BRANDYWINE REALTY TRUST
Form 10-Q
October 24, 2016

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 September 30, 2016

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)	23-2413352
DELAWARE (Brandywine Operating Partnership L.P.)	23-2862640
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

555 East Lancaster Avenue
Radnor, Pennsylvania 19087
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code (610) 325-5600

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

Brandywine Realty Trust Yes 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

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

Brandywine Realty Trust:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Brandywine Operating Partnership, L.P.:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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 No
Brandywine Operating Partnership, L.P. Yes No

A total of 175,140,760 Common Shares of Beneficial Interest, par value $0.01 per share of Brandywine Realty Trust, were outstanding as of October 21, 2016.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended September 30, 2016 of Brandywine Realty Trust (the "Parent Company") and Brandywine Operating Partnership L.P. (the "Operating Partnership"). The Parent Company is a Maryland real estate investment trust, or REIT, that owns its assets and conducts its operations through the Operating Partnership, a Delaware limited partnership, and subsidiaries of the Operating Partnership. The Parent Company, the Operating Partnership and their consolidated subsidiaries are collectively referred to in this report as the "Company". In addition, as used in this report, terms such as "we", "us", and "our" may refer to the Company, the Parent Company, or the Operating Partnership.

The Parent Company is the sole general partner of the Operating Partnership and, as of September 30, 2016, owned a 99.1% interest in the Operating Partnership. The remaining 0.9% interest consists of common units of limited partnership interest issued by the Operating Partnership to third parties in exchange for contributions of properties to the Operating Partnership. As the sole general partner of the Operating Partnership, the Parent Company has full and complete authority over the Operating Partnership's day-to-day operations and management.

Management operates the Parent Company and the Operating Partnership as one enterprise. The management of the Parent Company consists of the same members as the management of the Operating Partnership.

As general partner with control of the Operating Partnership, the Parent Company consolidates the Operating Partnership for financial reporting purposes, and the Parent Company does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities of the Parent Company and the Operating Partnership are the same on their respective financial statements. The separate discussions of the Parent Company and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company's operations on a consolidated basis and how management operates the Company.

The Company believes that combining the quarterly reports on Form 10-Q of the Parent Company and the Operating Partnership into a single report will result in the following benefits:

- facilitate a better understanding by the investors of the Parent Company and the Operating Partnership by enabling them to view the business as a whole in the same manner as management views and operates the business;
- remove duplicative disclosures and provide a more straightforward presentation in light of the fact that a substantial portion of the disclosure applies to both the Parent Company and the Operating Partnership; and
- create time and cost efficiencies through the preparation of one combined report instead of two separate reports.

There are few differences between the Parent Company and the Operating Partnership, which are reflected in the footnote disclosures in this report. The Company believes it is important to understand the differences between the Parent Company and the Operating Partnership in the context of how these entities operate as an interrelated consolidated company. The Parent Company is a REIT, whose only material asset is its ownership of partnership interests of the Operating Partnership. As a result, the Parent Company does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing equity from time to time and guaranteeing the debt obligations of the Operating Partnership. The Operating Partnership holds substantially all the assets of the Company and directly or indirectly holds the ownership interests in the Company's Real Estate Ventures. The Operating Partnership conducts the operations of the Company's business and is structured as a partnership with no publicly traded equity. Except for net proceeds from equity issuances by the Parent Company, which are contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required by the Company's business through the Operating Partnership's operations, by the Operating Partnership's incurrence of indebtedness (directly and through subsidiaries) and through the issuance of partnership units of the Operating Partnership or equity interests in subsidiaries of the Operating Partnership.

The equity and non-controlling interests in the Parent Company and the Operating Partnership's equity are the main areas of difference between the consolidated financial statements of the Parent Company and the Operating

Partnership. The common units of limited partnership interest in the Operating Partnership are accounted for as partners' equity in the Operating Partnership's financial statements while the common units of limited partnership interests held by parties other than the Parent Company are presented as non-controlling interests in the Parent Company's financial statements. The differences between the Parent Company and the Operating Partnership's equity relate to the differences in the equity issued at the Parent Company and Operating Partnership levels.

To help investors understand the significant differences between the Parent Company and the Operating Partnership, this report presents the following as separate notes or sections for each of the Parent Company and the Operating Partnership:

- Consolidated Financial Statements; and
- Notes to the Parent Company's and Operating Partnership's Equity.

This report also includes separate Item 4. (Controls and Procedures) disclosures and separate Exhibit 31 and 32 certifications for each of the Parent Company and the Operating Partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that the Parent Company and Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350.

In order to highlight the differences between the Parent Company and the Operating Partnership, the separate sections in this report for the Parent Company and the Operating Partnership specifically refer to the Parent Company and the Operating Partnership. In the sections that combine disclosures of the Parent Company and the Operating Partnership, this report refers to such disclosures as those of the Company. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and real estate ventures and holds assets and incurs debt, reference to the Company is appropriate because the business is one enterprise and the Parent Company operates the business through the Operating Partnership.

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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.

PART I - FINANCIAL INFORMATION

Item 1. — Financial Statements

BRANDYWINE REALTY TRUST

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share information)

ASSETS	September 30, 2016 (unaudited)	December 31, 2015
Real estate investments:		
Operating properties	$ 3,686,339	$ 3,693,000
Accumulated depreciation	(869,836)	(867,035)
Operating real estate investments, net	2,816,503	2,825,965
Construction-in-progress	249,183	268,983
Land held for development	155,297	130,479
Total real estate investments, net	3,220,983	3,225,427
Assets held for sale, net	12,604	584,365
Cash and cash equivalents	219,059	56,694
Accounts receivable, net of allowance of $2,304 and $1,736 in 2016 and 2015, respectively	9,925	17,126
Accrued rent receivable, net of allowance of $13,009 and $14,442 in 2016 and 2015, respectively	145,816	145,092
Investment in Real Estate Ventures, equity method	282,162	241,004
Deferred costs, net of accumulated amortization of $58,769 and $67,899, respectively	92,054	101,419
Intangible assets, net	81,207	111,623
Other assets	79,108	71,761
Total assets	$ 4,142,918	$ 4,554,511
LIABILITIES AND BENEFICIARIES' EQUITY		
Mortgage notes payable, net	$ 322,623	$ 545,753
Unsecured term loans, net	248,016	247,800
Unsecured senior notes, net	1,442,922	1,591,164
Accounts payable and accrued expenses	106,546	99,856
Distributions payable	30,036	28,249
Deferred income, gains and rent	30,022	30,413
Acquired lease intangibles, net	19,731	25,655
Liabilities related to assets held for sale	49	2,151
Other liabilities	31,399	31,379
Total liabilities	$ 2,231,344	$ 2,602,420
Commitments and contingencies (See Note 13)		
Brandywine Realty Trust's Equity:		
Preferred Shares (shares authorized-20,000,000)		
6.90% Series E Preferred Shares, $0.01 par value; issued and outstanding- 4,000,000 in 2016 and 2015	40	40
Common Shares of Brandywine Realty Trust's beneficial interest, $0.01 par value; shares authorized 400,000,000; 175,140,760 and 174,688,568 issued and outstanding	1,752	1,747

in 2016 and 2015, respectively		
Additional paid-in-capital	3,258,049	3,252,622
Deferred compensation payable in common shares	13,684	11,918
Common shares in grantor trust, 899,457 in 2016, 745,686 in 2015	(13,684)	(11,918)
Cumulative earnings	551,572	499,086
Accumulated other comprehensive loss	(15,052)	(5,192)
Cumulative distributions	(1,902,076)	(1,814,378)
Total Brandywine Realty Trust's equity	1,894,285	1,933,925
Non-controlling interests	17,289	18,166
Total beneficiaries' equity	$ 1,911,574	$ 1,952,091
Total liabilities and beneficiaries' equity	$ 4,142,918	$ 4,554,511

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

BRANDYWINE REALTY TRUST

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2016	2015	2016	2015
Revenue				
Rents	$104,537	$124,263	$318,324	$363,800
Tenant reimbursements	17,324	21,553	53,315	64,006
Termination fees	611	1,097	1,459	2,561
Third party management fees, labor reimbursement and leasing	6,248	4,274	17,691	12,805
Other	974	1,398	2,588	5,467
Total revenue	129,694	152,585	393,377	448,639
Operating expenses				
Property operating expenses	37,250	43,894	114,208	133,175
Real estate taxes	11,566	13,119	34,933	37,632
Third party management expenses	2,501	1,605	7,172	4,858
Depreciation and amortization	46,956	58,314	142,736	160,355
General and administrative expenses	5,515	6,127	20,711	21,554
Provision for impairment	-	-	13,069	2,508
Total operating expenses	103,788	123,059	332,829	360,082
Operating income	25,906	29,526	60,548	88,557
Other income (expense)				
Interest income	291	126	970	1,189
Tax credit transaction income	-	11,853	-	11,853
Interest expense	(20,814)	(27,900)	(64,334)	(83,971)
Interest expense - amortization of deferred financing costs	(645)	(1,010)	(2,063)	(3,377)
Interest expense - financing obligation	(156)	(296)	(679)	(906)
Equity in loss of Real Estate Ventures	(7,254)	(1,093)	(9,323)	(1,835)
Net gain (loss) on disposition of real estate	(104)	6,083	114,625	16,673
Net gain on sale of undepreciated real estate	188	3,019	188	3,019
Net gain from remeasurement of investments in Real Estate Ventures	-	-	-	758
Net gain on Real Estate Venture transactions	10,472	-	19,529	-
Loss on early extinguishment of debt	-	-	(66,590)	-
Net income	7,884	20,308	52,871	31,960
Net income attributable to non-controlling interests	(58)	(161)	(425)	(221)
Net income attributable to Brandywine Realty Trust	7,826	20,147	52,446	31,739
Distribution to preferred shareholders	(1,725)	(1,725)	(5,175)	(5,175)
Nonforfeitable dividends allocated to unvested restricted shareholders	(79)	(76)	(263)	(253)
Net income attributable to Common Shareholders of Brandywine Realty Trust	$6,022	$18,346	$47,008	$26,311

Basic income per Common Share:				
Continuing operations	$0.03	$0.10	$0.27	$0.15
Diluted income per Common Share:				
Continuing operations	$0.03	$0.10	$0.27	$0.15
Basic weighted average shares outstanding	175,127,110	178,188,037	174,976,998	179,198,714
Diluted weighted average shares outstanding	176,364,615	178,776,684	176,009,822	179,988,492
Distributions declared per Common Share	$0.16	$0.15	$0.47	$0.45

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

BRANDYWINE REALTY TRUST

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2016	2015	2016	2015
Net income	$7,884	$20,308	$52,871	$31,960
Comprehensive income:				
Unrealized gain (loss) on derivative financial instruments	2,454	(2,922)	(10,764)	(4,091)
Reclassification of realized losses on derivative financial instruments to operations, net (1)	286	58	818	174
Total comprehensive income (loss)	2,740	(2,864)	(9,946)	(3,917)
Comprehensive income	10,624	17,444	42,925	28,043
Comprehensive income attributable to non-controlling interest	(81)	(136)	(339)	(187)
Comprehensive income attributable to Brandywine Realty Trust	$10,543	$17,308	$42,586	$27,856

(1) Amounts reclassified from comprehensive income to interest expense within the Consolidated Statements of Operations.

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

BRANDYWINE REALTY TRUST

CONSOLIDATED STATEMENTS OF BENEFICIARIES' EQUITY

For the nine-month period ended September 30, 2016

(unaudited, in thousands, except number of shares)

	Number of Preferred Shares	Par Value of Preferred Shares	Number of Common Shares	Number of Rabbi Trust/Deferred Compensation Shares	Common Shares of Brandywine Realty Trust's beneficial interest	Additional Paid-in Capital	Deferred Compensation Payable in Common Shares	Common Shares in Grantor Trust	Cumulative Earnings	Accumulated Other Comprehensive Loss	Cumulative Distributions	Non-Co Interest
	4,000,000	$40	174,688,568	745,686	$1,747	$3,252,622	$11,918	$(11,918)	$499,086	$(5,192)	$(1,814,378)	$18,16
									52,446			425
										(9,860)		(86
												73
s			55,303		1	874						(875
			405,200		4	4,890			40			
			(8,311)	153,771		(47)	1,766	(1,766)				
g						(290)						290
											(5,175)	
											(82,523)	(704

4,000,000	$40	175,140,760	899,457	$1,752	$3,258,049	$13,684	$(13,684)	$551,572	$(15,052)	$(1,902,076)	$17,28

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

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BRANDYWINE REALTY TRUST

CONSOLIDATED STATEMENT OF BENEFICIARIES' EQUITY

For the nine-month period ended September 30, 2015

(unaudited, in thousands, except number of shares)

	Number of Preferred Shares	Par Value of Preferred Shares	Number of Common Shares	Number of Rabbi Trust/Deferred Compensation Shares	Common Shares of Brandywine Realty Trust's beneficial interest	Additional Paid-in Capital	Deferred Compensation Payable in Common Shares	Common Shares in Grantor Trust	Cumulative Earnings	Accumulated Other Comprehensive Loss	Cumulative Distributions	Non-Co Interests
	4,000,000	$40	179,293,160	384,536	$1,793	$3,314,693	$6,219	$(6,219)	$529,487	$(4,607)	$(1,700,579)	$18,499
									31,739			221
										(3,883)		(34
d es			(4,701,302)		(47)	(60,770)						
												1,025
			8,447			125						
e						(100)						
			509,675	280,011	6	4,036			1			
			86,723	81,139		(2)	5,699	(5,699)				
g						93						(93

										(5,175)	
										(80,620)	(691
4,000,000	$40	175,196,703	745,686	$1,752	$3,258,075	$11,918	$(11,918)	$561,227	$(8,490)	$(1,786,374)	$18,927

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

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BRANDYWINE REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

	Nine-month periods ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income	$52,871	$31,960
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	142,736	160,355
Amortization of deferred financing costs	2,063	3,377
Amortization of debt discount/(premium), net	1,108	(507)
Amortization of stock compensation costs	3,612	4,312
Shares used for employee taxes upon vesting of share awards	(879)	(2,056)
Straight-line rent income	(22,049)	(17,579)
Amortization of acquired above (below) market leases, net	(5,090)	(5,473)
Straight-line ground rent expense	66	66
Provision for doubtful accounts	573	1,276
Net gain on real estate venture transactions	(19,529)	-
Net gain on sale of interests in real estate	(114,813)	(19,692)
Net gain from remeasurement of investment in real estate ventures	-	(758)
Loss on early extinguishment of debt - deferred financing costs	13,157	-
Provision for impairment	13,069	2,508
Tax credit transaction income	-	(11,853)
Real Estate Venture loss in excess of distributions	9,945	2,579
Deferred financing obligation	(681)	(906)
Changes in assets and liabilities:		
Accounts receivable	4,041	(1,008)
Other assets	(10,332)	(9,511)
Accounts payable and accrued expenses	7,163	13,819
Deferred income, gains and rent	(2,000)	(3,491)
Other liabilities	318	(2,458)
Net cash provided by operating activities	75,349	144,960
Cash flows from investing activities:		
Acquisition of properties	(20,406)	(141,303)
Acquisition of property - 1031 exchange funds applied	-	(62,812)
Proceeds from the sale of properties	758,931	152,243
Sale of property - 1031 exchange funds held in escrow	-	62,800
Distribution of sale proceeds from a real estate venture	20,551	-
Issuance of mortgage note receivable	(3,365)	-
Proceeds from repayment of mortgage notes receivable	-	88,000
Capital expenditures for tenant improvements	(37,991)	(56,095)
Capital expenditures for redevelopments	(10,852)	(38,925)
Capital expenditures for developments	(147,831)	(122,380)

Advances for the purchase of tenant assets, net of repayments	275	290
Investment in unconsolidated Real Estate Ventures	(27,174)	(62,868)
Deposits for real estate	(746)	(451)
Escrowed cash	6,993	1,004
Cash distribution from unconsolidated Real Estate Ventures in excess of cumulative equity income	12,565	7,401
Leasing costs paid	(12,884)	(18,295)
Net cash provided by (used in) investing activities	538,066	(191,391)
Cash flows from financing activities:		
Proceeds from mortgage notes payable	86,900	-
Repayments of mortgage notes payable	(302,514)	(10,598)
Proceeds from credit facility borrowings	195,000	-
Repayments of credit facility borrowings	(195,000)	-
Repayments of unsecured notes	(149,919)	-
Debt financing costs paid	(477)	(3,229)
Proceeds from the exercise of stock options	1,286	127
Partner contributions to consolidated real estate venture	73	1,025
Repurchase and retirement of common shares	-	(60,817)
Distributions paid to shareholders	(85,702)	(86,255)
Distributions to non-controlling interest	(697)	(692)
Net cash used in financing activities	(451,050)	(160,439)
Increase in cash and cash equivalents	162,365	(206,870)
Cash and cash equivalents at beginning of year	56,694	257,502
Cash and cash equivalents at end of period	$219,059	$50,632
Supplemental disclosure:		
Cash paid for interest, net of capitalized interest during the nine months ended September 30, 2016 and 2015 of $10,023 and $8,764, respectively	$64,046	$80,720
Supplemental disclosure of non-cash activity:		
Change in real estate investments related to non-cash property acquisition	-	(67,261)

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Change in investments in joint venture related to non-cash property acquisition	-	67,261
Dividends and distributions declared but not paid	30,036	28,318
Change in investment in real estate ventures as a result of dispositions	2,023	-
Change in investment in real estate ventures related to non-cash disposition of property	25,165	-
Change in other liabilities from contingent consideration related to a business combination	-	1,585
Change in operating real estate from contingent consideration related to a business combination	-	(1,585)
Change in other liabilities from a deferred payment related to an asset acquisition	-	2,000
Change in operating real estate from a deferred payment related to an asset acquisition	-	(2,000)
Change in operating real estate from deconsolidation of 3141 Fairview Park Drive (a)	44,313	-
Change in investment in real estate ventures from deconsolidation of 3141 Fairview Park Drive (a)	(12,642)	-
Change in mortgage notes payable from deconsolidation of 3141 Fairview Park Drive (a)	(20,582)	-
Change in other liabilities from deconsolidation of 3141 Fairview Park Drive (a)	(12,384)	-
Change in capital expenditures financed through accounts payable at period end	(5,012)	(2,472)
Change in capital expenditures financed through retention payable at period end	2,487	6,873

(a) See Note 4, "Investments in Unconsolidated Ventures," for further information.

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.

CONSOLIDATED BALANCE SHEETS

(in thousands, except unit and per unit information)

ASSETS	September 30, 2016 (unaudited)	December 31, 2015
Real estate investments:		
Operating properties	$ 3,686,339	$ 3,693,000
Accumulated depreciation	(869,836)	(867,035)
Operating real estate investments, net	2,816,503	2,825,965
Construction-in-progress	249,183	268,983
Land held for development	155,297	130,479
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Assets held for sale, net	12,604	584,365
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Accrued rent receivable, net of allowance of $13,009 and $14,442 in 2016 and 2015, respectively	145,816	145,092
Investment in Real Estate Ventures, equity method	282,162	241,004
Deferred costs, net of accumulated amortization of $58,769 and $67,899, respectively	92,054	101,419
Intangible assets, net	81,207	111,623
Other assets	79,108	71,761
Total assets	$ 4,142,918	$ 4,554,511
LIABILITIES AND PARTNERS' EQUITY		
Mortgage notes payable, net	$ 322,623	$ 545,753
Unsecured term loans, net	248,016	247,800
Unsecured senior notes, net	1,442,922	1,591,164
Accounts payable and accrued expenses	106,546	99,856
Distributions payable	30,036	28,249
Deferred income, gains and rent	30,022	30,413
Acquired lease intangibles, net	19,731	25,655
Liabilities related to assets held for sale	49	2,151
Other liabilities	31,399	31,379
Total liabilities	$ 2,231,344	$ 2,602,420
Commitments and contingencies (See Note 13)		
Redeemable limited partnership units at redemption value; 1,479,799 and 1,535,102 issued and outstanding in 2016 and 2015, respectively	23,351	22,114
Brandywine Operating Partnership, L.P.'s equity:		
6.90% Series E-Linked Preferred Mirror Units; issued and outstanding- 4,000,000 in 2016 and 2015	96,850	96,850
General Partnership Capital 175,140,760 and 174,688,568 units issued and outstanding in 2016 and 2015, respectively	1,804,799	1,836,692
Accumulated other comprehensive loss	(15,543)	(5,597)
Total Brandywine Operating Partnership, L.P.'s equity	1,886,106	1,927,945
Non-controlling interest - consolidated real estate ventures	2,117	2,032

Total partners' equity	$ 1,888,223	$ 1,929,977
Total liabilities and partners' equity	$ 4,142,918	$ 4,554,511

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2016	2015	2016	2015
Revenue				
Rents	$104,537	$124,263	$318,324	$363,800
Tenant reimbursements	17,324	21,553	53,315	64,006
Termination fees	611	1,097	1,459	2,561
Third party management fees, labor reimbursement and leasing	6,248	4,274	17,691	12,805
Other	974	1,398	2,588	5,467
Total revenue	129,694	152,585	393,377	448,639
Operating expenses				
Property operating expenses	37,250	43,894	114,208	133,175
Real estate taxes	11,566	13,119	34,933	37,632
Third party management expenses	2,501	1,605	7,172	4,858
Depreciation and amortization	46,956	58,314	142,736	160,355
General and administrative expenses	5,515	6,127	20,711	21,554
Provision for impairment	-	-	13,069	2,508
Total operating expenses	103,788	123,059	332,829	360,082
Operating income	25,906	29,526	60,548	88,557
Other income (expense)				
Interest income	291	126	970	1,189
Tax credit transaction income	-	11,853	-	11,853
Interest expense	(20,814)	(27,900)	(64,334)	(83,971)
Interest expense - amortization of deferred financing costs	(645)	(1,010)	(2,063)	(3,377)
Interest expense - financing obligation	(156)	(296)	(679)	(906)
Equity in loss of Real Estate Ventures	(7,254)	(1,093)	(9,323)	(1,835)
Net gain (loss) on disposition of real estate	(104)	6,083	114,625	16,673
Net gain on sale of undepreciated real estate	188	3,019	188	3,019
Net gain from remeasurement of investments in Real Estate Ventures	-	-	-	758
Net gain on Real Estate Venture transactions	10,472	-	19,529	-
Loss on early extinguishment of debt	-	-	(66,590)	-
Net income	7,884	20,308	52,871	31,960
Net (income) loss from continuing operations attributable to non-controlling interests - consolidated real estate ventures	(6)	(1)	(12)	4
Net income attributable to Brandywine Operating Partnership	7,878	20,307	52,859	31,964
Distribution to preferred unitholders	(1,725)	(1,725)	(5,175)	(5,175)
Amounts allocated to unvested restricted unitholders	(79)	(76)	(263)	(253)
	$6,074	$18,506	$47,421	$26,536

Net income attributable to Common Partnership Unitholders of Brandywine Operating Partnership, L.P.				
Basic income per Common Partnership Unit:				
Continuing operations	$0.03	$0.10	$0.27	$0.15
Diluted income per Common Partnership Unit:				
Continuing operations	$0.03	$0.10	$0.27	$0.15
Basic weighted average common partnership units outstanding	176,606,909	179,723,139	176,491,311	180,733,816
Diluted weighted average common partnership units outstanding	177,844,414	180,311,786	177,524,135	181,523,594
Distributions declared per Common Partnership Unit	$0.16	$0.15	$0.47	$0.45

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2016	2015	2016	2015
Net income	$7,884	$20,308	$52,871	$31,960
Comprehensive income:				
Unrealized gain (loss) on derivative financial instruments	2,454	(2,922)	(10,764)	(4,091)
Reclassification of realized losses on derivative financial instruments to operations, net (1)	286	58	818	174
Total comprehensive income (loss)	2,740	(2,864)	(9,946)	(3,917)
Comprehensive income	10,624	17,444	42,925	28,043
Comprehensive income attributable to non-controlling interest - consolidated real estate ventures	(6)	-	(12)	-
Comprehensive income attributable to Brandywine Operating Partnership, L.P.	$10,618	$17,444	$42,913	$28,043

(1) Amounts reclassified from comprehensive income to interest expense within the Consolidated Statements of Operations.

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

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BRANDYWINE OPERATING PARTNERSHIP, L.P.

CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY

For the nine-month period ended September 30, 2016

(unaudited, in thousands, except number of shares)

	Series E-Linked Preferred Mirror Units		General Partner Capital				
	Units	Amount	Units	Amount	Accumulated Other Comprehensive Loss	Non-controlling Interest - Consolidated Real Estate Ventures	Total Partners' Equity
BALANCE, December 31, 2015	4,000,000	$96,850	174,688,568	$1,836,692	$ (5,597)	$ 2,032	$1,929,977
Net income				52,859		12	52,871
Other comprehensive loss					(9,946)		(9,946)
Deferred compensation obligation			(8,311)	(47)			(47)
Issuance of partnership interest in consolidated real estate venture						73	73
Conversion of LP Units to Common shares			55,303	875			875
Share-based compensation activity			405,200	4,929			4,929
Adjustment of redeemable partnership units to liquidation value at period end				(1,935)			(1,935)
Redemption value of limited partnership units				(875)			(875)
Distributions to Preferred Mirror Units				(5,175)			(5,175)
Distributions to general partnership unitholders ($0.47 per unit)				(82,524)			(82,524)
BALANCE, September 30, 2016	4,000,000	$96,850	175,140,760	$1,804,799	$ (15,543)	$ 2,117	$1,888,223

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

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BRANDYWINE OPERATING PARTNERSHIP, L.P.

CONSOLIDATED STATEMENT OF PARTNERS' EQUITY

For the nine-month period ended September 30, 2015

(unaudited, in thousands, except number of shares)

	Series E-Linked Preferred Mirror Units		General Partner Capital				
	Units	Amount	Units	Amount	Accumulated Other Comprehensive Loss	Non-controlling Interest - Consolidated Real Estate Ventures	Total Partners' Equity
BALANCE, December 31, 2014	4,000,000	$96,850	179,293,160	$2,041,902	$ (5,007)	$ 1,010	$2,134,755
Net income				31,964		(4)	31,960
Other comprehensive loss					(3,917)		(3,917)
Deferred compensation obligation			86,723	(2)			(2)
Repurchase and retirement of LP Units			(4,701,302)	(60,817)			(60,817)
Issuance of partnership interest in consolidated real estate venture						1,025	1,025
Bonus share issuance			8,447	125			125
Equity issuance costs				(100)			(100)
Share-based compensation activity			509,675	4,042			4,042
Adjustment of redeemable partnership units to liquidation value at period end				1,634			1,634
Distributions to Preferred Mirror Units				(5,175)			(5,175)
Distributions to general partnership unitholders ($0.45 per unit)				(80,620)			(80,620)
BALANCE, September 30, 2015	4,000,000	$96,850	175,196,703	$1,932,953	$ (8,924)	$ 2,031	$2,022,910

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)

	Nine-month periods ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income	$52,871	$31,960
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	142,736	160,355
Amortization of deferred financing costs	2,063	3,377
Amortization of debt discount/(premium), net	1,108	(507)
Amortization of stock compensation costs	3,612	4,312
Shares used for employee taxes upon vesting of share awards	(879)	(2,056)
Straight-line rent income	(22,049)	(17,579)
Amortization of acquired above (below) market leases, net	(5,090)	(5,473)
Straight-line ground rent expense	66	66
Provision for doubtful accounts	573	1,276
Net gain on real estate venture transactions	(19,529)	-
Net gain on sale of interests in real estate	(114,813)	(19,692)
Net gain from remeasurement of investment in real estate ventures	-	(758)
Loss on early extinguishment of debt - deferred financing costs	13,157	-
Provision for impairment	13,069	2,508
Tax credit transaction income	-	(11,853)
Real Estate Venture loss in excess of distributions	9,945	2,579
Deferred financing obligation	(681)	(906)
Changes in assets and liabilities:		
Accounts receivable	4,041	(1,008)
Other assets	(10,332)	(9,511)
Accounts payable and accrued expenses	7,163	13,819
Deferred income, gains and rent	(2,000)	(3,491)
Other liabilities	318	(2,458)
Net cash provided by operating activities	75,349	144,960
Cash flows from investing activities:		
Acquisition of properties	(20,406)	(141,303)
Acquisition of property - 1031 exchange funds applied	-	(62,812)
Proceeds from the sale of properties	758,931	152,243
Sale of property - 1031 exchange funds held in escrow	-	62,800
Distribution of sale proceeds from a real estate venture	20,551	-
Issuance of mortgage note receivable	(3,365)	-
Proceeds from repayment of mortgage notes receivable	-	88,000
Capital expenditures for tenant improvements	(37,991)	(56,095)
Capital expenditures for redevelopments	(10,852)	(38,925)
Capital expenditures for developments	(147,831)	(122,380)

Advances for the purchase of tenant assets, net of repayments	275	290
Investment in unconsolidated Real Estate Ventures	(27,174)	(62,868)
Deposits for real estate	(746)	(451)
Escrowed cash	6,993	1,004
Cash distribution from unconsolidated Real Estate Ventures in excess of cumulative equity income	12,565	7,401
Leasing costs paid	(12,884)	(18,295)
Net cash provided by (used in) investing activities	538,066	(191,391)
Cash flows from financing activities:		
Proceeds from mortgage notes payable	86,900	-
Repayments of mortgage notes payable	(302,514)	(10,598)
Proceeds from credit facility borrowings	195,000	-
Repayments of credit facility borrowings	(195,000)	-
Repayments of unsecured notes	(149,919)	-
Debt financing costs paid	(477)	(3,229)
Proceeds from the exercise of stock options	1,286	127
Partner contributions to consolidated real estate venture	73	1,025
Repurchase and retirement of common shares	-	(60,817)
Distributions paid to preferred and common partnership units	(86,399)	(86,947)
Net cash used in financing activities	(451,050)	(160,439)
Increase in cash and cash equivalents	162,365	(206,870)
Cash and cash equivalents at beginning of year	56,694	257,502
Cash and cash equivalents at end of period	$219,059	$50,632
Supplemental disclosure:		
Cash paid for interest, net of capitalized interest during the nine months ended September 30, 2016 and 2015 of $10,023 and $8,764, respectively	$64,046	$80,720
Supplemental disclosure of non-cash activity:		
Change in real estate investments related to non-cash property acquisition	-	(67,261)
Change in investments in joint venture related to non-cash property acquisition	-	67,261

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Dividends and distributions declared but not paid	30,036	28,318
Change in investment in real estate ventures as a result of dispositions	2,023	-
Change in investment in real estate ventures related to non-cash disposition of property	25,165	-
Change in other liabilities from contingent consideration related to a business combination	-	1,585
Change in operating real estate from contingent consideration related to a business combination	-	(1,585)
Change in other liabilities from a deferred payment related to an asset acquisition	-	2,000
Change in operating real estate from a deferred payment related to an asset acquisition	-	(2,000)
Change in operating real estate from deconsolidation of 3141 Fairview Park Drive (a)	44,313	-
Change in investment in real estate ventures from deconsolidation of 3141 Fairview Park Drive (a)	(12,642)	-
Change in mortgage notes payable from deconsolidation of 3141 Fairview Park Drive (a)	(20,582)	-
Change in other liabilities from deconsolidation of 3141 Fairview Park Drive (a)	(12,384)	-
Change in capital expenditures financed through accounts payable at period end	(5,012)	(2,472)
Change in capital expenditures financed through retention payable at period end	2,487	6,873

(a) See Note 4, "Investments in Unconsolidated Ventures," for further information.

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

BRANDYWINE REALTY TRUST AND BRANDYWINE OPERATING PARTNERSHIP, L.P.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016

1. ORGANIZATION OF THE PARENT COMPANY AND THE OPERATING PARTNERSHIP

The Parent Company is a self-administered and self-managed real estate investment trust ("REIT") that provides leasing, property management, development, redevelopment, acquisition and other tenant-related services for a portfolio of office, retail and mixed-use properties. The Parent Company owns its assets and conducts its operations through the Operating Partnership and subsidiaries of the Operating Partnership. The Parent Company is the sole general partner of the Operating Partnership and, as of September 30, 2016, owned a 99.1% interest in the Operating Partnership. The Parent Company's common shares of beneficial interest are publicly traded on the New York Stock Exchange under the ticker symbol "BDN".

As of September 30, 2016, the Company owned 117 properties that contain an aggregate of approximately 17.8 million net rentable square feet and consist of 99 office properties, seven mixed-use properties, one retail property (107 properties, collectively the "Core Properties"), four development properties, two redevelopment properties and four properties classified as held for sale (collectively, the "Properties"). In addition, as of September 30, 2016, the Company owned economic interests in 14 unconsolidated real estate ventures (collectively, the "Real Estate Ventures"), of which seven own properties that contain approximately 8.0 million net rentable square feet of office space; two own 4.3 acres of undeveloped parcels of land; two own 1.4 acres of land under active development; two own residential towers that contain 345 and 321 apartment units, respectively, and one owns an apartment complex that contains 398 units. As of September 30, 2016, the Company also owned 317 acres of undeveloped land and held options to purchase parcels containing approximately 60 additional acres of undeveloped land. As of September 30, 2016, the total potential development that these land parcels could support, including the parcels under option, under current zoning and entitlements, amounted to an estimated 12.3 million square feet. The Properties and the properties owned by the Real Estate Ventures are located in or near Philadelphia, Pennsylvania; Metropolitan Washington, D.C.; Southern New Jersey; Richmond, Virginia; Wilmington, Delaware; Austin, Texas and Oakland and Concord, California. In addition to managing properties that the Company owns, as of September 30, 2016, the Company was managing approximately 10.9 million net rentable square feet of office and industrial properties for third parties and Real Estate Ventures.

Prior to the MAP Venture formation on February 4, 2016 (See Note 4, "Investment in Unconsolidated Real Estate Ventures"), the Company's consolidated portfolio included 20 industrial properties. As of September 30, 2016, the Company held four remaining industrial properties in Core Properties, which the Company reclassified as mixed-use.

The Company conducts its third-party real estate management services business primarily through wholly-owned management company subsidiaries. As of September 30, 2016, the management company subsidiaries were managing properties containing an aggregate of approximately 28.7 million net rentable square feet, of which approximately 17.8 million net rentable square feet related to Properties owned by the Company and approximately 10.9 million net rentable square feet related to properties owned by third parties and Real Estate Ventures.

Unless otherwise indicated, all references in this Form 10-Q to square feet represent net rentable area.

2. BASIS OF PRESENTATION

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. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 September 30, 2016, the results of its operations for the three and nine-month periods ended September 30, 2016 and 2015 and its cash flows for the nine-month periods ended September 30, 2016 and 2015 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 Parent Company's and the Operating Partnership's consolidated financial statements and footnotes included in their combined 2015 Annual Report on Form 10-K filed with the SEC on February 29, 2016.

On January 1, 2016, the Company adopted accounting guidance under Accounting Standards Codification (ASC) Topic 810, "Consolidation," modifying the analysis it must perform to determine whether it should consolidate certain types of legal entities. The guidance does not amend the existing disclosure requirements for variable interest entities ("VIEs") or voting interest model entities. The guidance, however, modified the requirements to qualify under the voting interest model. Under the revised guidance, the Operating Partnership is a variable interest entity of the Parent Company. As the Operating Partnership is already consolidated in the balance sheets of the Parent Company, the identification of this entity as a variable interest entity has no impact on the consolidated financial statements of the Parent Company. There were no other legal entities qualifying under the scope of the revised guidance that were consolidated as a result of the adoption of this guidance. In addition, there were no other voting interest entities under prior existing guidance determined to be variable interest entities under the revised guidance.

The Company's Annual Report on Form 10-K for the year ended December 31, 2015 contains a discussion of our significant accounting policies under Note 2, "Summary of Significant Accounting Policies". There have been no significant changes in our significant accounting policies since December 31, 2015. Management discusses our significant accounting policies and management's judgments and estimates with the Company's Audit Committee.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued guidance intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The areas addressed in the new guidance related to debt prepayment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned and bank-owned life insurance policies, distributions received from equity method investments, beneficial interest in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, provided that all of the amendments are adopted in the same period. The guidance requires application using a retrospective transition method. The Company is in the process of determining the impact, if any, that the adoption will have on its consolidated financial statements.

In June 2016, the FASB issued guidance that changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance replaces the current incurred loss model with an expected loss approach, resulting in a more timely recognition of such losses. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted after December 2018. The Company is in the process of evaluating the impact of this new guidance and has not yet determined the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

In May 2016, the FASB issued guidance amending the revenue from contracts with customers standard issued in May 2014 (and not yet effective). The amendments are intended to address implementation issues that were raised by stakeholders and discussed by the Joint Transition Resource Group, and provide additional practical expedients on collectability, noncash consideration, presentation of sales tax and contract modifications and completed contracts at transition. In accordance with the FASB election to defer the effective date of the revenue recognition standard by one year, reporting entities may choose to adopt the standard as of its original effective date or for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Calendar year-end reporting entities are therefore required to apply the new revenue guidance beginning in their 2018 interim and annual financial statements. The Company is in the process of evaluating the impact of this new guidance and has not yet determined the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

In March 2016, the FASB issued guidance intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. The new guidance allows for entities to make an

entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. In addition, the guidance allows employers to withhold shares to satisfy minimum statutory tax withholding requirements up to the employees' maximum individual tax rate without causing the award to be classified as a liability. The guidance also stipulates that cash paid by an employer to a taxing authority when directly withholding shares for tax-withholding purposes should be classified as a financing activity on the statement of cash flows. This guidance is effective for annual reporting periods beginning after December 15, 2016, and interim periods within that reporting period. Early adoption is permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. The Company is in the process of evaluating the impact of this new guidance and has not yet determined the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

Also in March 2016, the FASB issued guidance clarifying that a novation of party to a derivative instrument, whereby one of the parties to a derivative instrument is replaced with another party, does not, in and of itself, require de-designation of that hedging relationship provided that all other hedge criteria continue to be met. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. An entity has an option to apply the amendments either on a prospective basis or on a modified retrospective basis. The Company is in the process of evaluating the impact of this new

guidance and has not yet determined the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

In February 2016, the FASB issued guidance modifying the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for in the same manner as operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The guidance supersedes previously issued guidance under ASC Topic 840 “Leases.” The guidance is effective on January 1, 2019, with early adoption permitted. The Company is in the process of evaluating the impact of this new guidance and has not yet determined the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

In August 2014, the FASB issued guidance regarding an Entity’s Ability to Continue as a Going Concern, which requires management to assess a company’s ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. Before this new standard, there was minimal guidance in U.S. GAAP specific to going concern. Under the new standard, disclosures are required when conditions give rise to substantial doubt about a company’s ability to continue as a going concern within one year from the financial statement issuance date. The guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, with early adoption permitted. The Company has not yet determined the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

In May 2014, the FASB issued the revenue from contracts with customers standard requiring revenue to be recognized in an amount that reflects the consideration expected to be received in exchange for goods and services. The standard requires the disclosure of sufficient quantitative and qualitative information for financial statement users to understand the nature, amount, timing and uncertainty of revenue and associated cash flows arising from contracts with customers. On July 9, 2015, the FASB elected to defer the effective date of this revenue recognition standard by one year. Reporting entities may choose to adopt the standard as of the original effective date or for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Calendar year-end reporting entities are therefore required to apply the new revenue guidance beginning in their 2018 interim and annual financial statements. The Company is in the process of evaluating the impact of this new standard and has not yet determined the impact, if any, that the adoption of this standard will have on its consolidated financial statements.

3. REAL ESTATE INVESTMENTS

As of September 30, 2016 and December 31, 2015, the gross carrying value of the Properties were as follows (in thousands):

	September 30, 2016	December 31, 2015
Land	$ 488,580	$ 513,268
Building and improvements	2,561,976	2,719,780
Tenant improvements	635,783	459,952

Operating properties	3,686,339	3,693,000
Assets held for sale - real estate investments	16,916	794,588
Total	$ 3,703,255	$ 4,487,588

Acquisitions

On July 1, 2016, the Company closed on the acquisition of 34.6 acres of land located in Austin, Texas known as the Garza Ranch for a gross purchase price of $20.6 million. The Company accounted for this transaction as an asset acquisition and capitalized approximately $1.9 million of acquisition related costs and closing costs as part of land held for development on its consolidated balance sheet. The acquisition was funded with $20.4 million of available corporate funds, net of prorations and other adjustments. The Company is currently under agreement to sell 9.5 acres (of the 34.6 acres) to two unaffiliated third parties. As of September 30, 2016, the land under agreement of sale did not meet the criteria to be classified as held for sale due to the Company's continuing involvement through a completion guaranty, which requires the Company, as developer, to complete infrastructure improvements on behalf of the buyers of the land parcels.

Dispositions

The Company sold the following office properties during the nine-month period ended September 30, 2016 (dollars in thousands):

Disposition Date	Property/Portfolio Name	Location	Number of Properties	Rentable Square Feet	Sales Price	Net Proceeds on Sale	Gain (Loss) on Sale (a)
September 1, 2016	1120 Executive Plaza	Mt. Laurel, NJ	1	95,183	$9,500	$9,241	$(18) (b)
August 2, 2016	50 East Clementon Road	Gibbsboro, NJ	1	3,080	1,100	1,011	(85)
May 11, 2016	196/198 Van Buren Street (Herndon Metro Plaza I&II)	Herndon, VA	2	197,225	44,500	43,412	(752) (c)
February 5, 2016	2970 Market Street (Cira Square)	Philadelphia, PA	1	862,692	354,000	350,150	115,828
February 4, 2016	Och-Ziff Portfolio	Various (d)	58	3,924,783	398,100	353,971	(372) (e)
Total Dispositions			63	5,082,963	$807,200	$757,785	$114,601

(a) Gain/(Loss) on Sale is net of closing and other transaction related costs.

(b) As of June 30, 2016, the Company determined that the sale of the property was probable and classified this property as held for sale in accordance with applicable accounting standards for long lived assets. At such date, the carrying value of the property exceeded the fair value less the anticipated costs of sale. As a result, the Company recognized a provision for impairment totaling approximately $1.8 million during the three-month period ended June 30, 2016. The fair value measurement was based on the pricing in the purchase and sale agreement. As the pricing in the purchase and sale agreement is unobservable, the Company determined that the inputs utilized to determine fair value for this property falls within Level 3 in accordance with the fair value hierarchy established by Accounting Standards Codification (ASC) Topic 820, "Fair Value Measurements and Disclosures.” The loss on sale represents additional closing costs recognized at settlement.

(c) During the three-month period ended March 31, 2016, the Company recognized a provision for impairment totaling approximately $7.4 million on the properties. See “Held for Use Impairment” section below. The loss on sale primarily relates to additional closing costs recognized at settlement.

(d) Exhibit 99.2 to the Company’s Current Report on Form 8-K filed on February 10, 2016 contains a complete list of the 58 properties disposed of in the transactions with Och-Ziff Capital Management Group LLC. See Note 4, "Investment in Unconsolidated Real Estate Ventures," for further details of the transactions.

(e) During the three-month period ended December 31, 2015, the Company recognized a provision for impairment totaling approximately $45.4 million. The loss on sale represents additional closing costs recognized at settlement.

On August 19, 2016, the Company sold two acres of undeveloped land located in Mt. Laurel, New Jersey for a sales price of $0.3 million. The Company received proceeds of $0.3 million at closing and recognized a $0.2 million gain on the sale.

On January 15, 2016, the Company sold 120 acres of undeveloped land located in Berks County Pennsylvania for a sales price of $0.9 million. The land was classified as held for sale as of December 31, 2015. The carrying value of the land exceeded the fair value less the anticipated costs of sale as of December 31, 2015, therefore the Company

recognized an impairment loss of $0.3 million during the three-month period ended December 31, 2015. There was no gain or loss recognized on the sale during 2016.

The sales of the office properties and land referenced above do not represent a strategic shift that has a major effect on the Company's operations and financial results. The operating results of these properties remain classified within continuing operations for all periods presented.

Held for Use Impairment

During the three-month period ended September 30, 2016, the Company evaluated the recoverability of the carrying value of its properties that triggered assessment. Based on the analysis, no impairment charges were identified.

During the three-month period ended June 30, 2016, the Company evaluated the recoverability of the carrying value of its properties that triggered assessment under the undiscounted cash flow model. Based on the analysis, it was determined that due to the reduction in management’s intended hold period of a property located in the Metropolitan D.C. segment, the Company would not recover the carrying value of that property. Accordingly, the Company recorded an impairment charge on the property of $3.9 million at June 30, 2016, reducing the aggregate carrying value of the property from $37.4 million to its estimated fair value of $33.5 million. The Company measured this impairment based on a discounted cash flow analysis, using a hold period of 10 years and residual capitalization rate and discount rate of 7.75% and 8.25%, respectively. The results were compared to indicative pricing in the market. The assumptions used to determine fair value under the income approach are Level 3 inputs in accordance with the fair value hierarchy established by Accounting Standards Codification (ASC) Topic 820, “Fair Value Measurements and Disclosures”.

During the three-month period ended March 31, 2016, the Company evaluated the recoverability of the carrying value of the properties that triggered assessment under the undiscounted cash flow model. Based on the analysis, it was determined that due to a reduction in management's intended hold period, the Company would not recover the carrying value of two properties located in its Metropolitan D.C. segment. Accordingly, the Company recorded an impairment charge of $7.4 million at March 31, 2016 reducing the aggregate carrying values of these properties from $51.9 million to their estimated fair values of $44.5 million. The Company measured these impairments based on a discounted cash flow analysis, using a hold period of 10 years and residual capitalization rates and discount rates of 7.0%. The results were compared to indicative pricing in the market. The assumptions used to determine fair value under the income approach are Level 3 inputs in accordance with the fair value hierarchy established by Accounting Standards Codification (ASC) Topic 820, "Fair Value Measurements and Disclosures".

Held for Sale

The following is a summary of properties classified as held for sale but which did not meet the criteria to be classified within discontinued operations at September 30, 2016 (in thousands):

	Held for Sale Properties Included in Continuing Operations		
	September 30, 2016		
	620, 640 and 660 Allendale Road	Oakland Lot B	Total
ASSETS HELD FOR SALE			
Real estate investments:			
Operating properties	$12,550	$4,366	$16,916
Accumulated depreciation	(4,520)	(4)	(4,524)
Operating real estate investments, net	8,030	4,362	12,392
Construction-in-progress	212	-	212
Total real estate investments, net	8,242	4,362	12,604
Other assets	-	-	-
Total assets held for sale, net	$8,242	$4,362	$12,604
LIABILITIES HELD FOR SALE			
Other liabilities	$49	$-	$49
Total liabilities held for sale	$49	$-	$49

As the fair value less anticipated costs to sell exceeded the carrying value for each of the properties included in the above table no impairment loss was recorded. The fair value measurements are based on pricing in the purchase and sale agreements for each of the properties. As the pricing in the purchase and sales agreements are unobservable, the Company determined that the input utilized to determine fair value for these properties falls within Level 3 in accordance with the fair value hierarchy established by Accounting Standards Codification (ASC) Topic 820, "Fair Value Measurements and Disclosures".

The sales of the office properties and land referenced above as held for sale do not represent a strategic shift that has a major effect on the Company's operations and financial results. The operating results of these properties remain

classified within continuing operations for all periods presented.

4. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURES

As of September 30, 2016, the Company held ownership interests in 14 unconsolidated Real Estate Ventures for an aggregate investment balance of $282.2 million. The Company formed or acquired interests in these Real Estate Ventures with unaffiliated third parties to develop or manage office, residential, and/or mixed-use properties or to acquire land in anticipation of possible development of office, residential and/or mixed-use properties. As of September 30, 2016, seven of the real estate ventures owned properties that contain an aggregate of approximately 8.0 million net rentable square feet of office space; two real estate ventures owned 4.3 acres of undeveloped parcels of land; two real estate ventures owned 1.4 acres of land under active development; two real estate ventures owned residential towers that contain 345 and 321 apartment units, respectively, and one real estate venture owned an apartment complex that contains 398 units.

The Company accounts for its unconsolidated interests in the Real Estate Ventures using the equity method. The Company’s unconsolidated interests range from 20% to 70%, subject to specified priority allocations of distributable cash in certain of the Real Estate Ventures.

The Company earned management fees from its Real Estate Ventures of $6.2 million and $17.7 million for the three- and nine-month periods ended September 30, 2016 and $4.3 million and $12.8 million for the three- and nine-month periods ended September 30, 2015,

respectively. The Company has outstanding accounts receivable balances from its Real Estate Ventures of $1.1 million and $1.7 million as of September 30, 2016 and December 31, 2015, respectively.

The amounts reflected in the following tables (except for the Company's share of equity and income) are based on the financial information of the individual Real Estate Ventures. The Company does not record operating losses of a Real Estate Venture 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.

The following is a summary of the financial position of the Real Estate Ventures as of September 30, 2016 and December 31, 2015 (in thousands):

	September 30, 2016	December 31, 2015
Net property	$ 1,463,500	$ 1,258,999
Other assets	270,892	158,672
Other liabilities	124,949	69,028
Debt, net	1,007,062	794,571
Equity	602,381	554,072
Company's share of equity (Company's basis) (a) (b)	$ 282,162	$ 241,004

(a) This amount includes the effect of the basis difference between the Company's historical cost basis and the basis recorded at the Real Estate Venture level, which is typically amortized over the life of the related assets and liabilities. Basis differentials occur from the impairment of investments, purchases of third party interests in existing Real Estate Ventures and upon the transfer of assets that were previously owned by the Company into a Real Estate Venture. In addition, certain acquisition, transaction and other costs may not be reflected in the net assets at the Real Estate Venture level.

(b) Does not include the negative investment balance in one real estate venture totaling $1.1 million as of December 31, 2015, which is included in other liabilities. There is no negative investment balance as of September 30, 2016 because the Company sold its entire remaining 50% interest in the applicable real estate venture (See "Coppell Associates" section below) during the three month period ended March 31, 2016.

The following is a summary of results of operations of the Real Estate Ventures in which the Company had interests during the three- and nine-months periods ended September 30, 2016 and 2015 (in thousands):

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2016	2015	2016	2015
Revenue	$57,710	$37,076	$157,641	$126,424
Operating expenses	(27,592)	(16,917)	(81,347)	(54,581)
Provision for impairment (a)	(10,476)	-	(10,476)	-
Interest expense, net	(12,102)	(7,936)	(32,019)	(27,918)
Depreciation and amortization	(22,722)	(15,681)	(63,125)	(52,218)
Net loss (b)	$(15,182)	$(3,458)	$(29,326)	$(8,293)
Equity in loss of Real Estate Ventures	$(7,254)	$(1,093)	$(9,323)	$(1,835)

(a) During the period ended September 30, 2016, Brandywine-AI Venture LLC recorded a property level impairment charge of $10.4 million. See additional details in the “Station Square Impairment” disclosure below.

(b) The nine-month period ended September 30, 2016 amount includes $7.1 million of acquisition deal costs related to the formation of the MAP Venture during the three-month period ended March 31, 2016.

Brandywine AI Venture: 3141 Fairview Park Drive

On December 20, 2011, the Company formed a real estate venture, Brandywine - AI Venture LLC, (the "Venture"), with Current Creek Investments, LLC ("Current Creek"), a wholly-owned subsidiary of Allstate Insurance Company. The Company and Current Creek each own a 50% interest in the Venture. The Venture owned three office properties, which the Company contributed to the Venture upon its formation. The contributed office properties contain an aggregate of 587,317 net rentable square feet and consist of 3130 and 3141 Fairview Park Drive, both located in Falls Church, Virginia, and 7101 Wisconsin Avenue located in Bethesda, Maryland.

The Company maintained a regional management and leasing office at 3141 Fairview Park Drive. Consistent with the other four properties in the Venture, financial control was shared, however, pursuant to the accounting standard for sales-leaseback transactions, the lease maintained by the Company at 3141 Fairview Park Drive resulted in the Company having continuing involvement that required 3141 Fairview Park Drive and its related operations to be consolidated by the Company under the financing method of accounting for sales of real estate. At formation, the Company concluded under ASC 810, Consolidations that it was appropriate to deconsolidate the remaining two properties and account for them under the equity method of accounting.

On August 31, 2016, the Company terminated its lease for the regional management and leasing office at 3141 Fairview Park Drive. Accordingly, the Company no longer has any continuing involvement with 3141 Fairview Park Drive and recorded the partial sale under the full accrual method of accounting. As a result of the sale accounting, the Company deconsolidated net assets of $45.6 million, a mortgage loan of $20.6 million and a financing liability of $12.4 million related to the property from its consolidated balance sheet and recorded a $12.6 million equity method investment. Upon recognizing the sale, there was no gain or loss, as 3141 Fairview Park Drive was impaired to its fair value during the second quarter of 2016.

On September 30, 2016, the Company funded a capital call totaling $10.3 million to the Venture for its share of the mortgage debt on 3141 Fairview Park Drive. Subsequently, the Venture funded $20.6 million for the repayment of its mortgage debt.

The Company determined that the partial sale recognition does not have an impact on the accounting standard for VIE’s because the underlying real estate venture agreements are unchanged. The Venture is not a VIE in accordance with the accounting standard for the consolidation of VIEs. As a result, the Company continues to use the voting interest model under the accounting standard for consolidation in order to determine whether to consolidate the Venture. Based upon each member’s substantive participating rights over the activities of the Venture under its operating and related agreements, it is not consolidated by the Company, and is accounted for under the equity method of accounting.

Brandywine AI Venture: Station Square Impairment

On July, 10, 2012, Brandywine – AI Venture (the “Venture”), an unconsolidated real estate venture which the Company owns a 50% interest, acquired a three building office portfolio totaling 497,896 net rentable square feet in Silver Spring, Maryland (“Station Square”) valued at $120.6 million. During the period ended September 30, 2016, the Venture recorded a $10.4 million held for use impairment charge related to Station Square, which is included in the Company’s Metropolitan D.C. segment. The Company's share of this impairment charge was $5.2 million and is reflected in equity in loss of unconsolidated real estate ventures for the period ended September 30, 2016. The fair value of the Station Square properties was primarily determined based on offers received for the properties. The remaining properties in the real estate venture were evaluated for impairment, and based on an undiscounted cash flow analysis, identified no additional other than temporary impairment.

All of the inputs used to determine the above-mentioned impairment charges are categorized Level 3, as previously defined.

The Company evaluated for other than temporary impairment in its investment in the Venture in accordance with ASC 323, Investments - Equity Method and Joint Ventures. The investment in the Venture was determined to be the level of account for evaluation of other than temporary impairment. The impairment recorded on the three properties was deemed to be an event that indicates the carrying amount of the investment might not be recoverable. Following the recognition of the Company's proportionate share of the impairment charge through equity in loss of Real Estate Ventures, the Company evaluated the fair value of the investment in the Venture through a hypothetical liquidation at book value method. No other than temporary impairment was identified.

PJP V

On September 22, 2016, the real estate venture known as PJV V sold its office property, comprised of 73,997 square feet, located in Charlottesville, Virginia. Also on September 22, 2016, using proceeds from the sale, the Company liquidated its entire 25% interest in the real estate venture for $3.4 million, net of closing costs. The carrying amount of the Company's investment was $0.2 million at the time of sale, resulting in a recognized gain of $3.2 million related to the disposition.

Invesco Venture

On August 19, 2016, the Company assigned its residual profits interest in an unconsolidated real estate venture known as Invesco, L.P. to the general partner of Invesco L.P., an unaffiliated third party, for $7.0 million. At the time of sale, the Company's investment basis in Invesco, L.P. was zero and the Company held no other ownership interest. As a result, the Company recorded the entire amount of the proceeds received as a gain on sale of unconsolidated real estate ventures in its consolidated statement of operations.

1000 Chesterbrook

On June 30, 2016, the real estate venture known as 1000 Chesterbrook sold its office property, comprised of 172,286 square feet, located in Berwyn, Pennsylvania for a sales price of $32.1 million. As of June 30, 2016, the Company owned a 50% interest in the 1000 Chesterbrook real estate venture. The proceeds to 1000 Chesterbrook, net of closing costs, pro-ration adjustments and $23.2 million of debt assumed by the buyer, were $9.8 million. The Company recorded $3.2 million for its proportionate share of the Venture's gain which is reflected in "Gain on Real Estate Venture transactions" on the accompanying consolidated statement of operations. The proceeds from the sale, along with $0.2 million of working capital, were distributed to the Company during the third quarter of 2016.

evo at Cira Centre South Venture

On January 25, 2013, the Company formed HSRE-Campus Crest IX Real Estate Venture ("evo at Cira"), a joint venture among the Company and two unaffiliated third parties: Campus Crest Properties, LLC ("Campus Crest") and HSRE-Campus Crest IXA, LLC ("HSRE"). From formation through March 2, 2016, each of the Company and Campus Crest owned a 30% interest in evo at Cira and HSRE owned a 40% interest. At formation, the Company contributed to evo at Cira its tenancy rights under a long-term ground lease of one acre of land located in the University City submarket of Philadelphia, Pennsylvania, together with associated development rights, at an agreed-upon value of $8.5 million. During the three-month period ended September 30, 2014, evo at Cira completed construction of a 33-story, 850-bed student housing tower on the contributed one-acre ground lease. As of December 31, 2014, the Company and other members of evo at Cira had funded 100% of their respective shares of committed equity contributions and the real estate venture had fully drawn on its $97.8 million construction facility.

On March 2, 2016, the Company paid $12.8 million of cash and HSRE paid $6.6 million of cash to purchase Campus Crest's entire 30% interest in evo at Cira and, as a result, each of the Company and HSRE owns a 50% interest in evo at Cira. Subsequent to the transaction, the Company's investment basis in evo at Cira is $28.3 million. In conjunction with the purchase, the Company and HSRE entered into an amended and restated operating agreement to govern their rights and obligations as sole members of evo at Cira.

On June 10, 2016, evo at Cira refinanced its $97.8 million construction facility maturing July 25, 2016 with a $117.0 million term loan bearing interest at LIBOR + 2.25% capped at a total maximum interest of 5.25% and maturing on October 31, 2019, with options to extend the term to June 30, 2021. evo at Cira received an advance of $105.0 million at closing. The additional $12.0 million capacity under the term loan may be funded if certain criteria relating to the operating performance of the student housing tower are met. The term loan is secured by a leasehold mortgage that holds absolute assignment of leases and rents. Subsequent to refinancing and the receipt of amounts in escrow under the construction loan, evo at Cira distributed $6.3 million to the Company.

The Company accounted for its investment in evo at Cira under the equity method of accounting. Based upon the reconsideration event caused by the refinancing of evo at Cira's construction facility, the Company reassessed its consolidation conclusion. The Company determined that this Real Estate Venture is no longer a VIE in accordance with the accounting standard for the consolidation of VIEs because evo at Cira, through the refinancing of the construction facility and without further support from the Company or HSRE, demonstrated that it has sufficient equity at risk to finance its activities. As a result, the Company used the voting interest model under the accounting

standard for consolidation in order to determine whether to consolidate evo at Cira. Based upon each member's substantive participating rights over the activities that significantly impact the operations and revenues of evo at Cira under the operating agreement and related agreements, evo at Cira is not consolidated by the Company, and is accounted for under the equity method of accounting. As a result of this transaction, the Company did not gain a controlling financial interest over evo at Cira; therefore, it was not required to remeasure its previously held equity interest to fair value at the date that it acquired the additional equity interest.

MAP Venture

On February 4, 2016, Brandywine Operating Partnership, L.P., together with subsidiaries of the Operating Partnership, entered into a series of related transactions (the “Och-Ziff Sale”) with affiliates of Och-Ziff Capital Management Group LLC (“Och-Ziff”) that resulted in the disposition by the Company of 58 office properties that contain an aggregate of 3,924,783 square feet for an aggregate purchase price of $398.1 million. The 58 properties are located in the Pennsylvania Suburbs, New Jersey/Delaware, Metropolitan Washington, D.C. and Richmond, Virginia. The related transactions involved: (i) the sale by the Company to MAP Fee Owner LLC, an affiliate of Och-Ziff (the “O-Z Land Purchaser”), of 100% of the Company’s fee interests in the land parcels (the “Land Parcels”) underlying the 58 office properties, together with rights to be the lessor under long-term ground leases (the “Ground Leases”) covering the Land Parcels; (ii) the Company’s formation of MAP Ground Lease Venture LLC (the “MAP Venture”) with MAP Ground Lease

Holdings LLC, an affiliate of Och-Ziff (the "O-Z Venture Partner"), (iii) the Company's sale to MAP Venture of the office buildings and related improvements (the "Buildings") situated on the Land Parcels; and (iv) the retention of a 50% non-controlling equity interest in the MAP Venture.

The MAP Venture leases the Land Parcels from O-Z Land Purchaser through a ground lease that extends through February 2115. Annual payments by the MAP Venture, as tenant under the Ground Leases, initially total $11.9 million and increase 2.5% annually through November 2025.

At closing on February 4, 2016, the MAP Venture obtained a third party non-recourse debt financing of approximately $180.8 million secured by mortgages on the Buildings of the MAP Venture.

As a result of this transaction, the Company received $354.0 million in proceeds and maintains a 50% ownership interest in the MAP Venture valued as of February 4, 2016 at $25.2 million, which holds the leasehold interest in the Buildings. The MAP Venture was formed as a limited liability company in which the Company has been designated as the Managing Member. In addition, through an affiliate, the Company provides property management services at the Buildings on behalf of the MAP Venture for a market based management fee.

The Company has determined that the MAP Venture is a VIE in accordance with the accounting standard for consolidation of VIE's. As a result, the Company used the VIE model under the accounting standard for consolidations to determine if it will consolidate the MAP Venture. Based on the provisions in the limited liability company agreement, the Company determined that it shares with O-Z Venture Partner the power to control the activities that most significantly impact the economics of the MAP Venture. Since control is shared, the Buildings were deconsolidated by the Company and accounted for under the equity method of accounting.

The Company is not required to fund the operating losses of the MAP Venture. Accordingly, it can only incur losses equal to its investment basis in MAP Venture.

The Company has determined that this transaction does not represent a significant shift in the Company's operations that have a major impact on the Company's economic performance. As a result, the properties are not classified as discontinued operations on the consolidated financial statements.

Coppell Associates

On January 29, 2016, the Company sold its entire 50% interest in an unconsolidated real estate venture known as Coppell Associates. The proceeds to the Company, net of closing costs and related debt payoff, were $4.6 million. The carrying amount of the Company's investment in Coppell Associates amounted to a $1.1 million liability at the sale date, resulting in a $5.7 million gain on sale of its interest in the real estate venture. The investment was in a liability position because the Company, as a general partner, was required to fund losses of Coppell Associates. The negative investment balance represented the Company's share of unfunded cumulative losses incurred in excess of its investment basis as of the date of sale.

Guarantees

As of September 30, 2016, the Company had provided guarantees on behalf of certain real estate ventures, consisting of (i) a $3.2 million payment guarantee on the $56.0 million construction loan for TB-BDN Plymouth Apartments; (ii) a joint several cost overrun guaranty on the $88.9 million construction loan for the development project being undertaken by 1919 Market Street LP; and (iii) a $0.5 million payment guarantee on a loan provided to PJP VII. In addition, during construction undertaken by real estate ventures, the Company has provided and expects to continue to provide cost overrun and completion guarantees, with rights of contribution among partners or members in the real estate ventures, as well as customary environmental indemnities and guarantees of customary exceptions to nonrecourse provisions in loan agreements. For additional information regarding these real estate ventures, see Note 4,

"Investment in Unconsolidated Real Estate Ventures," in the notes to the audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

5. INTANGIBLE ASSETS AND LIABILITIES

As of September 30, 2016 and December 31, 2015, the Company's intangible assets/liabilities were comprised of the following (in thousands):

	September 30, 2016		
	Total Cost	Accumulated Amortization	Intangible Assets, net
Intangible assets, net:			
In-place lease value	$143,856	$ (68,400)	$ 75,456
Tenant relationship value	14,135	(10,938)	3,197
Above market leases acquired	4,718	(2,164)	2,554
Total intangible assets, net	$162,709	$ (81,502)	$ 81,207
Acquired lease intangibles, net:			
Below market leases acquired	$37,731	$ (18,000)	$ 19,731

	December 31, 2015		
	Total Cost	Accumulated Amortization	Intangible Assets, net
Intangible assets, net:			
In-place lease value	$161,276	$ (57,063)	$104,213
Tenant relationship value	20,117	(15,580)	4,537
Above market leases acquired	5,333	(1,879)	3,454
	186,726	(74,522)	112,204
Assets held for sale	(2,854)	2,273	(581)
Total intangible assets, net	$183,872	$ (72,249)	$111,623
Acquired lease intangibles, net:			
Below market leases acquired	$50,025	$ (24,178)	$25,847
Assets held for sale	(1,069)	877	(192)
Total acquired lease intangibles, net	$48,956	$ (23,301)	$25,655

As of September 30, 2016, the Company's annual amortization for its intangible assets/liabilities were as follows (in thousands, and assuming no prospective early lease terminations):

	Assets	Liabilities
2016 (three months remaining)	$7,113	$ 1,613
2017	19,658	3,323
2018	11,753	2,196
2019	10,542	1,885
2020	8,456	1,337
Thereafter	23,685	9,377

Total	$81,207	$ 19,731

6. DEBT OBLIGATIONS

The following table sets forth information regarding the Company's consolidated debt obligations outstanding at September 30, 2016 and December 31, 2015 (in thousands):

	September 30, 2016	December 31, 2015	Effective Interest Rate		Maturity Date
MORTGAGE DEBT:					
3141 Fairview Park Drive (a)	$ -	$ 20,838	4.25	%	Jan 2017
Two Logan Square	86,395	86,886	3.98	% (b)	May 2020
One Commerce Square	127,847	130,000	3.64	%	Apr 2023
Two Commerce Square	112,000	112,000	4.51	% (c)	Apr 2023
IRS Philadelphia Campus (d)	-	177,425	7.00	%	Sep 2030
Cira South Garage (d)	-	35,546	7.12	%	Sep 2030
Principal balance outstanding	326,242	562,695			
Plus: fair market value premium (discount), net	(2,870)	(3,198)			
Less: deferred financing costs	(749)	(13,744)			
Mortgage indebtedness	$ 322,623	$ 545,753			
UNSECURED DEBT					
Seven-Year Term Loan - Swapped to fixed	$ 250,000	$ 250,000	3.72	%	Oct 2022
$250.0M 6.00% Guaranteed Notes due 2016 (e)	-	149,919	5.95	%	Apr 2016
$300.0M 5.70% Guaranteed Notes due 2017	300,000	300,000	5.68	%	May 2017
$325.0M 4.95% Guaranteed Notes due 2018	325,000	325,000	5.13	%	Apr 2018
$250.0M 3.95% Guaranteed Notes due 2023	250,000	250,000	4.02	%	Feb 2023
$250.0M 4.10% Guaranteed Notes due 2024	250,000	250,000	4.33	%	Oct 2024
$250.0M 4.55% Guaranteed Notes due 2029	250,000	250,000	4.60	%	Oct 2029
Indenture IA (Preferred Trust I)	27,062	27,062	2.75	%	Mar 2035
Indenture IB (Preferred Trust I)	25,774	25,774	3.30	%	Apr 2035
Indenture II (Preferred Trust II)	25,774	25,774	3.09	%	Jul 2035
Principal balance outstanding	1,703,610	1,853,529			
Plus: original issue premium (discount), net	(4,932)	(5,714)			
Less: deferred financing costs	(7,740)	(8,851)			
Total unsecured indebtedness	$ 1,690,938	$ 1,838,964			
Total Debt Obligations	$ 2,013,561	$ 2,384,717			

(a) On August 31, 2016, the Company deconsolidated 3141 Fairview Park Drive and began accounting for it under the equity method of accounting as part of Brandywine - AI Venture LLC, an unconsolidated real estate venture in which the Company holds a 50% interest. At December 31, 2015, this balance represented the full debt amount of the property, as it was consolidated at that time. See Note 4, "Investment in Unconsolidated Real Estate Ventures," for further details.

(b) On April 7, 2016, the Company closed on an $86.9 million first mortgage financing on Two Logan Square, a 708,844-square foot office property located in Philadelphia, Pennsylvania. Proceeds of the loan were used to repay, without penalty, the $86.6 million principal balance of the former Two Logan Square first mortgage loan, which had a 7.57% effective interest rate.

(c)

This loan was assumed upon acquisition of Two Commerce Square on December 19, 2013. The interest rate reflects the market rate at the time of acquisition. A default under this loan will also constitute a default under the loan outstanding on One Commerce Square, and a default under the One Commerce Square loan will also constitute a default under this loan. This loan is also secured by a lien on One Commerce Square and the lien on Two Commerce Square.

(d) On January 14, 2016, the Company funded $265.8 million to prepay two mortgage loans, consisting of $176.9 million of principal repayment, $44.5 million in prepayment charges and a nominal amount of accrued interest, in repayment of the mortgage indebtedness on the office property located at 2970 Market Street in Philadelphia, Pennsylvania commonly known as 30th Street Main Post Office (“Cira Square”), ahead of its scheduled maturity date of September 10, 2030. Also on January 14, 2016, the Company funded $44.4 million, consisting of $35.5 million of principal repayment, $8.9 million in prepayment charges and a nominal amount of accrued interest, in repayment of the mortgage indebtedness of a 1,662 parking space facility located in Philadelphia, Pennsylvania commonly known as (“Cira South Garage”), ahead of its scheduled maturity date of September 10,

2030. These repayments were financed with $195.0 million of funds available under the unsecured revolving credit facility with the remaining balance funded through available cash balances. The Company recognized a $66.6 million loss on extinguishment of debt, consisting of the prepayment charges along with $10.8 million and $2.4 million related to non-cash charges for deferred financing costs for Cira Square and Cira South Garage, respectively.

(e) On April 1, 2016, the entire principal balance of the 2016 6.00% Guaranteed Unsecured Notes was repaid upon maturity. Available cash balances were used to fund the repayment of the unsecured notes.

As of September 30, 2016, and December 31, 2015, the Company's weighted-average effective interest rate on its mortgage notes payable was 4.03% and 5.72%, respectively. As of September 30, 2016 and December 31, 2015, the net carrying value of the Company's Properties that are encumbered by mortgage indebtedness was $326.2 million and $562.7 million, respectively.

On May 15, 2015, the Company closed on a new four-year unsecured revolving credit facility that provides for borrowings of up to $600.0 million. The Company had no borrowings under its unsecured revolving credit facility as of and during the three-month period ended September 30, 2016.

The Parent Company unconditionally guarantees the unsecured debt obligations of the Operating Partnership (or is a co-borrower with the Operating Partnership) but does not by itself incur unsecured indebtedness. The Parent Company has no material assets other than its investment in the Operating Partnership.

The Company was in compliance with all financial covenants as of September 30, 2016. Management continuously monitors the Company's compliance with and anticipated compliance with the covenants. Certain of the covenants restrict the Company's ability to obtain alternative sources of capital. While the Company currently believes it will remain in compliance with its covenants, in the event that the economy deteriorates in the future, the Company may not be able to remain in compliance with such covenants, in which case a default would result absent a lender waiver.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

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, which 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; and
- 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.

The Company determined the fair values disclosed below using available market information and discounted cash flow analyses as of September 30, 2016 and December 31, 2015, 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 estimates and valuation methodologies may have a material effect on the fair value amounts shown. The Company believes that the carrying amounts reflected in the consolidated balance sheets at September 30, 2016 and December 31, 2015 approximate the fair values for cash and cash equivalents, accounts receivable, other assets (except for the note receivable disclosed below), 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):

	September 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Unsecured notes payable	$1,364,312	$1,415,520	$1,512,554	$1,529,346
Variable rate debt	$326,626	$305,301	$326,410	$305,522
Mortgage notes payable	$322,623	$339,471	$545,753	$597,377
Note receivable (a)	$3,365	$3,365	$-	$-

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(a) A note receivable is included in other assets on the Company’s consolidated balance sheet. The note was given to an unaffiliated third party to facilitate their acquisition and development of an industrial facility located in Pennsauken, New Jersey. The loan matures three years after the payment commencement date, which is 90 days after substantial completion of the development, and bears interest at 6.3% during year one, 7.0% during year two and 8.0% during year three. The Company evaluated its investment in the note receivable under ASC 310, Receivables and determined that the loan was provided at market terms and the Company does not participate in the residual profit of the unaffiliated third party. Accordingly, the investment was appropriately classified on the Company’s balance sheet as a note receivable. As the note was originated during the third quarter of 2016, the fair value approximates the carrying value. The inputs to originate the loan are unobservable and, as a result, are categorized as Level 3.

The inputs utilized to determine the fair value of the Company’s unsecured notes payable are categorized as Level 2. This is because the Company valued these instruments using quoted market prices as of September 30, 2016 and December 31, 2015. For the fair value of the Company’s unsecured notes, the Company uses a discount rate based on the indicative new issue pricing provided by lenders.

The inputs utilized to determine the fair value of the Company’s mortgage notes payable and variable rate debt are categorized as Level 3. The fair value of the variable rate debt was estimated using a discounted cash flow analysis valuation on the borrowing rates currently available to the Company for loans with similar terms and maturities, as applicable. The fair value of the mortgage debt was determined by discounting the future contractual interest and principal payments by a blended market rate for loans with similar terms, maturities and loan-to-value. These inputs have been categorized as Level 3 because the Company considers the rates used in the valuation techniques to be unobservable inputs.

For the Company’s mortgage loans, the Company uses an estimate based discounted cash flow analyses and its knowledge of the mortgage market. The weighted average discount rate for the combined variable rate debt and mortgage loans used as to calculate fair value as of September 30, 2016 and December 31, 2015 was 4.494% and 4.550%, respectively. An increase in the discount rate used in the discounted cash flow model would result in a decrease to the fair value of the Company’s long-term debt. Conversely, a decrease in the discount rate used in the discounted cash flow model would result in an increase to the fair value of the Company’s long-term debt.

Disclosure about the fair value of financial instruments is based upon pertinent information available to management as of September 30, 2016 and December 31, 2015. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since September 30, 2016, and current estimates of fair value may differ from the amounts presented herein.

8. LIMITED PARTNERS' NON-CONTROLLING INTERESTS IN THE PARENT COMPANY

Non-controlling interests in the Parent Company’s financial statements relate to redeemable common limited partnership interests in the Operating Partnership held by parties other than the Parent Company and properties which are consolidated but not wholly owned.

Operating Partnership

The aggregate book value of the non-controlling interests associated with the redeemable common limited partnership interests in the accompanying consolidated balance sheet of the Parent Company as of September 30, 2016 and December 31, 2015 was $15.2 million and $16.1 million, respectively. Under the applicable accounting guidance, the redemption value of limited partnership units are carried at, on a limited partner basis, the greater of historical cost adjusted for the allocation of income and distributions or fair value. The Parent Company believes that the aggregate

settlement value of these interests based on the number of units outstanding and the closing price of the common shares on the balance sheet dates as of September 30, 2016 and December 31, 2015, respectively, was approximately $23.1 million and $21.0 million.

9. FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The following table summarizes the terms and fair values of the Company’s derivative financial instruments as of September 30, 2016 and December 31, 2015. The notional amounts provide an indication of the extent of the Company’s involvement in these instruments at that time, but do not represent exposure to credit, interest rate or market risks (amounts presented in thousands and included in other liabilities on the Company’s consolidated balance sheets).

Hedge Product	Hedge Type	Designation		Notional Amount 9/30/2016	12/31/2015	Strike	Trade Date	Maturity Date	Fair value 9/30/2016	12/31/2015
(Liabilities) / Assets										
Swap	Interest Rate	Cash Flow	(a)	$250,000	$250,000	3.718%	October 8, 2015	October 8, 2022	$(8,122)	$1,884
Swap	Interest Rate	Cash Flow	(a)	25,774	25,774	3.300%	December 22, 2011	January 30, 2021	(1,058)	(531)
Swap	Interest Rate	Cash Flow	(a)	25,774	25,774	3.090%	January 6, 2012	October 30, 2019	(663)	(388)
Swap	Interest Rate	Cash Flow	(a)	27,062	27,062	2.750%	December 21, 2011	September 30, 2017	(156)	(201)
				$328,610	$328,610					

(a) Hedging unsecured variable rate debt.

The Company measures its derivative instruments at fair value and records them gross in the consolidated balance sheet in other assets or other liabilities.

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. 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.

10. BENEFICIARIES' EQUITY OF THE PARENT COMPANY

Earnings per Share (EPS)

The following tables detail 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 September 30,			
	2016		2015	
	Basic	Diluted	Basic	Diluted
Numerator				
Income from continuing operations	$7,884	$7,884	$20,308	$20,308
Net income from continuing operations attributable to non-controlling interests	(58)	(58)	(161)	(161)
Nonforfeitable dividends allocated to unvested restricted shareholders	(79)	(79)	(76)	(76)
Preferred share dividends	(1,725)	(1,725)	(1,725)	(1,725)
Net income attributable to common shareholders	$6,022	$6,022	$18,346	$18,346
Denominator				
Weighted-average shares outstanding	175,127,110	175,127,110	178,188,037	178,188,037
Contingent securities/Share based compensation	-	1,237,505	-	588,647

Weighted-average shares outstanding	175,127,110	176,364,615	178,188,037	178,776,684
Earnings per Common Share:				
Net income attributable to common shareholders	$0.03	$0.03	$0.10	$0.10

	Nine-month periods ended September 30,			
	2016		2015	
	Basic	Diluted	Basic	Diluted
Numerator				
Income from continuing operations	$52,871	$52,871	$31,960	$31,960
Net income from continuing operations attributable to non-controlling interests	(425)	(425)	(221)	(221)
Nonforfeitable dividends allocated to unvested restricted shareholders	(263)	(263)	(253)	(253)
Preferred share dividends	(5,175)	(5,175)	(5,175)	(5,175)
Net income attributable to common shareholders	$47,008	$47,008	$26,311	$26,311
Denominator				
Weighted-average shares outstanding	174,976,998	174,976,998	179,198,714	179,198,714
Contingent securities/Share based compensation	-	1,032,824	-	789,778
Weighted-average shares outstanding	174,976,998	176,009,822	179,198,714	179,988,492
Earnings per Common Share:				
Net income attributable to common shareholders	$0.27	$0.27	$0.15	$0.15

Redeemable common limited partnership units totaling 1,479,799 at September 30, 2016 and 1,535,102 at September 30, 2015, were excluded from the diluted earnings per share computations because they are not dilutive.

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 three- and nine-month periods ended September 30, 2016 and 2015, earnings representing nonforfeitable dividends as noted in the table above were allocated to the unvested restricted shares issued to the Company’s executives and other employees under the Company's shareholder-approved long-term incentive plan.

Common and Preferred Shares

On September 13, 2016, the Parent Company declared a distribution of $0.16 per common share, totaling $28.3 million, which was paid on October 19, 2016 to shareholders of record as of October 5, 2016. In addition, the Parent Company declared distributions on its Series E Preferred Shares to holders of record as of September 30, 2016. These shares are entitled to a preferential return of 6.90% per annum on the $25.00 per share liquidation preference. Distributions paid on October 17, 2016 to holders of Series E Preferred Shares totaled $1.7 million.

On November 5, 2013, the Parent Company commenced a continuous equity offering program (the “Offering Program”), under which it may sell, in at-the-market offerings, up to an aggregate amount of 16,000,000 common shares until November 5, 2016. From inception of the Offering Program through September 30, 2016, the Parent Company did not sell any shares under the program.

Common Share Repurchases

The Parent Company maintains a share repurchase program under which the Board of Trustees has authorized the Parent Company to repurchase shares of its preferred and common stock with no expiration date. On July 22, 2015, the Parent Company's Board of Trustees authorized additional share repurchases of up to $100.0 million. Prior to the authorization 539,200 common shares were available for repurchase under the preexisting share repurchase program. The Company expects to fund the share repurchases with a combination of available cash balances and availability under our line of credit. As of September 30, 2016, 5,209,437 common shares have been repurchased and retired at an average purchase price of $12.90 per share and totaling $67.3 million. The timing and amounts of any purchases will depend on a variety of factors, including market conditions, regulatory requirements, share prices, capital availability

and other factors as determined by our management team. The repurchase program does not require the purchase of any minimum number of shares and may be suspended or discontinued at any time without notice. There were no shares repurchased under the program during the nine months ended September 30, 2016. There were 4,701,302 common shares repurchased and retired at an average purchase price of $12.92 per share totaling $60.8 million during the nine months ended September 30, 2015.

Maryland law applicable to the Company does not contemplate treasury stock, and common shares repurchased under the program are accounted for as a reduction of common shares (at $0.01 par value per share) and a decrease to additional paid-in-capital.

11. PARTNERS' EQUITY OF THE OPERATING PARTNERSHIP

Earnings per Common Partnership Unit

The following tables detail 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 September 30,			
	2016		2015	
	Basic	Diluted	Basic	Diluted
Numerator				
Income from continuing operations	$7,884	$7,884	$20,308	$20,308
Nonforfeitable dividends allocated to unvested restricted unitholders	(79)	(79)	(76)	(76)
Preferred unit dividends	(1,725)	(1,725)	(1,725)	(1,725)
Net income attributable to non-controlling interests	(6)	(6)	(1)	(1)
Net income attributable to common unitholders	$6,074	$6,074	$18,506	$18,506
Denominator				
Weighted-average units outstanding	176,606,909	176,606,909	179,723,139	179,723,139
Contingent securities/Share based compensation	-	1,237,505	-	588,647
Total weighted-average units outstanding	176,606,909	177,844,414	179,723,139	