized this program in 1998 and has periodically replenished capacity under the program. On May 2, 2006 the Company's Board restored capacity to 3.5 million common shares.

Neither the Company nor the Partnership repurchased any shares during the six-month period ended June 30, 2010. As of June 30, 2010, the Company and the Partnership may purchase an additional 0.5 million 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 or the Partnership to repurchase any shares. The Company and the Partnership may discontinue the program at any time.

12. SHARE BASED AND DEFERRED COMPENSATION***Stock Options***

At June 30, 2010, the Company had 3,129,372 options outstanding under its shareholder approved equity incentive plan. There were 1,731,884 options unvested as of June 30, 2010 and \$2.2 million of unrecognized compensation expense associated with these options to be recognized over a weighted average of 1.8 years. During the three and six months ended June 30, 2010, the Partnership recognized \$0.3 million and \$0.5 million of compensation expense, respectively, related to unvested options. During the three and six months ended June 30, 2009, the Partnership recognized \$0.1 million and \$0.2 million of compensation expense, respectively. The recognized compensation expense is included in general and administrative expense in the Partnership's consolidated statements of operations. The Partnership has also capitalized nominal amounts of compensation expense for the said periods as part of the Partnership's review of employee salaries eligible for capitalization.

Option activity as of June 30, 2010 and changes during the six months ended June 30, 2010 were as follows:

	Weighted Average	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Shares			

		Exercise Price			
Outstanding at January 1, 2010	2,404,567	\$ 15.48	8.38	\$	(9,816,670)
Granted	724,805	11.31	8.18		5,303,686
Outstanding at June 30, 2010	3,129,372	\$ 14.52	8.30	\$	(11,785,528)
Vested/Exercisable at June 30, 2010	1,397,487	\$ 17.50	4.51	\$	(5,665,160)

Restricted Share Awards

As of June 30, 2010, 852,276 restricted shares were outstanding and vest over three to seven years from the initial grant date. The remaining compensation expense to be recognized at June 30, 2010 was approximately \$6.1 million. That expense is expected to be recognized over a weighted average remaining vesting period of 2.1 years. The Partnership recognized compensation expense related to outstanding restricted shares of \$1.0 million and \$1.8 million during the six-months ended June 30, 2010, of which \$0.2 million and \$0.4 million, respectively, was capitalized for each period as part of the Partnership's review of employee salaries eligible for capitalization. The Partnership recognized compensation expense related to outstanding restricted shares of \$1.2 million and \$1.6 million during the three and six months ended June 30, 2009, of which \$0.2 million and \$0.5 million, respectively, were also capitalized. The expensed amounts are included in general and administrative expense on the Partnership's consolidated statements of operations in the respective periods.

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The following table summarizes the Partnership's restricted share activity for the six-months ended June 30, 2010:

	Shares	Weighted Average Grant Date Fair value
Non-vested at January 1, 2010	708,580	\$ 9.69
Granted	240,302	11.56
Vested	(95,798)	20.47
Forfeited	(808)	12.51
Non-vested at June 30, 2010	852,276	\$ 10.76

Restricted Performance Share Units Plan

On March 4, 2010 and April 1, 2009, the Company's Compensation Committee awarded an aggregate of 120,955 and 488,292 share-based awards, respectively, to its executives. These awards are referred to as Restricted Performance Share Units, or RPSUs. The RPSUs represent the right to earn common shares. The number of common shares, if any, deliverable to award recipients depends on the Company's performance based on its total return to shareholders during the three year measurement period that commenced on January 1, 2010 (in the case of the March 4, 2010 awards) and January 1, 2009 (in the case of the April 1, 2009 awards) and that ends on the earlier of December 31, 2012 or December 31, 2011 (as applicable) or the date of a change of control, compared to the total shareholder return of REITs within an index over such respective periods. The awards are also contingent upon the continued employment of the participants through the performance periods (with exceptions for death, disability and qualifying retirement). Dividends are deemed credited to the performance units accounts and are applied to acquire more performance units for the account of the unit holder at the price per common share ending on the dividend payment date. If earned, awards will be settled in common shares in an amount that reflects both the number of performance units in the holder's account at the end of the applicable measurement period and the Company's total return to shareholders during the applicable three year measurement period relative to the total shareholder return of the REIT within the index. If the total shareholder return during the measurement period places the Partnership at or above a certain percentile as compared to its peers based on an industry-based index at the end of the measurement period then the number of shares that will be delivered shall equal a certain percentage of the participant's base units.

The fair values of the 2010 and 2009 awards on the grant date were \$2.0 million and \$1.1 million, respectively, and are being amortized over the said cliff vesting period. On the date of each grant, the awards were valued using a Monte Carlo simulation. For the three and six-month periods ended June 30, 2010, the Partnership recognized total compensation expense for both awards of \$0.3 and \$0.5, respectively, related to this plan, of which nominal amounts were capitalized as part of the Partnership's review of employee salaries eligible for capitalization. For the three months ended June 30, 2009, the Partnership recognized total compensation expense for the 2009 award of \$0.1 million related to this plan of which a nominal amount was also capitalized.

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) under the Plan. The outperformance program provided for share-based awards, with share issuances (if any) to take the form of both vested and restricted common shares and with any share issuances contingent upon the Company's total shareholder return during a three year measurement period exceeding specified performance hurdles. These hurdles were not met and, accordingly, no shares were delivered under the outperformance program and the outperformance program has terminated in accordance with its terms. The awards under the outperformance program were accounted for in accordance with the accounting standard for stock-based compensation. The aggregate grant date fair values of the awards under the outperformance program, as adjusted for estimated forfeitures, were approximately \$5.9 million (with the values determined through a Monte Carlo simulation) and are being amortized into expense over the five-year vesting period beginning on the grant dates using a graded vesting attribution model. For the three and six-month periods ended June 30, 2010, the Partnership

recognized \$0.1 million and \$0.2 million, respectively, of compensation expenses related to the outperformance program. For the three and six-month periods ended June 30, 2009, the Partnership recognized \$0.3 million and \$0.6 million, respectively, of compensation expenses related to the outperformance program.

Table of Contents***Employee Share Purchase Plan***

On May 9, 2007, the Company's shareholders approved the 2007 Non-Qualified Employee Share Purchase Plan (the ESPP). The ESPP is intended to provide eligible employees with a convenient means to purchase common shares of the Partnership through payroll deductions and voluntary cash purchases at an amount equal to 85% of the average closing price per share for a specified period. Under the plan document, the maximum participant contribution for the 2010 plan year is limited to the lesser of 20% of compensation or \$25,000. The number of shares reserved for issuance under the ESPP is 1.25 million. During the three and six-month periods ended June 30, 2010, employees made purchases of \$0.2 million and \$0.3 million, respectively, under the ESPP and the Company recognized \$0.1 million of compensation expense related to the ESPP. During the three and six-month periods ended June 30, 2009, employees made purchases of \$0.1 million and \$0.2 million, respectively, under the ESPP and the Company recognized \$0.1 million of compensation expense related to the ESPP. The Board of Trustees of the Company may terminate the ESPP at its sole discretion at anytime.

Deferred Compensation

In January 2005, the Company adopted a Deferred Compensation Plan (the Plan) that allows trustees and certain key employees to voluntarily defer compensation. Compensation expense is recorded for the deferred compensation and a related liability is recognized. Participants may elect designated benchmark investment options for the notational investment of their deferred compensation. The deferred compensation obligation is adjusted for deemed income or loss related to the investments selected. At the time the participants defer compensation, the Partnership records a liability, which is included in the Partnership's consolidated balance sheet. The liability is adjusted for changes in the market value of the participants selected investments at the end of each accounting period, and the impact of adjusting the liability is recorded as an increase or decrease to compensation cost. For the six month periods ended June 30, 2010 and 2009, the Partnership recorded a net decrease in compensation costs of \$0.2 million and a net increase of \$0.5 million, respectively, in connection with the Plan due to the change in market value of the participant investments in the Plan.

The deferred compensation obligations are unfunded, but the Company has purchased company-owned life insurance policies and mutual funds, which can be utilized as a funding source for the obligations under the Plan. Participants in the Plan have no interest in any assets set aside by the Company to meet its obligations under the Plan. For the six months period ended June 30, 2010 and 2009, the Partnership recorded a net increase in compensation cost of \$0.2 million and a net decrease of \$0.8 million, respectively, in connection with the investments in the Company-owned policies and mutual funds.

Participants in the Plan may elect to have all or a portion of their deferred compensation invested in the Company's common shares. The Company holds these shares in a rabbi trust, which is subject to the claims of the Company's creditors in the event of the Company's bankruptcy or insolvency. The Plan does not provide for diversification of a participant's deferral allocated to the Company common share and deferrals allocated to Company common share can only be settled with a fixed number of shares. In accordance with the accounting standard for deferred compensation arrangements where amounts earned are held in a rabbi trust and invested, the deferred compensation obligation associated with Company common share is classified as a component of shareholder's equity and the related shares are treated as shares to be issued and are included in total shares outstanding. At June 30, 2010 and 2009, there were 0.3 million shares to be issued included in total shares outstanding. Subsequent changes in the fair value of the common shares are not reflected in operations or shareholders' equity of the Company.

13. TAX CREDIT TRANSACTIONS***Historic Tax Credit Transaction***

On November 17, 2008, the Partnership closed a transaction with US Bancorp (USB) related to the historic rehabilitation of the 30th Street Post Office in Philadelphia, Pennsylvania (Project), an 862,692 square foot office building which is 100% pre-leased to the Internal Revenue Service (expected commencement of the IRS lease is on or about September 1, 2010). USB has agreed to contribute approximately \$64.8 million of Project costs and advanced \$10.2 million of that amount contemporaneously with the closing of the transaction. USB advanced an additional \$27.4 million and \$23.8 million in June 2010 and December 2009, respectively. The remaining funds will be advanced upon achievement of certain construction milestones and the Partnership's compliance with the federal

rehabilitation regulations. In return for its investment, USB will, upon completion of the Project, receive substantially all of the rehabilitation credits available under section 47 of the Internal Revenue Code.

In exchange for its contributions into the Project, USB is entitled to substantially all of the benefits derived from the tax credit, but does not have a material interest in the underlying economics of the property. This transaction also includes a put/call provision whereby the Partnership may be obligated or entitled to repurchase USB's interest in the Project. The Partnership believes the put will be exercised and an amount attributed to that puttable non-controlling interest obligation is included in other liabilities and is being accreted to the expected fixed put price.

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Based on the contractual arrangements that obligate the Partnership to deliver tax benefits and provide other guarantees to USB and that entitle the Company through fee arrangements to receive substantially all available cash flow from the Project, the Partnership concluded that the Project should be consolidated. The Partnership also concluded that capital contributions received from USB, in substance, are consideration that the Partnership receives in exchange for its obligation to deliver tax credits and other tax benefits to USB. These receipts other than the amounts allocated to the put obligation will be recognized as revenue in the consolidated financial statements beginning when the obligation to USB is relieved upon delivery of the expected tax benefits net of any associated costs. The tax credit is subject to 20% recapture per year beginning one year after the completion of the Project in September 2010. The total USB contributions made amounting to \$61.4 million and \$34.0 million is presented within deferred income in the Partnership's consolidated balance sheet at June 30, 2010 and December 31, 2009, respectively. The contributions were recorded net of the amount allocated to non-controlling interest as described above of \$1.7 million and \$0.7 million at June 30, 2010 and December 31, 2009, respectively. The Partnership anticipates that beginning in September 2011 it will recognize the cash received as revenue over the five year credit recapture period as defined in the Internal Revenue Code. The Partnership also expects that USB will exercise the put/call provision in December 2015 when the recapture period ends.

Direct and incremental costs incurred in structuring the arrangement are deferred and will be recognized as expense in the consolidated financial statements upon the recognition of the related revenue as discussed above. The deferred cost at June 30, 2010 is \$2.5 million and is included in other assets on the Partnership's consolidated balance sheet.

Amounts included in interest expense related to the accretion of the non-controlling interest liability and the 2% return expected to be paid to USB on its non-controlling interest aggregate to \$0.3 million and \$0.4 million for the three and six-months ended June 30, 2010, respectively.

New Markets Tax Credit Transaction

On December 30, 2008, the Partnership entered into a transaction with USB related to the Cira Garage Project (garage project) in Philadelphia, Pennsylvania and expects to receive a net benefit of \$7.8 million under a qualified New Markets Tax Credit Program (NMTC). The NMTC was provided for in the Community Renewal Tax Relief Act of 2000 (the Act) and is intended to induce investment capital in underserved and impoverished areas of the United States. The Act permits taxpayers (whether companies or individuals) to claim credits against their Federal income taxes for up to 39% of qualified investments in qualified, active low-income businesses or ventures.

USB contributed \$13.3 million into the garage project and as such it is entitled to substantially all of the benefits derived from the tax credit, but it does not have a material interest in the underlying economics of the garage project. This transaction also includes a put/call provision whereby the Partnership may be obligated or entitled to repurchase USB's interest. The Partnership believes the put will be exercised and an amount attributed to that obligation is included in other liabilities and is being accreted to the expected fixed put price. The said put price is insignificant.

Based on the contractual arrangements that obligate the Partnership to deliver tax benefits and provide various other guarantees to USB, the Partnership concluded that the investment entities established to facilitate the NMTC transaction should be consolidated. The USB contribution of \$13.3 million is included in deferred income on the Partnership's consolidated balance sheet at June 30, 2010 and December 31, 2009. The USB contribution other than the amount allocated to the put obligation will be recognized as income in the consolidated financial statements when the tax benefits are delivered without risk of recapture to the tax credit investors and the Partnership's obligation is relieved. The Partnership anticipates that it will recognize the net cash received as revenue within other income/expense in the year ended December 31, 2015. The NMTC is subject to 100% recapture for a period of seven years as provided in the Internal Revenue Code. The Partnership expects that USB will exercise the put/call provision in December 2015 at the end of the recapture period.

Direct and incremental costs incurred in structuring the arrangement are deferred and will be recognized as expense in the consolidated financial statements upon the recognition of the related revenue as discussed above. The deferred cost at June 30, 2010 is \$5.3 million and is included in other assets on the Partnership's consolidated balance sheet.

14. SEGMENT INFORMATION

As of June 30, 2010, the Partnership manages its portfolio within six segments: (1) Pennsylvania, (2) Metropolitan Washington D.C, (3) New Jersey/Delaware, (4) Richmond, Virginia, (5) California and (6) Austin, Texas. The

Pennsylvania segment includes properties in Chester, Delaware, and Montgomery counties in the Philadelphia suburbs and the City of Philadelphia in Pennsylvania. The Metropolitan Washington, D.C. segment includes properties in Northern Virginia and suburban Maryland. The New Jersey/Delaware segment includes properties in Burlington, Camden and Mercer counties and in New Castle county in the state of Delaware. The Richmond, Virginia segment includes properties primarily in Albemarle, Chesterfield, Goochland and Henrico counties and Durham, North Carolina. The California segment includes properties in Oakland, Concord, Carlsbad and Rancho Bernardo. The Austin, Texas segment includes properties in Coppell and Austin. The corporate group is responsible for cash and investment management, development of certain real estate properties during the construction period, and certain other general support functions. Land held for development and construction in progress are transferred to operating properties by region upon completion of the associated construction or project.

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Segment information is as follows (in thousands):

	Pennsylvania	Metropolitan, D.C.	New Jersey /Delaware	Richmond, Virginia	Austin, Texas	California	Corporate	Total
As of June 30, 2010:								
Real estate investments, at cost:								
Operating properties	\$ 1,683,428	\$ 1,354,998	\$ 594,520	\$ 292,956	\$ 266,807	\$ 252,374	\$	\$ 4,445,083
Construction-in-progress	\$	\$	\$	\$	\$	\$	\$ 334,196	\$ 334,196
Land inventory	\$	\$	\$	\$	\$	\$	\$ 106,715	\$ 106,715
As of December 31, 2009:								
Real estate investments, at cost:								
Operating properties	\$ 1,726,267	\$ 1,356,206	\$ 598,122	\$ 297,958	\$ 282,093	\$ 251,972	\$	\$ 4,512,618
Construction-in-progress	\$	\$	\$	\$	\$	\$	\$ 271,962	\$ 271,962
Land inventory	\$	\$	\$	\$	\$	\$	\$ 97,368	\$ 97,368
For the three-months ended June 30, 2010:								
Total revenue	\$ 55,970	\$ 34,661	\$ 24,028	\$ 8,769	\$ 8,358	\$ 5,966	\$ (257)	\$ 137,495
Property operating expenses, real estate taxes and third party management expenses	20,904	11,996	11,345	3,165	3,601	2,957	(29)	53,939
Net operating income	\$ 35,066	\$ 22,665	\$ 12,683	\$ 5,604	\$ 4,757	\$ 3,009	\$ (228)	\$ 83,556
For the three-months ended June 30, 2009:								
Total revenue	\$ 57,205	\$ 34,637	\$ 25,387	\$ 8,948	\$ 8,278	\$ 6,158	\$ 1,461	\$ 142,074
Property operating expenses, real estate taxes and third party management expenses	20,492	12,757	10,827	3,310	3,877	3,390	386	55,039
Net operating income	\$ 36,713	\$ 21,880	\$ 14,560	\$ 5,638	\$ 4,401	\$ 2,768	\$ 1,075	\$ 87,035
For the six-months ended June 30, 2010:								
Total revenue	\$ 114,245	\$ 69,403	\$ 50,823	\$ 18,168	\$ 16,745	\$ 11,871	\$ (626)	\$ 280,629
Property operating expenses, real estate taxes and third party	45,624	24,373	24,447	6,825	7,078	5,685	(481)	113,551

management expenses

Net operating income \$ 68,621 \$ 45,030 \$ 26,376 \$ 11,343 \$ 9,667 \$ 6,186 \$ (145) \$ 167,078

For the six-months
ended June 30, 2009:

Total revenue \$ 116,257 \$ 69,811 \$ 50,915 \$ 18,264 \$ 16,872 \$ 13,532 \$ 3,154 \$ 288,805

Property operating
expenses, real estate
taxes and third party
management expenses 43,517 26,661 23,136 6,966 7,748 6,742 638 115,408

Net operating income \$ 72,740 \$ 43,150 \$ 27,779 \$ 11,298 \$ 9,124 \$ 6,790 \$ 2,516 \$ 173,397

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Net operating income is defined as total revenue less property operating expenses, real estate taxes and third party management expenses. Segment net operating income includes revenue, real estate taxes and property operating expenses directly related to operation and management of the properties owned and managed within the respective geographical region. Segment net operating income excludes property level depreciation and amortization, revenue and expenses directly associated with third party real estate management services, expenses associated with corporate administrative support services, and inter-company eliminations. Below is a reconciliation of consolidated net operating income to consolidated income from continuing operations:

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2010	2009	2010	2009
	(amounts in thousands)		(amounts in thousands)	
Consolidated net operating income	\$ 83,556	\$ 87,035	\$ 167,078	\$ 173,397
Less:				
Interest expense	(31,210)	(34,944)	(62,734)	(70,590)
Deferred financing costs	(862)	(1,894)	(1,873)	(3,146)
Recognized Hedge Activity		(305)		(305)
Depreciation and amortization	(52,125)	(52,708)	(104,747)	(103,923)
Administrative expenses	(6,653)	(5,515)	(12,745)	(10,473)
Plus:				
Interest income	963	642	1,828	1,221
Equity in income of real estate ventures	1,025	1,533	2,321	2,119
Gain on early extinguishment of debt	(445)	12,013	(1,637)	18,652
Income (loss) from continuing operations	(5,751)	5,857	(12,509)	6,952
Income from discontinued operations	151	(77)	6,510	(2,045)
Net loss	\$ (5,600)	\$ 5,780	\$ (5,999)	\$ 4,907

15. 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.

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-cancellable ground leases under which the Partnership is the lessee are expensed on a straight-line basis regardless of when payments are due. Minimum future rental payments

on non-cancelable leases at June 30, 2010 are as follows (in thousands):

2010	\$ 1,159
2011	2,318
2012	2,318
2013	2,318
2014	2,409
Thereafter	285,333

One of the land leases for a property (currently under development) provide for contingent rent participation by the lessor in certain capital transactions and net operating cash flows of the property after certain returns are achieved by the Partnership. Such amounts, if any, will be reflected as contingent rent when incurred. The leases also provide for payment by the Partnership of certain operating costs relating to the land, primarily real estate taxes. The above schedule of future minimum rental payments does not include any contingent rent amounts nor any reimbursed expenses.

Table of Contents***Other Commitments or Contingencies***

As part of the Partnership's September 2004 acquisition of a portfolio of properties from The Rubenstein Company (which the Partnership refers to as the TRC acquisition), the Partnership acquired its interest in Two Logan Square, a 704,664 square foot office building in Philadelphia, primarily through its ownership of a second and third mortgage secured by this property. This property is consolidated as the borrower is a variable interest entity and the Company, through its ownership of the second and third mortgages, is the primary beneficiary. The Partnership currently does not expect to take title to Two Logan Square until, at the earliest, September 2019. If the Partnership takes fee title to Two Logan Square upon a foreclosure of its mortgage, the Partnership has agreed to pay an unaffiliated third party that holds a residual interest in the fee owner of this property an amount equal to \$0.6 million (if the Partnership must pay a state and local transfer upon taking title) and \$2.9 million (if no transfer tax is payable upon the transfer). The Partnership is currently being audited by the Internal Revenue Service for its 2004 tax year. The audit concerns the tax treatment of the transaction in September 2004 in which the Partnership acquired a portfolio of properties through the acquisition of a limited partnership. At this time it does not appear that an adjustment, if any, would result in a material tax liability for the Partnership. However, an adjustment could raise a question as to whether a contributor of partnership interests in the 2004 transaction could assert a claim against the Partnership under the tax protection agreement entered into as part of the transaction.

As part of the Partnership's 2006 acquisition of Prentiss Properties Trust, the TRC acquisition in 2004 and several of our other transactions, the Partnership agreed not to sell certain of the properties it acquired in transactions that would trigger taxable income to the former owners. In the case of the TRC acquisition, the Partnership agreed not to sell acquired properties for periods up to 15 years from the date of the TRC acquisition as follows at June 30, 2010: One Rodney Square and 130/150/170 Radnor Financial Center (January 2015); and One Logan Square, Two Logan Square and Radnor Corporate Center (January 2020). In the Prentiss acquisition, the Partnership assumed the obligation of Prentiss not to sell Concord Airport Plaza before March 2018. The Partnership's agreements generally provide that it 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. If the Partnership were to sell a restricted property before expiration of the restricted period in a non-exempt transaction, the Partnership may be required to make significant payments to the parties who sold the applicable property on account of tax liabilities attributed to them.

As part of the Partnership's acquisition of properties from time to time in tax-deferred transactions, the Partnership has agreed to provide certain of the prior owners of the acquired properties with the right to guarantee the Partnership's indebtedness. If the Partnership were to seek to repay the indebtedness guaranteed by the prior owner before the expiration of the applicable agreement, the Partnership will be required to provide the prior owner an opportunity to guaranty a qualifying replacement debt. These debt maintenance agreements may limit the Partnership's ability to refinance indebtedness on terms that will be favorable to the Partnership.

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

During 2008, in connection with the development of the PO Box/IRS and Cira Garage projects, the Partnership entered into a historic tax credit and new market tax credit arrangement, respectively. The Partnership is required to be in compliance with various laws, regulations and contractual provisions that apply to its historic and new market tax credit arrangements. Non-compliance with applicable requirements could result in projected tax benefits not being realized and require a refund or reduction of investor capital contributions, which are reported as deferred income in the Partnership's consolidated balance sheet, until such time as its obligation to deliver tax benefits is relieved. The remaining compliance periods for its tax credit arrangements runs through 2015. The Partnership does not anticipate that any material refunds or reductions of investor capital contributions will be required in connection with these arrangements.

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On June 29, 2009, the Partnership entered into a forward financing commitment to borrow up to \$256.5 million under two separate loans which are secured by mortgages on the Post Office project, the garage project and by the leases of space at these facilities upon the completion of these projects. In order for funding to occur, certain conditions must be met by the Partnership including completion of the projects and the commencement of the rental payments from the respective leases on these properties. The expected funding date is scheduled on or about September 1, 2010 which is also the anticipated completion date of the projects. In the event the conditions were not met, the Partnership has the right to extend the funding date by paying an extension fee amounting to \$1.8 million for each 30 day extension within the allowed two year extension period. In addition, the Partnership can also voluntarily elect to terminate the loans during the forward period including the extension period by paying a termination fee. The Partnership is also subject to a termination fee if the conditions were not met on the final advance date. The termination fee is calculated as the greater of the 0.5% of the total available principal to be funded or the difference between the present value of the scheduled interest and principal payments (based on the principal amount to be funded and the then 20-year treasury rate plus 50 basis points) from the funding date through the loans maturity date and the amount to be funded. In addition, deferred financing costs related to these loans will be accelerated if the Partnership chose to terminate the forward financing commitment.

16. SUBSEQUENT EVENTS

On August 4, 2010, the Partnership acquired a 53 story Class A office tower at 1717 Arch Street in Philadelphia, together with related ground tenancy rights under a long-term ground lease, from BAT Partners, L.P. This property contains approximately 1.0 million of net rentable square feet and is currently 63% leased. The Partnership acquired 1717 Arch for \$129.0 million funded through a combination of \$51.2 million of cash and 7,111,112 units of a newly-established class of its limited partnership interest designated as Class F (2010) Units. The Class F (2010) Units do not accrue a dividend prior to the first anniversary of the closing. The Partnership funded the cash portion of the acquisition price through an advance under its revolving credit facility and with available corporate funds.

On July 29, 2010, the Partnership received the full \$40.0 million of the purchase money mortgage note it extended to the buyer of its properties in Oakland, California in October 2008.

The Partnership has evaluated subsequent events through the date the financial statements were issued.

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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. We intend such forward-looking statements to be covered by the safe-harbor provisions of the 1995 Act. The words anticipate, believe, estimate, expect, intend, will, should and similar expressions, as they relate to us, are intended to identify forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be achieved. As forward-looking statements, these statements involve important risks, uncertainties and other factors that could cause actual results to differ materially from the expected results and, accordingly, such results may differ from those expressed in any forward-looking statements made by us or on our behalf. Factors that could cause actual results to differ materially from our expectations include, but are not limited to:

- the continuing impact of the recent credit crisis and global economic slowdown, which is having and may continue to have a negative effect on the following, among other things:

 - the fundamentals of our business, including overall market occupancy and rental rates;

 - the financial condition of our tenants, many of which are financial, legal and other professional firms, our lenders, counterparties to our derivative financial instruments and institutions that hold our cash balances and short-term investments, which may expose us to increased risks of default by these parties;

 - ability to obtain financing on attractive terms or at all, which may adversely impact our future interest expense and our ability to pursue acquisition and development opportunities and refinance existing debt; and

- a decline in real estate asset valuations, which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing secured by our properties or on an unsecured basis.
- changes in local real estate conditions (including changes in rental rates and the number of properties that compete with our properties);

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

- the unavailability of equity and debt financing for us or our tenants, particularly in light of the current economic environment;

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

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

- tenant defaults and the bankruptcy of major tenants;

- changes in prevailing interest rates;

- risks associated with interest rate hedging contracts and the effectiveness of such arrangements;

- failure of acquisitions to perform as expected;

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

unanticipated costs to complete, lease-up and operate our developments and redevelopments;

impairment charges;

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

risks associated with actual or threatened terrorist attacks;

demand for tenant services beyond those traditionally provided by landlords;

potential liability under environmental or other laws;

failure or bankruptcy of real estate venture partners;

inability of real estate venture partners to fund venture obligations;

failure of dispositions to close in a timely manner;

failure of buyers of properties from us to comply with terms of their financing agreements to us;

earthquakes and other natural disasters;

risks associated with the unforeseen impact of climate change including existing and pending laws and regulations governing climate changes to our business operations and tenants;

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risks associated with federal, state and local tax audits;

complex regulations relating to our status as a REIT and the adverse consequences of our failure to qualify as a REIT; and

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

Given these uncertainties, and the other risks identified in the *Risk Factors* section of our 2009 Annual Report on Form 10-K, we caution readers not to place undue reliance on forward-looking statements. We assume no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

The discussion that follows is based primarily on our consolidated financial statements as of June 30, 2010 and December 31, 2009 and for the three and six-months ended June 30, 2010 and 2009 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 June 30, 2010, our portfolio consisted of 213 office properties, 20 industrial facilities and three mixed-use properties that contain an aggregate of approximately 23.6 million net rentable square feet. These 236 properties make up our core portfolio. We also have, as of June 30, 2010, two properties under development and one property under redevelopment containing an aggregate 1.4 million net rentable square feet. Therefore, as of June 30, 2010, we own 239 properties with an aggregate of 25.0 million net rentable square feet. As of June 30, 2010, we also held economic interests in 15 unconsolidated real estate ventures (the *Real Estate Ventures*) that we formed with third parties to develop or own commercial properties. The properties owned by these Real Estate Ventures contain approximately 4.6 million net rentable square feet.

As of June 30, 2010, we managed our portfolio within six geographic segments: (1) Pennsylvania, (2) Metropolitan Washington D.C, (3) New Jersey/Delaware, (4) Richmond, Virginia, (5) Austin, Texas and (6) California. The Pennsylvania segment includes properties in Chester, Delaware, and Montgomery counties in the Philadelphia suburbs and the City of Philadelphia in Pennsylvania. The Metropolitan Washington, D.C. segment includes properties in Northern Virginia and suburban Maryland. The New Jersey/Delaware segment includes properties in Burlington, Camden and Mercer counties and in New Castle county in the state of Delaware. The Richmond, Virginia segment includes properties primarily in Albemarle, Chesterfield, Goochland and Henrico counties and Durham, North Carolina. The Austin, Texas segment includes properties in Austin. The California segment includes properties in Oakland, Concord, Carlsbad and Rancho Bernardo.

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, costs of tenant improvements, tenant creditworthiness, current and expected operating costs, the length of the lease, 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.

Volatile economic conditions have resulted in a reduction of the availability of financing and potentially in higher borrowing costs. These factors, coupled with a slowing economy, have reduced the volume of real estate transactions and created credit stresses on most businesses. We believe that vacancy rates may increase through 2010 and possibly beyond as the current economic climate negatively impacts tenants in our Properties.

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We expect that the impact of the current state of the economy, including high unemployment and the unprecedented volatility and illiquidity in the financial and credit markets, will continue to have a dampening effect on the fundamentals of our business, including increases in past due accounts, tenant defaults, lower occupancy and reduced effective rents. These conditions would negatively affect our future net income and cash flows and could have a material adverse effect on our financial condition. We believe that the quality of our assets and our strong balance sheet will enable us to raise debt capital, if necessary, from sources such as traditional term or secured loans from banks, pension funds and life insurance companies, however these sources are lending fewer dollars, under stricter terms and at higher borrowing rates, and there can be no assurance that we will be able to borrow funds on terms that are economically attractive or at all.

We seek revenue growth at our portfolio through an increase in occupancy and rental rates. Occupancy at our core portfolio at June 30, 2010 was 86.4%. Our overall occupancy at June 30, 2010, including our three properties under development or redevelopment, was 81.5%.

In seeking 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 6.2% of our aggregate final annualized base rents as of June 30, 2010 (representing approximately 5.8% of the net rentable square feet of the Properties) expire without penalty in 2010. We maintain an active dialogue with our tenants in an effort to maximize lease renewals. During the six months ended June 30, 2010, we achieved a 60.8% retention rate in our core portfolio. If we are unable to renew leases or relet space under expiring leases, at anticipated rental rates, or if tenants terminate their leases early, our cash flow would be adversely impacted.

Tenant Credit Risk:

In the event of a tenant default, we may experience delays in enforcing our rights as a landlord and may incur substantial costs in protecting our investment. Our management regularly evaluates our accounts receivable reserve policy in light of our tenant base and general and local economic conditions. Our accounts receivable allowance was \$15.6 million or 12.7% of total receivables (including accrued rent receivable) as of June 30, 2010 compared to \$16.4 million or 14.3% of total receivables (including accrued rent receivable) as of December 31, 2009.

If economic conditions persist or deteriorate further, we may experience increases in past due accounts, defaults, lower occupancy and reduced effective rents. This condition would negatively affect our future net income and cash flows and could have a material adverse effect on our financial condition.

Development Risk:

At June 30, 2010, we were proceeding on two developments and one redevelopment sites aggregating 1.4 million square feet with total projected costs of \$356.4 million of which \$54.5 million remained to be funded. These amounts include \$342.0 million of total project costs for the combined 30th Street Post Office (100% pre-leased to the Internal Revenue Service) and Cira South Garage (93.2% pre-leased to the Internal Revenue Service) in Philadelphia, Pennsylvania of which \$53.5 million remained to be funded at June 30, 2010. We are completing the lease-up of six recently completed developments, aggregating 0.9 million square feet, for which we expect to spend an additional \$15.6 million in 2010. 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 June 30, 2010, we owned approximately 487 acres of undeveloped land. As market conditions warrant, we will look to dispose of those parcels that we do not anticipate developing. For land parcels that we elect to develop, we will be subject to risks and costs associated with land development, including building moratoriums and inability to obtain necessary zoning, land-use, building, occupancy and other required governmental approvals, construction cost increases or overruns and construction delays, and insufficient occupancy rates and rental rates.

Table of Contents**RECENT PROPERTY TRANSACTIONS**

As of June 30, 2010, two of our building properties located in King of Prussia, Pennsylvania are currently undergoing demolition and the remaining land balances are now presented as land inventory in our consolidated balance sheets. We have determined that there was a change in the estimated useful lives of the properties resulting from the ongoing demolition causing an acceleration of depreciation expense. During the three months ended June 30, 2010, we recognized the remaining depreciation of both properties amounting to \$2.7 million with the land values of \$1.1 million being reclassified to land inventory for potential future development. All related demolition costs are charged to earnings.

On January 14, 2010, we sold Westmoreland Plaza, a 121,815 net rentable square feet property located in Richmond, Virginia, for a sales price of \$10.8 million.

We continually reassess our portfolio to determine properties that may be in our best interest to sell depending on strategic or economic factors. From time to time, the decision to sell properties in the short term could result in an impairment or other loss being taken by us and such losses could be material to the statement of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations discuss 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, 2009 contains a discussion of our critical accounting policies. There have been no significant changes in our critical accounting policies since December 31, 2009. See also Note 2 in our unaudited consolidated financial statements for the three and six-months ended June 30, 2010 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 June 30, 2010 and 2009*

The table below shows selected operating information for the Same Store Property Portfolio and the Total Portfolio. The Same Store Property Portfolio consists of 230 properties containing an aggregate of approximately 22.7 million net rentable square feet that we owned for the entire three-month periods ended June 30, 2010 and 2009. 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 June 30, 2010 and 2009) by providing information for the properties which were acquired, placed into service, under development or redevelopment and administrative/elimination information for the three-month periods ended June 30, 2010 and 2009 (in thousands). The Total Portfolio net income presented in the table is equal 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 non-controlling interest attributable to continuing and discontinued operations for limited partnership units that is on the statement of operations for Brandywine Realty Trust.

Table of Contents**Comparison of three-months ended June 30, 2010 to the three-months ended June 30, 2009**

	Property Portfolio			Recently Completed Properties		Development/Redevelopment Properties (a)		Other (Eliminations)		Total Portfolio		Increase/Decrease
	2010	2009	Increase/Decrease	2010	2009	2010	2009	2010	2009	2010	2009	
Revenue:												
Rentals	\$ 108,574	\$ 111,153	\$ (2,579)	\$ 2,480	\$ 3,309	\$	\$	\$ (647)	\$ 1,166	\$ 110,407	\$ 115,628	\$ (5,221)
Off-line rents	2,351	1,909	442	142	159				8	2,493	2,076	417
Lease/below market												
Amortization	1,502	1,679	(177)	130	62					1,632	1,741	(109)
Rentals	112,427	114,741	(2,314)	2,752	3,530			(647)	1,174	114,532	119,445	(4,913)
Net												
Amortments	17,030	16,117	913	573	603			101	279	17,704	16,999	705
Commission fees	1,207	963	244	124						1,331	963	368
Third party												
Management fees,												
Reimbursement												
Leasing								2,904	4,097	2,904	4,097	(1,193)
excluding												
Commission fees	590	406	184	36	25			398	139	1,024	570	454
Revenue	131,254	132,227	(973)	3,485	4,158			2,756	5,689	137,495	142,074	(4,579)
Property operating												
Expenses	38,689	38,399	(290)	1,659	1,664	(11)	166	(1,589)	(1,110)	38,748	39,119	(371)
State taxes	13,056	13,259	203	443	420	11	11	188	262	13,698	13,952	(254)
Third party												
Management expenses								1,493	1,968	1,493	1,968	(475)
Total	79,509	80,569	(1,060)	1,383	2,074		(177)	2,664	4,569	83,556	87,035	(3,479)
General &												
Administrative												
Expenses								6,653	5,515	6,653	5,515	(1,138)
Depreciation and												
Amortization	46,718	48,769	2,051	2,000	2,054			3,407	1,885	52,125	52,708	(583)
Operating Income	\$ 32,791	\$ 31,800	\$ 991	\$ (617)	\$ 20	\$	\$ (177)	\$ (7,396)	\$ (2,831)	\$ 24,778	\$ 28,812	\$ (4,034)

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Number of properties	230	230	6	6	3	3	239	239
Square feet	22,671	22,671	895	895	1,416	1,416	24,982	24,982
Income								
(Loss) (Expense):								
Net income							963	642
Net expense							(31,210)	(34,944)
Net expense								
Debt financing							(862)	(1,894)
Unrealized hedge								(305)
Change in income of								
State ventures							1,025	1,533
Gain on early								
Termination of							(445)	12,013
Income (loss) from								
Continuing operations							(5,751)	5,857
Income from								
Discontinued								
Operations							151	(77)
Income (loss)							\$ (5,600)	\$ 5,780
Income (loss) per								
Share							\$ (0.06)	\$ 0.03

EXPLANATORY NOTES

(a) - Results include: two developments and one redevelopment properties.

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Total Revenue

Cash rents from the Total Portfolio decreased by \$5.2 million from the second quarter of 2009 to the second quarter of 2010 primarily reflecting:

- decrease of \$2.6 million of rental income at the same store portfolio as a result of the decrease in same store occupancy of 190 basis points;
- decrease of \$0.8 million of rental income due to the decrease in occupancy at a redevelopment property that we recently placed in service; and
- decrease of \$1.8 million due to the deconsolidation of three of our real estate ventures as a result of the adoption of the new accounting standard for the consolidation of variable interest entities beginning January 1, 2010 during the first quarter of 2010. This standard does not require retrospective adoption.

Tenant reimbursements increased by \$0.7 million mainly due to the significant number of leases which includes base year operating expense recovery calculations that reached their base year amounts quicker in 2010 than in 2009. Lease structure, the significant northeast snowfall expenses in the first quarter of 2010, as well as the deferral to later months and timing of the repairs and maintenance expenses in the second quarter of 2009, resulted in the base year leases achieving their base year amounts earlier in 2010 than in 2009.

Third party management fees, labor reimbursement and leasing decreased by \$1.2 million mainly due to the termination of third party management contracts during the course of 2009 totaling 4.3 million square feet. This is consistent with the decrease in third party management fees.

General and Administrative Expense

General and Administrative Expense increased by \$1.1 million primarily due to:

- increase of \$0.3 million in amortization of stock-based compensation as a result of stock option and restricted stock performance units granted in March 2010;
- increase of \$0.4 million in salaries, bonus and recruiting fees due to new hires during 2010;
- increase of \$0.3 million in professional fees and deal costs as a result of contemplated transactions taking place during 2010; and
- remainder of the increase is a result of the increase in various corporate level expenses during the second quarter of 2010, none of which were individually significant.

Interest Expense

The decrease in interest expense of \$3.7 million is primarily due to the following:

- decrease of \$1.8 million resulting from the pay-off of an unsecured note at maturity during the fourth quarter of 2009;
- decrease of \$0.3 million resulting from a lower weighted average interest rate on our Credit Facility borrowings at June 30, 2010 compared to June 30, 2009;
- decrease of \$4.9 million resulting from our buybacks of various unsecured notes subsequent to the second quarter of 2009. The details of the various purchases completed during the three-month period ended June 30, 2010 are noted in the *(Loss) gain on early extinguishment of debt* section below and details for all purchases during 2009 are included in our Annual Report on Form 10-K for 2009; and
- increase in capitalized interest of \$1.7 million as a result of the increase in cumulative spending on ongoing development projects.

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The above explained net decrease of \$8.7 million is offset by an increase of \$4.9 million from the sale of \$250.0 million of unsecured notes in the third quarter of 2009.

Deferred financing costs decreased by \$1.0 million mainly due to the acceleration of such expenses incurred in the debt repurchase activities during the second quarter of 2009.

Equity in income of real estate ventures

Equity in income of real estate ventures decreased by \$0.5 million from the second quarter 2009 to the second quarter 2010 due to additional depreciation expense incurred during the second quarter of 2010. This additional expense was offset by \$0.2 million related to the deconsolidation of the three real estate ventures during the first quarter of 2010.

(Loss) gain on early extinguishment of debt

During the three months ended June 30, 2010, we repurchased (i) \$18.2 million of our 3.875% Exchangeable Notes, (ii) \$1.0 million of our 5.625% Guaranteed Notes due 2010 and (iii) a nominal amount of our 5.750% Guaranteed Notes due 2012 which resulted in a net loss on early extinguishment of debt of \$0.4 million.

During the three months ended June 30, 2009, we repurchased (i) \$69.8 million of our 3.875% Exchangeable Notes, (ii) \$2.2 million of our 4.500% Guaranteed Notes due 2009 (iii) \$40.7 million of our 5.625% Guaranteed Notes due 2010 and (iv) \$9.0 million of our 5.750% Guaranteed Notes due 2012 resulting in a total gain on early extinguishment of debt of \$12.0 million.

Net loss

Net loss was \$5.6 million for the second quarter of 2010 as compared to net income of \$5.8 million for the second quarter of 2009 as a result of the factors described above. Net loss is significantly impacted by depreciation of operating properties and amortization of acquired intangibles. These non-cash charges do not directly affect our ability to pay dividends. Amortization of acquired intangibles will continue over the related lease terms or estimated duration of the tenant relationship.

Loss (earnings) per Common Share

Loss per share was \$0.06 for the second quarter of 2010 as compared to earnings per share of \$0.03 for the second quarter of 2009 as a result of the factors described above and an increase in the average number of common shares outstanding. The increase in the average number of common shares outstanding is primarily due to the continuing equity offering program in 2010.

Table of Contents**Comparison of six-months ended June 30, 2010 to the six-months ended June 30, 2009**

	Same Store Property Portfolio			Recently Completed Properties		Development/Redevelopment Properties (a)		Other (Eliminations)		Total Portfolio		Inc (De)
	2010	2009	Increase/ (Decrease)	2010	2009	2010	2009	2010	2009	2010	2009	
(in thousands)												
Operating income:												
Rentals	\$ 217,880	\$ 223,389	\$ (5,509)	\$ 4,066	\$ 4,479	\$ 772	\$ 2,070	\$ (1,266)	\$ 2,463	\$ 221,452	\$ 232,401	\$ (10,949)
Lease-line rents	5,056	3,517	1,539	379	406	(27)	(79)		17	5,408	3,861	1,547
Rentals below market												
Depreciation and amortization	2,921	3,346	(425)	260	248		(126)			3,181	3,468	(287)
Other income	225,857	230,252	(4,395)	4,705	5,133	745	1,865	(1,266)	2,480	230,041	239,730	(9,689)
Expenses:												
Repairs and maintenance	37,850	35,754	2,096	1,096	1,098	38	285	203	550	39,187	37,687	1,499
Real estate taxes	2,854	1,076	1,778	107		124				3,085	1,076	2,009
Professional fees												
Management fees, including reimbursement										6,371	8,861	(2,490)
Advertising and promotion fees	919	715	204	339	46	1	81	686	609	1,945	1,451	494
Other operating expenses												
Operating income	267,480	267,797	(317)	6,247	6,277	908	2,231	5,994	12,500	280,629	288,805	(8,176)
Other income:												
Interest income	83,675	78,677	(4,998)	3,210	2,932	700	946	(3,689)	(14)	83,896	82,541	1,355
State taxes	25,455	27,390	1,935	628	621	272	259	395	514	26,750	28,784	(2,034)
Professional fees												
Management expenses										2,905	4,083	(1,178)
Other income	158,350	161,730	(3,380)	2,409	2,724	(64)	1,026	6,383	7,917	167,078	173,397	(6,319)
Other income & expenses:												
Administrative expenses										12,745	10,473	2,272
Depreciation and amortization	96,666	96,279	(387)	2,718	2,684	1,308	1,410	4,055	3,550	104,747	103,923	824
Other income												
Operating Income	\$ 61,684	\$ 65,451	\$ (3,767)	\$ (309)	\$ 40	\$ (1,372)	\$ (384)	\$ (10,417)	\$ (6,106)	\$ 49,586	\$ 59,001	\$ (9,415)
Number of properties	230	230		5	5	4	4			239	239	

feet	22,671	22,671	704	704	1,606	1,606	24,981	24,981
Income								
(expense):								
Income							1,828	1,221
Expense							(62,734)	(70,590)
Expense								
and financing							(1,873)	(3,146)
Indexed hedge								(305)
Income of								
state ventures							2,321	2,119
gain on early								
liquidation of							(1,637)	18,652
(loss) from								
operating operations							(12,509)	6,952
from								
continued								
operations							6,510	(2,045)
Income (loss)							\$ (5,999)	\$ 4,907
Earnings (loss) per								
share							\$ (0.08)	\$ 0.01

EXPLANATORY
NOTES

(a) - Results include: two developments and two redevelopment properties.

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Total Revenue

Cash rents from the Total Portfolio decreased by \$10.9 million from the six-month period ended June 30, 2009 to the six-month period ended June 30, 2010 primarily reflecting:

- decrease of \$5.5 million of rental income at the same store portfolio as a result of the decrease in same store occupancy of 160 basis points;
- decrease of \$1.3 million of rental income due to the decrease in occupancy at one of our redevelopment properties;
- decrease of \$3.6 million due to the deconsolidation of three of our real estate ventures as a result of the adoption of the new accounting standard for the consolidation of variable interest entities beginning January 1, 2010 during the first quarter of 2010. This standard does not require retrospective adoption.

Termination fees at the Total Portfolio increased by \$2.0 million from the six-month period ended June 30, 2009 to the six-month period ended June 30, 2010 primarily due to increased tenant move-outs during 2010 which is consistent with the 160 basis point occupancy decrease noted above.

Third party management fees, labor reimbursement and leasing decreased by \$2.5 million mainly due to the termination of third party management contracts during the course of 2009 totaling 4.3 million square feet. This is consistent with the decrease in third party management fees.

Property Operating Expenses

Property operating expenses increased by \$1.4 million as a result of higher snow removal and repairs and maintenance expenses totaling \$3.6 million during the six-month period ended June 30, 2010 compared to the six-month period ended June 30, 2009 offset by a decrease of \$2.0 million in bad debt expense during the six-month period ended June 30, 2010 as compared to the six-month period ended June 30, 2009.

Real Estate Taxes

Real estate taxes decreased by \$2.0 million due to lower taxes assessed on our properties during the six-month period ended June 30, 2010 as compared to the prior year.

General and Administrative Expense

General and Administrative Expense increased by \$2.3 million primarily due to:

- increase of \$0.4 million in amortization of stock-based compensation as a result of stock option and restricted stock performance units granted in March 2010;
- increase of \$0.7 million in salaries, bonus and recruiting fees due to new hires during the six-month period ended June 30, 2010;
- a \$0.2 million one-time bonus payment made during the six-month period ended June 30, 2010;
- increase of \$0.5 million as a result of various corporate level expenses during the six-month period ended June 30, 2010, none of which were individually significant;
- increase of \$0.3 million in professional fees and deal costs as result of contemplated transactions taking place during 2010; and
- we received corporate level tax refunds of \$0.2 million during the six-month period ended June 30, 2009 that were recorded as a reduction in that period.

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Provision for Impairment on Real Estate

During our Q1 2009 impairment review, we determined that one of the properties tested for impairment under the held and used model had a historical cost greater than the probability weighted undiscounted cash flows. Accordingly, the recorded amount was reduced to an amount based on management's estimate of the current fair value.

Where properties have been identified as having a potential for sale, additional judgments are required related to the determination as to the appropriate period over which the undiscounted cash flows should include the operating cash flows and the amount included as the estimated residual value. Management determines the amounts to be included based on a probability weighted cash flow. This requires significant judgment. In some cases, the results of whether an impairment is indicated are sensitive to changes in assumptions input into the estimates, including the hold period until expected sale.

Interest Expense

The decrease in interest expense of \$7.9 million is primarily due to the following:

decrease of \$3.8 million resulting from the pay-off of an unsecured note at maturity during the fourth quarter of 2009;

decrease of \$0.5 million resulting from a lower weighted average interest rate on our Credit Facility borrowings at June 30, 2010 compared to June 30, 2009;

decrease of \$9.8 million resulting from our buybacks of various unsecured notes subsequent to the second quarter of 2009. The details of the various purchases completed during the six-month period ended June 30, 2010 are noted in the *Loss (gain) on early extinguishment of debt* section below and details for all purchases during 2009 are included in our Annual Report on Form 10-K for 2009; and increase in capitalized interest of \$3.4 million as a result of the increase in cumulative spending on ongoing development projects.

The above explained net decrease of \$17.5 million is offset by an increase of \$9.7 million from the sale of \$250.0 million of unsecured notes in the third quarter of 2009.

Deferred financing costs decreased by \$1.3 million mainly due to the acceleration of such expenses incurred in the debt repurchase activities during the six-month period ended June 30, 2009.

(Loss) gain on early extinguishment of debt

During the six-month period ended June 30, 2010, we repurchased (i) \$54.4 million of our 3.875% Exchangeable Notes, (ii) \$1.7 million of our 5.625% Guaranteed Notes due 2010 and (iii) \$11.0 million of our 5.750% Guaranteed Notes due 2012 which resulted in a net loss on early extinguishment of debt of \$1.6 million.

During the six-month period ended June 30, 2009, we repurchased (i) \$76.3 million of our 3.875% Exchangeable Notes, (ii) \$46.5 million of our 4.500% Guaranteed Notes due 2009 (iii) \$65.0 million of our 5.625% Guaranteed Notes due 2010 and (iv) \$10.0 million of our 5.750% Guaranteed Notes due 2012 resulting in a net gain on early extinguishment of debt of \$18.7 million.

Discontinued Operations

During the six-month period ended June 30, 2010, we sold Westmoreland Plaza, a 121,815 net rentable square feet property located in Richmond, Virginia, for a sales price of \$10.8 million. This property had \$0.2 million of net income and we recognized a gain of \$6.3 million for its sale.

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The six-month period ended June 30, 2009 amounts are reclassified to include the operations of the property sold during 2010, as well as all properties that were sold through the year ended December 31, 2009. Therefore, the discontinued operations amount for the six-month period ended June 30, 2009 includes total revenue of \$9.5 million, operating expenses of \$4.7 million and depreciation and amortization expense of \$2.2 million. During the six-month period ended June 30, 2009, we also recognized a provision for impairment of \$3.7 million on a property that was sold during the second quarter of 2009.

Net loss

Net loss was \$6.0 million for the six month period ended June 30, 2010 as compared to net income of \$4.9 million for the six month period ended June 30, 2009 as a result of the factors described above. Net loss is significantly impacted by depreciation of operating properties and amortization of acquired intangibles. These non-cash charges do not directly affect our ability to pay dividends. Amortization of acquired intangibles will continue over the related lease terms or estimated duration of the tenant relationship.

Loss (earnings) per Common Share

Loss per share was \$0.08 for the six-month period ended June 30, 2010 as compared to earnings per share of \$0.01 for the six-month period ended June 30, 2009 as a result of the factors described above and an increase in the average number of common shares outstanding. The increase in the average number of common shares outstanding is primarily due to the continuing equity offering program in 2010.

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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 repayment of certain debt instruments when they mature,
- fund current development and redevelopment costs, and
- fund distributions declared by our Board of Trustees.

We believe that with the uncertain economic conditions, it is likely that vacancy rates may continue to increase, effective rental rates on new and renewed leases may continue to decrease and tenant installation costs, including concessions, may continue to increase in most or all of our markets in 2010 and possibly beyond. As a result our revenue from the overall reduced demand for office space, our cash flow could be insufficient to cover increased tenant installation costs over the short-term. If this situation were to occur, we expect that we would finance cash deficits through borrowings under our Credit Facility and other debt and equity financings.

We believe that our liquidity needs will be satisfied through cash flows generated by operations, financing activities and selective Property sales. 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 property sales 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, unsecured term loan and unsecured notes. Financial markets have experienced unusual volatility and uncertainty. Our ability to fund development projects, as well as our ability to repay or refinance debt maturities could be adversely affected by our inability to secure financing at reasonable terms beyond those already completed. It is possible, in these unusual and uncertain times that one or more lenders in our revolving credit facility could fail to fund a borrowing request. Such an event could adversely affect our ability to access funds from our revolving credit facility when needed.

Our liquidity management remains a priority. We are proactively pursuing new financing opportunities to ensure an appropriate balance sheet position. As a result of these dedicated efforts, we are comfortable with our ability to meet future debt maturities and development funding needs. We believe that our current balance sheet is in an adequate position at the date of this filing, despite the ongoing disruption in the credit markets.

We use 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. We will also consider other properties within our portfolio as necessary, where it may be in our best interest to obtain a secured mortgage.

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. If more than one 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 and term loan 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. In March 2010, we commenced a continuous equity offering program (the Offering Program), under which we may sell up to an aggregate amount of 15,000,000 common shares until March 10, 2013. We may sell common shares in amounts and at times to be determined by us. Actual sales will depend on a variety of factors to be determined by us, including market

conditions, the trading price of our common shares and determinations by us of the appropriate sources of funding. In conjunction with the Offering Program, we engaged sales agents who received compensation, in aggregate, of up to 2% of the gross sales price per share sold during the six months ended June 30, 2010. During the three months ended June 30, 2010, we sold 1,960,145 shares under this program at an average sales price of \$12.89 per share resulting in net proceeds of \$24.8 million. From its inception in March 2010 through June 30, 2010, we have sold 3,285,345 shares under this program at an average sales price of \$12.69 per share resulting in net proceeds of \$40.9 million. We used the net proceeds from the sales to repay balances on our unsecured credit facility and for general corporate purposes.

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We will also consider sales of selected Properties as another source of managing our liquidity. Asset sales during 2009 and through 2010 have been a source of cash. During 2010, we sold one property containing 0.1 million in net rentable square feet for net cash proceeds of \$10.4 million. Since mid-2007, we have used proceeds from asset sales to repay existing indebtedness, provide capital for our development activities and strengthen our financial condition. There is no guarantee that we will be able to raise similar or even lesser amounts of capital from future asset sales.

Cash Flows

The following discussion of our cash flows is based on the consolidated statement of cash flows and is not meant to be a comprehensive discussion of the changes in our cash flows for the periods presented.

As of June 30, 2010 and December 31, 2009, we maintained cash and cash equivalents of \$0.3 million and \$1.6 million, respectively. The following are the changes in cash flow from our activities for the six-month periods ended June 30 (in thousands):

Activity	2010	2009
Operating	\$ 103,002	\$ 105,098
Investing	(100,284)	(47,991)
Financing	(3,988)	(57,095)
Net cash flows	\$ (1,270)	\$ 12

Our principal source of cash flows is from the operation of our properties. We do not restate our cash flow for discontinued operations.

The net decrease in cash flows from operating activities is primarily the result of the following:

Decrease in average occupancy from 89.1% during the six months ended June 30, 2009 to 86.8% during the six months ended June 30, 2010;

Decrease in the number of operating properties due to dispositions. We sold a total of four properties subsequent to June 30, 2009;

Timing of cash receipts from our tenants and cash expenditures in the normal course of operations.

The transactions mentioned above which decreased cash flows from operating activities were offset by the contribution received from the historic tax credit transaction of \$27.4 million in June 2010.

The net increase in cash flows used in investing activities is primarily attributable to the following:

Our capital expenditures for tenant and building improvements and leasing commissions increased by \$1.1 million during the six months ended June 30, 2010 when compared to the six months ended June 30, 2009;

Decrease in cash of \$1.4 million due to the deconsolidation of variable interest entities; and

Receipt of funds placed in escrow during the last quarter of 2008 related to the Cira garage project amounting to \$31.4 million which was also used to finance the project during the first quarter of last year.

Decrease in net proceeds from sales of properties from \$33.4 million during the six months ended June 30, 2009 to \$10.4 million during the six months ended June 30, 2010.

Decrease in cash distributions from unconsolidated Real Estate Ventures of \$10.5 million during the six months ended June 30, 2010 when compared to the six months ended June 30, 2009.

The transactions mentioned above which increased cash used in investing activities were offset by the contributions made during the first quarter of last year from unconsolidated real estate ventures amounting to \$15.0 million.

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The net decrease in cash used in financing activities is mainly due to the following:

Decrease in repayments of mortgage notes payable from \$73.6 million during the six months ended June 30, 2009 to \$4.5 million during the six months ended June 30, 2010 offset by the \$89.8 million of proceeds during the six months ended June 30, 2009.

Decrease in repayments of our credit facility and unsecured notes of \$373.2 million during the six months ended June 30, 2010 when compared to the six months ended June 30, 2009 offset by the decrease in proceeds from Credit Facility Borrowings of \$116.0 million.

Decrease in debt financing costs of \$21.5 million during the six months ended June 30, 2010 compared to the six months ended June 30, 2009 and primarily relate to the \$17.7 million forward financing commitment fee paid in the prior year.

The items mentioned above which decreased cash used in financing activities were offset by the following transactions:

Decrease in net proceeds received from the issuance of common shares amounting to \$201.4 million during the six months ended June 30, 2010 when compared to the issuance made during the six months ended June 30, 2009.

Increase in distributions paid to shareholders and on non-controlling interests from \$40.4 million during the six months ended June 30, 2009 to \$43.9 million during the six months ended June 30, 2010.

Capitalization**Indebtedness**

During the six-months ended June 30, 2010, we repurchased \$67.3 million of our unsecured notes in a series of transactions which are summarized in the table below (in thousands):

Notes	Repurchase Amount	Principal	Loss	Deferred Financing Amortization
2010 5.625% Notes	\$ 1,829	\$ 1,772	\$ (33)	\$ 2
2012 5.750% Notes	11,666	11,056	(369)	29
3.875% Notes	54,662	54,425	(1,235)	250
	\$ 68,157	\$ 67,253	\$ (1,637)	\$ 281

The table below summarizes our mortgage notes payable, our unsecured notes and our revolving credit facility at June 30, 2010 and December 31, 2009:

	June 30, 2010	December 31, 2009
	(dollars in thousands)	
Balance:		
Fixed rate (includes variable swapped to fixed)	\$ 2,161,478	\$ 2,246,375
Variable rate unhedged	253,136	214,836
Total	\$ 2,414,614	\$ 2,461,211
Percent of Total Debt:		
Fixed rate (includes variable swapped to fixed)	89.5%	91.3%
Variable rate unhedged	10.5%	8.7%
Total	100%	100%

Weighted-average interest rate at period end:

Fixed rate (includes variable swapped to fixed)	5.9%	5.9%
Variable rate unhedged	2.3%	2.6%
Total	5.5%	5.6%

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The variable rate debt shown above generally bear interest based on various spreads over a LIBOR term selected by us.

We use credit facility borrowings for general business purposes, including the acquisition, development and redevelopment of properties and the repayment of other debt. We have the option to increase the maximum borrowings under our Credit Facility to \$800.0 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 financial covenants, including ratios related to minimum net worth, debt to total capitalization and fixed charge coverage and customary non-financial covenants. We were in compliance with all covenants as of June 30, 2010.

The indenture under which we issued our unsecured notes contain financial covenants, 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. We were in compliance with all covenants as of June 30, 2010.

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 through the use of proceeds from selective Property sales and secured or unsecured borrowings. However, in the current and expected future economic environment one or more of these sources may not be available on attractive terms or at all.

Our charter documents do not limit the amount or form of indebtedness that we may incur, and our policies on debt incurrence are solely within the discretion of our Board, subject to financial covenants in the Credit Facility, indenture and other credit agreements.

As of June 30, 2010, we had guaranteed repayment of approximately \$0.7 million of loans on behalf of certain Real Estate Ventures. We also provide customary environmental indemnities and completion guarantees in connection with construction and permanent financing both for our own account and on behalf of certain of the Real Estate Ventures.

Equity

On June 2, 2010, we declared a distribution of \$0.15 per Common Share, totaling \$19.9 million, which we paid on July 20, 2010 to shareholders of record as of July 6, 2010. The Operating Partnership simultaneously declared a \$0.15 per unit cash distribution to holders of Class A Units totaling \$0.4 million.

On June 2, 2010, we declared distributions on our Series C Preferred Shares and Series D Preferred Shares to holders of record as of June 30, 2010. These shares are entitled to a preferential return of 7.50% and 7.375%, respectively. Distributions paid on July 15, 2010 to holders of Series C Preferred Shares and Series D Preferred Shares totaled \$0.9 million and \$1.1 million, respectively.

In March 2010, we commenced a continuous equity offering program (the *Offering Program*), under which we may sell up to an aggregate amount of 15,000,000 common shares until March 10, 2013. We may sell common shares in amounts and at times to be determined by us. Actual sales will depend on a variety of factors to be determined by us, including market conditions, the trading price of our common shares and determinations by us of the appropriate sources of funding. In conjunction with the *Offering Program*, we engaged sales agents who received compensation, in aggregate, of up to 2% of the gross sales price per share sold during the six months ended June 30, 2010. During the three months ended June 30, 2010, we sold 1,960,145 shares under this program at an average sales price of \$12.89 per share resulting in net proceeds of \$24.8 million. From its inception in March 2010 through June 30, 2010, we have sold 3,285,345 shares under this program at an average sales price of \$12.69 per share resulting in net proceeds of \$40.9 million. We used the net proceeds from the sales to repay balances on our unsecured revolving credit facility and for general corporate purposes.

We maintain a share repurchase program under which our Board has authorized us to repurchase our common shares from time to time. As of June 30, 2010, there are approximately 0.5 million shares remaining to be repurchased under this program. Our Board has not limited the duration of the program; however, 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.

Table of Contents**Short- and Long-Term Liquidity**

We believe that our cash flow from operations is adequate to fund our short-term liquidity requirements, excluding principal payments under our debt obligations. 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, recurring capital expenditures, tenant allowances, leasing commissions, interest expense and the minimum distributions required to maintain our REIT qualification under the Internal Revenue Code. We expect to meet short-term scheduled debt maturities through borrowings under the Credit Facility and proceeds from asset dispositions. As of June 30, 2010, we have \$613.3 million of unsecured debt and \$166.8 million of mortgage debt that is scheduled to mature through December 2011. We extended our term loan of \$183.0 million from October 18, 2010 to June 29, 2011. The Credit Facility and the Bank Term Loan may be extended to June 29, 2011 at our discretion. For the remaining debt maturities we expect to have sufficient capacity under our Credit Facility but we will also continue to look to the other listed sources to fund these maturities.

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 the Credit Facility, additional secured and unsecured indebtedness, the issuance of equity securities, contributions from joint venture investors and proceeds from asset dispositions.

Many commercial real estate lenders have substantially tightened underwriting standards or have withdrawn from the lending marketplace. Also, spreads in the investment grade bond market remain wider than historic spreads. These circumstances have impacted liquidity in the debt markets, making financing terms less attractive, and in certain cases have resulted in the unavailability of certain types of debt financing. As a result, we expect debt financings will be more difficult to obtain and that borrowing costs on new and refinanced debt will be more expensive. Moreover, the volatility in the financial markets, in general, will make it more difficult or costly, for us to raise capital through the issuance of common stock, preferred stock or other equity instruments or through public issuances of debt securities from our shelf registration statements as we have been able to do in the past. Such conditions would also limit our ability to raise capital through asset dispositions at attractive prices or at all.

Inflation

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

Commitments and Contingencies

The following table outlines the timing of payment requirements related to our contractual commitments as of June 30, 2010:

	Total	Payments by Period (in thousands)			More than 5 Years
		Less than 1 Year	1-3 Years	3-5 Years	
Mortgage notes payable (a)	\$ 503,245	\$ 49,910	\$ 211,741	\$ 7,088	\$ 234,506
Revolving credit facility	160,000		160,000		
Unsecured term loan	183,000	183,000			
Unsecured debt (a)	1,568,369	196,774	176,769	742,681	452,145
Ground leases (b)	295,855	1,159	6,955	7,226	280,515
Interest expense (d)	566,080	114,806	186,434	198,491	66,349
Development contracts (c)	32,650	32,650			
Other liabilities	7,425				7,425

\$ 3,316,624	\$ 578,299	\$ 741,899	\$ 955,486	\$ 1,040,940
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(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.

(c) Represents contractual obligations for certain development projects and does not contemplate all costs expected to be incurred for such developments.

(d) Variable rate debt future interest expense commitments are calculated using June 30, 2010 interest rates.

As part of the TRC acquisition, we acquired our interest in Two Logan Square, a 704,664 square foot office building in Philadelphia, primarily through our ownership of a second and third mortgage secured by this property. This property is consolidated as the borrower is a variable interest entity and we, through our ownership of the second and third mortgages are the primary beneficiary. We currently do not expect to take title to Two Logan Square until, at the earliest, September 2019. If we take fee title to Two Logan Square upon a foreclosure of our mortgage, we have agreed to pay an unaffiliated third party that holds a residual interest in the fee owner of this property an amount equal

to \$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).

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We are currently being audited by the Internal Revenue Service for our 2004 tax year. The audit concerns the tax treatment of the transaction in September 2004 in which we acquired a portfolio of properties through the acquisition of a limited partnership. At this time it does not appear that an adjustment would result in a material tax liability for us. However, an adjustment could raise a question as to whether a contributor of partnership interests in the 2004 transaction could assert a claim against us under the tax protection agreement entered into as part of the transaction. As part of our 2006 acquisition of Prentiss Properties Trust, the TRC acquisition in 2004 and several of our other transactions, we agreed not to sell certain of the properties we acquired in transactions that would trigger taxable income to the former owners. In the case of the TRC acquisition, we agreed not to sell acquired properties for periods up to 15 years from the date of the TRC acquisition as follows at June 30, 2010: One Rodney Square and 130/150/170 Radnor Financial Center (January 2015); and One Logan Square, Two Logan Square and Radnor Corporate Center (January 2020). In the Prentiss acquisition, we assumed the obligation of Prentiss not to sell Concord Airport Plaza before March 2018. 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. If we were to sell a restricted property before expiration of the restricted period in a non-exempt transaction, we would be required to make significant payments to the parties who sold us the applicable property for tax liabilities triggered to them.

As part of our acquisition of properties from time to time in tax-deferred transactions, we have agreed to provide certain of the prior owners of the acquired properties with the right to guarantee our indebtedness. If we were to seek to repay the indebtedness guaranteed by the prior owner before the expiration of the applicable agreement, we will be required to provide the prior owner an opportunity to guaranty a qualifying replacement debt. These debt maintenance agreements may limit our ability to refinance indebtedness on terms that will be favorable to us.

In connection with our development of the PO Box/IRS and Cira Garage projects, during 2008, we entered into a historic tax credit and new markets tax credit arrangement, respectively. We are required to be in compliance with various laws, regulations and contractual provisions that apply to our historic and new market tax credit arrangements. Non-compliance with applicable requirements could result in projected tax benefits not being realized and therefore, require a refund to USB or reduction of investor capital contributions, which are reported as deferred income in our consolidated balance sheet, until such time as our obligation to deliver tax benefits is relieved. The remaining compliance periods for our tax credit arrangements runs through 2015. We do not anticipate that any material refunds or reductions of investor capital contributions will be required in connection with these arrangements.

On June 29, 2009, we entered into a forward financing commitment to borrow up to \$256.5 million under two separate loans which are secured by mortgages on the Post Office project, the garage project and by the leases of space at these facilities upon the completion of these projects. In order for funding to occur we need to meet certain conditions which primarily relate to the completion of the projects and the commencement of the rental payments from the respective leases on these properties. The expected funding date is scheduled on or about September 1, 2010 which is also the anticipated completion date of the projects. In the event the said conditions were not met, we have the right to extend the funding date by paying an extension fee amounting to \$1.8 million for each 30 day extension within the allowed two year extension period. In addition, we can also voluntarily elect to terminate the loans during the forward period, including the extension period, by paying a termination fee. We are also subject to the termination fee if the conditions were not met on the final advance date. The termination fee is calculated as the greater of 0.5% of the total available principal to be funded or the present value of the scheduled interest and principal payments (based on the principal amount to be funded and the then 20-year treasury rate plus 50 basis points) from the funding date through the loans maturity date and the amount to be funded. In addition, deferred financing costs related to these loans will be accelerated if we chose to terminate the forward financing commitment.

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 June 30, 2010, our consolidated debt consisted of \$443.2 million in fixed rate mortgages, \$60.0 million of variable rate mortgages, \$183.0 million in an unsecured term loan, \$160.0 million of borrowings under our Credit Facility, and \$1,568.4 million in unsecured notes of which \$52.8 million are fixed rate borrowings and \$1,515.5 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.

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As of June 30, 2010, based on prevailing interest rates and credit spreads, the fair value of our unsecured notes was \$1.5 billion. For sensitivity purposes, a 100 basis point change in the discount rate equates to a change in the total fair value of our debt, including the Notes, of approximately \$14.9 million at June 30, 2010.

We use derivative instruments to manage interest rate risk exposures and not for speculative purposes. As of June 30, 2010, we effectively hedged debt with a notional amount of \$228.5 million through four interest rate swap agreements. These instruments have an aggregate fair value of \$3.2 million at June 30, 2010.

The total carrying value of our variable rate debt was approximately \$421.6 million and \$353.6 million at June 30, 2010 and December 31, 2009, respectively. The total fair value of our debt, excluding the Notes, was approximately \$406.6 million and \$341.2 million at June 30, 2010 and December 31, 2009, respectively. For sensitivity purposes, a 100 basis point change in the discount rate equates to a change in the total fair value of our debt, excluding the Notes of approximately \$1.9 million at June 30, 2010, and a 100 basis point change in the discount rate equates to a change in the total fair value of our debt of approximately \$1.5 million at December 31, 2009.

If market rates of interest increase by 1%, the fair value of our outstanding fixed-rate mortgage debt would decrease by approximately \$13.9 million. If market rates of interest decrease by 1%, the fair value of our outstanding fixed-rate mortgage debt would increase by approximately \$13.3 million.

At June 30, 2010, our outstanding variable rate debt based on LIBOR totaled approximately \$421.6 million. At June 30, 2010, the interest rate on our variable rate debt was approximately 1.19%. If market interest rates on our variable rate debt change by 100 basis points, total interest expense would change by approximately \$0.5 million for the quarter ended June 30, 2010.

These amounts were determined solely by considering the impact of hypothetical interest rates on our financial instruments. Due to the uncertainty of specific actions we may undertake to minimize possible effects of market interest rate increases, this analysis assumes no changes in our financial structure.

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.

See Interest Rate Risk and Sensitivity Analysis in Item 2 above.

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 and have concluded that the Company's disclosure controls and procedures are effective.
- (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.

Table of Contents**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, 2009.

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

The following table summarizes the share repurchases during the three-month period ended June 30, 2010:

	Total Number of Shares Purchased	Average Price Paid Per Share	Shares Purchased as Part of Publicly Announced Plans or Programs	Number of Shares that May Yet Be Purchased Under the Plans or Programs (a)
2010:				
April				539,200
May				539,200
June				539,200
Total				

- (a) Relates to the remaining share repurchase availability under our Board approved share repurchase program. There is no expiration date on the share repurchase program. The Board initially authorized this program in 1998 and has periodically replenished capacity under the program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Reserved

None.

Item 5. Other Information

None.

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Item 6. Exhibits

(a) Exhibits

- 3.1 Bylaws of Brandywine Realty Trust, as amended and restated, (June 2, 2010) (incorporated by reference to Brandywine Realty Trust's Current Report on Form 8-K filed on June 4, 2010)
- 10.1 Amended and Restated 1997 Long-Term Incentive Plan (incorporated by reference to Brandywine Realty Trust's Registration Statement on Form S-8 filed on June 2, 2010) **
- 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

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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: August 5, 2010

By: /s/ Gerard H. Sweeney

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

Date: August 5, 2010

By: /s/ Howard M. Sipzner

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

Date: August 5, 2010

By: /s/ Gabriel J. Mainardi

**Gabriel J. Mainardi, Vice President and
Chief Accounting Officer
(Principal Accounting Officer)**

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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: August 5, 2010

By: /s/ Gerard H. Sweeney

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

Date: August 5, 2010

By: /s/ Howard M. Sipzner

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

Date: August 5, 2010

By: /s/ Gabriel J. Mainardi

**Gabriel J. Mainardi, Vice President and
Chief Accounting Officer
(Principal Accounting Officer)**