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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from__________to

Commission file number

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

Brandywine Realty Trust
Brandywine Operating Partnership, L.P.

(Exact name of registrant as specified in its charter)

MARYLAND (Brandywine Realty Trust) **DELAWARE** (Brandywine Operating Partnership L.P.) (State or other jurisdiction of incorporation or organization)	**23-2413352** **23-2862640** (I.R.S. Employer Identification No.)
2929 Walnut Street **Suite 1700** **Philadelphia, Pennsylvania** (Address of principal executive offices)	**19104** (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Shares of Beneficial Interest, par value $0.01 per share (Brandywine Realty Trust)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Units of General Partnership Interest (Brandywine Operating Partnership, L.P.)
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

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

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 every Interactive Data File required to be submitted 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 such files).

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Brandywine Realty Trust:

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark whether the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of Exchange Act. ☐

Brandywine Operating Partnership, L.P.:

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 ☒

As of June 30, 2018, the aggregate market value of the Common Shares of Beneficial Interest held by non-affiliates of Brandywine Realty Trust was $2,970,155,345 based upon the last reported sale price of $16.88 per share on the New York Stock Exchange on June 30, 2018. An aggregate of 175,813,097 Common Shares of Beneficial Interest was outstanding as of February 15, 2019.

As of June 30, 2018 the aggregate market value of the 1,479,799 common units of limited partnership ("Units") held by non-affiliates of Brandywine Operating Partnership, L.P. was $24,979,007 based upon the last reported sale price of $16.88 per share on the New York Stock Exchange on June 30, 2018 of the Common Shares of Beneficial Interest of Brandywine Realty Trust, the sole general partner of Brandywine Operating Partnership, L.P. (For this computation, the Registrant has excluded the market value of all Units beneficially owned by Brandywine Realty Trust.)

Documents Incorporated By Reference

Portions of the proxy statement for the 2019 Annual Meeting of Shareholders of Brandywine Realty Trust are incorporated by reference into Part III of this Form 10-K.

EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2018 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, terms such as "we", "us", or "our" used in this report 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 December 31, 2018, owned a 99.4% interest in the Operating Partnership. The remaining 0.6% 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.

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 in 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.

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. These members are officers of both the Parent Company and of the Operating Partnership.

The Company believes that combining the annual reports on Form 10-K 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 the 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 public 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 direct or indirect incurrence of indebtedness or through the issuance of partnership units of the Operating Partnership or equity interests in subsidiaries of the Operating Partnership.

The equity and noncontrolling 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 noncontrolling 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;
- Parent Company's and Operating Partnership's Equity

This report also includes separate Item 9A. (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 debt, reference to the Company is appropriate because the business is one enterprise and the Parent Company operates the business through the Operating Partnership.

TABLE OF CONTENTS

Exhibit 3.2.19
Exhibit 10.2
Exhibit 21
Exhibit 23.1
Exhibit 23.2
Exhibit 31.1
Exhibit 31.2
Exhibit 31.3
Exhibit 31.4
Exhibit 32.1
Exhibit 32.2
Exhibit 32.3
Exhibit 32.4
Exhibit 99.1
EX-101.INS XBRL INSTANCE DOCUMENT
EX-101.SCH XBRL TAXONOMY EXTENSION SCHEMA
EX-101.CAL XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
EX-101.LAB XBRL TAXONOMY EXTENSION LABEL LINKBASE
EX-101.PRE XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE
EX-101.DEF XBRL TAXONOMY EXTENSION DEFINITION LINKBASE

Filing Format

This combined Form 10-K is being filed separately by Brandywine Realty Trust (the "Parent Company") and Brandywine Operating Partnership, L.P. (the "Operating Partnership").

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. This report and other materials filed by us with the Securities and Exchange Commission (the "SEC") (as well as information included in oral or other written statements made by us) contain statements that are forward-looking, including statements relating to business and real estate development activities, acquisitions, dispositions, future capital expenditures, financing sources, governmental regulation (including environmental regulation) and competition. We intend such forward-looking statements to be covered by the safe-harbor provisions of the 1995 Act. The words "anticipate," "believe," "estimate," "expect," "intend," "will," "should" and similar expressions, as they relate to us, are intended to identify forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be achieved. These forward-looking statements are inherently uncertain, and actual results may differ from expectations. Our actual future results and trends may differ materially from expectations depending on a variety of factors discussed in our filings with the Securities and Exchange Commission (the "SEC"). These factors include without limitation:

- The continuing impact of modest global economic growth, which is having and may continue to have a negative effect on, among other things, the following:
  - the fundamentals of our business, including overall market occupancy, demand for office space and rental rates;
  - the financial condition of our tenants, many of which are financial, legal and other professional firms, our lenders, counterparties to our derivative financial instruments and institutions that hold our cash balances and short-term investments, which may expose us to increased risks of default by these parties;
  - the availability of financing on attractive terms or at all, which may adversely impact our future interest expense and our ability to pursue acquisition and development opportunities and refinance existing debt; and
  - real estate asset valuations, a decline in which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing secured by our properties or on an unsecured basis.
- changes in local real estate conditions (including changes in rental rates and the number of properties that compete with our properties);
- our failure to lease unoccupied space in accordance with our projections;
- our failure to re-lease occupied space upon expiration of leases;
- tenant defaults and the bankruptcy of major tenants;
- increases in interest rates;
- failure of interest rate hedging contracts to perform as expected and the effectiveness of such arrangements;
- failure of acquisitions, developments and other investments, including projects undertaken through joint ventures, to perform as expected;
- unanticipated costs associated with the purchase, integration and operation of our acquisitions;
- unanticipated costs to complete, lease-up and operate our developments and redevelopments;
- unanticipated costs associated with land development, including building moratoriums and inability to obtain necessary zoning, land-use, building, occupancy and other required governmental approvals, construction cost increases or overruns and construction delays;
- impairment charges;
- increased costs for, or lack of availability of, adequate insurance, including for terrorist acts or environmental liabilities;
- actual or threatened terrorist attacks;
- cybersecurity attacks;
- the impact on workplace and tenant space demands driven by technology, employee culture and commuting patterns;
- demand for tenant services beyond those traditionally provided by landlords;
- liability and clean-up costs incurred under environmental or other laws;
- risks associated with our investments in real estate ventures and unconsolidated entities, including our lack of sole decision-making authority and our reliance on our venture partners' financial condition;
- inability of real estate venture partners to fund venture obligations or perform under our real estate venture development agreements;
- failure to manage our growth effectively into new product types within our portfolio and real estate venture arrangements;

- failure of dispositions to close in a timely manner;
- the impact of earthquakes and other natural disasters;
- the impact of climate change and compliance costs relating to laws and regulations governing climate change;
- risks associated with federal, state and local tax audits;
- complex regulations relating to our status as a real estate investment trust, or REIT, and the adverse consequences of our failure to qualify as a REIT; and
- changes in accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, which could have an effect on our earnings.

Given these uncertainties, and the other risks identified in the "*Risk Factors*" section and elsewhere in this report, we caution readers not to place undue reliance on forward-looking statements. We assume no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

Item 1. Business

Introduction

We are a self-administered and self-managed REIT that provides leasing, property management, development, redevelopment, acquisition and other tenant-related services for a portfolio of office, residential, retail and mixed-use properties. As of December 31, 2018, we owned 97 properties that contained an aggregate of approximately 16.8 million net rentable square feet (collectively, the “Properties”). Our core portfolio of operating properties, as of December 31, 2018, excludes one development property and three redevelopment properties under construction or committed for construction (collectively, the “Core Properties”). The Properties were comprised of the following as of December 31, 2018:

	Number of Properties	Rentable Square Feet	Percentage Occupied	Percentage Leased
Office properties	88	15,609,156		
Mixed-use properties	4	646,741		
Retail property	1	17,884		
Core Properties	93	16,273,781	93.3%	95.3%
Development property	1	164,818		
Redevelopment properties	3	338,650		
The Properties	97	16,777,249		

In addition to the Properties, as of December 31, 2018, we owned land held for development, comprised of 237.4 acres of undeveloped land, of which 37.9 acres were held for sale, 1.8 acres related to leasehold interests in two land parcels each acquired through prepaid 99-year ground leases, and held options to purchase approximately 55.5 additional acres of undeveloped land. As of December 31, 2018, the total potential development that these land parcels could support, under current zoning and entitlements, including the parcels under option, amounted to an estimated 14.3 million square feet, of which 0.4 million square feet relates to 37.9 acres held for sale. As of December 31, 2018, we also owned economic interests in ten unconsolidated real estate ventures (collectively, the “Real Estate Ventures”) (see Note 4, “*Investment in Unconsolidated Real Estate Ventures,*” to our Consolidated Financial Statements for further information). 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; Wilmington, Delaware; and Austin, Texas.

We conduct our third-party real estate management services business primarily through wholly-owned management company subsidiaries. As of December 31, 2018, the management company subsidiaries were managing properties containing an aggregate of approximately 24.8 million net rentable square feet, of which approximately 16.8 million net rentable square feet related to Properties that we own and consolidate and approximately 8.0 million net rentable square feet related to properties owned by third parties and the Real Estate Ventures.

During the twelve months ended December 31, 2018, we owned and managed properties within five markets: (1) Philadelphia Central Business District (“Philadelphia CBD”), (2) Pennsylvania Suburbs, (3) Austin, Texas (4) Metropolitan Washington, D.C., and (5) Other. The Philadelphia CBD segment includes properties located in the City of Philadelphia in Pennsylvania. The Pennsylvania Suburbs segment includes properties in Chester, Delaware and Montgomery counties in the Philadelphia suburbs. The Austin, Texas segment includes properties in the City of Austin, Texas. The Metropolitan Washington, D.C. segment includes properties in Northern Virginia, Washington, D.C. and southern Maryland. The Other segment includes properties in Camden County in New Jersey and properties in New Castle County in Delaware. In addition to the five markets, our corporate group is responsible for cash and investment management, development of certain real estate properties during the construction period, and certain other general support functions.

Unless otherwise indicated, all references in this Form 10-K to “square feet” represent the net rentable area. We do not have any foreign operations and our business is not seasonal. Our operations are not dependent on a single tenant or a few tenants and no single tenant accounted for more than 10% of our total 2018 revenue.

Organization

The Parent Company was organized and commenced its operations in 1986 as a Maryland REIT. The Parent Company owns its assets and conducts its operations through the Operating Partnership and subsidiaries of the Operating Partnership. The Operating Partnership was formed in 1996 as a Delaware limited partnership. The Parent Company controls the Operating Partnership as its sole general partner. As of December 31, 2018, the Parent Company owned a 99.4% interest in the Operating Partnership. The remaining 0.6% interest in the Operating Partnership consists of common units of limited partnership interest issued to the holders in exchange for contributions of properties to the Operating Partnership. Our structure as an “UPREIT” is designed, in part, to permit persons contributing properties to us to defer some or all of the tax liability they might otherwise incur in a sale of properties. Our executive offices are located at 2929 Walnut Street, Suite 1700, Philadelphia, PA 19104 and our telephone number is (610) 325-5600. We have offices in Philadelphia, Pennsylvania; Radnor, Pennsylvania; McLean, Virginia; Washington, D.C.; Camden, New Jersey; Richmond, Virginia; and Austin, Texas. We have an internet website at www.brandywinerealty.com. We are not incorporating by reference into this report any material from our website. The reference to our website is an inactive textual reference to the uniform resource locator (URL) and is for your reference only.

2018 Transactions

Real Estate Acquisitions

On December 19, 2018, we acquired an office property containing 120,559 rentable square feet located at 4516 Seton Center Parkway in Austin, Texas, known as Quarry Lake II, for a gross purchase price of $39.5 million. We capitalized $0.1 million of acquisition-related costs and funded the acquisition with a borrowing of $39.0 million from our unsecured credit facility.

On December 11, 2018, we acquired from DRA Advisors ("DRA"), its 50% ownership interest in the G&I Austin Office LLC real estate venture (the "DRA Austin Venture") for an aggregate purchase price of $535.1 million. The DRA Austin Venture owned twelve office properties (the "Austin Venture Portfolio"), containing an aggregate 1,570,123 square feet, located in Austin, Texas. As a result of our acquisition, we acquired complete ownership of the Austin Venture Portfolio. The aggregate purchase price includes the carrying amount of our investment in DRA Austin Venture of $14.6 million. At settlement, we assumed $115.5 million of mortgage debt and received a credit at settlement of $130.7 million for a note receivable provided to the DRA Austin Venture on November 1, 2018. This note receivable was used to repay one of DRA Austin Venture's mortgage loans prior to the December 11, 2018 acquisition date. We also obtained working capital of $24.9 million. Subsequent to receiving cash proceeds of $28.3 million for our promoted interest in the DRA Austin Venture and recognizing a remeasurement gain of $103.8 million, reflected in the caption "Net gain on real estate venture transactions" in our consolidated statements of operations, we funded the acquisition with an aggregate cash payment of $117.3 million. Additionally, the assumed mortgage debt of $115.5 million was repaid at settlement. Both cash payments were effected through borrowings under our unsecured credit facility. We recognized a $28.3 million gain on our promoted interest in the DRA Austin Venture, reflected in the caption "Gain on promoted interest in unconsolidated real estate venture" in our consolidated statements of operations. The gain on promoted interest was based off of the returns earned over the duration of the DRA Austin Venture and the returns were determined based on operating results and real estate valuation of the venture.

We previously accounted for our 50% non-controlling interest in the DRA Austin Venture under the equity method of accounting. As a result of our acquisition of DRA's 50% ownership interest in the DRA Austin Venture, we obtained control of DRA Austin Venture and our existing investment balance was remeasured based on the fair value of the underlying properties acquired and the existing distribution provisions under the relevant partnership agreement, including our entitlement to a distribution on account of our promoted interest.

On June 29, 2018, we acquired, through a 99-year ground lease, the leasehold interest in a one-acre land parcel, located at 3025 JFK Boulevard, in Philadelphia, Pennsylvania. We prepaid $15.0 million of ground lease rent and capitalized $0.3 million of costs related to entering the lease. Additionally, the ground lease required us to pay $5.6 million for a leasehold valuation credit, which can be applied to increase the density of the projects subject to the Schuylkill Yards Project master development agreement.

On March 22, 2018, we acquired, through a 99-year ground lease, the leasehold interest in a one-acre land parcel, located at 3001-3003 JFK Boulevard, in Philadelphia, Pennsylvania. We prepaid $24.6 million of ground lease rent and capitalized $0.3 million of costs related to entering the lease.

3025 JFK Boulevard and 3001-3003 JFK Boulevard are located within the Schuylkill Yards Project site in the University City sub-market of Philadelphia, Pennsylvania. See "*Developments – Other Development Activities*" section below for additional information.

On January 5, 2018, we acquired, from our then partner in each of the Four Tower Bridge real estate venture and the Seven Tower Bridge real estate venture, the partner's 35% ownership interest in the Four Tower Bridge real estate venture in exchange for our 20% ownership interest in the Seven Tower Bridge real estate venture. As a result of this non-monetary exchange, we acquired 100% of the Four Tower Bridge real estate venture, which owns an office property containing 86,021 square feet, in Conshohocken, Pennsylvania, encumbered with $9.7 million in debt. Our acquisition of the 35% ownership interest in Four Tower Bridge resulted in the consolidation of the property. As such, we capitalized $0.1 million of acquisition related costs and allocated the acquisition value, consisting of the fair value of $23.6 million and the acquisition related costs, to tangible and intangible assets.

Real Estate Dispositions

We sold the following properties during the twelve-month period ended December 31, 2018 (dollars in thousands):

Disposition Date	Property/Portfolio Name	Location	Type	Number of Properties	Rentable Square Feet	Sales Price	Net Proceeds on Sale	Gain/(Loss) on Sale (a)		Occupancy % at Date of Sale
December 21, 2018	Subaru National Training Center	Camden, NJ	Mixed-use	1	83,000	$ 45,300	$ 44,877	$ 2,570	(b)	100.0%
December 20, 2018	Rockpoint Portfolio	Herndon, VA	Office	8	1,293,197	312,000	262,442	397	(c)	85.6%
June 21, 2018	20 East Clementon Road	Gibbsboro, NJ	Office	1	38,260	2,000	1,850	(35)		93.7%
Total Dispositions				10	1,414,457	$ 359,300	$ 309,169	$ 2,932		

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

(b) During the second quarter of 2018, Subaru exercised its purchase option under the lease agreement for the 83,000 square foot build-to-suit service center (the “Subaru NSTC Development”) and the sale closed during the fourth quarter of 2018. See Note 2, “*Summary of Significant Accounting Policies*,” to our Consolidated Financial Statements for further discussion of the lease agreement and related revenue recognition.

(c) On December 20, 2018, we contributed a portfolio of eight properties containing an aggregate of 1,293,197 square feet, located in our Metropolitan Washington, D.C. segment (the “Rockpoint Portfolio”) to a newly-formed joint venture (the “Herndon Innovation Center Metro Portfolio Venture, LLC”) for a gross sales price of $312.0 million. We and our partner own 15% and 85% interests in the Herndon Innovation Center Metro Portfolio Venture, LLC, respectively. The Herndon Innovation Center Metro Portfolio Venture, LLC funded the acquisition with $265.2 million of cash, which was distributed to us at closing. After funding our share of closing costs and working capital contributions of $2.2 million and $0.6 million, respectively, we received $262.4 million of cash proceeds at settlement. We recorded an impairment charge of $56.9 million for the Rockpoint Portfolio during the third quarter of 2018. We recorded a $0.4 million gain on sale, which represents an adjustment to estimated closing costs used to determine the impairment charge in the third quarter of 2018. For further information related to this transaction, see the “*Herndon Innovation Center Metro Portfolio Venture, LLC*” section in Note 4, “*Investment in Unconsolidated Real Estate Ventures*,” to our Consolidated Financial Statements.

We sold the following land parcels during the twelve-month period ended December 31, 2018 (dollars in thousands):

Disposition Date	Property/Portfolio Name	Location	Number of Parcels	Acres	Sales Price	Net Proceeds on Sale	Gain on Sale	
March 16, 2018	Garza Ranch - Office	Austin, TX	1	6.6	$ 14,571	$ 14,509	$ 1,515	(a)
January 10, 2018	Westpark Land	Durham, NC	1	13.1	485	412	22	
Total Dispositions			2	19.7	$ 15,056	$ 14,921	$ 1,537	

(a) As of March 31, 2018, we had not transferred control to the buyer of this land parcel, or two other parcels at this site which were sold during 2017, because of a completion guarantee which required us, as developer, to complete certain infrastructure improvements on behalf of the buyers of the land parcels. The cash received at settlement was recorded as “Deferred income, gains and rent” on our consolidated balance sheets. During the three months ended June 30, 2018, the infrastructure improvements were substantially completed, at which time we transferred control of the land parcels. As a result, we then recognized the sales of the three land parcels during 2018 and recorded an aggregate $2.8 million gain. During the quarter ended December 31, 2018, we recognized an additional $0.2 million gain. See Note 2, “*Summary of Significant Accounting Policies,*” to our Consolidated Financial Statements for further discussion of the infrastructure improvements and related revenue recognition.

The sales of property and land referenced above do not represent a strategic shift that has a major effect on our operations and financial results. As a result, the operating results of these properties remain classified within continuing operations for all periods presented.

Held for Use Impairment

As of December 31, 2018, we evaluated the recoverability of the carrying value of certain properties that triggered an assessment under the undiscounted cash flow model. Based on our evaluation, we determined we would not recover the carrying value of one property located in our Other segment, 1900 Gallows Road, located in Vienna, Virginia, due to a reduction in the intended hold period. Accordingly, we recorded an impairment charge of $14.8 million at December 31, 2018, reflected in the results for the twelve-month period ended December 31, 2018, which reduced the carrying value of the property from $52.8 million to its estimated fair value of $37.9 million. We measured this impairment based on a discounted cash flow analysis, using a hold period of ten years and a residual capitalization rate and discount rate of 7.5% and 9.5%, respectively. The result was comparable to indicative pricing in the market.

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 December 31, 2018 (in thousands):

	Held for Sale Properties		
	December 31, 2018		
	Pennsylvania Suburbs - Land (a)	Other - Land (a)	Total
ASSETS HELD FOR SALE			
Real estate investments:			
Land inventory	$ 4,254	$ 7,345	$ 11,599
Total real estate investments	4,254	7,345	11,599
Total assets held for sale, net	$ 4,254	$ 7,345	$ 11,599

(a) As of December 31, 2018, we determined that the sales of one land parcel in our Pennsylvania Suburbs segment and two parcels of land in our Other segment were probable and classified these properties as held for sale in accordance with applicable accounting standards for long-lived assets. At such date, the fair value less the anticipated costs of sale of the properties exceeded the carrying values. As a result, there is no impairment. The fair value measurement will be based on the pricing in the purchase and sale agreements.

The disposals of properties referenced above do not represent a strategic shift that has a major effect on our operations and financial results. As a result, the operating results of the properties remain classified within continuing operations for all periods presented.

Unsecured Debt Activity

On December 13, 2018, we amended and restated our $250.0 million seven-year term loan maturing October 8, 2022. In connection with the terms of the amendment, the credit spread on the term loan decreased from LIBOR plus 1.80% to LIBOR plus 1.25%, reducing our effective interest rate by 0.55%. Through a series of interest rate swaps, the $250.0 million outstanding balance of the term loan has a fixed interest rate of 2.87%.

On July 17, 2018, we amended and restated our unsecured revolving credit agreement (as amended and restated, the “2018 Credit Facility”). The amendment and restatement, among other things: (i) maintained the total commitment of the revolving line of credit of $600.0 million; (ii) extended the maturity date from May 15, 2019 to July 15, 2022, with two six-month extensions at our election subject to specified conditions and subject to payment of an extension fee; (iii) reduced the interest rate margins applicable to Eurodollar loans; (iv) provided for an additional interest rate option based on a floating LIBOR rate; and (v) removed the covenant requiring us to maintain a minimum net worth. In connection with the amendments, we capitalized $2.7 million in financing costs, which will be amortized through the July 15, 2022 maturity date.

Brandywine - AI Venture: Station Square Disposition

On December 28, 2018, the BDN – AI Venture, an unconsolidated real estate venture in which we hold a 50% interest, sold three properties containing an aggregate of 510,202 rentable square feet located in Silver Spring, Maryland ("Station Square"), for a gross sales price of $107.0 million. At the time of sale, the properties were encumbered by a $66.5 million first mortgage financing, which was repaid in full at closing, resulting in a debt prepayment penalty of $0.7 million. Net of the first mortgage payoff and closing costs, BDN – AI Venture received cash proceeds of $34.8 million. On account of our 50% interest in the BDN – AI Venture, we received net cash proceeds of $17.4 million and recognized a $1.5 million gain on the sale, reflected in the "Net gain on real estate venture transactions" caption in our consolidated statements of operations for the period ended December 31, 2018. Subsequent to the sale transaction, the BDN – AI Venture continued to own two properties containing an aggregate of 364,277 rentable square feet.

Brandywine - AI Venture: 3141 Fairview Park Drive Impairment

During the period ended December 31, 2018, the BDN – AI Venture recorded a $20.8 million held for use impairment charge related to 3141 Fairview Park Drive and 3130 Fairview Park Drive (the "Fairview Properties"). As of December 31, 2018, after the $20.8 million impairment charge, the carrying value of the properties was $50.4 million. Our share of this impairment charge was $10.4 million and is reflected in the "Equity in loss of Real Estate Ventures" caption in our consolidated statements of operations for the period ended December 31, 2018. Subsequent to recording this impairment charge, we had a net basis of $15.8 million in the venture. See Note 4, "*Investment in Unconsolidated Real Estate Ventures*," to the Consolidated Financial Statements for further information regarding this disposition.

Brandywine - AI Venture: Other Than Temporary Impairment

As of December 31, 2018, we evaluated the recoverability of our investment basis in BDN – AI Venture utilizing a discounted cash flow model. Based on our evaluation of the fair value of our investment in the two properties that remained owned by the BDN – AI Venture subsequent to the disposition of Station Square, we determined that a persistent weak demand for office space and intense competition for tenants had reduced our share of the fair value of the remaining properties to be less than our investment basis in BDN – AI Venture. As a result, we concluded that the decline in value was other than temporary. Subsequent to recording a $4.1 million impairment charge, we had a net basis of $11.7 million in the venture.

MAP Venture

On August 1, 2018, MAP Venture, an unconsolidated real estate venture in which we hold a 50% ownership interest, refinanced its $180.8 million third party debt financing, secured by the buildings of MAP Venture and maturing February 9, 2019, with $185.0 million third party debt financing, also secured by the buildings of the venture, bearing interest at LIBOR + 2.45% capped at a total maximum interest of 6.00% and maturing on August 1, 2023.

Brandywine 1919 Ventures

On June 26, 2018, we and our partner, LCOR/Calstrs, each provided a $44.4 million mortgage loan to Brandywine 1919 Ventures, an unconsolidated real estate venture in which we and LCOR/Calstrs each hold a 50% ownership interest. As a result, we recorded a related-party note receivable of $44.4 million in the "Other assets" caption on our consolidated balance sheets. The loan bears interest at a fixed 4.0% rate with a scheduled maturity on June 25, 2023. Brandywine 1919 Ventures used the loan proceeds to fund the $88.8 million repayment of its construction loan, which included $88.6 million in outstanding principal and $0.2 million of interest, on June 26, 2018.

evo at Cira Centre South Venture

On January 10, 2018, evo at Cira, a real estate venture in which we held a 50% interest, sold its sole asset, a 345-unit student housing tower, at a gross sales value of $197.5 million. The student housing tower, located in Philadelphia, Pennsylvania, was encumbered by a secured loan with a principal balance of $110.9 million at the time of sale, which was repaid in full from the sale proceeds. Our share of net cash proceeds from the sale, after debt repayment and closing costs, was $43.0 million. As our investment basis was $17.3 million, we recorded a gain of $25.7 million.

Developments/Redevelopments

As of December 31, 2018, we owned approximately 237.4 acres of undeveloped land, of which 37.9 acres were held for sale, 1.8 acres related to leasehold interests in two land parcels, each acquired through prepaid 99-year ground leases, and held options to purchase approximately 55.5 additional acres of undeveloped land.

As of December 31, 2018, we had four projects under development/redevelopment comprised of three office projects and one mixed-use project, which aggregate approximately 0.5 million rentable square feet, and a public park related to the Schuylkill Yards Project. We estimate the total remaining investment to complete these projects is approximately $56.4 million. As of December 31, 2018, we had invested approximately $89.1 million in these projects. For a detailed list of the properties under development/redevelopment see Item 2., "*Properties.*"

4040 Wilson Venture

4040 Wilson, a 50/50 real estate venture between Ashton Park and us, is developing a 427,500 square foot mixed-use building, representing the final phase of the eight building, mixed-use, Liberty Center complex located in the Ballston submarket of Arlington, Virginia. The project is being constructed on a 1.3 acre land parcel contributed by Ashton Park to 4040 Wilson at an agreed upon value of $36.0 million. During the fourth quarter of 2017, 4040 Wilson achieved pre-leasing levels that enabled the venture to obtain a secured construction loan with a total borrowing capacity of $150.0 million for the remainder of the project costs. The total estimated project costs are $224.8 million, which we expect will be financed through approximately $74.8 million of partner capital contributions and $150.0 million in proceeds from the secured construction loan. As of December 31, 2018, $57.3 million had been advanced under the construction loan, and the venture had commenced construction of the mixed-use building. If construction costs were to exceed estimates, our equity method investment in 4040 Wilson could become other than temporarily impaired. As of December 31, 2018, we utilized a third-party valuation analysis to support our conclusion that 4040 Wilson is not other than temporarily impaired.

Other Development Activities

Schuylkill Yards Project

On May 9, 2016, we entered into a master development agreement (the "Development Agreement") with Drexel University, a Pennsylvania non-profit corporation, and an affiliate of Drexel University, (collectively "Drexel"), that provides for our rights and obligations, as master developer, of a multi-phase, multi-component development on approximately 10.0 acres of land owned by Drexel and adjacent to Drexel's main campus in the University City section of Philadelphia, Pennsylvania (the "Development Site"). Adjacent to the Development Site are an additional four acres controlled by Brandywine and Drexel which, when combined with the Development Site, comprise the 14-acre Schuylkill Yards Project master planned area. We refer to the overall development, including the Development Site, as the "Schuylkill Yards Project."

The Development Site is contemplated to be developed in six phases over an approximately 20-year period, excluding extension options, and is anticipated to consist of an aggregate of approximately 5.1 million of floor area ratio, or FAR, of office, residential, advanced manufacturing, research facilities and academic facilities, as well as accessory green spaces.

Prior to commencement of construction of the initial facility, we will oversee master planning, including obtaining required government and third party approvals and completing confirmatory real estate due diligence. As of December 31, 2018 we have entered into a 99-year ground lease with Drexel for the portion of the Development Site where the initial facility will be constructed. We will enter into similar ground leases with Drexel in connection with our construction of additional facilities under subsequent phases at the Development Site.

We contemplate that the initial phase of new construction at the Development Site will consist of a mixed-use facility containing approximately 500,000 square feet including traditional office, retail and residential space. As of the date of this Form 10-K, we have not finalized the scope of the development or entered into any construction contracts.

On June 29, 2018, we acquired, through a 99-year ground lease, the leasehold interest in a one-acre land parcel, located at 3025 JFK Boulevard, in Philadelphia, Pennsylvania. We prepaid $15.0 million of ground lease rent and capitalized $0.3 million of costs related to entering the lease. Additionally, the ground lease required us to pay $5.6 million for a leasehold valuation credit, which can be applied to increase the density of the projects subject to the Schuylkill Yards Project master development agreement. Of this deposit, $2.4 million must be applied to the development of 3001-3003 and 3025 JFK Boulevard. If we do not construct a minimum of 1.2 million square feet of ("FAR") on these land parcels, the credit will not be realized. The remaining credit of $3.2 million can be used for development in excess of 1.2 million FAR at 3001-3003 and 3025 JFK Boulevard or toward future ground lease takedowns at the Schuylkill Yards Development Site. The deposit is reimbursed if the master development agreement is terminated by the landowner.

On March 22, 2018, we acquired, through a 99-year ground lease, the leasehold interest in a one-acre land parcel, located at 3001-3003 JFK Boulevard, in Philadelphia, Pennsylvania. We prepaid $24.6 million of ground lease rent and, in accordance with ASC 840, capitalized $0.3 million of costs related to entering the lease.

For information regarding the 2017 acquisitions within the scope of the Schuylkill Yards project, see Item 1., "*Business – 2017 Transactions,*" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Actual timing and scope of subsequent phases of development will depend on timing and scope of previous phases, third party approvals, preleasing and other design and development-related determinations. Overall, approximately 52% of the FAR is designated office, including lab and academic space, and the balance would consist of residential, retail, hospitality and parking.

We intend to fund the costs to develop each development phase of the Schuylkill Yards Project through a combination of cash on hand, capital raised through one or more real estate venture formations, and proceeds from the sale of other assets or debt financing, including project-specific mortgage financing. As of the date of this report, we have not entered into agreements with third parties for real estate venture participation in the project.

The Development Agreement provides for rights, responsibilities and restrictions relating to all phases of the project, including, but not limited to, design and construction; leasing of space; involvement of third party participants; extension and termination rights; and protocols for reaching agreement on subjects customary for long-term collaborative development projects.

Business Objective and Strategies for Growth

Our business objective is to deploy capital effectively to maximize our return on investment and thereby maximize our total return to shareholders. To accomplish this objective we seek to:

- concentrate on urban town centers and central business districts in selected regions, and be the best of class owner and developer in those markets with a full-service office in each of those markets providing property management, leasing, development, construction and legal expertise;
- maximize cash flow through leasing strategies designed to capture rental growth as rental rates increase and as leases are renewed;
- attain high tenant retention rates by providing a full array of property management, maintenance services and tenant service amenity programs responsive to the varying needs of our diverse tenant base;
- continue to cultivate long-term leasing relationships with a diverse base of high-quality and financially stable tenants;
- form joint ventures with high-quality partners having attractive real estate holdings or significant financial resources;
- utilize our reputation as a full-service real estate development and management organization to identify acquisition and development opportunities that will expand our business and create long-term value;
- increase the economic diversification of our tenant base while maximizing economies of scale; and
- selectively dispose of properties that do not support our long-term business objectives and growth strategies.

We also consider the following to be important objectives:

- to develop and opportunistically acquire high-quality office properties at attractive yields in markets that we expect will experience economic growth and where we can achieve operating efficiencies;
- to monetize or deploy our land inventory for development of high-quality office properties, or rezone from office/industrial to residential, retail and hotel to align with market and demand shifts as appropriate;
- to control development sites, including sites under option to acquire, that could support approximately 14.3 million square feet of new office, retail and residential development within our core markets;
- to capitalize on our redevelopment expertise to selectively develop, redevelop and reposition properties in desirable locations that other organizations may not have the resources to pursue;
- to own and develop high quality office and mixed-use real estate meeting the demands of today’s tenants who require sophisticated telecommunications and related infrastructure, support services, sustainable features and amenities, and to manage those facilities so as to continue to be the landlord of choice for both existing and prospective tenants;
- to strategically grow our portfolio through the development and acquisition of new product types that support our strategy of transient-oriented and amenity based mixed-use properties located in the central business district of Philadelphia, Pennsylvania; Pennsylvania Suburbs; Austin, Texas; and Washington, D.C.; and
- to secure third-party development contracts, which can be a significant source of revenue and enable us to utilize and grow our existing development and construction management resources.

We expect to concentrate our real estate activities in markets where we believe that:

- current and projected market rents and absorption statistics justify construction activity;
- we can maximize market penetration by accumulating a critical mass of properties and thereby enhance operating efficiencies;
- barriers to entry (such as zoning restrictions, utility availability, infrastructure limitations, development moratoriums and limited developable land) will create supply constraints on available space; and
- there is potential for economic growth, particularly job growth and industry diversification.

Operating Strategy

We currently expect to continue to operate in markets where we have a concentration advantage due to economies of scale. We believe that where possible, it is best to operate with a strong base of properties in order to benefit from the personnel allocation and the market strength associated with managing multiple properties in the same market. We also intend to selectively dispose of properties and redeploy capital if we determine a property cannot meet our long term earnings growth expectations. We believe that recycling capital is an important aspect of maintaining the overall quality of our portfolio.

Our broader strategy remains focused on continuing to grow earnings, enhance liquidity and strengthen our balance sheet through capital retention, debt reduction, targeted sales activity and management of our existing and prospective liabilities.

In the long term, we believe that we are well positioned in our current markets and have the expertise to take advantage of both development and acquisition opportunities, as warranted by market and economic conditions, in new markets that have healthy long-term fundamentals and strong growth projections. This capability, combined with what we believe is a conservative financial structure, should allow us to achieve disciplined growth. These abilities are integral to our strategy of having a diverse portfolio of assets, which will meet the needs of our tenants.

We use experienced on-site construction superintendents, operating under the supervision of project managers and senior management, to control the construction process and mitigate the various risks associated with real estate development.

In order to fund developments, redevelopments and acquisitions, as well as refurbish and improve existing properties, we primarily use proceeds from property dispositions and excess cash from operations after satisfying our dividend and other financing requirements. The availability of funds for new investments and maintenance of existing properties largely depends on capital markets and liquidity factors over which we can exert little control.

Policies With Respect To Certain Activities

The following is a discussion of our investment, financing and other policies. These policies have been determined by our Board of Trustees and our Board of Trustees may revise these policies without a vote of shareholders.

Investments in Real Estate or Interests in Real Estate

Our investment objectives are to provide quarterly cash dividends to our shareholders and to achieve long-term capital appreciation through increases in the value of operating assets.

We expect to continue our investment objectives primarily through the development, purchase or our current ownership in lease income-producing properties for long-term investment, expand and improve the properties presently owned or other properties purchased, or sell such properties, in whole or in part, as circumstances warrant. Although there is no limitation on the types of development activities that we may undertake, we expect that our development activities will meet current market demand and will generally be on a build-to-suit basis for particular tenants where a significant portion of the building is pre-leased before construction begins. We continue to participate with other entities in property ownership through existing joint ventures or other types of co-ownership. Our equity investments may be subject to existing or future mortgage financing and other indebtedness that will have priority over our equity investments.

Securities of or Interests in Entities Primarily Engaged in Real Estate Activities and Other Issuers

Subject to the ownership limitations and gross income tests necessary for REIT qualification, we may invest in securities of other entities, including other REITs or real estate companies. We may enter into joint ventures or other arrangements for the purpose of obtaining an economic interest in a particular property.

Investments in Real Estate Mortgages, Mezzanine Loans and Other Debt Instruments

While our current portfolio consists of, and our business objectives emphasize, common equity investments in commercial real estate, we may, at the discretion of management or our Board of Trustees, invest in other types of equity real estate investments, mortgages, mezzanine loans and other real estate interests. We do not presently intend to invest to a significant extent in mortgages, mezzanine loans or unsecured loans, but may invest in mortgages, mezzanine loans, unsecured loans or preferred equity. From time to time, we provide seller financing to buyers of our properties. We do this when the buyer requires additional funds for the purchase and provision of seller financing will be beneficial to us and the buyer compared to a mortgage loan from a third party lender. Similarly, from time to time, we provide financing to our unconsolidated real estate ventures when the venture requires additional funds and the financing will be beneficial to us and the venture.

Dispositions

Our disposition of properties is based upon management’s periodic review of our portfolio and the determination by management or our Board of Trustees that a disposition would be in our best interest. We intend to use selective dispositions to reduce our ownership in non-core markets and fund our capital and refinancing needs.

Financing Policies

A primary objective of our financing policy has been to manage our financial position to allow us to raise capital from a variety of sources at competitive rates. Our mortgages, credit facilities and unsecured debt securities contain restrictions on our ability to incur indebtedness. Our charter documents do not limit the indebtedness that we may incur. Our financing strategy is to maintain a strong and flexible financial position by limiting our debt to a prudent level and minimizing our variable interest rate exposure. We intend to finance future growth and future maturing debt with the most advantageous source of capital that is available to us. These sources may include the sale of wholly owned properties or interests in real estate ventures, selling additional common or preferred equity and debt securities through public offerings or private placements, utilizing availability under our credit facilities or incurring additional indebtedness through secured or unsecured borrowings. To qualify as a REIT, we must distribute to our shareholders each year at least 90% of our net taxable income, excluding any net capital gain. This distribution requirement limits our ability to fund future capital needs, including for acquisitions and developments, from income from operations. Therefore, we expect to continue to rely on third party sources of capital to fund future capital needs.

Guarantees

As of December 31, 2018, our unconsolidated real estate ventures had aggregate indebtedness of $370.3 million. These loans are generally mortgage or construction loans, most of which are non-recourse to us, except for customary carve-outs. As of December 31, 2018, the loans for which there is recourse to us consist of the following: (i) a $0.3 million payment guarantee on a loan with a $3.8 million outstanding principal balance, provided to PJP VII and (ii) up to a $41.3 million payment guarantee on a $150.0 million construction loan provided to 4040 Wilson. In addition, during construction undertaken by real estate ventures, including 4040 Wilson, we have provided and expect 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.

In connection with the agreements of sale related to the Garza Ranch (See "*Real Estate Acquisitions*" section above), we entered into a development agreement and related completion guarantee to construct certain infrastructure improvements to the land on behalf of each buyer. Total estimated costs related to the improvements were included in the sale price of each land parcel. During the year ended December 31, 2018, the infrastructure improvements were completed and we recognized the sales. See Note 2, *"Summary of Significant Accounting Policies,"* to our Consolidated Financial Statements for further discussion of the infrastructure improvements and related revenue recognition.

In addition, during construction undertaken by real estate ventures, we have provided and expect to continue to provide cost overrun and completion guarantees, with rights of contribution among partners in the real estate ventures, and once construction is complete, 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, "*Investments in Unconsolidated Real Estate Ventures*," to our Consolidated Financial Statements for further information.

Working Capital Reserves

We maintain working capital reserves and access to borrowings in amounts that our management determines to be adequate to meet our normal contingencies.

Policies with Respect to Other Activities

We expect to issue additional common and preferred equity in the future and may authorize our Operating Partnership to issue additional common and preferred units of limited partnership interest, including to persons who contribute their interests in properties to us in exchange for such units. We have not engaged in trading, underwriting or agency distribution or sale of securities of unaffiliated issuers and we do not intend to do so. We intend to make investments consistent with our qualification as a REIT, unless because of circumstances or changes in the Internal Revenue Code of 1986, as amended (or the Treasury Regulations), our Board of Trustees determines that it is no longer in our best interests to qualify as a REIT. We may make loans to third parties, including to joint ventures in which we participate and to buyers of our real estate. We intend to make investments in such a way that we will not be treated as an investment company under the Investment Company Act of 1940.

Management Activities

We provide third-party real estate management services primarily through wholly-owned subsidiaries of the Operating Partnership (collectively, the "Management Companies"). As of December 31, 2018, the Management Companies were managing properties containing an aggregate of approximately 24.8 million net rentable square feet, of which approximately 16.8 million net rentable square feet related to properties owned by us and approximately 8.0 million net rentable square feet related to properties owned by third parties and unconsolidated Real Estate Ventures.

Geographic Segments

During the year ended December 31, 2018, we were managing our portfolio within five segments: (1) Philadelphia Central Business District ("Philadelphia CBD"), (2) Pennsylvania Suburbs, (3) Austin, Texas, (4) Metropolitan Washington, D.C., and (5) Other. The Philadelphia CBD segment includes properties located in the City of Philadelphia, Pennsylvania. The Pennsylvania Suburbs segment includes properties in Chester, Delaware, and Montgomery counties in the Philadelphia suburbs. The Austin, Texas segment includes properties in the City of Austin, Texas. The Metropolitan Washington, D.C. segment includes properties in the District of Columbia, Northern Virginia and southern Maryland. The Other segment includes properties located in Camden County in New Jersey and properties in New Castle County in Delaware. In addition to the five segments, the corporate group is responsible for cash and investment management, development of certain real estate properties during the construction period, and certain other general support functions. See Note 17, "*Segment Information*," to our Consolidated Financial Statements for information on selected assets and results of operations of our reportable segments for the three years ended December 31, 2018, 2017 and 2016.

Competition

The real estate business is highly competitive. Our Properties compete for tenants with similar properties primarily on the basis of location, total occupancy costs (including base rent and operating expenses), services and amenities provided, and the design and condition of the improvements. We also face competition when attempting to acquire or develop real estate, including competition from domestic and foreign financial institutions, other REITs, life insurance companies, pension funds, partnerships and individual investors. Additionally, our ability to compete depends upon trends in the economies of our markets, investment alternatives, financial condition and operating results of current and prospective tenants, availability and cost of capital, construction and renovation costs, land availability, our ability to obtain necessary construction approvals, taxes, governmental regulations, legislation and population trends.

Sustainability

As one of the largest, publicly traded real estate companies in the United States, we seek to provide exceptional work environments for our tenants. Our current and recent developments and redevelopments reflect our commitment to energy efficient buildings with sustainable operating practices, as we seek to encourage the health and productivity of our tenants, while lowering operating costs and identifying revenue opportunities.

In recognition of our commitments, we have been recognized as an industry leader in sustainability. During 2018, we ranked eighth among U.S. office companies in the Global Real Estate Sustainability Benchmark ("GRESB") assessment. 2018 was the fourth consecutive year that we have ranked in the top quartile of GRESB assessment participants, earnings another "Green Star" recognition. We have been a past recipient of the Environment Protection Agency's Energy Star Partner of the Year Award winner for sustained excellent for members that have demonstrated superior and sustained energy efficiency practices. We ended 2018 with 78% of our properties ENERGY STAR certified. In 2017, we ranked eighth among U.S. office companies in the GRESB assessment.

Insurance

We maintain commercial general liability and "all risk" property insurance on our Properties. We intend to obtain similar coverage for properties we acquire in the future. There are types of losses, generally of a catastrophic nature, such as losses from war, terrorism, environmental issues, floods, hurricanes and earthquakes that are subject to limitations in certain areas or which may be uninsurable risks. We exercise our discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance on our investments at a reasonable cost and on suitable terms. If we suffer a substantial loss, our insurance coverage may not be sufficient to pay the full current market value or current replacement cost of our lost investment. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make it impractical to use insurance proceeds to fully replace or restore property after it has been damaged or destroyed.

Employees

As of December 31, 2018, we had 329 full-time employees, including 11 union employees.

Government Regulations

Environmental Regulation

Many laws and governmental regulations relating to the environment apply to us and changes in these laws and regulations, or their interpretation by agencies and the courts, occur frequently and may adversely affect us.

Existing conditions at some of our Properties. Generally, independent environmental consultants have conducted Phase I or similar environmental site assessments on our Properties. We generally obtain these assessments prior to the acquisition of a property and may later update them as required for subsequent financing of the property or as requested by a tenant. Site assessments are generally performed to ASTM standards then existing for Phase I site assessments, and typically include a historical review, a public records review, a visual inspection of the surveyed site, and the issuance of a written report. These assessments do not generally include any soil samplings or subsurface investigations. Depending on the age of the property, the Phase I may have included an assessment of asbestos-containing materials. For properties where asbestos-containing materials were identified or suspected, an operations and maintenance plan was generally prepared and implemented.

Historical operations at or near some of our Properties, including the operation of underground storage tanks, may have caused soil or groundwater contamination. We are not aware of any such condition, liability or concern by any other means that would give rise to material, uninsured environmental liability. However, the assessments may have failed to reveal all environmental conditions, liabilities or compliance concerns; there may be material environmental conditions, liabilities or compliance concerns that a review failed to detect or which arose at a property after the review was completed; future laws, ordinances or regulations may impose material additional environmental liability; and current environmental conditions at our Properties may be affected in the future by tenants, third parties or the condition of land or operations near our Properties, such as the presence of underground storage tanks. We cannot be certain that costs of future environmental compliance will not affect our ability to make distributions to our shareholders.

Use of hazardous materials by some of our tenants. Some of our tenants handle hazardous substances and waste on our Properties as part of their routine operations. Environmental laws and regulations may subject these tenants, and potentially us, to liability resulting from such activities. We generally require our tenants, in their leases, to comply with these environmental laws and regulations and to indemnify us for any related liabilities. We are not aware of any material noncompliance, liability or claim relating to hazardous or toxic substances or petroleum products in connection with any of our Properties, and we do not believe that on-going activities by our tenants will have a material adverse effect on our operations.

Costs related to government regulation and private litigation over environmental matters. Under environmental laws and regulations, we may be liable for the costs of removal, remediation or disposal of hazardous or toxic substances present or released on our Properties. These laws could impose liability without regard to whether we are responsible for, or knew of, the presence or release of the hazardous materials. Government investigations and remediation actions may entail substantial costs and the presence or release of hazardous substances on a property could result in governmental cleanup actions or personal injury or similar claims by private plaintiffs.

Potential environmental liabilities may exceed our environmental insurance coverage limits. We carry what we believe to be sufficient environmental insurance to cover potential liability for unknown soil and groundwater contamination, mold impact, and the presence of asbestos-containing materials at the affected sites identified in our environmental site assessments. Our insurance policies are subject to conditions, qualifications and limitations. Therefore, we cannot provide any assurance that our insurance coverage will be sufficient to cover all liabilities for losses.

Potential environmental liabilities may adversely impact our ability to use or sell assets. The presence of contamination or the failure to remediate contamination may impair our ability to sell or lease real estate or to borrow using the real estate as collateral.

Americans with Disabilities Act

Our properties must comply with Title III of the Americans with Disabilities Act of 1990 (the “ADA”) to the extent that such properties are “public accommodations” as defined by the ADA. The ADA may require removal of structural barriers to permit access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe that our properties are in substantial compliance with the ADA and that we will not be required to incur substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and make alterations as appropriate in this respect.

Code of Conduct

We maintain a Code of Business Conduct and Ethics applicable to our Board of Trustees and all of our officers and employees, including our principal executive officer, principal financial officer, principal accounting officer, controller and persons performing similar functions. A copy of our Code of Business Conduct and Ethics is available on our website, www.brandywinerealty.com. In addition to being accessible through our website, copies of our Code of Business Conduct and Ethics can be obtained, free of charge, upon written request to Investor Relations, 2929 Walnut Street, Suite 1700, Philadelphia, PA 19104. Any amendments to or waivers of our Code of Business Conduct and Ethics that apply to our principal executive officer, principal financial officer, principal accounting officer, controller and persons performing similar functions and that relate to any matter enumerated in Item 406(b) of Regulation S-K promulgated by the SEC will be disclosed on our website.

Corporate Governance Principles and Board Committee Charters

Our Corporate Governance Principles and the charters of the Executive Committee, Audit Committee, Compensation Committee and Corporate Governance Committee of the Board of Trustees of Brandywine Realty Trust and additional information regarding our corporate governance are available on our website, www.brandywinerealty.com. In addition to being accessible through our website, copies of our Corporate Governance Principles and charters of our Board Committees can be obtained, free of charge, upon written request to Investor Relations, Brandywine Realty Trust, 2929 Walnut Street, Suite 1700, Philadelphia, PA 19104.

Availability of SEC Reports

We file annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and other information with the SEC. The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding issuers, including us, that file electronically with the SEC. The address of that site is http://www.sec.gov. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and other information filed by us with the SEC are available, without charge, on our Internet web site, http://www.brandywinerealty.com as soon as reasonably practicable after they are filed electronically with the SEC. Copies are also available, free of charge, upon written request to Investor Relations, Brandywine Realty Trust, 2929 Walnut Street, Suite 1700, Philadelphia, PA 19104.

Item 1A. Risk Factors

You should carefully consider these risk factors, together with all of the other information included in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes thereto, before you decide whether to make an investment in our securities. The risks set out below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, prospects, financial condition, cash flows, liquidity, funds from operations, results of operations, share price, ability to service our indebtedness, and/or ability to make cash distributions to our security holders (including those necessary to maintain our REIT qualification). In such case, the value of our common shares and the trading price of our securities could decline, and you may lose all or a significant part of your investment. Some statements in the following risk factors constitute forward looking statements. Please refer to the explanation of the qualifications and limitations on forward-looking statements under "Forward-Looking Statements" of this Form 10-K.

Adverse economic and geopolitical conditions could have a material adverse effect on our results of operations, financial condition and our ability to pay distributions to our shareholders.

Our business is affected by global, national and local economic conditions. Our portfolio consists primarily of office buildings (as compared to real estate companies with portfolios of multiple asset classes). Our financial performance and the value of our real estate assets, and consequently the value of our securities, are subject to the risk that if our properties do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow, results of operations, financial condition and ability to make distributions to our security holders will be adversely affected. The following factors, among others, may materially and adversely affect the income generated by our properties and our performance generally:

- adverse changes in international, national or local economic and demographic conditions;
- increased vacancies or our inability to rent space on favorable terms, including market pressures to offer tenants rent abatements, increased tenant improvement packages, early termination rights, below market rental rates or below-market renewal options;
- significant job losses in the financial and professional services industries may occur, which may decrease demand for office space, causing market rental rates and property values to be negatively impacted;
- changes in space utilization by our tenants due to technology, economic conditions and business culture may decrease demand for office space, causing market rental rates and property values to be negatively impacted;
- deterioration in the financial condition of our tenants may result in tenant defaults under leases, including due to bankruptcy, and adversely impact our ability to collect rents from our tenants;
- competition from other office and mixed-use properties , and increased supply of such properties;
- increases in non-discretionary operating costs, including insurance expense, utilities, real estate taxes, state and local taxes, labor shortages and heightened security costs may not be offset by increased market rental rates;
- reduced values of our properties would limit our ability to dispose of assets at attractive prices, limit our access to debt financing secured by our properties and reduce the availability of unsecured loans;
- changes in interest rates, reduced availability of financing and reduced liquidity in the capital markets may adversely affect our ability or the ability of potential buyers of properties and tenants of properties to obtain financing on favorable terms, or at all;
- one or more lenders under our unsecured revolving credit facility could refuse or be unable to fund their financing commitment to us and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all; and
- civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war may result in uninsured or underinsured losses.

Our performance is dependent upon the economic conditions of the markets in which our properties are located.

Our results of operations will be significantly influenced by the economies and other conditions of the real estate markets in which we operate, particularly in Philadelphia, Pennsylvania, the suburbs of Philadelphia, Pennsylvania, Austin, Texas, the District of Columbia, Northern Virginia and Southern Maryland. Any adverse changes in economic conditions in any of these economies or real estate markets could negatively affect cash available for distribution and debt service. Our financial performance and ability to make distributions to our shareholders and pay debt service is particularly sensitive to the economic conditions in these markets. The local economic climate, which may be adversely impacted by business layoffs or downsizing, industry slowdowns, changing demographics and other factors, and local real estate conditions, such as demand for office space, operating expenses and real estate taxes, may affect revenues and the value of properties, including properties to be acquired or developed.

We face risks associated with the development of mixed-use commercial properties.

We operate, are currently developing, and may in the future develop, properties either alone or through real estate ventures with other persons that are known as “mixed-use” developments. In addition to the development of office space, mixed-use projects may also include space for residential, retail, hotel or other commercial purposes. As a result, if a development project consists of a non-office or non-retail use, we may seek to develop that component ourselves, sell the rights to that component to a third-party developer with experience in that use, or we may seek to partner with such a developer. If we do not sell the rights or partner with such a developer, or if we choose to develop the other component ourselves, we would be exposed not only to those risks typically associated with the development of commercial real estate generally, but also to specific risks associated with the development and ownership of non-office and non-retail real estate. In addition, even if we sell the rights to develop certain components or elect to participate in the development through a real estate venture, we may be exposed to the risks associated with the failure of the other party to complete the development as expected. These include the risk that the other party would default on its obligations, necessitating that we complete the other component ourselves (including providing any necessary financing). In the case of residential properties, these risks also include competition for prospective residents from other operators whose properties may be perceived to offer a better location or better amenities or whose rent may be perceived as a better value given the quality, location and amenities that the resident seeks. Because we have limited experience with residential properties, we expect to retain third parties to manage our residential properties. In the case of hotel properties, the risks also include increases in inflation and utilities that may not be offset by increases in room rates. We are also dependent on business and commercial travelers and tourism. If we decide not to sell or participate in a real estate venture and instead hire a third party manager, we would be dependent on their key personnel to provide services on our behalf and we may not find a suitable replacement if the management agreement is terminated, or if key personnel leave or otherwise become unavailable to us.

We may suffer adverse consequences due to the financial difficulties, bankruptcy or insolvency of our tenants.

Periodically, our tenants experience financial difficulties, including bankruptcy, insolvency or a general downturn in their business, and these difficulties may have an adverse effect on our cash flow, results of operations, financial condition and ability to make distributions to our shareholders. We cannot assure you that any tenant that files for bankruptcy protection will continue to pay us rent. A bankruptcy filing by or relating to one of our tenants or a lease guarantor would bar efforts by us to collect pre-bankruptcy debts from that tenant or lease guarantor, or its property, unless we receive an order permitting us to do so from the bankruptcy court. In addition, we cannot evict a tenant solely because of bankruptcy. The bankruptcy of a tenant or lease guarantor could delay our efforts to collect past due balances under the relevant leases, and could ultimately preclude collection of these sums. If a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances due under the lease must be paid to us in full. If, however, a lease is rejected by a tenant in bankruptcy, we would have only a general, unsecured claim for damages. Any such unsecured claim would only be paid to the extent that funds are available and only in the same percentage as is paid to all other holders of general, unsecured claims. Restrictions under the bankruptcy laws further limit the amount of any other claims that we can make if a lease is rejected. As a result, it is likely that we would recover substantially less than the full value of the remaining rent during the term. See Item 7., “*Management’s Discussion and Analysis of Financial Condition and Results of Operations - Factors that May Influence Future Results of Operations - Tenant Credit Risk.*”

An increase in interest rates would increase our interest costs on variable rate debt and could adversely impact our ability to refinance existing debt or sell assets on favorable terms or at all.

Rising interest rates could limit our ability to refinance existing debt when it matures or significantly increase our future interest expense. From time to time, we enter into interest rate swap agreements and other interest rate hedging contracts. While these agreements are intended to lessen the impact of rising interest rates on us, they also expose us to the risk that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement or termination of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly-effective cash flow hedges under the applicable accounting guidance. In addition, an increase in interest rates could decrease the amounts third parties are willing or able to pay for our assets, thereby limiting our ability to recycle capital and change our portfolio promptly in response to changes in economic or other conditions.

Our degree of leverage could limit our ability to obtain additional financing or affect the market price of our equity shares or debt securities.

Our organizational documents do not contain any limitation on the amount of indebtedness we may incur. We are subject to risks associated with debt financing, such as the insufficiency of cash flow to meet required debt service payment obligations and the inability to refinance existing indebtedness. If our debt cannot be paid, refinanced or extended at maturity, we may not be able to make distributions to shareholders at expected levels or at all. Furthermore, an increase in our interest expense could adversely affect our cash flow and ability to make distributions to shareholders. If we do not meet our debt service obligations, any properties securing such indebtedness could be foreclosed on, which would have a material adverse effect on our cash flow and ability to make distributions and, depending on the number of properties foreclosed on, could threaten our continued viability. Our degree of leverage could also make us more vulnerable to a downturn in business or the economy in general.

The terms and covenants relating to our indebtedness could adversely impact our economic performance.

Our credit facilities, term loans and the indenture governing our unsecured public debt securities contain (and any new or amended facility and term loans will contain) restrictions, requirements and other limitations on our ability to incur indebtedness, including total debt to asset ratios, secured debt to total asset ratios, debt service coverage ratios and minimum ratios of unencumbered assets to unsecured debt which we must maintain. Our ability to borrow under our credit facilities is subject to compliance with such financial and other covenants. In the event that we fail to satisfy these covenants, we would be in default under the credit facilities, the term loans and the indenture and may be required to repay such debt with capital from other sources. Under such circumstances, other sources of capital may not be available to us, or may be available only at unattractive terms. In addition, the mortgages on our properties, including mortgages encumbering our Real Estate Ventures, contain customary covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property or to discontinue insurance coverage. If we breach covenants in our secured debt agreements, the lenders can declare a default and take possession of the property securing the defaulted loan.

A downgrading of our debt could subject us to higher borrowing costs.

In the event that our unsecured debt is downgraded by Moody’s Investor Services or Standard & Poor’s from the current ratings, we would likely incur higher borrowing costs and the market prices of our common shares and debt securities might decline.

We may experience increased operating costs, which might reduce our profitability.

Our properties are subject to increases in operating expenses such as for insurance, real estate taxes, cleaning, electricity, heating, ventilation and air conditioning, administrative costs and other costs associated with security, landscaping and repairs and maintenance of our properties. In general, our tenant leases allow us to pass through all or a portion of these costs to them. We cannot assure you, however, that tenants will actually bear the full burden of these increased costs, or that such increased costs will not lead them, or other prospective tenants, to seek office space elsewhere. If operating expenses increase, the availability of other comparable office space in our core geographic markets might limit our ability to increase rents; if operating expenses increase without a corresponding increase in revenues, our profitability could diminish and limit our ability to make distributions to shareholders.

Our investment in property development or redevelopment may be more costly or difficult to complete than we anticipate.

We intend to continue to develop properties where market conditions warrant such investment. Once made, these investments may not produce results in accordance with our expectations. Risks associated with our development and construction activities include:

- unavailability of favorable financing alternatives in the private and public debt markets;
- insufficient capital to pay development costs;
- limited experience in developing or redeveloping properties in certain of our geographic markets may lead us to incorrectly project development costs and returns on our investments;

- dependence on the financial, technology and professional services sector as part of our tenant base;
- construction costs exceeding original estimates due to rising interest rates, diminished availability of materials and labor, and increases in the costs of materials and labor;
- construction and lease-up delays resulting in increased debt service, fixed expenses and construction or renovation costs;
- expenditure of funds and devotion of management’s time to projects that we do not complete;
- the unavailability or scarcity of utilities;
- occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, resulting in lower than projected rental rates and a corresponding lower return on our investment;
- complications (including building moratoriums and anti-growth legislation) in obtaining necessary zoning, occupancy and other governmental permits; and
- increased use restrictions by local zoning or planning authorities limiting our ability to develop and impacting the size of developments.

See Item 7., “*Management’s Discussion and Analysis of Financial Condition and Results of Operations - Factors that May Influence Future Results of Operations - Development Risk.*”

Our development projects and third party property management business may subject us to certain liabilities.

We may hire and supervise third party contractors to provide construction, engineering and various other services for wholly owned development projects, development projects undertaken by real estate ventures in which we hold an equity interest and manage or properties we are managing on behalf of unaffiliated third parties. Certain of these contracts may be structured such that we are the principal rather than the agent. As a result, we may assume liabilities in the course of the project and be subjected to, or become liable for, claims for construction defects, negligent performance of work or other similar actions by third parties we have engaged. Adverse outcomes of disputes or litigation could negatively impact our business, results of operations and financial condition, particularly if we have not limited the extent of the damages to which we may be liable, or if our liabilities exceed the amounts of the insurance that we carry. Moreover, our tenants and third party customers may seek to hold us accountable for the actions of contractors because of our role even if we have technically disclaimed liability as a legal matter, in which case we may determine it necessary to participate in a financial settlement for purposes of preserving the tenant or customer relationship.

Acting as a principal may also mean that we pay a contractor before we have been reimbursed, which exposes us to additional risks of collection in the event of a bankruptcy or insolvency. Similarly, a contractor may file for bankruptcy or commit fraud before completing a project that we have funded in part or in full. As part of our project management business, we are responsible for managing various contractors required for a project, including general contractors, in order to ensure that the cost of a project does not exceed the contract amount and that the project is completed on time. In the event that one or more of the contractors involved does not, or cannot, perform as a result of bankruptcy or for another reason, we may be responsible for cost overruns, as well as the consequences of late delivery. In the event that we have not accurately estimated our own costs of providing services under guaranteed cost contracts, we may be exposed to losses on such contracts.

Our development projects may be dependent on strategic alliances with unaffiliated third parties.

We face challenges in managing our strategic alliances. As our development projects become more complex, the need for trust, collaboration, and equitable risk-sharing is essential to the success of these projects. The alliances we engage in are driven by the complementary skills and capabilities of our partners. Despite the diligence performed establishing these alliances, our objectives may not fully align with those of our partners throughout the development project or projects. Disagreements with one or more third parties with whom we partner in the development of one or more of the development components may restrict our ability to act exclusively in our own interests. In addition, failure of one or more third parties with whom we partner to fulfill obligations to us could result in delays and increased costs to us associated with finding a suitable replacement partner. Increased costs could require us to revise or abandon our activities entirely with respect to one or more components of the project and, in such event, we would not recover, and would be required to write-off, costs we had capitalized in development.

We face risks associated with property acquisitions.

We have acquired in the past and intend to continue to pursue the acquisition of properties, including large portfolios that would increase our size and potentially alter our capital structure. The success of such transactions is subject to a number of factors, including the risks that:
- we may not be able to obtain financing for such acquisitions on favorable terms;
- acquired properties may fail to perform as expected;
- even if we enter into an acquisition agreement for a property, we may be unable to complete that acquisition after making a non-refundable deposit and incurring certain other acquisition-related costs;
- the actual costs of repositioning, redeveloping or maintaining acquired properties may be higher than our estimates;

- the acquired properties may be located in new markets where we may have limited knowledge and understanding of the local economy, an absence of business relationships in the area or unfamiliarity with local governmental and permitting procedures; and
- we may not be able to efficiently integrate acquired properties, particularly portfolios of properties, into our organization and manage new properties in a way that allows us to realize anticipated cost savings and synergies.

Acquired properties may subject us to known and unknown liabilities.

Properties that we acquire may be subject to known and unknown liabilities for which we would have no recourse, or only limited recourse, to the former owners of such properties or otherwise. As a result, if a liability were asserted against us based upon ownership of acquired property, we might be required to pay significant sums to settle it, which could adversely affect our financial results and cash flow. Unknown liabilities relating to acquired properties could include:

- liabilities for clean-up of pre-existing disclosed or undisclosed environmental contamination;
- claims by tenants, vendors, municipalities or other persons arising on account of actions or omissions of the former owners or occupants of the properties; and
- liabilities incurred in the ordinary course of business.

We may incur impairment charges.

We evaluate on a quarterly basis our real estate portfolios for indicators of impairment. Impairment charges reflect management's judgment of the probability and severity of the decline in the value of real estate assets and investments we own. These charges and provisions may be required in the future as a result of factors beyond our control, including, among other things, changes in our expected holding periods, changes in the economic environment and market conditions affecting the value of real property assets or natural or man-made disasters. If we are required to take impairment charges, our results of operations could be adversely impacted.

We have agreed not to sell certain of our properties and to maintain indebtedness subject to guarantees.

We acquired in the past and in the future may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in our Operating Partnership. This acquisition structure has the effect, among other factors, of reducing the amount of tax depreciation we can deduct over the tax life of the acquired properties, and typically requires that we agree to protect the contributors’ ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. We have agreed not to sell some of our properties for varying periods of time, in transactions that would trigger taxable income to the former owners, and we may enter into similar arrangements as a part of future property acquisitions. These agreements generally provide that we may dispose of the subject properties only in transactions that qualify as tax-free exchanges under Section 1031 of the Internal Revenue Code or in other tax deferred transactions. Such transactions can be difficult to complete and can result in the property acquired in exchange for the disposed of property inheriting the tax attributes (including tax protection covenants) of the sold property. Violation of such tax protection agreements may impose significant costs on us. As a result, we are restricted with respect to decisions related to financing, encumbering, expanding or selling these properties. These restrictions on dispositions could limit our ability to sell an asset or pay down partnership debt during a specified time, or on terms, that would be favorable absent such restrictions.

We have also entered into agreements that provide prior owners of properties with the right to guarantee specific amounts of indebtedness and, in the event that the specific indebtedness that they guarantee is repaid or reduced, we would be required to provide substitute indebtedness for them to guarantee. These agreements may hinder actions that we may otherwise desire to take to repay or refinance guaranteed indebtedness because we would be required to make payments to the beneficiaries of such agreements if we violate these agreements.

We may be unable to renew leases or re-lease space as leases expire; certain leases may expire early.

If tenants do not renew their leases upon expiration, we may be unable to re-lease the space. Even if the tenants do renew their leases or if we can re-lease the space, the terms of renewal or re-leasing (including the cost of required renovations) may be less favorable than the current lease terms. Certain leases grant the tenants an early termination right upon payment of a termination penalty or if we fail to comply with certain material lease terms. Our inability to renew or release spaces and the early termination of certain leases could adversely affect our ability to make distributions to shareholders. See Item 7., “*Management’s Discussion and Analysis of Financial Condition and Results of Operations - Factors that May Influence Future Results of Operations - Tenant Rollover Risk.*”

Competition could limit our ability to lease residential rental properties or increase or maintain rents.

Through our recent development of the FMC Tower and our real estate venture at 1919 Market Street, our contributions from residential real estate have increased. These properties, which include luxury apartments and corporate suites located in Philadelphia, Pennsylvania, compete with other housing alternatives to attract residents, including rental apartments, condominiums and other single-family homes available for rent as well as new and existing condominiums and single-family homes for sale. Our competitors may offer a more desirable location or have leasing terms more favorable than those we can provide. In addition, our ability to compete and generate favorable returns depends upon, among other factors, trends of the national and local economies, the financial condition and liquidity of current and prospective renters, availability and cost of capital, taxes and governmental regulations. Given the significant competition in the Philadelphia residential real estate market, we expect our competitors to seek to capitalize on opportunities to purchase undervalued properties in this market and convert them to productive uses. As the supply of rental properties continues to increase, the competition for tenants may intensify, which could adversely affect our operating results and cash flows.

We face significant competition from other real estate developers.

We compete with real estate developers, operators and institutions for tenants and acquisition and development opportunities. Some of these competitors may have significantly greater financial resources than we have. Such competition may reduce the number of suitable investment opportunities available to us, may interfere with our ability to attract and retain tenants and may increase vacancies, which could result in increased supply and lower market rental rates, reducing our bargaining leverage and adversely affect our ability to improve our operating leverage. In addition, some of our competitors may be willing (e.g., because their properties may have vacancy rates higher than those for our properties) to make space available at lower rental rates or with higher tenant concession percentages than available space in our properties. We cannot assure you that this competition will not adversely affect our cash flow and our ability to make distributions to shareholders.

Property ownership through real estate joint ventures may limit our ability to act exclusively in our interest.

We develop, acquire, and contribute properties in real estate ventures with other persons or entities when we believe circumstances warrant the use of such structures. As of December 31, 2018, we held ownership interests in ten unconsolidated real estate ventures for an aggregate investment balance of $169.1 million. We could become engaged in a dispute with one or more of our real estate venture partners that might affect our ability to operate a jointly-owned property. Moreover, our real estate venture partners may, at any time, have business, economic or other objectives that are inconsistent with our objectives, including objectives that relate to the appropriate timing and terms of any sale or refinancing of a property. In some instances, our real estate venture partners may have competing interests in our markets that could create conflicts of interest. If the objectives of our real estate venture partners or the lenders to our real estate ventures are inconsistent with our own objectives, we may not be able to act exclusively in our interests and the value of our investment in the real estate ventures may be affected.

Because real estate is illiquid, we may be unable to sell properties when in our best interest.

Real estate investments generally, and in particular large office and mixed use properties like those that we own, often cannot be sold quickly. The capitalization rates at which properties may be sold could be higher than historical rates, thereby reducing our potential proceeds from sale. Consequently, we may not be able to alter our portfolio promptly in response to changes in economic or other conditions. In addition, the Internal Revenue Code limits our ability, as a REIT, to sell properties that we have held for fewer than two years without potential adverse consequences to us. Furthermore, properties that we have developed and have owned for a significant period of time or that we acquired in exchange for partnership interests in the Operating Partnership often have a low tax basis. If we were to dispose of any of these properties in a taxable transaction, we may be required under provisions of the Internal Revenue Code applicable to REITs to distribute a significant amount of the taxable gain to our shareholders and this could, in turn, impact our cash flow. In some cases, tax protection agreements with third parties will prevent us from selling certain properties in a taxable transaction without incurring substantial costs. In addition, purchase options and rights of first refusal held by tenants or partners in real estate ventures may also limit our ability to sell certain properties. All of these factors reduce our ability to respond to changes in the performance of our investments and could adversely affect our cash flow and ability to make distributions to shareholders as well as the ability of someone to purchase us, even if a purchase were in our shareholders' best interests.

Mezzanine loan assets involve greater risks of loss than senior loans secured by income-producing properties.

We may from time to time originate mezzanine loans, which take the form of subordinated loans secured by second mortgages on the underlying property or loans secured by a pledge of the ownership interests of either the entity owning the property or a pledge of the ownership interests of the entity that owns the interest in the entity owning the property. Mezzanine loans may involve a higher degree of risk than a senior mortgage secured by real property, because the security for the loan may lose all or substantially all of its value as a result of foreclosure by the senior lender and because it is in second position and there may not be adequate equity in the property. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy our mezzanine loan. If a borrower defaults on our mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt. As a result, we may not recover some of or all our investment. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal.

Some potential losses are not covered by insurance.

We currently carry property insurance against all-risks of physical loss or damage (unless otherwise excluded in the policy) including time element and commercial general liability coverage on all of our properties. There are, however, types of losses, such as lease and other contract claims, biological, radiological and nuclear hazards and acts of war that generally are not insured. We cannot assure you that we will be able to renew insurance coverage in an adequate amount or at reasonable prices. In addition, insurance companies may no longer offer coverage against certain types of losses, such as losses due to earthquakes, terrorist acts and mold, flood, or, if offered, these types of insurance may be prohibitively expensive. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. In such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. We cannot assure you that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Such events could adversely affect our cash flow and ability to make distributions to shareholders. If one or more of our insurance providers were to fail to pay a claim as a result of insolvency, bankruptcy or otherwise, the nonpayment of such claims could have an adverse effect on our financial condition and results of operations. In addition, if one or more of our insurance providers were to become subject to insolvency, bankruptcy or other proceedings and our insurance policies with the provider were terminated or cancelled as a result of those proceedings, we cannot guarantee that we would be able to find alternative coverage in adequate amounts or at reasonable prices. In such case, we could experience a lapse in any or adequate insurance coverage with respect to one or more properties and be exposed to potential losses relating to any claims that may arise during such period of lapsed or inadequate coverage.

In addition to property and casualty insurance, we use a combination of insurance products, some of which include deductibles and self-insured retention amounts, to provide risk mitigation for the potential liabilities associated with various liabilities, including workers' compensation, general contractors, directors and officers and employee health-care benefits. Liabilities associated with the risks that are retained by us are estimated, in part, by considering historical claims experience and actuarial assumptions. While we carry general liability and umbrella policies to mitigate such losses on our general liability risks, our results could be materially impacted by claims and other expenses related to such insurance plans if future occurrences and claims differ from these assumptions and historical trends or if employee health-care claims which we self-insure up to a set limit per employee (and which are insured above such self-insured retention amount) exceed our expectations or historical trends.

Terrorist attacks and other acts of violence or war may adversely impact our performance and may affect the markets on which our securities are traded.

Terrorist attacks against our properties, or against the United States or our interests, may negatively impact our operations and the value of our securities. Attacks or armed conflicts could result in increased operating costs; for example, it might cost more in the future for building security, property and casualty insurance, and property maintenance. As a result of terrorist activities and other market conditions, the cost of insurance coverage for our properties could also increase. In addition, our insurance policies may not recover all of our property replacement costs and lost revenue resulting from an attack. We might not be able to pass through the increased costs associated with such increased security measures and insurance to our tenants, which could reduce our profitability and cash flow. Furthermore, any terrorist attacks or armed conflicts could result in increased volatility in or damage to the United States and worldwide financial markets and economy. Such adverse economic conditions could affect the ability of our tenants to pay rent and our cost of capital, which could have a negative impact on our results.

Our ability to make distributions is subject to various risks.

Historically, we have paid quarterly distributions to our shareholders. Our ability to make distributions in the future will depend upon:

- the operational and financial performance of our properties;
- capital expenditures with respect to existing, developed and newly acquired properties;
- general and administrative costs associated with our operation as a publicly-held REIT;
- the amount of, and the interest rates on, our debt;
- capital needs of our Real Estate Ventures; and
- the absence of significant expenditures relating to environmental and other regulatory matters.

Certain of these matters are beyond our control and any adverse changes could have a material adverse effect on our cash flow and our ability to make distributions to shareholders.

Changes in tax rates and regulatory requirements may adversely affect our cash flow and results of operations.

Because increases in income and service taxes are generally not passed through to tenants under leases, such increases may adversely affect our cash flow and ability to make expected distributions to shareholders. Our properties are also subject to various regulatory requirements, such as those relating to the environment, fire and safety. Our failure to comply with these requirements could result in the imposition of fines and damage awards and could result in a default under some of our tenant leases. Moreover, the costs to comply with any new or different regulations could adversely affect our cash flow and our ability to make distributions to shareholders. We cannot assure you that these requirements will not change or that newly imposed conditions will not require significant expenditures in order to be compliant.

Potential liability for environmental contamination could result in substantial costs.

Under various federal, state and local laws, ordinances and regulations, we may be liable for the costs to investigate and remove or remediate hazardous or toxic substances on or in our properties, often regardless of whether we know of or are responsible for the presence of these substances. These costs may be substantial. While we do maintain environmental insurance, we cannot be assured that our insurance coverage will be sufficient to protect us from all of the aforesaid remediation costs. Also, if hazardous or toxic substances are present on a property, or if we fail to adequately remediate such substances, our ability to sell or rent the property or to borrow using that property as collateral may be adversely affected.

Other laws and regulations govern indoor and outdoor air quality including those that can require the abatement or removal of asbestos-containing materials in the event of damage, demolition, renovation or remodeling and also govern emissions of and exposure to asbestos fibers in the air. The maintenance and removal of lead paint and certain electrical equipment containing polychlorinated biphenyls (PCBs) and underground storage tanks are also regulated by federal and state laws. We are also subject to risks associated with human exposure to chemical or biological contaminants such as molds, pollens, viruses and bacteria which, above certain levels, can be alleged to be connected to allergic or other health effects and symptoms in susceptible individuals. We could incur fines for environmental compliance and be held liable for the costs of remedial action with respect to the foregoing regulated substances or tanks or related claims arising out of environmental contamination or human exposure to contamination at or from our properties.

Additionally, we develop, manage, lease and/or operate various properties for third parties. Consequently, we may be considered to have been or to be an operator of these properties and, therefore, potentially liable for removal or remediation costs or other potential costs that could relate to hazardous or toxic substances.

We face possible risks associated with the physical effects of climate change.

The physical effects of climate change could have a material adverse effect on our properties, operations and business. For example, many of our properties are located along the East coast, particularly those in the central business districts of Philadelphia and Washington, DC. To the extent climate change causes variations in weather patterns, our markets could experience increases in storm intensity and rising sea-levels. Over time, these conditions could result in declining demand for office space in our buildings or our inability to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy and increasing the cost of snow removal at our properties. While we maintain insurance coverage for flooding, we may not have adequate insurance to cover the associated costs of repair or reconstruction of sites for a major future event, lost revenue, including from new tenants that could have been added to our properties but for the event, or other costs to remediate the impact of a significant event. There can be no assurance that climate change will not have a material adverse effect on our properties, operations or business.

Data security breaches may cause damage to our business and reputation.

In the ordinary course of our business, we maintain sensitive data, including our proprietary business information and the information of our tenants and business partners, in our data centers and on our networks. The risk of a security breach or disruption, mainly through cyber-attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased in number, intensity and sophistication. Notwithstanding the security measures undertaken, our information technology may be vulnerable to attacks or breaches resulting in proprietary information being publicly disclosed, lost or stolen. There can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Protected information, networks, systems and facilities remain vulnerable because the techniques used in such attempted security breaches evolve and may not be recognized or detected until launched against a target. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures.

Data and security breaches could:

- disrupt the proper functioning of our networks and systems and therefore our operations and/or those of our client tenants;
- result in misstated financial reports, violations of loan covenants, missed reporting deadlines, and/or missed permitting deadlines;
- result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT;
- result in the unauthorized access to, and destruction, loss, theft, misappropriation, or release of proprietary, confidential, sensitive, or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive, or otherwise harmful purposes and outcomes;
- result in our inability to maintain the building systems relied upon by our client tenants for the efficient use of their leased space;
- require significant management attention and resources to remedy any damages that result;
- subject us to claims and lawsuits for breach of contract, damages, credits, penalties, or termination of leases or other agreements; and/or

- damage our reputation among our client tenants and investors generally.

While we maintain insurance coverage that may, subject to policy terms and conditions including deductibles, cover specific aspects of cyber risks, such insurance coverage may be insufficient to cover all losses.

Third parties to whom we outsource certain of our functions are also subject to the risks outlined above. We review and assess the cybersecurity controls of our third party service providers and vendors, as appropriate, and make changes to our business processes to manage these risks. Data breaches and/or the insolvency of such third parties and vendors may result in us incurring costs and may have other negative consequences.

Our use of social media presents risks.

The use of social media could cause us to suffer brand damage or unintended information disclosure. Negative posts or communications about us on a social networking website could damage our reputation. Further, employees or others may disclose non-public information regarding us or our business or otherwise make negative comments regarding us on social networking or other websites, which could adversely affect our business and results of operations. As social media evolves we will be presented with new risks and challenges.

We may become subject to litigation, which could have a material and adverse effect on our results of operations, financial condition, cash flow and our ability to pay distributions to our shareholders.

In the future we may become subject to material litigation, including claims relating to our operations, offerings, and otherwise in the ordinary course of business. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. We generally intend to defend ourselves vigorously; however, we cannot be certain of the ultimate outcomes of any claims that may arise in the future. Resolution of these types of matters against us may result in our having to pay significant fines, judgments, or settlements, which, if uninsured, or if the fines, judgments, and settlements exceed insured levels, could materially and adversely impact our financial condition, results of operations, cash flow and ability to pay distributions to our shareholders.

Americans with Disabilities Act compliance could be costly.

The Americans with Disabilities Act of 1990, or the ADA, requires that all public accommodations and commercial facilities, including office buildings, meet certain federal requirements related to access and use by disabled persons. Compliance with ADA requirements could involve the removal of structural barriers from certain disabled persons' entrances which could adversely affect our financial condition and results of operations. Other federal, state and local laws may require modifications to or restrict further renovations of our properties with respect to such accesses. Noncompliance by us with the ADA or similar or related laws or regulations could result in the imposition on us of governmental fines or in awards of damages against us in favor of private litigants. In addition, changes to existing requirements or enactments of new requirements could require significant expenditures. Such costs may adversely affect our cash flow and ability to make distributions to shareholders.

Failure to qualify as a REIT would subject us to U.S. federal income tax which would reduce the cash available for distribution to our shareholders.

We operate our business to qualify to be taxed as a REIT for federal income tax purposes. We have not requested and do not plan to request a ruling from the IRS that we qualify as a REIT, and the statements in this Report are not binding on the IRS or any court. As a REIT, we generally will not be subject to federal income tax on the income that we distribute currently to our shareholders. Many of the REIT requirements, however, are highly technical and complex. The determination that we are a REIT requires an analysis of various factual matters and circumstances that may not be entirely within our control. For example, to qualify as a REIT, at least 95% of our gross income must come from specific passive sources, such as rent, that are itemized in the REIT tax laws. In addition, to qualify as a REIT, we cannot own specified amounts of debt and equity securities of some issuers. We also are required to distribute to our shareholders with respect to each year at least 90% of our REIT taxable income (excluding net capital gains). The fact that we hold substantially all of our assets through the Operating Partnership and its subsidiaries and real estate ventures further complicates the application of the REIT requirements for us. Even a technical or inadvertent mistake could jeopardize our REIT status and, given the highly complex nature of the rules governing REITs and the ongoing importance of factual determinations, we cannot provide any assurance that we will continue to qualify as a REIT. Changes to rules governing corporate taxation, including REITs, were made by legislation commonly known as the Tax Cuts and Jobs Act (the "TCJA") and the Protecting Americans From Tax Hikes Act of 2015, signed into law on December 22, 2017 and December 18, 2015, respectively. Congress and the IRS might make further changes to the tax laws and regulations, and the courts might issue new rulings or interpretations of tax law, that make it more difficult, or impossible, for us to remain qualified as a REIT. If we fail to qualify as a REIT for federal income tax purposes and are able to avail ourselves of one or more of the statutory savings provisions in order to maintain our REIT status, we would nevertheless be required to pay penalty taxes of $50,000 or more for each such failure.

If we fail to qualify as a REIT for federal income tax purposes, and are unable to avail ourselves of certain savings provisions set forth in the Internal Revenue Code, we would be subject to federal income tax at regular corporate rates on all of our income. As a taxable corporation, we would not be allowed to take a deduction for distributions to shareholders in computing our taxable income or pass through long term capital gains to individual shareholders at favorable rates. For tax years beginning before January 1, 2018, we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes. We would not be able to elect to be taxed as a REIT for four years following the year we first failed to qualify unless the IRS were to grant us relief under certain statutory provisions. If we failed to qualify as a REIT, we would have to pay significant income taxes, which would reduce our net earnings available for investment or distribution to our shareholders. This likely would have a significant adverse effect on our earnings and likely would adversely affect the value of our securities. In addition, we would no longer be required to pay any distributions to shareholders.

Failure of the Operating Partnership (or a subsidiary partnership or real estate venture) to be treated as a partnership would have serious adverse consequences to our shareholders.

If the IRS were to successfully challenge the tax status of the Operating Partnership or any of its subsidiary partnerships or real estate ventures for federal income tax purposes, the Operating Partnership or the affected subsidiary partnership or real estate venture would be taxable as a corporation. In such event, we would cease to qualify as a REIT and the imposition of a corporate tax on the Operating Partnership, subsidiary partnership or real estate venture would reduce the amount of cash available for distribution from the Operating Partnership to us and ultimately to our shareholders.

To maintain our REIT status, we may be forced to borrow funds on a short term basis during unfavorable market conditions.

As a REIT, we are subject to certain distribution requirements, including the requirement to distribute 90% of our REIT taxable income. That may result in our having to make distributions at a disadvantageous time or to borrow funds at unfavorable rates. Compliance with this requirement may hinder our ability to operate solely on the basis of maximizing profits.

We will pay some taxes even if we qualify as a REIT, which will reduce the cash available for distribution to our shareholders.

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay certain federal, state and local taxes on our income and property. For example, we will be subject to income tax to the extent we distribute less than 100% of our REIT taxable income, including capital gains. Additionally, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which dividends paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. Moreover, if we have net income from "prohibited transactions," that income will be subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business. The determination as to whether a particular sale or series of sales is/are a prohibited transaction depends on the facts and circumstances related to that sale. We cannot guarantee that sales of our properties would not be prohibited transactions unless we comply with certain statutory safe-harbor provisions.

In addition, any net taxable income earned directly by our taxable REIT subsidiaries, or through entities that are disregarded for federal income tax purposes as entities separate from our taxable REIT subsidiaries, will be subject to federal and possibly state corporate income tax. In this regard, several provisions of the laws applicable to REITs and their subsidiaries ensure that a taxable REIT subsidiary will be subject to an appropriate level of federal income taxation. For example, a taxable REIT subsidiary is limited in its ability to deduct certain interest payments made to an affiliated REIT. In addition, the REIT has to pay a 100% penalty tax on some payments that it receives or on some deductions taken by a taxable REIT subsidiary if the economic arrangements between the REIT, the REIT's customers, and the taxable REIT subsidiary are not comparable to similar arrangements between unrelated parties. Finally, some state and local jurisdictions may tax some of our income even though as a REIT we are not subject to federal income tax on that income because not all states and localities follow the federal income tax treatment of REITs. To the extent that we and our affiliates are required to pay federal, state and local taxes, we will have less cash available for distributions to our shareholders.

We face possible federal, state and local tax audits.

Because we are organized and qualify as a REIT, we are generally not subject to federal income taxes, but are subject to certain state and local taxes. Certain entities through which we own real estate have undergone tax audits. There can be no assurance that future audits will not have a material adverse effect on our results of operations.

Legislation that modifies the rules applicable to partnership tax audits may affect us.

The Bipartisan Budget Act of 2015, effective for taxable years beginning after December 31, 2017, requires our operating partnership and any subsidiary partnership to pay the hypothetical increase in partner-level taxes (including interest and penalties) resulting from an adjustment of partnership tax items on audit or in other tax proceedings, unless the partnership elects an alternative method under which the taxes resulting from the adjustment (and interest and penalties) are assessed at the partner level. Many uncertainties remain as to the application of these rules, including the application of the alternative method to partners that are REITs, and the impact they will have on us. However, it is possible, that partnerships in which we invest may be subject to U.S. federal income tax, interest and penalties in the event of a U.S. federal income tax audit as a result of these law changes.

Legislative or regulatory tax changes related to REIT's could materially and adversely affect our business.

At any time, the federal income tax laws or regulations governing REITs or the other administrative interpretations of those laws or regulations may be changed, possibly with retroactive effect. We cannot predict if or when any new federal income tax law, regulation or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective or whether any such law, regulation or interpretation may take effect retroactively. We and our shareholders could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative interpretation.

The Tax Cuts and Jobs Act of 2017 may adversely affect our business.

The TCJA significantly revised the U.S. corporate income tax by, among other things, lowering corporate income tax rates and implementing a partial limitation on the deduction for business interest expense. The enactment of the TCJA has not significantly impacted our current tax position and/or REIT status and we estimate, based on currently available information, that it will not result in a significant impact in the future. The impact of the TCJA may differ from our initial assessment, due to, among other things, changes in interpretations, assumptions made and guidance that may be issued and actions we may take as a result of the TCJA. Further, certain changes in law pursuant to the TCJA could reduce the relative competitive advantage of operating as a REIT as compared with operating as a C corporation, including by:

- reducing the rate of tax applicable to individuals and C corporations, which could reduce the relative attractiveness of the generally single level of taxation on REIT distributions;
- permitting immediate expensing of capital expenditures, which could likewise reduce the relative attractiveness of the REIT taxation regime; and
- limiting the deductibility of interest expense, which could increase the distribution requirement of REITs.

Most of the changes applicable to individuals are temporary and apply only to taxable years beginning after December 31, 2017 and before January 1, 2026. The TCJA makes numerous large and small changes to the tax rules that do not affect REITs directly but may affect our shareholders and may indirectly affect us.

Shareholders are urged to consult with their tax advisors with respect to the TCJA and any other regulatory or administrative developments and proposals and their potential effect on investment in our capital stock.

If a transaction intended to qualify as a Section 1031 Exchange is later determined to be taxable, or if we are unable to identify and complete the acquisition of suitable replacement property to effect a Section 1031 Exchange, we may face adverse consequences.

From time to time we seek to dispose of properties in transactions that are intended to qualify as tax-deferred "like kind exchanges" under Section 1031 of the Internal Revenue Code of 1986, as amended (a "Section 1031 Exchange"). It is possible that the qualification of a transaction as a Section 1031 Exchange could be successfully challenged and determined to be currently taxable. It is also possible that we are unable to identify and complete the acquisition of suitable replacement property to effect a Section 1031 Exchange. In any such case, our taxable income and earnings and profits would increase. This could increase the dividend income to our shareholders by reducing any return of capital they received. In some circumstances, we may be required to pay additional dividends or, in lieu of that, corporate income tax, possibly including interest and penalties. As a result, we may be required to borrow funds in order to pay additional dividends or taxes, and the payment of such taxes could cause us to have less cash available to distribute to our shareholders. In addition, if a Section 1031 Exchange were later to be determined to be taxable, we may be required to amend our tax returns for the applicable year in question, including any information reports we sent our shareholders. Moreover, it is possible that legislation could be enacted that could modify or repeal the laws with respect to Section 1031 Exchanges, which could make it more difficult or not possible for us to dispose of properties on a tax deferred basis.

Further, as a result of changes made by the TCJA, like-kind exchanges are only permitted with respect to real property. The changes generally apply to exchanges completed after December 31, 2017, unless the property was disposed of or received in the exchange on or before such date. If a material amount of personal property is associated with the real property that we have disposed of in a like-kind exchange, the like-kind exchange provisions will be less beneficial than under prior law.

Failure to obtain the tax benefits and remain compliant within Qualified Opportunity Zones and Keystone Opportunity Zones may have adverse consequences.

Certain of our Properties have the benefit of governmental tax incentives for development in areas and neighborhoods which have not historically seen robust commercial development. These incentives typically have specific sunset provisions and may be subject to governmental discretion in the eligibility or award of the applicable incentives. We invest heavily in Qualified Opportunity Zones as part of the federal program and Keystone Opportunity Zones in Pennsylvania due to the related tax benefits. The expiration of these incentive programs or the inability of potential tenants or users to be eligible for or to obtain governmental approval of the incentives may have an adverse effect on the value of our Properties and on our cash flow and net income, and may result in impairment charges. In addition, the failure to remain compliant with such programs may result in significant tax burdens.

Competition for skilled personnel could increase labor costs.

We compete with various other companies in attracting and retaining qualified and skilled personnel. We depend on our ability to attract and retain skilled management personnel who are responsible for the day-to-day operations of our company. Competitive pressures may require that we enhance our pay and benefits package to compete effectively for such personnel. We may not be able to offset such added costs by increasing the rates we charge our tenants. If there is an increase in these costs or if we fail to attract and retain qualified and skilled personnel, our business and operating results could be harmed.

We are dependent upon our key personnel.

We are dependent upon our key personnel, particularly Gerard H. Sweeney - President and Chief Executive Officer, Thomas Wirth - Executive Vice President and Chief Financial Officer, Jeffrey DeVuono - Executive Vice President and Senior Managing Director, William Redd – Executive Vice President and Senior Managing Director and George Johnstone - Executive Vice President, Operations. Among the reasons that Messrs. Sweeney, Wirth, DuVuono, Redd and Johnstone are important to our success is that each has a favorable reputation, which attracts business and investment opportunities and assists us in negotiations with lenders, joint venture partners and other investors. If we lost their services, our relationships with lenders, potential tenants and industry personnel could be affected. We are dependent on our other executive officers for strategic business direction and real estate experience. Loss of their services could adversely affect our operations.

Certain limitations will exist with respect to a third party's ability to acquire us or effectuate a change in control.

Limitations imposed to protect our REIT status. In order to protect us against the loss of our REIT status, our Declaration of Trust limits any shareholder from owning more than 9.8% in value of our outstanding shares, although we have granted in the past, and may continue to grant in the future certain waivers of this limitation to certain shareholders under certain conditions. The ownership limit may have the effect of precluding acquisition of control of us. If anyone acquires shares in excess of the ownership limit, we may:

- consider the transfer to be null and void;
- not reflect the transaction on our books;
- institute legal action to stop the transaction;
- not pay dividends or other distributions with respect to those shares;
- not recognize any voting rights for those shares; and
- consider the shares held in trust for the benefit of a person to whom such shares may be transferred.

Limitation due to our ability to issue preferred shares. Our Declaration of Trust authorizes our Board of Trustees to cause us to issue preferred shares, without limitation as to amount and without shareholder consent. Our Board of Trustees is able to establish the preferences and rights of any preferred shares issued and these shares could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our shareholders' best interests.

Limitation imposed by the Maryland Business Combination Law. On May 23, 2018, our shareholders approved our election not to be governed by the Maryland Business Combination Act, or the MBC Act. Consistent with Maryland law, we will cease to be governed by the MBC Act, effective 18 months after the shareholder vote, or November 23, 2019. Until then, we remain subject to the MBC Act. The MBC Act, subject to limitations, prohibits certain business combinations between a Maryland real estate investment trust and an "interested stockholder" or an affiliate of any interested stockholder for five years following the most recent date on which the person or entity became an interested stockholder, and thereafter imposes two supermajority voting requirements and special appraisal rights for these combinations. The MBC Act defines an "interested stockholder" generally as any person who beneficially owns 10% or more of the voting power of the subject company's outstanding voting shares or is an affiliate or associate of the subject company and was the beneficial owner of 10% or more of the voting power of the subject company's outstanding shares at any time within the two-year period immediately prior to the date in question.

Maryland Control Share Acquisition Act. Maryland law provides that "control shares" of a REIT acquired in a "control share acquisition" shall have no voting rights except to the extent approved by a vote of two-thirds of the vote eligible to be cast on the matter under the Maryland Control Share Acquisition Act. Shares construed as "control shares" means that, if aggregated with all other shares previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing trustees within one of the following ranges of voting power: one-tenth or more but less than one-third, one-third or more but less than a majority or a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A “control share acquisition” means the acquisition of control shares, subject to certain exceptions. If voting rights or control shares acquired in a control share acquisition are not approved at a shareholder’s meeting, then subject to certain conditions and limitations the issuer may redeem any or all of the control shares for fair value. If voting rights of such control shares are approved at a shareholder’s meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. Any control shares acquired in a control share acquisition that are not exempt under our Bylaws are subject to the Maryland Control Share Acquisition Act. Our Bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our shares. We cannot assure you that this provision will not be repealed, amended or eliminated by us at any time in the future.

Advance Notice Provisions for Shareholder Nominations and Proposals. Our bylaws require advance notice for shareholders to nominate persons for election as trustees at, or to bring other business before, any meeting of our shareholders. This bylaw provision limits the ability of shareholders to make nominations of persons for election as trustees or to introduce other proposals unless we are notified in a timely manner prior to the meeting.

Many factors can have an adverse effect on the market value of our securities.

A number of factors might adversely affect the price of our securities, many of which are beyond our control. These factors include:

- increases in market interest rates, relative to the dividend yield on our securities. If market interest rates go up, prospective purchasers of our securities may require a higher yield. Higher market interest rates would not, however, result in more funds for us to distribute and, to the contrary, would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common shares to go down;
- anticipated benefit of an investment in our securities as compared to investment in securities of companies in other industries (including benefits associated with the tax treatment of dividends and distributions);
- perception by market professionals of REITs generally and REITs comparable to us in particular;
- level of institutional investor interest in our securities;
- relatively low trading volumes in securities of REITs;
- our results of operations and financial condition; and
- investor confidence in the stock market generally.

The market value of our common shares is based primarily upon the market’s perception of our growth potential and our current and potential future earnings and cash distributions. Consequently, our common shares may trade at prices that are higher or lower than our net asset value per common share. If our future earnings or cash distributions are less than expected, it is likely that the market price of our common shares will diminish.

Additional issuances of equity securities may be dilutive to shareholders.

The interests of our shareholders could be diluted if we issue additional equity securities to finance future developments or acquisitions or to repay indebtedness. Our Board of Trustees may authorize the issuance of additional equity securities without shareholder approval. In addition, we have in place a continuous offering program, which allows us to issue shares in at the market offerings. Our ability to execute our business strategy depends upon our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including the issuance of common and preferred equity.

The issuance of preferred securities may adversely affect the rights of holders of our common shares.

Because our Board of Trustees has the power to establish the preferences and rights of each class or series of preferred shares, we may afford the holders in any series or class of preferred shares preferences, distributions, powers and rights, voting or otherwise, senior to the rights of holders of common shares. Our Board of Trustees also has the power to establish the preferences and rights of each class or series of units in the Operating Partnership, and may afford the holders in any series or class of preferred units preferences, distributions, powers and rights, voting or otherwise, senior to the rights of holders of common units.

If we fail to maintain an effective system of integrated internal control over financial reporting, we may not be able to accurately report our financial results.

An effective system of internal control over financial reporting is necessary for us to provide reliable financial reports, prevent fraud and operate successfully as a public company. As part of our ongoing monitoring of internal controls, we may discover material weaknesses or significant deficiencies in our internal controls that require remediation. If we discover such weaknesses, we will make efforts to improve our internal controls in a timely manner. Any system of internal controls, however well designed and operated, is based in part on certain assumptions and can only provide reasonable, not absolute, assurance that the objectives of the system are met. Any failure to maintain effective internal controls, or implement any necessary improvements in a timely manner, could have a materially adverse effect on our business and operating results, or cause us not to meet our reporting obligations, which could affect our ability to remain listed with the New York Stock Exchange. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our securities.

Changes in accounting pronouncements could adversely affect our operating results, in addition to the reported financial performance of our tenants.

Accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Uncertainties posed by various initiatives of accounting standard-setting by the Financial Accounting Standards Board and the Securities and Exchange Commission, which create and interpret applicable accounting standards for U.S. companies, may change the financial accounting and reporting standards or their interpretation and application of these standards that govern the preparation of our financial statements.

These changes could have a material effect on our reported financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in potentially material restatements of prior period financial statements. Similarly, these changes could have a material impact on our tenants' reported financial condition or results of operations or could affect our tenants' preferences regarding leasing real estate.

Item 1B.   Unresolved Staff Comments

None.

Item 2. Properties

Property Acquisitions

On December 19, 2018, we acquired an office property containing 120,559 rentable square feet located at 4516 Seton Center Parkway in Austin, Texas, known as Quarry Lake II, for a gross purchase price of $39.5 million. We capitalized $0.1 million of acquisition-related costs and funded the acquisition with a borrowing of $39.0 million from our unsecured credit facility.

On December 11, 2018, we acquired from DRA, its 50% ownership interest in the DRA Austin Venture for an aggregate purchase price of $535.1 million. The DRA Austin Venture owned twelve office properties containing an aggregate 1,570,123 square feet located in Austin, Texas. The aggregate purchase price includes the carrying amount of our investment in DRA Austin Venture of $14.6 million. At settlement, we assumed $115.5 million of mortgage debt and received a credit at settlement of $130.7 million for a note receivable provided to the DRA Austin Venture on November 1, 2018. This note receivable was used to repay one of DRA Austin Venture's mortgage loans prior to the December 11, 2018 acquisition date. We also obtained working capital of $24.9 million. Subsequent to receiving cash proceeds of $28.3 million for our promoted interest in the DRA Austin Venture and recognizing a remeasurement gain of $103.8 million, reflected in the caption "Net gain on real estate venture transactions" in our consolidated statements of operations, we funded the acquisition with an aggregate cash payment of $117.3 million. Additionally, the assumed mortgage debt of $115.5 million was repaid at settlement. Both cash payments were funded through borrowings under our unsecured credit facility. We recognized a $28.3 million gain on our promoted interest in the DRA Austin Venture, reflected in the caption "Gain on promoted interest in unconsolidated real estate venture" in our consolidated statements of operations. The gain on promoted interest was based off of the returns earned over the duration of the DRA Austin Venture and the returns were determined based on operating results and real estate valuation of the venture.

We previously accounted for our 50% non-controlling interest in the DRA Austin Venture under the equity method of accounting. As a result of acquiring DRA's remaining 50% common interest in the DRA Austin Venture, we obtained control of DRA Austin Venture and our existing investment balance was remeasured based on the fair value of the underlying properties acquired and the existing distribution provisions under the relevant partnership agreement.

On June 29, 2018, we acquired, through a 99-year ground lease, the leasehold interest in a one-acre land parcel, located at 3025 JFK Boulevard, in Philadelphia, Pennsylvania. We prepaid $15.0 million of ground lease rent and capitalized $0.3 million of costs related to entering the lease. Additionally, the ground lease required us to pay $5.6 million for a leasehold valuation credit, which can be applied to increase the density of the projects subject to the Schuylkill Yards Project master development agreement.

On March 22, 2018, we acquired, through a 99-year ground lease, the leasehold interest in a one-acre land parcel, located at 3001-3003 JFK Boulevard, in Philadelphia, Pennsylvania. We prepaid $24.6 million of ground lease rent and capitalized $0.3 million of costs related to entering the lease.

3025 JFK Boulevard and 3001-3003 JFK Boulevard are located within the Schuylkill Yards Project site and represent an additional development site in the University City sub-market of Philadelphia, Pennsylvania. See Item 1., "*Developments – Other Development Activities*" for additional information.

On January 5, 2018, we acquired, from our then partner in each of the Four Tower Bridge real estate venture and the Seven Tower Bridge real estate venture, the partner's 35% ownership interest in the Four Tower Bridge real estate venture in exchange for our 20% ownership interest in the Seven Tower Bridge real estate venture. As a result of this non-monetary exchange, we acquired 100% of the Four Tower Bridge real estate venture, which owns an office property containing 86,021 square feet, in Conshohocken, Pennsylvania, encumbered with $9.7 million in debt. Our acquisition of the 35% ownership interest in Four Tower Bridge resulted in the consolidation of the property. As such, we capitalized $0.1 million of acquisition related costs and allocated the acquisition value, consisting of the fair value of $23.6 million and the acquisition related costs, to tangible and intangible assets.

Developments and Redevelopments

We placed into service the following redevelopment properties during the year ended December 31, 2018 (dollars in thousands):

Month Placed In Service	Activity Type	Property/Portfolio Name	Location	Number of Buildings	Square Footage/Units	Budgeted Costs	Costs Incurred (a)	
Dec-18	Redevelopment	500 North Gulph Road	King Of Prussia, PA	1	101,000	$ 29,700	$ 27,100	(b)
Oct-18	Redevelopment	11501 Burnet Road - Building 6 (Broadmoor-Building 6)	Austin, TX	1	144,000	34,500	33,700	(c)
		Total		**2**	**245,000**	**$ 64,200**	**$ 60,800**	

(a) Costs incurred were below budget primarily due to construction cost savings.
(b) Total project costs include $4.5 million of existing property basis.
(c) Total project costs include $18.5 million of existing property basis.

As of December 31, 2018, the following development and redevelopment projects remain under construction in progress and we were proceeding on the following activity (dollars in thousands):

Construction Commencement Date	Expected Completion	Activity Type	Property/Portfolio Name	Location	Number of Buildings	Square Footage/ Units	Estimated Costs		Amount Funded
Q4 2017	Q1 2019	Development	Four Points Building 3	Austin, TX	1	165,000	$ 47,500	(a)	$ 35,900
Q2 2019	Q2 2020	Redevelopment	The Bulletin Building	Philadelphia, PA	1	283,000	83,100	(b)	44,300
Q2 2018	Q1 2019	Redevelopment	426 W. Lancaster Avenue	Devon, PA	1	56,000	14,900	(c)	8,900
		Total			**3**	**504,000**	**$ 145,500**		**$ 89,100**

(a) The project is pre-leased to a single tenant. Total estimated costs include $2.1 million of land basis existing at project inception.
(b) Total project costs include $37.8 million of building basis, representing the acquisition cost. The amount funded, as of December 31, 2018, includes $1.2 million related to an $8.0 million funding commitment required through the ground lease. See Item 2., *"Liquidity and Capital Resources – Contractual Obligations"* for further information regarding this commitment.
(c) The property was vacated during the third quarter of 2017. The building is currently under renovation. Total project costs include $4.9 million of existing property basis.

In addition to the projects above, as of December 31, 2018, we were proceeding through the development project at Schuylkill Yards in Philadelphia, Pennsylvania and at 4040 Wilson Venture, the unconsolidated real estate venture in which we own a 50% interest, constructing a mixed-use building in Arlington, Virginia. See Item 1., "*Business – Developments*," for further information.

Property Sales

We sold the following properties during the year ended December 31, 2018 (dollars in thousands):

Disposition Date	Property/Portfolio Name	Location	Type	Number of Properties	Rentable Square Feet	Sales Price	Net Proceeds on Sale	Gain/(Loss) on Sale (a)		Occupancy % at Date of Sale
December 21, 2018	Subaru National Training Center	Camden, NJ	Mixed-use	1	83,000	$ 45,300	$ 44,877	$ 2,570	(b)	100.0%
December 20, 2018	Rockpoint Portfolio	Herndon, VA	Office	8	1,293,197	312,000	262,442	397	(c)	85.6%
June 21, 2018	20 East Clementon Road	Gibbsboro, NJ	Office	1	38,260	2,000	1,850	(35)		93.7%
Total Dispositions				10	1,414,457	$ 359,300	$ 309,169	$ 2,932		

(a) Gain/(Loss) on Sale is net of closing and other transaction related costs.
(b) During the second quarter of 2018, Subaru exercised its purchase option under the lease agreement for the Subaru NSTC and the sale occurred during the fourth quarter of 2018. See Note 2, "*Summary of Significant Accounting Policies*," to our Consolidated Financial Statements for further discussion of the lease agreement and related revenue recognition.
(c) On December 20, 2018, we contributed a portfolio of eight properties containing an aggregate of 1,293,197 square feet, located in our Metropolitan Washington, D.C. segment, known as the Rockpoint Portfolio, to the Herndon Innovation Center Metro Portfolio Venture, LLC for a gross sales price of $312.0 million. We and our partner own 15% and 85% interests in the Herndon Innovation Center Metro Portfolio Venture, LLC, respectively. The Herndon Innovation Center Metro Portfolio Venture, LLC funded the acquisition with $265.2 million of cash, which was distributed to us at closing. After funding our share of closing costs and working capital contributions of $2.2 million and $0.6 million, respectively, we received $262.4 million of cash proceeds at settlement. We recorded an impairment charge of $56.9 million for the Rockpoint Portfolio during the third quarter of 2018. We recorded a $0.4 million gain on sale, which represents an adjustment to estimated closing costs used to determine the impairment charge in the third quarter of 2018. For further information related to this transaction, see the "*Herndon Innovation Center Metro Portfolio Venture, LLC*" section in Note 4, "*Investment in Unconsolidated Real Estate Ventures*," to our Consolidated Financial Statements.

We sold the following land parcels during the year ended December 31, 2018 (dollars in thousands):

Disposition Date	Property/Portfolio Name	Location	Number of Parcels	Acres	Sales Price	Net Proceeds on Sale	Gain on Sale	
March 16, 2018	Garza Ranch - Office	Austin, TX	1	6.6	$ 14,571	$ 14,509	$ 1,515	(a)
January 10, 2018	Westpark Land	Durham, NC	1	13.1	485	412	22	
Total Dispositions			2	19.7	$ 15,056	$ 14,921	$ 1,537	

(a) As of March 31, 2018, we had not transferred control to the buyer of this land parcel, or two other parcels at this site which were sold during 2017, because of a completion guarantee which required us, as developer, to complete certain infrastructure improvements on behalf of the buyers of the land parcels. The cash received at settlement was recorded as "Deferred income, gains and rent" on our consolidated balance sheets. During the three months ended June 30, 2018, the infrastructure improvements were substantially completed, at which time we transferred control of the land parcels. As a result, we then recognized the sales of the three land parcels during 2018 and recorded an aggregate $2.8 million gain. During the quarter ended December 31, 2018, we recorded an additional $0.2 million gain. See Note 2, *"Summary of Significant Accounting Policies,"* to our Consolidated Financial Statements for further discussion of the infrastructure improvements and related revenue recognition.

The sales of properties referenced above do not represent a strategic shift that has a major effect on our operations and financial results. As a result, the operating results of these properties remain classified within continuing operations for all periods presented.

Held for Sale

	Held for Sale Properties		
	December 31, 2018		
	Pennsylvania Suburbs - Land (a)	Other - Land (a)	Total
ASSETS HELD FOR SALE			
Real estate investments:			
Land inventory	$ 4,254	$ 7,345	$ 11,599
Total real estate investments	4,254	7,345	11,599
Total assets held for sale, net	$ 4,254	$ 7,345	$ 11,599

(a) As of December 31, 2018, we determined that the sale of one land parcel in our Pennsylvania Suburbs segment and two land parcels in our Other segment was probable and classified these properties as held for sale in accordance with applicable accounting standards for long-lived assets. At such date, the fair value less the anticipated costs of sale of the properties exceeded the carrying values. As a result, there is no impairment. The fair value measurement will be based on the pricing in the purchase and sale agreements.

The disposals of the properties referenced above do not represent a strategic shift that has a major effect on our operations and financial results. As a result, the operating results of the properties remain classified within continuing operations for all periods presented.

Properties

As of December 31, 2018, we owned 97 properties that contain an aggregate of approximately 16.8 million net rentable square feet and consist of 88 office properties, four mixed-use properties, one retail property (93 Core Properties), one development property and three redevelopment properties (collectively, the Properties). The properties are located in or near Philadelphia, Pennsylvania; Austin, Texas; Metropolitan Washington, D.C.; Southern New Jersey; and Wilmington, Delaware. As of December 31, 2018, the properties, excluding properties under development and redevelopment, were approximately 93.3% occupied by 796 tenants and had an average age of approximately 22.8 years. The office properties are a combination of urban and transit-oriented suburban office buildings containing an average of approximately 177,377 net rentable square feet. The mixed-use properties accommodate a variety of tenant uses, including retail and residential apartment units and a hotel. We carry comprehensive liability, fire, extended coverage and rental loss insurance covering all of the properties, with policy specifications and insured limits that we believe are adequate.

The following table sets forth information with respect to our Core Properties, including properties classified as held for sale, if applicable, at December 31, 2018:

		Location	State	Year Built/ Renovated	Net Rentable Square Feet	Percentage Leased as of December 31, 2018 (a)	Total Base Rent for the Twelve Months Ended December 31, 2018 (b) (000's)	Average Annualized Rental Rate as of December 31, 2018 (c)
PENNSYLVANIA SUBURBS SEGMENT								
"SAME STORE PROPERTY PORTFOLIO"								
150 Radnor Chester Road		Radnor	PA	1983	340,380	79.6%	$ 10,923	$ 37.62
201 King of Prussia Road		Radnor	PA	2001	251,434	90.7%	6,802	35.01
555 Lancaster Avenue		Radnor	PA	1973/2006	241,687	98.3%	6,584	30.32
401 Plymouth Road		Plymouth Meeting	PA	2001	204,186	93.6%	6,006	34.62
One Radnor Corporate Center		Radnor	PA	1998	201,874	88.4%	4,777	31.89
101 West Elm Street		W. Conshohocken	PA	1999	173,827	100.0%	4,792	27.36
Five Radnor Corporate Center		Radnor	PA	1998	164,505	73.5%	3,132	36.37
Four Radnor Corporate Center		Radnor	PA	1995	164,464	100.0%	4,579	32.94
660 West Germantown Pike		Plymouth Meeting	PA	1987/2014	161,521	100.0%	4,936	33.32
640 Freedom Business Center	(d)	King Of Prussia	PA	1991	132,000	100.0%	2,654	25.49
52 Swedesford Square		East Whiteland Twp.	PA	1988	131,077	100.0%	3,164	29.61
400 Berwyn Park		Berwyn	PA	1999	124,182	98.0%	3,088	30.21
Metroplex (4000 Chemical Road)		Plymouth Meeting	PA	2007	120,877	85.7%	3,107	33.56
Three Radnor Corporate Center		Radnor	PA	1998	119,087	85.4%	3,248	35.74
Six Tower Bridge (181 Washington Street)		Conshohocken	PA	1999	116,174	96.5%	3,249	28.08
300 Berwyn Park		Berwyn	PA	1989	107,702	83.7%	1,796	25.42
1 West Elm Street		Conshohocken	PA	1999	97,737	100.0%	2,707	29.29
Two Radnor Corporate Center		Radnor	PA	1998	97,576	100.0%	3,021	35.72
620 West Germantown Pike		Plymouth Meeting	PA	1990	90,183	90.9%	1,870	29.31
610 West Germantown Pike		Plymouth Meeting	PA	1987	90,088	84.0%	1,846	27.23
630 West Germantown Pike		Plymouth Meeting	PA	1988	89,870	98.2%	2,079	24.98
600 West Germantown Pike		Plymouth Meeting	PA	1986	89,626	85.4%	2,029	27.73
630 Freedom Business Center	(d)	King Of Prussia	PA	1989	86,683	98.0%	1,548	23.02
1200 Swedesford Road		Berwyn	PA	1994	86,622	69.7%	1,658	28.88
620 Freedom Business Center	(d)	King Of Prussia	PA	1986	86,570	97.1%	1,805	16.09
1050 Westlakes Drive		Berwyn	PA	1984	80,000	100.0%	2,184	27.38
1060 First Avenue	(d)	King Of Prussia	PA	1987	77,718	100.0%	1,755	25.60
1040 First Avenue	(d)	King Of Prussia	PA	1985	75,488	100.0%	1,872	25.63
200 Berwyn Park		Berwyn	PA	1987	75,025	100.0%	1,801	25.01
1020 First Avenue	(d)	King Of Prussia	PA	1984	74,556	100.0%	1,824	24.85
1000 First Avenue	(d)	King Of Prussia	PA	1980	74,139	100.0%	1,720	27.49
130 Radnor Chester Road		Radnor	PA	1983	71,349	100.0%	2,278	37.70
170 Radnor Chester Road		Radnor	PA	1983	68,143	100.0%	2,519	40.19
610 Freedom Business Center	(d)	King Of Prussia	PA	1985	62,991	100.0%	1,307	25.34
1180 Swedesford Road		Berwyn	PA	1987	60,371	78.7%	1,063	26.88
1160 Swedesford Road		Berwyn	PA	1986	60,099	100.0%	1,495	27.86
100 Berwyn Park		Berwyn	PA	1986	57,730	100.0%	1,203	24.69
650 Park Avenue		King Of Prussia	PA	1968/1999	54,338	52.4%	469	19.02
1100 Cassett Road		Berwyn	PA	1997	43,480	100.0%	1,212	31.18
600 Park Avenue		King Of Prussia	PA	1964/2007	39,000	100.0%	234	6.06
200 Radnor Chester Road	(e)	Radnor	PA	2014	17,884	100.0%	799	62.22
SUBTOTAL - "SAME STORE PROPERTY PORTFOLIO"					4,562,243	92.5%	$ 115,135	$ 30.26
"RECENTLY COMPLETED/ACQUIRED PROPERTIES"								
933 First Avenue		King of Prussia	PA	2017	111,053	100.0%	$ 3,652	$ 32.32
500 North Gulph Road		King of Prussia	PA	1979/2018	100,820	100.0%	175	34.16
200 Barr Harbor Drive		W. Conshohocken	PA	1998	86,021	97.6%	2,595	34.18
SUBTOTAL - "RECENTLY COMPLETED/ACQUIRED PROPERTIES"					297,894	99.3%	$ 6,422	$ 33.45
SUBTOTAL - PENNSYLVANIA SUBURBS SEGMENT					4,860,137	92.9%	$ 121,557	$ 30.46
PHILADELPHIA CENTRAL BUSINESS DISTRICT SEGMENT								
"SAME STORE PROPERTY PORTFOLIO"								
Three Logan Square (1717 Arch Street)		Philadelphia	PA	1990	1,029,413	98.2%	$ 26,874	$ 36.34

Two Commerce Square (2001 Market Street)		Philadelphia	PA	1992	953,276	95.5%	18,702	30.46
One Commerce Square (2005 Market Street)		Philadelphia	PA	1987	942,866	99.8%	17,629	32.85
Cira Centre (2929 Arch Street)		Philadelphia	PA	2005	730,187	96.6%	25,466	38.39
Two Logan Square (100 North 18th Street)	(f)	Philadelphia	PA	1988	708,844	98.8%	17,991	35.00
One Logan Square (130 North 18th Street)		Philadelphia	PA	1989	595,041	99.6%	14,201	35.46
3020 Market Street	(d)	Philadelphia	PA	2008	190,925	100.0%	4,694	27.65
618-634 Market Street	(g), (h)	Philadelphia	PA	1966	15,878	76.1%	253	27.07
Cira Centre South Garage (2930 Chestnut Street)	(g), (i)	Philadelphia	PA	2010	-	0.0%	-	-
SUBTOTAL - "SAME STORE PROPERTY PORTFOLIO"					5,166,430	98.0%	$ 125,810	$ 34.27
"RECENTLY COMPLETED/ACQUIRED PROPERTIES"								
2929 Walnut Street (FMC Tower at Cira Centre South)	(d), (g), (j)	Philadelphia	PA	2016	625,863	100.0%	$ 24,497	$ 47.11
1900 Market Street		Philadelphia	PA	2015	456,922	95.1%	13,545	35.18
3000 Market Street		Philadelphia	PA	1988	58,587	80.8%	1205	36.46
SUBTOTAL - "RECENTLY COMPLETED/ACQUIRED PROPERTIES"					1,141,372	97.1%	$ 39,247	$ 42.38
SUBTOTAL - PHILADELPHIA CENTRAL BUSINESS DISTRICT					6,307,802	97.8%	$ 165,057	$ 35.68
METROPOLITAN WASHINGTON D.C. SEGMENT								
"SAME STORE PROPERTY PORTFOLIO"								
1676 International Drive		McLean	VA	1999	299,387	96.1%	$ 9,987	$ 40.71
2340 Dulles Corner Boulevard		Herndon	VA	1987	264,405	100.0%	8,441	32.07
1900 Gallows Road		Vienna	VA	1989	210,632	96.5%	5,872	31.57
6600 Rockledge Drive	(d)	Bethesda	MD	1981	160,173	100.0%	4,597	30.42
8260 Greensboro Drive		McLean	VA	1980	158,961	94.2%	3,895	28.72
8521 Leesburg Pike		Vienna	VA	1984	150,897	78.5%	3,453	30.27
2273 Research Boulevard		Rockville	MD	1999	147,689	78.1%	3,085	29.04
2275 Research Boulevard		Rockville	MD	1990	147,650	86.7%	3,637	28.81
2277 Research Boulevard		Rockville	MD	1986	138,095	93.2%	3487	27.86
SUBTOTAL - "SAME STORE PROPERTY PORTFOLIO"					1,677,889	92.7%	$ 46,454	$ 32.14
SUBTOTAL - METROPOLITAN WASHINGTON D.C. SEGMENT					1,677,889	92.7%	$ 46,454	$ 32.14
AUSTIN, TX SEGMENT								
"SAME STORE PROPERTY PORTFOLIO"								
11501 Burnet Road - Building 1		Austin	TX	1991	202,850	100.0%	$ 3,404	$ 26.73
11501 Burnet Road - Building 5		Austin	TX	1991	199,108	100.0%	3,212	24.69
11501 Burnet Road - Building 3		Austin	TX	1991	198,306	100.0%	3,276	26.04
11501 Burnet Road - Building 2		Austin	TX	1991	143,896	100.0%	3,891	28.15
11501 Burnet Road - Building 4		Austin	TX	1991	142,386	100.0%	2,387	26.31
11501 Burnet Road - Building 8		Austin	TX	1991	81,115	100.0%	744	17.18
SUBTOTAL - "SAME STORE PROPERTY PORTFOLIO"					967,661	100.0%	$ 16,914	$ 25.52
"RECENTLY COMPLETED/ACQUIRED PROPERTIES"								
1301 South MoPac Expressway		Austin	TX	2001	222,580	100.0%	$ 280	$ 36.86
1601 South MoPac Expressway		Austin	TX	2000	195,639	81.0%	219	37.74
1501 South MoPac Expressway		Austin	TX	1999	195,324	100.0%	266	39.51
11305 Four Points Drive		Austin	TX	2008	192,396	94.0%	218	35.10
1221 South MoPac Expressway		Austin	TX	2001	173,302	100.0%	224	38.44
11501 Burnet Road - Building 6		Austin	TX	2018	144,249	98.2%	2,673	28.94
4516 Seton Center Parkway		Austin	TX	1998	120,559	100.0%	87	33.70

6500 River Place Boulevard - Building 2		Austin	TX	2000	114,491	97.5%	115	34.69
6500 River Place Boulevard - Building 3		Austin	TX	2000	113,465	100.0%	119	32.86
6500 River Place Boulevard - Building 4		Austin	TX	2000	87,639	100.0%	90	31.89
6500 River Place Boulevard - Building 1		Austin	TX	2000	76,529	100.0%	86	34.42
6500 River Place Boulevard - Building 7		Austin	TX	2002	69,119	100.0%	81	34.28
6500 River Place Boulevard - Building 5		Austin	TX	2001	67,601	100.0%	86	37.94
6500 River Place Boulevard - Building 6		Austin	TX	2001	62,038	100.0%	65	34.07
SUBTOTAL - "RECENTLY COMPLETED/ACQUIRED PROPERTIES"					1,834,931	97.0%	$ 4,609	$ 35.52
SUBTOTAL - AUSTIN, TX SEGMENT					2,802,592	98.1%	$ 21,523	$ 31.93
OTHER SEGMENT								
"SAME STORE PROPERTY PORTFOLIO"								
300 Delaware Avenue		Wilmington	DE	1989	298,071	70.6%	$ 2,539	$ 15.86
920 North King Street		Wilmington	DE	1989	203,328	99.8%	3,814	28.16
Main Street - Piazza		Voorhees	NJ	1990	44,708	100.0%	718	22.06
Main Street - Promenade		Voorhees	NJ	1988	31,445	67.7%	223	16.30
7 Foster Avenue		Gibbsboro	NJ	1983	22,158	66.8%	166	17.25
10 Foster Avenue		Gibbsboro	NJ	1983	18,651	95.7%	230	13.04
5 U.S. Avenue	(g)	Gibbsboro	NJ	1987	5,000	100.0%	32	6.37
5 Foster Avenue		Gibbsboro	NJ	1968	2,000	100.0%	-	-
SUBTOTAL - "SAME STORE PROPERTY PORTFOLIO"					625,361	83.0%	$ 7,722	$ 20.93
SUBTOTAL - OTHER SEGMENT					625,361	83.0%	$ 7,722	$ 20.93
TOTAL CORE PORTFOLIO					**16,273,781**	**95.3%**	**$ 362,313**	**$ 32.63**

(a) Calculated by dividing net rentable square feet included in leases signed on or before December 31, 2018 at the property by the aggregate net rentable square feet of the property.

(b) "Total Base Rent" for the twelve months ended December 31, 2018 represents base rents earned during such period, including tenant reimbursements, and excluding parking income, tenant inducements and deferred market rent adjustments.

(c) "Average Annualized Rental Rate" is calculated by taking the sum of the annualized current base rent as of December 31, 2018 plus the annualized current billable operating expense reimbursements excluding tenant electricity divided by the total square feet occupied as of December 31, 2018.

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

(e) This property is retail.

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

(g) These properties are mixed-use.

(h) This is a 330-space parking garage facility that also contains retail space.

(i) This is a 1,662-space parking garage facility.

(j) Percentage leased and total base rent represents office component only.

The following table shows information regarding rental rates and lease expirations for the Properties, excluding development and redevelopment properties, at December 31, 2018 and assumes that none of the tenants exercise renewal options or termination rights, if any, at or prior to scheduled expirations:

Year of Lease Expiration December 31,	Number of Leases Expiring Within the Year	Rentable Square Footage Subject to Expiring Leases	Final Annualized Base Rent Under Expiring Leases (a)	Final Annualized Base Rent Per Square Foot Expiring Leases	Percentage of Total Final Annualized Base Rent Under Expiring Leases	Cumulative Total
2018 (b)	16	30,981	$ 940,766	$ 16.14	0.0%	0.0%
2019	132	935,338	30,564,504	32.68	5.5%	5.5%
2020	146	1,555,990	51,204,068	32.91	9.3%	14.8%
2021	137	1,453,473	47,601,464	32.75	8.6%	23.4%
2022	124	2,194,635	74,176,425	33.80	13.4%	36.8%
2023	97	1,145,793	40,476,491	35.33	7.3%	44.1%
2024	79	1,728,889	62,364,630	36.07	11.3%	55.4%
2025	45	785,384	30,270,785	38.54	5.5%	60.9%
2026	51	1,072,792	38,134,399	35.55	6.9%	67.8%
2027	34	777,899	31,173,618	40.07	5.6%	73.4%
2028	19	720,792	24,945,356	34.61	4.5%	77.9%
2029 and thereafter	50	2,777,897	120,991,428	43.56	22.1%	100.0%
	930	15,179,863	$ 552,843,933	$ 36.39	100.0%	

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

(b) Relates to existing month-to-month tenancy leases and to expired leases, which converted to month-to-month tenancies until a written notice to vacate is provided by us or until a new lease agreement is agreed upon with the tenant. Final Annualized Base Rent Under Expiring Leases includes $0.4 million for which there is no square footage. Leases for which there is no square footage are excluded from the calculation of Final Annualized Base Rent Per Square Foot Expiring Leases.

The following table sets forth information regarding leases at the Properties, excluding development and redevelopment properties, with the largest 20 tenants based upon Annualized Base Rent as of December 31, 2018:

Tenant Name (a)	Number of Leases	Weighted Average Remaining Lease Term Months	Aggregate Leased Square Feet	Percentage of Aggregate Leased Square Feet	Annualized Base Rent (in 000) (b)	Percentage of Aggregate Annualized Base Rent
IBM, Inc.	1	41	839,652	5.5%	$ 22,346	4.5%
Comcast Corporation	7	41	487,951	3.2%	17,385	3.5%
FMC Corporation	1	162	228,025	1.5%	10,258	2.1%
CSL Behring LLC	6	116	373,263	2.5%	10,239	2.1%
Pepper Hamilton LLP	2	109	285,906	1.9%	9,998	2.0%
Lincoln National Management Co.	1	63	228,447	1.5%	8,484	1.7%
Northrup Grumman Corporation	1	57	254,197	1.7%	8,201	1.7%
KPMG LLP	2	12	189,282	1.2%	8,145	1.6%
Macquarie US	1	19	223,355	1.5%	7,582	1.5%
Dechert LLP	1	25	191,208	1.3%	7,386	1.5%
Independence Blue Cross, LLC	1	184	227,974	1.5%	6,813	1.4%
The Trustees of the University of Pennsylvania	2	167	153,937	1.0%	6,195	1.3%
General Services Administration — U.S. Govt. (c)	6	64	30,092	0.2%	5,739	1.2%
Blank Rome LLP	1	37	196,689	1.3%	5,619	1.1%
Drinker Biddle & Reath LLP	1	130	147,298	1.0%	5,329	1.1%
PricewaterhouseCoopers LLP	1	136	161,450	1.1%	5,224	1.1%
Reliance Standard Life Insurance Company	2	36	147,202	1.0%	4,679	0.9%
VWR Management Services LLC	1	72	149,858	1.0%	4,661	0.9%
Reed Smith LLP	1	135	129,996	0.9%	4,625	0.9%
SHI International Corporation	1	15	110,399	0.7%	4,510	0.9%
Consolidated Total/Weighted Average	40	75	4,756,181	31.5%	$ 163,418	33.0%

(a) The identified tenant includes affiliates of the tenant in certain circumstances.
(b) Annualized Base Rent represents the monthly base rent, including tenant reimbursements, for each lease in effect at December 31, 2018 multiplied by 12. Tenant reimbursements generally include payment of a portion of real estate taxes, operating expenses and common area maintenance and utility charges.
(c) Annualized rent includes $4.7 million related to parking for which there is no square footage included in Aggregate Leased Square Feet.

Real Estate Ventures

As of December 31, 2018, we owned economic interests in ten unconsolidated Real Estate Ventures for an aggregate investment balance of $169.1 million. We 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 the possible development of office, residential, and/or mixed-use properties. As of December 31, 2018, six of the real estate ventures owned properties that contain an aggregate of approximately 5.8 million net rentable square feet of office space; two real estate ventures owned 1.4 acres of land held for development; one real estate venture owned 1.3 acres of land in active development; and one real estate venture owned a residential tower that contains 321 apartment units.

We account for our investments in these Real Estate Ventures using the equity method. For further information regarding Real Estate Ventures, see Note 4, "*Investment in Unconsolidated Real Estate Ventures,*" to our Consolidated Financial Statements.

Item 3. Legal Proceedings

We are involved from time to time in legal proceedings, including tenant disputes, disputes with vendors, employee disputes and disputes arising out of agreements to purchase or sell properties or joint ventures and disputes relating to state and local taxes. We generally consider these disputes to be routine to the conduct of our business and management believes that the final outcome of such proceedings will not have a material adverse effect on our financial position, results of operations or liquidity.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

The common shares of Brandywine Realty Trust are traded on the New York Stock Exchange ("NYSE") under the symbol "BDN." There is no established trading market for units of partnership interests in the Operating Partnership. On February 15, 2019, there were 589 holders of record of our common shares and 23 holders of record (in addition to Brandywine Realty Trust) of Class A units of limited partnership interest in the Operating Partnership. On February 15, 2019, the last reported sales price of the common shares on the NYSE was $15.97. The following table sets forth the quarterly high and low sales price per common share reported on the NYSE for the indicated periods and the distributions paid by us with respect to each such period.

For each quarter in 2018 and 2017, the Operating Partnership paid a cash distribution per Class A unit in an amount equal to the dividend paid on a common share for each such quarter.

In order to maintain the status of Brandywine Realty Trust as a REIT, we must make annual distributions to shareholders of at least 90% of our taxable income (not including net capital gains). Future distributions will be declared at the discretion of our Board of Trustees and will depend on our actual cash flow, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and such other factors as our Board of Trustees deem relevant. Our credit facilities contain certain restrictions on the payment of dividends. Those restrictions permit us to pay dividends to the greater of (i) an aggregate amount required by us to retain our qualification as a REIT for Federal income tax purposes and (ii) 95% of our funds from operations, (FFO). See Item 7., "*Selected Financial Date – Liquidity,*" and Note 7, "*Debt Obligations,*" to our Consolidated Financial Statements for further details.

Our Board of Trustees has adopted a dividend policy designed such that our quarterly distributions are consistent with our normalized annualized taxable income. On December 6, 2018, our Board declared a quarterly dividend distribution of $0.19 per common share that was paid on January 22, 2019. Dividends declared for each of the first three quarters of 2018 were in the amount of $0.18 per common share. We expect to make future quarterly distributions to shareholders; however, the timing and amount of future distributions will be at the discretion of our Board and will depend on our actual funds from operations, financial condition and capital requirements and the annual distribution requirements under the REIT provisions of the Code.

The following table provides information as of December 31, 2018, with respect to compensation plans (including individual compensation arrangements) under which our common shares are authorized for issuance:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	964,359	$ 9.13	6,500,000
Equity compensation plans not approved by security holders	—	—	866,306
Total	964,359	$ 9.13	7,366,306

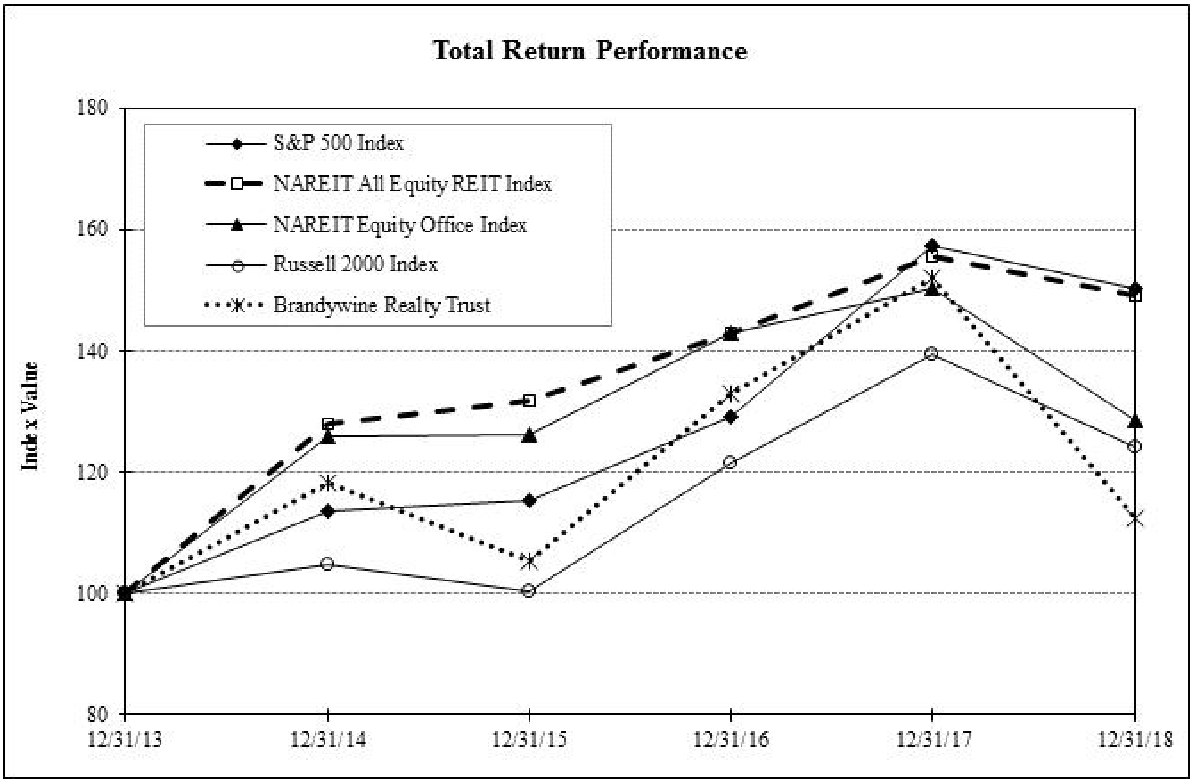
(1) Relates to our Amended and Restated 1997 Long-Term Incentive Plan (the "1997 Plan") and 46,667 options awarded prior to the adoption of the 1997 Plan. Under the 1997 Plan, as amended, the number of common shares remaining available for awards under the 1997 Plan was 7,366,306 as of December 31, 2018.

The Parent Company maintains a common share repurchase program under which the Board of Trustees has authorized the Parent Company to repurchase common shares. On January 3, 2019, the Board of Trustees replenished this program by authorizing the Parent Company to repurchase up to $150 million common shares under the program from and after January 3, 2019. During the year ended 2018, we repurchased and retired 1,729,278 common shares at an average price of $12.64 per share, totaling $21.9 million. During the years ended December 31, 2017 and 2016, there were no share repurchases under the program. Repurchases under the program may be made from time to time in our discretion on the open market or through privately negotiated transactions. The repurchase program has no time limit and may be suspended or discontinued at any time without notice.

In 2018, we redeemed 496,928 Class A units of limited partnership interest held by unaffiliated third parties for total cash payments of $7.0 million.

SHARE PERFORMANCE GRAPH

The SEC requires us to present a chart comparing the cumulative total shareholder return on the common shares with the cumulative total shareholder return of (i) a broad equity index and (ii) a published industry or peer group index. The following chart compares the cumulative total shareholder return for the common shares with the cumulative shareholder return of companies on (i) the S&P 500, (ii) the Russell 2000, (iii) the NAREIT All Equity REIT Index and (iv) the NAREIT Equity Office Index for the period beginning December 31, 2013 and ending December 31, 2018 and assumes an investment of $100, with reinvestment of all dividends, has been made in the common shares and in each index on December 31, 2013.



	Period Ending					
Index	**12/31/13**	**12/31/14**	**12/31/15**	**12/31/16**	**12/31/17**	**12/31/1**
S&P 500 Index	100.00	113.69	115.26	129.05	157.22	150.3
NAREIT All Equity REIT Index	100.00	128.03	131.64	143.00	155.41	149.1
NAREIT Equity Office Index	100.00	125.86	126.22	142.84	150.33	128.5
Russell 2000 Index	100.00	104.89	100.26	121.63	139.44	124.0
Brandywine Realty Trust	100.00	118.24	105.44	132.86	152.05	112.4

Item 6. Selected Financial Data

The following table sets forth selected financial and operating data and should be read in conjunction with the financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this report.

Brandywine Realty Trust

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

Years Ended December 31,	2018	2017	2016	2015	2014
Operating Results					
Total revenue	$ 544,345	$ 520,493	$ 525,463	$ 602,631	$ 596,982
Income (loss) from continuing operations	137,289	121,859	40,501	(30,740)	6,024
Net income (loss)	137,289	121,859	40,501	(30,740)	6,942
Income (loss) allocated to Common Shares	135,955	115,310	32,950	(37,630)	(274)
Income (loss) from continuing operations per Common Share					
Basic	$ 0.76	$ 0.66	$ 0.19	$ (0.21)	$ (0.01)
Diluted	$ 0.76	$ 0.65	$ 0.19	$ (0.21)	$ (0.01)
Earnings (loss) per Common Share					
Basic	$ 0.76	$ 0.66	$ 0.19	$ (0.21)	$ -
Diluted	$ 0.76	$ 0.65	$ 0.19	$ (0.21)	$ -
Cash distributions declared per Common Share	$ 0.73	$ 0.66	$ 0.63	$ 0.60	$ 0.60
Balance Sheet Data					
Real estate investments, net of accumulated depreciation	$ 3,364,520	$ 3,156,687	$ 3,182,251	$ 3,225,427	$ 3,827,826
Total assets	4,098,521	3,995,448	4,099,213	4,554,511	4,835,210
Total indebtedness	2,028,046	1,930,828	2,013,112	2,384,717	2,427,345
Total liabilities	2,265,948	2,148,848	2,215,776	2,602,420	2,675,884
Noncontrolling interest	12,320	17,420	17,093	18,166	18,499
Brandywine Realty Trust's equity	1,820,253	1,829,180	1,866,344	1,933,925	2,140,827
Other Data					
Cash flows from (a):					
Operating activities	$ 227,349	$ 182,581	$ 173,800	$ 197,154	$ 188,999
Investing activities	(214,506)	79,801	500,910	(166,452)	(270,785)
Financing activities	(193,074)	(253,558)	(536,786)	(231,510)	76,081
Funds from operations (FFO) (b)	247,693	229,219	166,979	261,793	227,662
Property Data					
Number of properties owned at year end	97	93	113	179	200
Net rentable square feet owned at year end	16,777	16,412	17,618	23,015	25,083

Brandywine Operating Partnership, L.P.

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

Years Ended December 31,	2018	2017	2016	2015	2014
Operating Results					
Total revenue	$ 544,345	$ 520,493	$ 525,463	$ 602,631	$ 596,982
Income (loss) from continuing operations	137,289	121,859	40,501	(30,740)	6,024
Net income (loss)	137,289	121,859	40,501	(30,740)	6,942
Income (loss) from continuing operations per Common Partnership Unit					
Basic	$ 0.76	$ 0.66	$ 0.19	$ (0.21)	$ (0.01)
Diluted	$ 0.76	$ 0.65	$ 0.19	$ (0.21)	$ (0.01)
Income (loss) per Common Partnership Unit					
Basic	$ 0.76	$ 0.66	$ 0.19	$ (0.21)	$ -
Diluted	$ 0.76	$ 0.65	$ 0.19	$ (0.21)	$ -
Cash distributions declared per Common Partnership Unit	$ 0.73	$ 0.66	$ 0.63	$ 0.60	$ 0.60
Balance Sheet Data					
Real estate investments, net of accumulated depreciation	$ 3,364,520	$ 3,156,687	$ 3,182,251	$ 3,225,427	$ 3,827,826
Total assets	4,098,521	3,995,448	4,099,213	4,554,511	4,835,210
Total indebtedness	2,028,046	1,930,828	2,013,112	2,384,717	2,427,345
Total liabilities	2,265,948	2,148,848	2,215,776	2,602,420	2,675,884
Redeemable limited partnership units	12,520	26,918	23,795	22,114	24,571
Brandywine Operating Partnership's equity	1,817,861	1,817,467	1,857,492	1,927,945	2,133,745
Noncontrolling interest	2,192	2,215	2,150	2,032	1,010
Other Data					
Cash flows from (a):					
Operating activities	$ 227,349	$ 182,581	$ 173,800	$ 197,154	$ 188,999
Investing activities	(214,506)	79,801	500,910	(166,452)	(270,785)
Financing activities	(193,074)	(253,558)	(536,786)	(231,510)	76,081
Funds from operations (FFO) (b)	247,693	229,219	166,979	261,793	227,662
Property Data					
Number of properties owned at year end	97	93	113	179	200
Net rentable square feet owned at year end	16,777	16,412	17,618	23,015	25,083

(a) During the first quarter of 2018, we adopted Financial Accounting Standards Board (the "FASB") ASU No. 2016-18, *Restricted Cash a consensus of the FASB Emerging Issues Task Force* ("ASU 2016-18"), which required us to reclassify restricted cash balances to be included with cash and cash equivalents balances as of the beginning and end of each period presented in the consolidated statements of cash flows. There was no other impact from the adoption of this guidance.

(b) See Item 7., "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Funds From Operations (FFO)*," for a discussion and definition of FFO and a reconciliation of net income (loss) attributable to common share and unit holders to FFO.

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

The following discussion should be read in conjunction with the Consolidated Financial Statements appearing elsewhere herein and is based primarily on our Consolidated Financial Statements for the years ended December 31, 2018, 2017 and 2016. This report including the following discussion, contains forward-looking statements, which we intend to be covered by the safe-harbor provisions of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. The words "anticipate," "believe," "estimate," "expect," "intend," "will," "should" and similar expressions, as they relate to us, are intended to identify forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be achieved. These forward-looking statements are inherently uncertain, and actual results may differ from expectations. "See "Forward-Looking Statements" immediately before Part I of this report.

OVERVIEW

We are a self-administered and self-managed REIT that provides leasing, property management, development, redevelopment, acquisition and other tenant-related services for a portfolio of office, residential, retail and mixed-use properties. As of December 31, 2018, we owned 97 properties that contained an aggregate of approximately 16.8 million net rentable square feet (collectively, the Properties). Our core portfolio of operating properties, as of December 31, 2018, excludes one development property and three redevelopment properties under construction or committed for construction (collectively, the Core Properties). The Properties were comprised of the following as of December 31, 2018:

	Number of Properties	Rentable Square Feet	Percentage Occupied	Percentage Leased
Office properties	88	15,609,156		
Mixed-use properties	4	646,741		
Retail property	1	17,884		
Core Properties	93	16,273,781	93.3%	95.3%
Development property	1	164,818		
Redevelopment properties	3	338,650		
The Properties	97	16,777,249		

In addition, as of December 31, 2018, we owned economic interests in ten unconsolidated real estate ventures (collectively, the "Real Estate Ventures"), six of which own properties that contain an aggregate of approximately 5.8 million net rentable square feet of office space; two of which own, in aggregate, 1.4 acres of land held for development; one that owns 1.3 acres in active development; and one that owns a residential tower that contains 321 apartment units.

In addition to our Properties, as of December 31, 2018, we owned land held for development, comprised of 237.4 acres of undeveloped land, of which 37.9 acres were held for sale, 1.8 acres related to leasehold interests in two land parcels each acquired through prepaid 99-year ground leases, and held options to purchase approximately 55.5 additional acres of undeveloped land. As of December 31, 2018, the total potential development that these land parcels could support under current zoning and entitlements, including the parcels under option, amounted to an estimated 14.3 million square feet, of which 0.4 million square feet relates to 37.9 acres held for sale. The Properties and the properties owned by the Real Estate Ventures are located in or near Philadelphia, Pennsylvania; Austin, Texas; Metropolitan Washington, D.C.; Southern New Jersey; and Wilmington, Delaware.

We conduct our third-party real estate management services business primarily through wholly-owned management company subsidiaries. As of December 31, 2018, the management company subsidiaries were managing properties containing an aggregate of approximately 24.8 million net rentable square feet, of which approximately 16.8 million net rentable square feet related to Properties that we own and consolidate and approximately 8.0 million net rentable square feet related to properties owned by third parties and the Real Estate Ventures. Unless otherwise indicated, all references in this Form 10-K to "square feet" represent the rentable area. We do not have any foreign operations and our business is not seasonal. Our operations are not dependent on a single tenant or a few tenants and no single tenant accounted for more than 10% of our total 2018 revenue.

During the twelve months ended December 31, 2018, we owned and managed properties within five markets: (1) Philadelphia Central Business District ("Philadelphia CBD"), (2) Pennsylvania Suburbs, (3) Austin, Texas, (4) Metropolitan Washington, D.C., and (5) Other. The Philadelphia CBD segment includes properties located in the City of Philadelphia in Pennsylvania. The Pennsylvania Suburbs segment includes properties in Chester, Delaware and Montgomery counties in the Philadelphia suburbs. The Austin, Texas segment includes properties in the City of Austin, Texas. The Metropolitan Washington, D.C. segment includes properties in Northern Virginia, Washington, D.C. and southern Maryland. The Other segment includes properties in Camden County in New Jersey and properties in New Castle County in Delaware. In addition to the five markets, our corporate group is responsible for cash and investment management, development of certain real estate properties during the construction period, and certain other general support functions.

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

The following highlights our financial results for the year ended December 31, 2018:

- Net income available to common shareholders increased by $20.7 million to $136.0 million for the year ended December 31, 2018, as compared to the corresponding period in 2017.
- Funds from operations available to common share and unit holders ("FFO"), a non-GAAP financial measure, increased to $247.7 million or $1.37 per diluted share for the year ended December 31, 2018, from $229.2 million or $1.29 per diluted share for the year ended December 31, 2017 (see additional disclosure in the *"Funds From Operations (FFO)"* section below).

- Same Store net operating income, a non-GAAP financial measure, decreased 2.2% for the year ended December 31, 2018, as compared to the corresponding period in 2017 (see additional disclosure on Same Store net operating income in *"Results of Operations"* section below).
- Core Occupancy increased from 92.9% at December 31, 2017, to 93.3% at December 31, 2018.
- We increased our quarterly dividend from $0.18 to $0.19 per share for a 5.6% annualized increase.
- We used liquidity generated from additional net sales activity to opportunistically repurchase over 1.7 million common shares at a weighted-average price of $12.64 per share which is well below our current net asset value.

Factors that May Influence Future Results of Operations

Global Market and Economic Conditions

In the U.S., market and economic conditions have been improving, characterized by more availability to credit, increasing interest rates and modest growth. While recent economic data reflects modest growth, the cost and availability of credit may be adversely affected by illiquid credit markets and wider credit spreads. Volatility in the U.S. and international markets and economies may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our tenants. Any adverse market conditions may limit our ability, as well as the ability of our tenants, to timely refinance maturing liabilities and access capital markets to meet liquidity needs.

Real Estate Asset Valuation

General economic conditions and the resulting impact on market conditions or a downturn in tenants' businesses may adversely affect the value of our assets. Challenging economic conditions in the U.S., declining demand for leased office, retail, or mixed-use properties and/or a decrease in market rental rates and/or market values of real estate assets in our submarkets could have a negative impact on the value of our Properties. If we were required under GAAP to write down the carrying value of any of our Properties due to impairment, or if as a result of an early lease termination we were required to remove or dispose of material amounts of tenant improvements that are not reusable to another tenant, our financial condition and results of operations could be negatively affected.

Leasing Activity and Rental Rates

The amount of net rental income generated by our Properties depends principally on our ability to maintain the occupancy rates of currently leased space and to lease currently available space, newly developed or redeveloped properties and space available from unscheduled lease terminations. The amount of rental income we generate also depends on our ability to maintain or increase rental rates in our submarkets. Negative trends in one or more of these factors could adversely affect our rental income in future periods.

Equity Method Investment Valuation

Our equity method investments, consisting of our investments in unconsolidated Real Estate Ventures, may be adversely affected by changes in the real estate markets in which they operate. Under the equity method, investments in unconsolidated Real Estate Ventures are recorded initially at cost and subsequently adjusted for equity in earnings, cash contributions, less distributions and impairments. As required under accounting rules, we periodically evaluate and assess our equity method investments for other than temporary impairment. In valuing our equity method investments, fair value is determined through various valuation techniques, including but not limited to, discounted cash flow models, quoted market values and third party appraisals. However, such quoted data and other market information can vary, even for the same properties. To the extent that the real estate markets deteriorate or we are unable to lease our development projects, it could result in declines in the fair value of our equity method investments that are other than temporary and, we may realize losses that never materialize or we may fail to recognize losses in the appropriate period. Rapidly changing conditions in the real estate markets in which we operate increase the complexity of valuing our equity method investments. Our judgments and methodologies materially impact the valuation of the investments as reported in our financial statements.

Development and Redevelopment Programs

Historically, a significant portion of our growth has come from our development and redevelopment efforts. We have a proactive planning process by which we continually evaluate the size, timing, costs and scope of our development and redevelopment programs and, as necessary, scale activity to reflect the economic conditions and the real estate fundamentals that exist in our strategic submarkets. We are currently proceeding with certain development and redevelopment projects, and we take a cautious and selective approach when determining if a certain development or redevelopment project will benefit our portfolio.

In addition, we may be unable to lease committed development or redevelopment properties at underwritten rental rates or within projected timeframes or complete development or redevelopment properties on schedule or within budgeted amounts, which could adversely affect our financial condition, results of operations and cash flow.

Financial and Operating Performance

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

Adverse changes in economic conditions could result in a reduction of the availability of financing and potentially in higher borrowing costs. Vacancy rates may increase, and rental rates may decline, during 2019 and possibly beyond as the current economic climate may negatively impact tenants.

Overall economic conditions, including but not limited to higher unemployment and deteriorating financial and credit markets, could have a dampening effect on the fundamentals of our business, including increases in past due accounts, tenant defaults, lower occupancy and reduced effective rents. These adverse conditions would negatively affect our future net income and cash flows and could have a material adverse effect on our financial condition. We believe that the quality of our assets and our strong balance sheet will enable us to raise debt capital, if necessary, in various forms and from different sources, including a traditional term or secured loans from banks, pension funds and life insurance companies. However, there can be no assurance that we will be able to borrow funds on terms that are economically attractive or at all.

The table below summarizes selected operating and leasing statistics of our wholly owned operating properties for the year ended December 31, 2018:

	Year Ended December 31,	
	2018	2017
Leasing Activity		
Core Properties (1):		
Total net rentable square feet owned	16,273,781	15,583,466
Occupancy percentage (end of period)	93.3%	92.9%
Average occupancy percentage	92.9%	91.9%
Total Portfolio, less properties in development (2):		
Retention rate	72.6%	74.9%
New leases and expansions commenced (square feet)	708,218	876,729
Leases renewed (square feet)	846,313	1,248,080
Net absorption (square feet)	(2,863)	43,669
Percentage change in rental rates per square feet (3):		
New and expansion rental rates	24.3%	15.4%
Renewal rental rates	7.5%	4.5%
Combined rental rates	12.9%	6.7%
Capital Costs Committed (4):		
Leasing commissions (per square feet)	$ 4.93	$ 4.14
Tenant Improvements (per square feet)	$ 15.76	$ 11.04
Weighted average lease term (years)	6.5	7.3
Total capital per square foot per lease year	$ 2.68	$ 1.89

(1) Includes all Core Properties and does not include properties under development, redevelopment or held for sale or sold.
(2) Includes leasing related to completed developments and redevelopments, as well as sold properties.
(3) Rental rates include base rent plus reimbursement for operating expenses and real estate taxes.
(4) Calculated on a weighted average basis.

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

Tenant Rollover Risk:

We are subject to the risk that tenant leases, upon expiration, will not be renewed, that space may not be relet, or that the terms of renewal or reletting (including the cost of renovations) may be less favorable to us than the current lease terms. Leases that accounted for approximately 7.1% of our aggregate final annualized base rents as of December 31, 2018 (representing approximately 7.4% of the net rentable square feet of the properties) are scheduled to expire without penalty in 2019. We maintain an active dialogue with our tenants in an effort to maximize lease renewals. If we are unable to renew leases or relet space under expiring leases, at anticipated rental rates, or if tenants terminate their leases early, our cash flow would be adversely impacted.

Tenant Credit Risk:

In the event of a tenant default, we may experience delays in enforcing our rights as a landlord and may incur substantial costs in protecting our investment. Our management regularly evaluates our accounts receivable reserve policy in light of our tenant base and general and local economic conditions. Our accounts receivable allowance was $12.9 million or 6.6% of total receivables (including accrued rent receivable) as of December 31, 2018 compared to $17.1 million or 8.4% of total receivables (including accrued rent receivable) as of December 31, 2017.

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

Development Risk:

Development projects are subject to a variety of risks, including construction delays, construction cost overruns, inability to obtain financing on favorable terms, inability to lease space at projected rates, inability to enter into construction, development and other agreements on favorable terms, and unexpected environmental and other hazards.

As of December 31, 2018, the following development and redevelopment projects remain under construction in progress and we were proceeding on the following activity (dollars, in thousands):

Construction Commencement Date	Expected Completion	Activity Type	Property/Portfolio Name	Location	Number of Buildings	Square Footage/ Units	Estimated Costs		Amount Funded
Q4 2017	Q1 2019	Development	Four Points Building 3	Austin, TX	1	165,000	$ 47,500	(a)	$ 35,900
Q2 2019	Q2 2020	Redevelopment	The Bulletin Building	Philadelphia, PA	1	283,000	83,100	(b)	44,300
Q2 2018	Q1 2019	Redevelopment	426 W. Lancaster Avenue	Devon, PA	1	56,000	14,900	(c)	8,900
		Total			**3**	**504,000**	**$ 145,500**		**$ 89,100**

(a) The project is pre-leased to a single tenant. Total estimated costs include $2.1 million of land basis existing at project inception.

(b) Total project costs include $37.8 million of building basis, representing the acquisition cost. The amount funded, as of December 31, 2018, includes $1.2 million related to an $8.0 million funding commitment required through the ground lease. See below in Item 7., *"Liquidity and Capital Resources – Contractual Obligations"* for further information regarding this commitment.

(c) The property was vacated during the third quarter of 2017. Current plans are to renovate this building. Total project costs include $4.9 million of existing property basis.

Other Development Services

In addition to the projects above, as of December 31, 2018, we were engaged in the development of the projects at Schuylkill Yards in Philadelphia, Pennsylvania and at 4040 Wilson Venture, the unconsolidated real estate venture in which we own a 50% interest, constructing a mixed-use building in Arlington, Virginia. See Item 1., "*Business – Developments*," for further information.

Land Holdings

As of December 31, 2018, we owned approximately 237.4 acres of undeveloped land, of which 37.9 acres were held for sale, 1.8 acres related to leasehold interests in two land parcels, each acquired through prepaid 99-year ground leases, and held options to purchase approximately 55.5 additional acres of undeveloped land. As market conditions warrant, we will seek to opportunistically dispose of those parcels that we do not anticipate developing. For parcels of land that we ultimately develop, we will be subject to risks and costs associated with land development, including building moratoriums and the inability to obtain necessary zoning, land-use, building, occupancy and other required governmental approvals, construction cost increases or overruns and construction delays, and insufficient occupancy and rental rates. As of December 31, 2018, the total potential development that these land parcels could support, under current zoning and entitlements, including the parcels under option, amounted to an estimated 14.3 million square feet, of which 0.4 million square feet relates to 37.9 acres held for sale.

Development projects are subject to a variety of risks, including construction delays, construction cost overruns, inability to obtain financing on favorable terms, inability to lease space at projected rates, inability to enter into construction, development and other agreements on favorable terms, and unexpected environmental and other hazards. See Item 1A., "*Risk Factors.*"

Although we continue to evaluate opportunities to acquire assets, the abundance of capital and demand for assets has resulted in increasing prices. As a result, in the current environment, we are able to develop properties at a cost per square foot that is generally less than the cost at which we can acquire existing properties, thereby generating relatively better returns with lower annual maintenance expenses and capital costs. Accordingly, we believe that successful lease-up and completion of our development pipeline will enhance our long-term return on equity and earnings growth as these developments are placed in-service.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

RESULTS OF OPERATIONS

The following discussion is based on our Consolidated Financial Statements for the years ended December 31, 2018, 2017 and 2016. We believe that presentation of our consolidated financial information, without a breakdown by segment, will effectively present important information useful to our investors.

Net operating income ("NOI") as presented in the comparative analysis below is defined as total revenue less property operating expenses, real estate taxes and third party management expenses. Property operating expenses that are included in determining NOI consist of costs that are necessary and allocable to our operating properties such as utilities, property-level salaries, repairs and maintenance, property insurance, management fees and bad debt expense. General and administrative expenses that are not reflected in NOI primarily consist of corporate-level salaries, amortization of share awards and professional fees that are incurred as part of corporate office management. NOI is a non-GAAP financial measure that we use internally to evaluate the operating performance of our real estate assets by segment, as presented in Note 17, "*Segment Information,*" to our Consolidated Financial Statements, and of our business as a whole. We believe NOI provides useful information to investors regarding our financial condition and results of operations because it reflects only those income and expense items that are incurred at the property level. While NOI is a relevant and widely used measure of operating performance of real estate investment trusts, it does not represent cash flow from operations or net income as defined by GAAP and should not be considered as an alternative to those measures in evaluating our liquidity or operating performance. NOI does not reflect interest expenses, real estate impairment losses, depreciation and amortization costs, capital expenditures and leasing costs. We believe that net income, as defined by GAAP, is the most appropriate earnings measure. See Note 17, "*Segment Information,*" to our Consolidated Financial Statements for a reconciliation of NOI to our consolidated net income (loss) as defined by GAAP.

Comparison of the Year Ended December 31, 2018 to the Year Ended December 31, 2017

The table below shows selected operating information for the "Same Store Property Portfolio" and the "Total Portfolio." The Same Store Property Portfolio consists of 73 properties containing an aggregate of approximately 13.0 million net rentable square feet, and represents properties that we owned for the twelve-month periods ended December 31, 2018 and 2017. The Same Store Property Portfolio includes properties acquired or placed in service on or prior to January 1, 2017 and owned through December 31, 2018. The Total Portfolio includes the effects of other properties that were either placed into service, acquired or redeveloped after January 1, 2017 or disposed prior to December 31, 2018. A property is excluded from our Same Store Property Portfolio and moved into Development/Redevelopment in the period that we determine to proceed with development/redevelopment for a future development strategy. This table also includes a reconciliation from the Same Store Property Portfolio to the Total Portfolio net income (i.e., all properties owned by us during the twelve-month periods ended December 31, 2018 and 2017) by providing information for the properties which were acquired, placed into service, under development or redevelopment and administrative/elimination information for the twelve-month periods ended December 31, 2018 and 2017.

During the year ended December 31, 2018, the Same Store Property Portfolio was reduced by the disposition on June 21, 2018 of 20 East Clementon Road, an office property in Gibbsboro, New Jersey, containing 38,260 rentable square feet. Additionally, The Lift at Juniper Street, a parking garage containing no rentable square feet, was removed from the Same Store Property Portfolio and placed into redevelopment and eight properties containing 1,293,197 rentable square feet, located in Herndon, Virginia were sold. For detail of the properties comprising the Same Store Property Portfolio, as of December 31, 2017, see Item 2. "*Properties*" section of our Annual Report on Form 10-K for the year ended December 31, 2017. The Total Portfolio net income (loss) presented in the table is equal to the net income (loss) of the Parent Company and the Operating Partnership.

Comparison of Year Ended December 31, 2018 to the Year Ended December 31, 2017

	Same Store Property Portfolio			Recently Completed/Acquired Properties (a)		Development/Redevelopment Properties (b)		Other (Eliminations) (c)		Total Portfolio		
(dollars and square feet in thousands)	2018	2017	Increase/ (Decrease)	2018	2017	2018	2017	2018	2017	2018	2017	Increase/ (Decrease)
Revenue:												
Cash rents	$ 327,221	$ 321,887	$ 5,334	$ 53,068	$ 17,270	$ 1,817	$ 1,082	$ 32,199	$ 40,570	$ 414,305	$ 380,809	$ 33,496
Straight-line rents	1,187	7,066	(5,879)	10,124	21,449	1,887	102	(191)	(163)	13,007	28,454	(15,447)
Above/below market rent amortization	1,628	2,694	(1,066)	700	123	1,016	254	-	(1)	3,344	3,070	274
Total rents	330,036	331,647	(1,611)	63,892	38,842	4,720	1,438	32,008	40,406	430,656	412,333	18,323
Tenant reimbursements	68,073	64,389	3,684	11,009	4,280	2,327	516	1,216	3,435	82,625	72,620	10,005
Termination fees	1,763	1,893	(130)	-	466	-	-	-	11	1,763	2,370	(607)
Third party management fees, labor reimbursement and leasing	-	-	-	-	-	-	-	22,557	28,345	22,557	28,345	(5,788)
Other	1,617	1,803	(186)	3,290	1,504	9	32	1,828	1,486	6,744	4,825	1,919
Total revenue	401,489	399,732	1,757	78,191	45,092	7,056	1,986	57,609	73,683	544,345	520,493	23,852
Property operating expenses (d)	118,776	116,704	(2,072)	25,663	18,503	3,200	1,133	7,133	14,495	154,772	150,835	(3,937)
Real estate taxes	40,903	35,759	(5,144)	3,627	1,517	875	340	5,936	7,588	51,341	45,204	(6,137)
Third party management expenses	-	-	-	-	-	-	-	11,910	9,960	11,910	9,960	(1,950)
Net operating income	241,810	247,269	(5,459)	48,901	25,072	2,981	513	32,630	41,640	326,322	314,494	11,828
Depreciation and amortization	126,563	132,483	5,920	30,741	21,923	3,768	4,692	13,187	20,259	174,259	179,357	5,098
General & administrative expenses	-	-	-	-	-	-	-	27,802	28,538	27,802	28,538	736
Provision for impairment (e)	-	-	-	-	-	-	-	71,707	3,057	71,707	3,057	(68,650)
Net gain on disposition of real estate										(2,932)	(31,657)	(28,725)
Net gain on sale of undepreciated real estate										(3,040)	(953)	2,087
Operating income (loss)	$ 115,247	$ 114,786	$ 461	$ 18,160	$ 3,149	$ (787)	$ (4,179)	$ (80,066)	$ (10,214)	$ 58,526	$ 136,152	$ (77,626)
Number of properties	73	73		20		4				97		
Square feet	13,000	13,000		3,274		503				16,777		
Core Occupancy % (f)	93.2%	93.6%		93.6%								
Other Income (Expense):												
Interest income										4,703	1,113	3,590
Interest expense										(78,199)	(81,886)	3,687
Interest expense — Deferred financing costs										(2,498)	(2,435)	(63)
Equity in loss of Real Estate Ventures										(15,231)	(8,306)	(6,925)
Net gain on real estate venture transactions										142,233	80,526	61,707
Gain on promoted interest in unconsolidated real estate venture										28,283	-	28,283
Loss on early extinguishment of debt										(105)	(3,933)	3,828
Income tax (provision) benefit										(423)	628	(1,051)
Net income										$ 137,289	$ 121,859	$ 15,430
Net income attributable to Common Shareholders of Brandywine Realty Trust										$ 0.76	$ 0.66	$ 0.10

EXPLANATORY NOTES

(a) Results include: five properties recently completed, and 15 acquisitions.

(b) Results include: one development and three redevelopment properties.

(c) Represents certain revenues and expenses at the corporate level as well as various intercompany costs that are eliminated in consolidation, third-party management fees and provisions for impairment. Other/ (Eliminations) also includes properties sold that do not qualify as discontinued operations and properties classified as held for sale.

(d) Same Store Property Portfolio results exclude $1.6 million and $0.4 million for the years ended December 31, 2018 and 2017, respectively, of bad debt expense related to periods prior to January 1, 2017, associated with a tenant in the Philadelphia CBD segment. This is presented in Other (Eliminations).

(e) Impairment charges are excluded from Same Store Property Portfolio operating income and presented in Other (Eliminations).

(f) Pertains to Core Properties (i.e. not under development or redevelopment).

Total Revenue

Cash rents from the Total Portfolio increased by $33.5 million from 2017 to 2018, primarily attributable to:

- $35.8 million increase from Recently Completed/Acquired Properties primarily related to the expiration of free rent periods for tenants within the FMC Tower, as well as cash rent received from the DRA Austin Venture properties that we acquired during the fourth quarter of 2018;
- $5.3 million increase in the Same Store Property Portfolio due to positive cash rent growth and free rent converting to cash rent, primarily in the Philadelphia CBD segment; and
- $0.7 million increase from Development/Redevelopment Properties, primarily attributable to The Bulletin Building, an office property acquired during the fourth quarter of 2017

The increase of $41.8 million in total revenue was offset by an $8.3 million decrease due to the disposition of 30 properties during 2017 and 2018 (the "2017 and 2018 Dispositions").

Straight-line rents decreased by $15.4 million from free rent converting to cash rent from 2017 to 2018, of which $11.3 million related to Recently Completed/Acquired Properties, primarily the FMC Tower, which is located in the Philadelphia CBD segment and $5.9 million in the Same Store Property Portfolio, primarily the Philadelphia CBD segment. These decreases were offset by a $1.8 million increase from Development/Redevelopment Properties, primarily related to The Bulletin Building, which was acquired during the fourth quarter of 2017.

Tenant reimbursements from the Total Portfolio increased $10.0 million from 2017 to 2018, due to an increase of $6.7 million from Recently Completed/Acquired Properties due to the expiration of free rent periods for tenants within the FMC Tower and the acquisition of the DRA Austin venture properties, an increase of $3.7 million in the Same Store Property Portfolio, primarily due to increased operating costs at our Philadelphia CBD segment and Austin, Texas segment, and a $1.8 million increase from Development/Redevelopment Properties, relating to The Bulletin Building, which was acquired during the fourth quarter of 2017. These increases were partially offset by a decrease of $2.2 million from the 2017 and 2018 Dispositions.

Termination fees decreased $0.6 million from 2017 to 2018, due to the timing and volume of early tenant move-outs during 2018 when compared to 2017.

Third party management fees, labor reimbursement and leasing income decreased $5.8 million from 2017 to 2018, due primarily to decreases in third party management and development fees. The decreases include $5.2 million of construction management fees related to the Subaru Headquarters development, which was substantially complete as of December 31, 2017, $2.9 million of third party management fees relates to the sale of the properties within the Austin Venture and $0.5 million related to the fourth quarter of 2018 sale of three office properties and the third quarter of 2017 sale of one office property held by our BDN – AI Venture. These decreases were offset by a $2.8 million increase in construction management fees, primarily relating to the MAP Venture.

Other income at our Total Portfolio increased by $1.9 million from 2017 to 2018, which was primarily related to restaurant income from Walnut Street Café at the FMC Tower, which was placed into service at the end of the second quarter of 2017.

Property Operating Expenses

Property operating expenses across our Total Portfolio increased $3.9 million from 2017 to 2018, of which $7.2 million relates to Recently Completed/Acquired Properties, primarily from the FMC Tower, which was fully placed into service during the second quarter of 2017, as well as the twelve properties acquired from the DRA Austin venture during the fourth quarter of 2018. An additional increase of $0.6 million is due to marketing costs relating to business development efforts and costs associated with parking operations, both within our Philadelphia CBD segment. Development/Redevelopment Properties increased $2.1 million, primarily because of The Bulletin Building, which was acquired during the fourth quarter of 2017 and immediately placed into redevelopment. The Same Store Portfolio increased $2.1 million, primarily related to our Philadelphia CBD segment. These increases were partially offset by a $4.9 million decrease related to the 2017 and 2018 Dispositions, a $1.9 million decrease due to the write-off of a prior period straight line rent receivable related to an early termination, $0.7 million in salary expense reductions relating from the sale of properties from unconsolidated real estate ventures that we manage and a $0.5 million reduction in development salary due to increased capitalization at our development/redevelopment projects.

Real Estate Taxes

Real estate taxes across our Total Portfolio increased by $6.1 million from 2017 to 2018, of which $5.1 million relates to increased real estate tax assessments at the Same Store Property Portfolio, primarily in the Philadelphia CBD segment, $2.1 million related to Recently Completed/Acquired Properties and $0.5 million related to Development/Redevelopment Properties. These increases were partially offset by decreases of $1.6 million from the 2017 and 2018 Dispositions.

Depreciation and Amortization

Depreciation and amortization expense decreased by $5.1 million from 2017 to 2018, of which $8.8 million relates to an increase in depreciation expense from Recently Completed/Acquired Properties, primarily due to the acquisition of our partner's 50% ownership interest in the twelve remaining properties within our DRA Austin venture during the fourth quarter of 2018, the office component of FMC Tower being fully placed into service during the second quarter of 2017 as well as Four Tower Bridge, which was acquired in January 2018. This increase was offset by a $6.3 million decrease relating to the 2017 and 2018 Dispositions, a $5.9 million decrease to fully amortized intangible assets at the Same Store Property Portfolio, which is directly attributable to a reduction in intangible asset amortization related to the Broadmoor portfolio, located in our Austin, Texas segment which was acquired during the second quarter of 2015, a $0.9 decrease from Development/Redevelopment Properties and a $0.8 million decrease related to assets in our Other segment that were fully depreciated during the third quarter of 2017.

General and Administrative Expenses

General and administrative expenses across our Total Portfolio decreased by $0.7 million from 2017 to 2018, due to a $1.6 million decrease in professional fees, offset by a $0.9 million increase in payroll related costs in 2018.

Provision for Impairment

During 2018, we recognized a provision for impairment of $71.7 million which consists of the following:

- $56.9 million impairment charge related to the disposition of eight office properties in our Metropolitan Washington, D.C. segment; and
- $14.8 million held for use impairment charge on an office property in our Metropolitan Washington, D.C. segment.

During 2017, we recognized a provision for impairment of $3.1 million consisting of the following:

- $0.3 million impairment charge recorded related to one land parcel consisting of 50 acres in our Other Segment;
- $1.7 million of additional impairment charges recorded related to three office properties located in our Metropolitan Washington D.C. Segment. This impairment charge was a result of a purchase price adjustment that occurred subsequent to recording a $3.0 million impairment charge related to these three properties during the year ended December 31, 2016; and
- $1.0 million held for use impairment charge recorded related to four properties in our Other Segment during the quarter ended March 31, 2017.

See Note 3, *"Real Estate Investments,"* to our Consolidated Financial Statements for further information related to these impairments.

Net Gain on Disposition of Real Estate

The $3.0 million gain on disposition of real estate for 2018 resulted from the following sales transactions:

- $2.6 million on the sale of the Subaru NTSC, located in Camden, New Jersey; and
- $0.4 million on the sale of eight properties in our Metropolitan Washington, D.C. segment

These gains were partially offset by an immaterial loss from the disposition of the office property at 20 East Clementon Road, in Gibbsboro, New Jersey.

The gain on disposition of real estate of $31.7 million recognized during 2017 resulted from the following sales transactions:

- $0.6 million on the sale of two office properties located in Concord, California;
- $6.5 million from the sale of the Marine Piers located in Philadelphia, Pennsylvania;
- $0.5 million of additional gain recognized on Cira Square, which was disposed of in the first quarter of 2016;
- $1.4 million on the sale of the retail property at 7000 Midlantic in Mount Laurel, New Jersey;
- $3.6 million for the sale of an office property in King of Prussia, Pennsylvania; and
- $19.6 million from the sale of five office properties in Newtown Square, Pennsylvania.

These gains were partially offset by a loss of $0.2 million, representing closing costs, on the sale of three office properties located in Cherry Hill, New Jersey and a loss of $0.3 million, representing closing costs, on the sale of four office properties located in Marlton, New Jersey known as the Evesham Corporate Center. See Item 2., "*Properties - Property Sales*," for further information.

Net Gain on Sale of Undepreciated Real Estate

The gain of $3.0 million recognized during 2018 primarily resulted from the recognition of a deferred gain from the sale of land parcels located at Garza Ranch in Austin, Texas.

The gain of $1.0 million recognized during 2017 resulted from the dispositions of Bishop's Gate land and 50 E. Swedesford Square, which generated gains of $0.1 million and $0.9 million, respectively.

Interest Expense

The $3.7 million decrease in interest expense from 2017 to 2018 was primarily due to the following;

- $15.6 million decrease related to the early retirement of the 2018 Unsecured Notes during the fourth quarter of 2017;
- $5.7 million decrease related to the repayment of the 2017 Unsecured Notes on May 1, 2017; and
- $1.6 million decrease related to interest expense incurred related to the Credit Facility, due to decreased borrowings during the year ended December 31, 2018 compared the year ended December 31, 2017.

The $22.9 million of decreases in interest expense described above were offset by the following;

- $15.9 million increase related to the issuance of the 2027 Unsecured Notes on November 17, 2017;
- $3.0 million increase related to the issuance of an additional $100.0 million of 2023 Unsecured Notes on November 17, 2017; and
- $0.3 million increase in variable interest expense related to our Trust Indenture IA compared to the year ended December 31, 2017.

Equity in Loss of Real Estate Ventures

The increase in equity in loss of Real Estate Ventures of $6.9 million from 2017 to 2018 is primarily due to the following:

- $2.6 million increase in equity in income incurred at the DRA Austin venture, primarily driven by reductions in interest expense and depreciation related to the sale of properties within the venture during the third quarter of 2017;
- $1.2 million decrease in equity in losses incurred at the MAP Venture, primarily driven by a decrease in interest expense due to the refinancing of its third party debt, on August 1, 2018, which resulted in a 380 basis point decrease in the borrowing spread over LIBOR;
- $4.1 million other than temporary impairment charge at the BDN – AI Venture during the fourth quarter of 2018 compared to a $4.8 million due to an other than temporary impairment charge at the BDN – AI Venture during the third quarter of 2017; and
- $0.4 million increase in equity in income at 1919 Market Street Venture due to savings on interest expense related to the repayment of $88.6 million in principal on its construction loan with a mortgage loan provided by the venture's partners which bears interest at a lower rate, during the second quarter of 2018.

These decreases were offset by $10.4 million related to our share of an impairment charge taken on two properties at the BDN – AI Venture during the fourth quarter of 2018, $0.8 million decrease from the sale of the evo at Cira Venture during the first quarter of 2018, a $0.5 million decrease from the Four and Seven Tower Bridge transaction, which resulted in the acquisition of the office property held by the Four Tower Bridge Venture, during the first quarter of 2018, and a decrease of $0.1 million resulting from the sale of the Parc at Plymouth Venture in 2017.

Net Gain from Real Estate Venture Transactions

The $142.2 million net gain from Real Estate Venture transactions during 2018 relates to the following:

- $103.8 million gain from the acquisition of the remaining properties with the DRA Austin venture;
- $25.7 million gain from the sale of the evo at Cira Centre South Venture;
- $11.6 million gain recognized on the exchange of our 20% interest in the Seven Tower Bridge Venture for the remaining 35% interest in the Four Tower Bridge Venture; and
- $1.1 million gain from the sale of BDN – AI Venture's Station Square properties.

Gain on promoted interest in unconsolidated real estate venture

During 2018 there was a gain on promoted interest in an unconsolidated real estate venture of $28.3 resulting from the acquisition of the remaining DRA Austin venture properties. See Item 2., "*Properties - Property Acquisitions*," for further information.

There was no comparable activity during 2017.

Loss on Early Extinguishment of Debt

During 2018, we repaid mortgage debt on properties included in the DRA Austin acquisition, which resulted in a net loss on early extinguishment of debt of $0.1 million.

During 2017, we repurchased $325.0 million of our 4.95% Guaranteed Notes due 2018, which resulted in a net loss on early extinguishment of debt of $3.9 million.

Net Income

Net income increased by $15.4 million from 2017 to 2018 as a result of the factors described above.

Net Income per Common Share – fully diluted

Net income per share was $0.76 during 2018 as compared to net income per share of $0.65 during 2017 as a result of the factors described above.

RESULTS OF OPERATIONS

Comparison of the Year Ended December 31, 2017 to the Year Ended December 31, 2016

The table below shows selected operating information for the "Same Store Property Portfolio" and the "Total Portfolio." The Same Store Property Portfolio consists of 83 properties containing an aggregate of approximately 14.3 million net rentable square feet, and represents properties that we owned for the twelve-month periods ended December 31, 2017 and 2016. The Same Store Property Portfolio includes properties acquired or placed in service on or prior to January 1, 2016 and owned through December 31, 2017. The Total Portfolio includes the effects of other properties that were either placed into service, acquired or redeveloped after January 1, 2016 or disposed prior to December 31, 2017. A property is excluded from our Same Store Property Portfolio and moved into Development/Redevelopment in the period that we determine to proceed with development/redevelopment for a future development strategy. This table also includes a reconciliation from the Same Store Property Portfolio to the Total Portfolio net income (i.e., all properties owned by us during the twelve-month periods ended December 31, 2017 and 2016) by providing information for the properties which were acquired, placed into service, under development or redevelopment and administrative/elimination information for the twelve-month periods ended December 31, 2017 and 2016.

During the year ended December 31, 2017, the Same Store Property Portfolio was reduced by 14 properties, containing 934,961 rentable square feet, due to sales. The office property, containing 62,991 rentable square feet, at 426 West Lancaster Avenue in Devon, Pennsylvania was removed from the Same Store Property Portfolio and placed into redevelopment. Three properties, containing 98,388 rentable square feet, located in Gibbsboro, New Jersey were removed from the Same Store Property Portfolio because they were taken out of service with no plan to relet. Six office properties, containing 967,661 rentable square feet, located in Austin, Texas were moved into the Same Store Property Portfolio, as they were purchased June 22, 2015. In addition, the property at 618 Market Street, a mixed-use parking garage containing 15,878 rentable square feet, in Philadelphia, Pennsylvania was moved into the Same Store Property Portfolio, as it was acquired April 2, 2015.

The Total Portfolio net income (loss) presented in the table is equal to the net income (loss) of the Parent Company and the Operating Partnership.

Comparison of Year Ended December 31, 2017 to the Year Ended December 31, 2016

	Same Store Property Portfolio			Recently Completed/Acquired Properties (a)		Development/Redevelopment Properties (b)		Other (Eliminations) (c)		Total Portfolio		
(dollars and square feet in thousands)	2017	2016	Increase/ (Decrease)	2017	2016	2017	2016	2017	2016	2017	2016	Increase/ (Decrease)
Revenue:												
Cash rents	$ 355,773	$ 337,993	$ 17,780	$ 10,803	$ 6,752	$ 7,471	$ 2,207	$ 6,762	$ 38,949	$ 380,809	$ 385,901	$ (5,092)
Straight-line rents	7,250	20,774	(13,524)	21,158	8,378	392	(34)	(347)	(43)	28,453	29,075	(622)
Above/below market rent amortization	2,694	6,648	(3,954)	123	(351)	254	232	-	-	3,071	6,529	(3,458)
Total rents	365,717	365,415	302	32,084	14,779	8,117	2,405	6,415	38,906	412,333	421,505	(9,172)
Tenant reimbursements	66,124	61,747	4,377	4,154	1,071	642	400	1,700	7,411	72,620	70,629	1,991
Termination fees	1,893	660	1,233	466	1,619	-	-	11	60	2,370	2,339	31
Third party management fees, labor reimbursement and leasing	-	-	-	-	-	-	-	28,345	26,674	28,345	26,674	1,671
Other	2,056	1,744	312	57	27	1,448	107	1,264	2,438	4,825	4,316	509
Total revenue	435,790	429,566	6,224	36,761	17,496	10,207	2,912	37,735	75,489	520,493	525,463	(4,970)
Property operating expenses (d)	126,463	124,154	(2,309)	10,394	5,917	8,955	1,855	5,023	21,000	150,835	152,926	2,091
Real estate taxes	39,928	39,061	(867)	899	707	932	343	3,445	6,141	45,204	46,252	1,048
Third party management expenses	-	-	-	-	-	-	-	9,960	10,270	9,960	10,270	310
Net operating income	269,399	266,351	3,048	25,468	10,872	320	714	19,307	38,078	314,494	316,015	(1,521)
Depreciation and amortization	152,135	166,614	14,479	16,505	8,865	6,463	1,922	4,254	12,275	179,357	189,676	10,319
General & administrative expenses	-	-	-	-	-	-	-	28,538	26,596	28,538	26,596	(1,942)
Provision for impairment (e)	-	-	-	-	-	-	-	3,057	40,517	3,057	40,517	37,460
Net gain on sale of disposition of real estate										(31,657)	(116,983)	(85,326)
Net gain on sale of undepreciated real estate										(953)	(9,232)	(8,279)
Operating income (loss)	$ 117,264	$ 99,737	$ 17,527	$ 8,963	$ 2,007	$ (6,143)	$ (1,208)	$ (16,542)	$ (41,310)	$ 136,152	$ 185,441	$ (49,289)
Number of properties	83	83		4		6				93		
Square feet	14,331	14,331		1,253		829				16,413		
Core Occupancy % (f)	93.2%	94.8%		89.3%								
Other Income (Expense):												
Interest income										1,113	1,236	(123)
Interest expense										(81,886)	(84,708)	2,822
Interest expense — Deferred financing costs										(2,435)	(2,696)	261
Interest expense —Financing obligation										-	(679)	679
Equity in loss of real estate ventures										(8,306)	(11,503)	3,197
Net gain on real estate venture transactions										80,526	20,000	60,526
Loss on early extinguishment of debt										(3,933)	(66,590)	62,657
Income tax benefit										628	-	628
Net income										$ 121,859	$ 40,501	$ 81,358
Net income attributable to Common Shareholders of Brandywine Realty Trust - fully diluted										$ 0.65	$ 0.19	$ 0.46

EXPLANATORY NOTES

(a) Results include: four properties completed/acquired and placed in service.

(b) Results include: two developments, four redevelopments and the residential and retail components the FMC Tower (not included in the property count).

(c) Represents certain revenues and expenses at the corporate level as well as various intercompany costs that are eliminated in consolidation, third-party management fees, the parking operations of pre-development projects and provisions for impairment. It also includes properties sold, none of which qualify as discontinued operations, and properties classified as held for sale.

(d) Same Store Property Portfolio results exclude $0.4 million, for the year ended December 31, 2017, of bad debt expense related to periods prior to January 1, 2017, associated with a tenant in the Philadelphia CBD segment. This is presented in Other (Eliminations).

(e) Held for use impairment charges are excluded from Same Store Property Portfolio operating income and presented in Other (Eliminations). See Note 3, "*Real Estate Investments*" to our Consolidated Financial Statements for further information.

(f) Pertains to properties that are part of our core portfolio (i.e., not under development or redevelopment).

Total Revenue

Cash rents from the Total Portfolio decreased by $5.1 million from 2016 to 2017, primarily attributable to:

- $31.5 million decrease from the disposition of 88 properties disposed of between January 1, 2016 and December 31, 2017 (the "2016 and 2017 Dispositions");
- $0.6 million decrease from properties taken out of service; and
- $0.2 million decrease from the parking operations at 2100 Market Street in Philadelphia, Pennsylvania; offset by,
- $17.8 million increase in the Same Store Property Portfolio due to the positive cash rent growth coupled with free rent converting to cash rent primarily in the Philadelphia CBD segment in 2017 compared to 2016;
- $4.1 million increase from Recently Completed/Acquired Properties resulting from free rent converting to cash rent from the office component at the FMC Tower in Philadelphia, Pennsylvania; and
- $5.3 million increase from Development/Redevelopment Properties, primarily related to the residential component of the FMC Tower in Philadelphia, which was placed into service during the first quarter of 2017.

Straight-line rents decreased by $0.6 million from 2016 to 2017, due to a $13.5 million decrease in the Same Store Property Portfolio, primarily attributed to the Philadelphia CBD and Austin, Texas segments, offset by $12.8 million in increases for Recently Completed/Acquired Properties, primarily due to free rent from the office component of the FMC Tower in Philadelphia, Pennsylvania and 1900 Market Street in Philadelphia, Pennsylvania.

Above/below market rent amortization decreased by $3.5 million from 2016 to 2017, primarily attributable to a decrease in the Same Store Property Portfolio from the Austin, Texas segment.

Tenant reimbursements from the Total Portfolio increased $2.0 million from 2016 to 2017, primarily attributable to an increase of $4.4 million in the Same Store Property Portfolio, which trended along with the increase in operating expenses over the same period, a $3.1 million increase from Recently Completed/Acquired Properties and $0.2 million from Development/Redevelopment Properties. These increases were partially offset by a decrease of $5.7 million from the 2016 and 2017 Dispositions. Expense recoveries increased to 39.7% during 2017 compared to 37.8% in 2016 at the Same Store Property Portfolio.

Third party management fees, labor reimbursement and leasing income increased $1.7 million from 2016 to 2017, primarily due to an increase of lease commission income earned from the DRA Austin Venture and construction management fees earned from the Subaru Headquarters Development in Camden, New Jersey. As of December 31, 2017, the Subaru Headquarters Development was substantially complete.

Other income at our Total Portfolio increased by $0.5 million from 2016 to 2017, due to $1.3 million from Development/Redevelopment Properties, which primarily relates to restaurant income generated by Walnut Street Café at the FMC Tower, which was placed into service at the end of the second quarter of 2017, and amenity income from the residential component of the FMC Tower. These increases were partially offset by $0.6 million of recognized real estate tax assessment adjustments received in 2016 that did not occur in 2017 and a decrease of $0.2 million from the 2016 and 2017 Dispositions.

Property Operating Expenses

Property operating expenses across our Total Portfolio decreased $2.1 million from 2016 to 2017, reflecting decreases of $15.3 million primarily relating to the 2016 and 2017 Dispositions and $0.7 million primarily relating to deconsolidation of 3141 Fairview Park Drive to the BDN – AI Venture during 2016. These decreases were partially offset by increases of $7.1 million from Development/Redevelopment Properties, primarily relating to the residential component of the FMC Tower being placed into service during the first quarter of 2017, $4.5 million from Recently Completed/Acquired Properties and $2.3 million from Same Store Properties, primarily relating to repairs and maintenance in the Austin, Texas Segment.

Real Estate Taxes

Real estate taxes across our Total Portfolio decreased by $1.0 million from 2016 to 2017, reflecting decreases of $3.3 million from the 2016 and 2017 Dispositions. This decrease was offset by increases of $0.9 million from the Same Store Property Portfolio, due to increased tax assessments of $0.6 million from Development/Redevelopment Properties and $0.3 million in Recently Completed/Acquired Properties.

Depreciation and Amortization

Depreciation and amortization expense decreased by $10.3 million from 2016 to 2017, of which $14.5 million relates the Same Store Property Portfolio from the timing of intangible asset amortization, primarily in our Austin, Texas segment and an additional $9.4 million decrease results from the 2016 and 2017 Dispositions. These decreases were partially offset by an increase of $7.6 million in Recently Completed/Acquired Properties, an increase of $4.5 million in the Development/Redevelopment Portfolio from the residential component of the FMC Tower being placed into service during the first quarter of 2017, an increase of $1.2 million from accelerating depreciation for assets taken out of service and an increase of $0.2 million from the operations at 2100 Market Street in Philadelphia, Pennsylvania.

General and Administrative Expenses

General and administrative expenses across our Total Portfolio increased by $1.9 million from 2016 to 2017, due to a $2.4 million increase in professional fees and a $0.4 million increase in marketing costs. These increases were offset by a $0.9 million decrease in payroll and related benefits due to a lower employee headcount.

Provision for Impairment

During 2017, we recognized a provision for impairment of $3.1 million which primarily consists of the following:

- $0.3 million impairment charge recorded related to one land parcel consisting of 50 acres in the Other Segment;
- $1.7 million of additional impairment charges recorded related to three office properties located in the Metropolitan Washington D.C. Segment. This impairment charge was a result of a purchase price adjustment that occurred subsequent to recording a $3.0 million impairment charge related to these three properties during the year ended December 31, 2016; and
- $1.0 million held for use impairment charge recorded related to four properties in our Other Segment during the quarter ended March 31, 2017.

During 2016, we recognized a provision for impairment of $40.5 million consisting of the following:

- $11.5 million related to two office properties located in the Other segment that were classified as held for sale as of December 31, 2016;
- $3.0 million related to three properties located in the Metropolitan D.C. segment that were classified as held for sale as of December 31, 2016;
- $7.3 million related to three properties located in the Other segment in which it was determined that the carrying value would not be recovered through our held for use impairment analysis;
- $5.6 million related to vacant parcels of land in our Other segment that were being marketed for sale as of December 31, 2016;
- $7.4 million recorded during the quarter ended March 31, 2016, related to two properties in our Metropolitan D.C. segment in which it was determined that the carrying value would not be recovered through our held for use impairment analysis;
- $3.9 million recorded during the quarter ended June 30, 2016, related to two properties in our Metropolitan D.C. segment in which it was determined that the carrying value would not be recovered through our held for use impairment analysis; and
- $1.8 million recorded during the quarter ended June 30, 2016, related to an office property located in Mount Laurel, New Jersey in which it was determined that the carrying value would not be recovered through our held for use impairment analysis.

See Note 3, *"Real Estate Investments,"* to our Consolidated Financial Statements for further information related to these impairments.

Interest Expense

The $2.8 million decrease in interest expense from 2016 to 2017 primarily due to the following;

- $11.4 million related to the repayment of the 2017 Notes on May 1, 2017;
- $2.0 million related to lower swap interest primarily due to lower interest rates along with a swap that expired on September 30, 2017 that was not renewed;
- $1.0 million related to the repayment of the 2018 Notes during the fourth quarter of 2017;
- $1.0 million decrease related to the refinance of Two Logan Square mortgage debt in 2016;
- $0.6 million decrease in interest expense incurred for 3141 Fairview Park Drive, as we deconsolidated this property on August 31, 2016; and
- $0.5 million decrease related to the repayment of the IRS Philadelphia Campus and Cira South Garage mortgage debt during 2016.

The $16.5 million of decreases in interest expense described above were offset by the following;

- $9.3 million decrease in capitalized interest primarily due to placing a portion of the FMC Tower into service during the second quarter of 2016;
- $2.2 million increase is related to interest on our Credit Facility (as defined below) as the average outstanding balance was higher in 2017 as compared to 2016; and
- $2.2 million increase is related to the issuance of the 2027 Unsecured Notes on November 17, 2017.

Interest Expense – Financing Obligation

The decrease in interest expense – financing obligation of $0.7 million is due to the deconsolidation of 3141 Fairview Park Drive to the BDN – AI Venture. See Note 4, "*Investment in Unconsolidated Real Estate Ventures*" to our Consolidated Financial Statements for further information.

Equity in Loss of Real Estate Ventures

The decrease in equity in loss of Real Estate Ventures of $3.2 million from 2016 to 2017 is primarily due to the following:

- $1.4 million decrease at BDN – AI Venture due to a reduction of $0.4 million of impairment charges, of which $4.8 million relates to the other-than-temporary impairment charge to our investment recorded in 2017 compared to a $5.2 million impairment charge on the Station Square portfolio, representing our share of the venture-level impairment, in 2016, and $1.0 million increase from operations, primarily related to an increase in occupancy at 7101 Wisconsin Avenue;
- $1.3 million decrease in losses from the 1919 Market Street Venture related to the stabilization of the property during 2017; and
- $0.9 million decrease in losses from the DRA Austin Venture due to $1.5 million in termination fee income recognized during 2017, with no comparable termination fees during 2016, offset by $0.6 million in net decreases primarily attributable to the sale of eight office properties by the DRA Austin Venture on October 18, 2017.

The decreases of $3.6 million described above were offset by a $0.4 million decrease in equity in income from the evo at Cira Centre South Venture primarily due to increased interest expense related to its secured loan.

Net Gain on Disposition of Real Estate

The gain on disposition of real estate of $31.7 million recognized during 2017 resulted from the following sales transactions:

- $0.6 million on the sale of two office properties located in Concord, California;
- $6.5 million from the sale of the Marine Piers located in Philadelphia, Pennsylvania;
- $0.5 million of additional gain recognized on Cira Square, which was disposed of in the first quarter of 2016;
- $1.4 million on the sale of the retail property at 7000 Midlantic in Mount Laurel, New Jersey;
- $3.6 million for the sale of an office property in King of Prussia, Pennsylvania; and
- $19.6 million from the sale of five office properties in Newtown Square, Pennsylvania.

These gains were partially offset by a loss of $0.2 million, representing closing costs, on the sale of three office properties located in Cherry Hill, New Jersey and a loss of $0.3 million, representing closing costs, on the sale of four office properties located in Marlton, New Jersey known as the Evesham Corporate Center. See Item 2., "Properties - Property Sales," for further information.

The $117.0 million net gain on disposition of real estate recognized during 2016 is primarily attributable to the $115.8 million gain on the sale of an office property known as Cira Square, located in Philadelphia, Pennsylvania and a $2.4 million gain on the sale of three properties in King of Prussia, Pennsylvania. In addition, we recorded $0.4 million of closing costs related to the sale of 58 properties to the MAP Venture and a loss on disposition of $0.8 million on the properties known as Metro Plaza I & II located in Herndon, Virginia. See Item 2., "*Properties - Property Sales*," for further information.

Net Gain on Sale of Undepreciated Real Estate

The gain of $1.0 million recognized during 2017 resulted from the dispositions of Bishop's Gate land and 50 E. Swedesford Square, which generated gains of $0.1 million and $0.9 million, respectively.

During 2016, the $9.2 million net gain on the sale of undepreciated real estate resulted from the $9.0 million net gain on the sale of a 0.9 acre land parcel located in Oakland, California and a $0.2 million net gain on the sale of a 2.0 acre parcel located in Mount Laurel, New Jersey.

Net Gain from Real Estate Venture Transactions

The $80.5 million gain recognized during 2017 resulted from a $52.2 million gain on the sale of eight office properties within the DRA Austin real estate venture, a $13.8 million gain on the disposition of an office property at 7101 Wisconsin Avenue, located in Bethesda, Maryland, held by the BDN – AI Venture and a $14.6 million gain on the sale of our entire 50% interest in TB-BDN Plymouth Apartments, L.P.

For 2016, the $20.0 million gain on real estate venture transactions is primarily due to the following:

- $5.7 million from the sale of our entire 50% interest in the Coppell Associates real estate venture during the first quarter of 2016;

- $3.2 million from the disposition of the office property held by the 1000 Chesterbrook real estate venture;
- $7.0 million from the sale of our residual profits interest in the Invesco Venture;
- $3.2 million from the sale of our 25% interest in PJP V real estate venture;
- $0.5 million in additional proceeds received during 2016 from the 2015 sale of the Residence Inn real estate venture; and
- $0.4 million of additional cash received subsequent to settlement related to the aforementioned transactions, which were recorded as gains.

Loss on Early Extinguishment of Debt

During 2017, we repurchased $325.0 million of our 4.95% Guaranteed Notes due 2018, which resulted in a net loss on early extinguishment of debt of $3.9 million.

During 2016, in advance of our sale of Cira Square, we used borrowings from our $600.0 million unsecured revolving credit facility to fund the repayment of our $176.9 million and our $35.5 million mortgages that encumbered Cira Square and Cira South Garage, respectively. Each mortgage was repaid ahead of its scheduled maturity date of September 10, 2030, which resulted in prepayment penalties and non-cash charges for the write-off of deferred financing costs totaling $66.6 million.

Net Income

Net income increased by $81.4 million from 2016 to 2017 as a result of the factors described above.

Net Income per Common Share – fully diluted

Net income per share was $0.65 during 2017 as compared to net income per share of $0.19 during 2016 as a result of the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

General

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

- fund normal recurring expenses,
- fund capital expenditures, including capital and tenant improvements and leasing costs,
- fund repayment of certain debt instruments when they mature,
- fund current development and redevelopment costs,
- fund commitments to unconsolidated joint ventures,
- fund distributions to shareholders to maintain REIT status, and
- fund common share repurchases.

As of December 31, 2018, the Parent Company owned a 99.4% interest in the Operating Partnership. The remaining interest of approximately 0.6% pertains to common limited partnership interests owned by non-affiliated investors who contributed property to the Operating Partnership in exchange for their interests. As the sole general partner of the Operating Partnership, the Parent Company has full and complete responsibility for the Operating Partnership’s day-to-day operations and management. The Parent Company’s source of funding for its dividend payments and other obligations is the distributions it receives from the Operating Partnership.

We believe that our liquidity needs will be satisfied through available cash balances and cash flows generated by operations, financing activities and selective property sales. Rental revenue, expense recoveries from tenants, and other income from operations are our principal sources of cash to pay operating expenses, debt service, recurring capital expenditures and the minimum distributions required to maintain our REIT qualification. We seek to increase cash flows from our properties by maintaining quality standards for our properties that promote high occupancy rates and permit increases in rental rates while reducing tenant turnover and controlling operating expenses. Our revenue also includes third-party fees generated by our property management, leasing, development and construction businesses. We believe that our revenue, together with proceeds from property sales and debt financings, will continue to provide funds for our short-term liquidity needs. However, material changes in our operating or financing activities may adversely affect our net cash flows. With uncertain economic conditions, vacancy rates may increase, effective rental rates on new and renewed leases may decrease and tenant installation costs, including concessions, may increase in most or all of our markets throughout 2019 and possibly beyond. As a result, our revenues and cash flows could be insufficient to cover operating expenses, including increased tenant installation costs, pay debt service or make distributions to shareholders over the short-term. If this situation were to occur, we expect that we would finance cash deficits through borrowings under our unsecured revolving credit facility and other sources of debt and equity financings. In addition, a material adverse change in cash provided by operations could adversely affect our compliance with financial performance covenants under our unsecured revolving credit facility, including unsecured term loans and unsecured notes. As of December 31, 2018, we were in compliance with all of our debt covenants and requirement obligations.

We use multiple financing sources to fund our long-term capital needs. When needed, we use borrowings under our unsecured revolving credit facility for general business purposes, including to meet debt maturities and to fund distributions to shareholders as well as development and acquisition costs and other expenses. In light of the volatility in financial markets and economic uncertainties, it is possible, that one or more lenders under our unsecured revolving credit facility could fail to fund a borrowing request. Such an event could adversely affect our ability to access funds from our unsecured revolving credit facility when needed to fund distributions or pay expenses.

Our ability to incur additional debt is dependent upon a number of factors, including our credit ratings, the value of our unencumbered assets, our degree of leverage and borrowing restrictions imposed by our lenders. If one or more rating agencies were to downgrade our unsecured credit rating, our access to the unsecured debt market would be more limited and the interest rate under our unsecured revolving credit facility and unsecured term loans would increase.

The Parent Company unconditionally guarantees the Operating Partnership's secured and unsecured obligations, which, as of December 31, 2018, amounted to $323.0 million and $1,721.1 million, respectively.

Capital Market/Debt Transactions

The Parent Company also issues equity from time to time, the proceeds of which it contributes to the Operating Partnership in exchange for additional interests in the Operating Partnership, and guarantees debt obligations of the Operating Partnership. The Parent Company's ability to sell common shares and preferred shares is dependent on, among other things, general market conditions for REITs, market perceptions about the Company as a whole and the current trading price of the Parent Company's shares. The Parent Company maintains a shelf registration statement that has registered the offering and sale of common shares, preferred shares, depositary shares, warrants and unsecured debt securities. Subject to our ongoing compliance with securities laws, and if warranted by market conditions, we may offer and sell equity and debt securities from time to time under the shelf registration statement. On January 10, 2017, we entered into a continuous offering program (the "Offering Program"), under which we may sell up to an aggregate of 16,000,000 common shares until January 10, 2020 in at-the-market offerings. During 2018 and 2017, we issued 23,311 and 2,858,991 common shares under the Offering Program at weighted average prices per share of $18.04 and $18.19, receiving net cash proceeds of $0.4 million and $51.2 million, respectively. As of December 31, 2018, 13,117,698 common shares remained available for issuance under the Offering Program.

The Parent Company maintains a common share repurchase program under which the Board of Trustees has authorized the Parent Company to repurchase common shares. On January 3, 2019, the Board of Trustees replenished this program by authorizing the Parent Company to repurchase up to $150 million common shares under the program from and after January 3, 2019. During the year ended 2018, we repurchased and retired 1,729,278 common shares at an average price of $12.64 per share, totaling $21.9 million. During the years ended December 31, 2017 and 2016, there were no share repurchases under the program. We expect to fund any additional share repurchases with a combination of available cash balances and availability under our unsecured revolving credit facility. The timing and amounts of any repurchases 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.

Capital Recycling

The Operating Partnership also considers net sales of selected properties and recapitalization of unconsolidated real estate ventures as additional sources of managing its liquidity. During 2018, we sold 19.7 acres of land as well as nine office properties and one mixed use property for aggregate net cash proceeds of $14.9 million and $309.2 million, respectively. Also during 2018, we sold our entire 50% partnership interest in an unconsolidated real estate venture for net cash proceeds of $43.0 million, and an unconsolidated real estate venture in which we hold a 50% interest completed the sale of three office properties for a gross sales price of $107.0 million, resulting in a distribution of $17.4 million net cash proceeds to us.

Our primary uses of capital will be to fund the completion of our current development and redevelopment projects. With approximately $22.8 million of cash and cash equivalents and $505.6 million of available borrowings under our Credit Facility, net of $1.9 million in letters of credit outstanding as well as cash flows from operations net of dividend requirements, we believe we have sufficient capital to complete these projects. We believe that our strong liquidity, including our availability under our Credit Facility, and proceeds from debt financings and asset sales provide sufficient liquidity to fund our remaining capital requirements on existing development and redevelopment projects and pursue additional attractive investment opportunities.

Cash Flows

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

As of December 31, 2018 and 2017, we maintained cash and cash equivalents and restricted cash of $23.2 million and $203.4 million, respectively. The following are the changes in cash flow from our activities for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	Twelve Months Ended December 31,					
Activity	2018		2017		2016	
Operating	$	227,349	$	182,581	$	173,800
Investing		(214,506)		79,801		500,910
Financing		(193,074)		(253,558)		(536,786)
Net cash flows	$	(180,231)	$	8,824	$	137,924

Our principal source of cash flows is from the operation of our Properties. Our Properties provide a relatively consistent stream of cash flows that provide us with the resources to fund operating expenses, debt service and quarterly dividends.

The net increase of $44.8 million in cash from operating activities during 2018 compared to 2017 is primarily due to free rent periods ending in our Philadelphia CBD segment.

The net decrease of $294.3 million in cash from investing activities during 2018 compared to 2017 primarily relates to property portfolio repositioning efforts, which occurred during the fourth quarter of 2018. Quantitatively, the decrease resulted from the following:

- $175.1 million decrease from the 2018 issuances of a $130.7 million note to the DRA Austin Venture used to repay mortgage debt, at closing, related to the properties we acquired from the DRA Austin Venture and a $44.4 million mortgage loan to 1919 Ventures;
- $124.1 million increase in acquisitions from the 2018 purchases of Quarry Lake II in Austin, Texas, the remaining twelve properties with the DRA Austin Venture, and 3001-3003 JFK Boulevard and 3025 JFK Boulevard in Philadelphia, Pennsylvania compared to the purchase of The Bulletin Building and 3000 Market Street, both in Philadelphia, Pennsylvania, and a deferred payment on the acquisition of 2100 Market Street in Philadelphia, Pennsylvania during 2017;
- $85.1 million decrease in proceeds from real estate venture sales as a result of the proceeds of $43.0 million from the sale of the evo at Cira Centre South Venture and $17.3 million related to the sale of Station Square from the BDN – AI Venture during 2018 compared to $86.4 million in net proceeds from the sale of five portfolios from the DRA Austin Venture, $27.2 million in proceeds from the sale of our interest in the Parc at Plymouth Meeting from TB-BDN Plymouth Apartments, L.P. and $31.8 million from the sale of 7101 Wisconsin Avenue from the BDN – AI Venture;
- $50.4 million decrease in cash from increased capital expenditures for tenant improvements, developments/redevelopments and leasing commissions, which primarily relates to ongoing development and redevelopment projects;
- $14.3 million decrease in cash distributed from unconsolidated Real Estate Ventures in excess of cumulative equity in income;
- $8.8 million decrease primarily from deposits for real estate relating to our ability to increase project density at certain of the development sites within Schuylkill Yards (See Note 3, *"Real Estate Investments"* to our Consolidated Financial Statements for further details); and
- $0.8 million increase in leasing costs due to the timing of leasing activity.

The decrease in cash provided by investing activities was primarily offset by the following:

- $152.2 million increase in net proceeds from the disposition of ten properties and two land parcels during compared to the sale of 20 properties and five land parcels during 2017;
- $5.7 million decrease in investment in unconsolidated Real Estate Ventures;
- $5.7 million increase in escrowed cash due to timing of payments;

- $0.4 million increase in receipts related to advances made for the purchase of tenant assets, net of repayments; and
- $0.3 million increase from the repayment of a capital lease, related to the disposition of the Subaru NSTC.

The net decrease of $60.5 million in cash used in financing activities during 2018 compared to 2017 is attributed to the following:

- $628.6 million decrease resulting from the repayments of the unsecured notes, as we repaid $328.6 million for the principal balance and prepayment penalties on the 4.95% Guaranteed Notes due 2018 and $300.0 million for the entire principal balance of the unsecured 5.70% Guaranteed Notes upon maturity on May 1, 2017, with no comparable repayments during 2018;
- $100.0 million from the redemption of our outstanding 6.900% Series E Preferred Shares at par during 2017;
- $92.5 million increase in net repayments under the unsecured revolving credit facility during 2018 compared to 2017; and
- $1.3 million decrease in deferred finance costs paid in 2018 compared to 2017.

The decreases of $822.4 million in cash used in financing activities was offset by $762.0 million related to the following;

- $550.1 million decrease resulting from the issuance of the $450.0 million 3.95% Guaranteed Notes due 2027 and an additional $100.0 million issued under the 3.95% Guaranteed Notes Due 2023, both on November 17, 2017, with no comparable issuance in 2018;
- $117.2 million of cash used to repay mortgage notes primarily attributable to repaying $115.5 million of mortgage notes assumed with the acquisition of the Austin properties at settlement of the transaction during 2018, with no comparable repayments in 2017;
- $51.2 million in proceeds from at-the-market issuances of common shares under the Offering Program during 2017, with no significant issuance in 2018;
- $21.8 million increase in cash used to repurchase 1.7 million common shares at a weighted average price of $12.62 per share during 2018, with no comparable repurchases in 2017;
- $12.7 million increase in cash used due to the increase of dividends paid from $0.16 per share during 2017 to $0.18 per share during 2018;
- $7.0 million increase in cash used to redeem limited partnership units during 2018 with no redemptions in 2017;
- $1.2 million in proceeds from the exercise of stock options during the 2017, with no such activity during 2018; and
- $0.8 million increase in shares used for employee taxes upon vesting of share awards.

Capitalization

Indebtedness

The table below summarizes indebtedness under our mortgage notes payable and our unsecured debt at December 31, 2018 and December 31, 2017:

	December 31, 2018	December 31, 2017
	(dollars in thousands)	
Balance: (a)		
Fixed rate	$ 1,924,580	$ 1,921,655
Variable rate - unhedged	119,562	27,062
Total	$ 2,044,142	$ 1,948,717
Percent of Total Debt:		
Fixed rate	94.2%	98.6%
Variable rate - unhedged	5.8%	1.4%
Total	100.0%	100.0%
Weighted-average interest rate at period end:		
Fixed rate	3.9%	4.1%
Variable rate - unhedged	3.6%	2.7%
Total	3.9%	4.0%
Weighted-average maturity in years:		
Fixed rate	6.6	7.6
Variable rate - unhedged	4.0	17.5
Total	6.4	7.7

(a) Consists of unpaid principal and does not include premium/discount or deferred financing costs.

Scheduled principal payments and related weighted average annual effective interest rates for our debt as of December 31, 2018 were as follows (in thousands):

Period	Scheduled amortization	Principal maturities	Total	Weighted Average Interest Rate of Maturing Debt
2019	$ 7,595	$ -	$ 7,595	3.978%
2020	6,705	80,521	87,226	3.980%
2021	6,142	9,001	15,143	4.279%
2022	6,332	342,500	348,832	3.084%
2023	1,620	555,116	556,736	3.941%
2024	-	250,000	250,000	4.328%
2025	-	-	-	0.000%
2026	-	-	-	0.000%
2027	-	450,000	450,000	4.025%
2028	-	-	-	0.000%
Thereafter	-	328,610	328,610	4.300%
Totals	$ 28,394	$ 2,015,748	$ 2,044,142	3.923%

Unsecured Revolving Credit Facility and Unsecured Term Loan

On December 13, 2018, we amended and restated our $250.0 million seven-year term loan maturing October 8, 2022. In connection with the terms of the amendment, the credit spread on the term loan decreased from LIBOR plus 1.80% to LIBOR plus 1.25%, reducing our effective rate 0.55%. Through a series of interest rate swaps, the $250.0 million outstanding balance of the term loan has a fixed interest rate of 2.87%.

On July 17, 2018, we amended and restated our revolving credit agreement (as amended and restated, the "2018 Credit Facility"). The amendment and restatement, among other things: (i) maintained the total commitment of the revolving line of credit of $600.0 million; (ii) extended the maturity date from May 15, 2019 to July 15, 2022, with two six-month extensions at our election subject to specified conditions and subject to payment of an extension fee; (iii) reduced the interest rate margins applicable to Eurodollar loans; (iv) provided for an additional interest rate option based on a floating LIBOR rate; and (v) removed the covenant requiring us to maintain a minimum net worth. In connection with the amendments, we capitalized $2.7 million in financing costs, which will be amortized through the July 15, 2022 maturity date.

At our option, loans outstanding under the 2018 Credit Facility will bear interest at a rate per annum equal to (1) LIBOR plus between 0.775% and 1.45%, based on the our credit rating, or (2) a base rate equal to the greatest of (a) the Administrative Agent's prime rate, (b) the Federal Funds rate plus 0.5% or (c) LIBOR for a one month period plus 1.00%, in each case, plus a margin ranging from 0.0% to 0.45% based on the our credit rating. The 2018 Credit Facility also contains a competitive bid option that allows banks that are part of the lender consortium to bid to make loan advances to us at a reduced interest rate. In addition, we are also obligated to pay (1) in quarterly installments a facility fee on the total commitment at a rate per annum ranging from 0.125% to 0.30% based on our credit rating and (2) an annual fee on the undrawn amount of each letter or credit equal to the LIBOR Margin. Based on our current credit rating, the LIBOR margin is 1.10% and the facility fee is 0.25%.

The terms of the 2018 Credit Facility require that the we maintain customary financial and other covenants, including: (i) a fixed charge coverage ratio greater than or equal to 1.5 to 1.00; (ii) a leverage ratio less than or equal to 0.60 to 1.00, subject to specified exceptions; (iii) a ratio of unsecured indebtedness to unencumbered asset value less than or equal to 0.60 to 1.00, subject to specified exceptions; (iv) a ratio of secured indebtedness to total asset value less than or equal to 0.40 to 1.00; and (v) a ratio of unencumbered cash flow to interest expense on unsecured debt greater than 1.75 to 1.00. In addition, the 2018 Credit Facility restricts payments of dividends and distributions on shares in excess of 95% of our funds from operations (FFO) except to the extent necessary to enable us to continue to qualify as a REIT for Federal income tax purposes. We had $92.5 million of borrowings under the 2018 Credit Facility as of December 31, 2018. During the twelve months ended December 31, 2018, the weighted-average interest rate on 2018 Credit Facility borrowings was 3.24% resulting in $1.0 million of interest expense. As of December 31, 2018, the effective interest rate on 2018 Credit Facility borrowings was 3.61%. As of December 31, 2017, we had no borrowings under the Credit Facility. During the twelve months ended December 31, 2017, the weighted average interest rate on Credit Facility borrowings was 2.28% resulting in $2.6 million of interest expense.

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.

We were in compliance with all financial and non-financial covenants under the 2018 Credit Facility, Term Loan and our credit agreements as of December 31, 2018. We continuously monitor our compliance with all covenants. Certain covenants restrict our ability to obtain alternative sources of capital. While we believe that we will remain in compliance with our covenants, a slow-down in the economy and a decrease in availability of debt financing could result in non-compliance with covenants.

Unsecured Notes and Mortgage Notes

The Operating Partnership is the issuer of our unsecured notes which are fully and unconditionally guaranteed by the Parent Company. The indenture under which the Operating Partnership issued its unsecured notes contains financial covenants, including (i) a leverage ratio not to exceed 60%, (ii) a secured debt leverage ratio not to exceed 40%, (iii) a debt service coverage ratio of greater than 1.5 to 1.0 and (iv) an unencumbered asset value of not less than 150% of unsecured debt. The Operating Partnership was in compliance with all covenants as of December 31, 2018.

The Operating Partnership has mortgage loans that are collateralized by certain of its Properties. Payments on mortgage loans are generally due in monthly installments of principal and interest, or interest only. The Operating Partnership intends to refinance or repay its mortgage loans as they mature through the use of proceeds from selective property sales and secured or unsecured borrowings. However, in the current and expected future economic environment, one or more of these sources may not be available on attractive terms or at all.

The charter documents of the Parent Company and Operating Partnership do not limit the amount or form of indebtedness that the Operating Partnership may incur, and its policies on debt incurrence are solely within the discretion of the Parent Company’s Board of Trustees, subject to the financial covenants in the Credit Facility, indenture and other credit agreements.

Equity

On December 6, 2018, the Parent Company declared a distribution of $0.19 per common share, totaling $33.6 million, which it paid on January 22, 2019 to its shareholders of record as of January 8, 2019. In order to maintain its qualification as a REIT, the Parent Company is required to, among other things, pay dividends to its shareholders of at least 90% of its REIT taxable income. During the year ended December 31, 2018, the Parent Company paid dividends in excess of the 90% criterion.

The Parent Company maintains a common share repurchase program under which the Board of Trustees has authorized the Parent Company to repurchase common shares. On January 3, 2019, the Board of Trustees replenished this program by authorizing the Parent Company to repurchase up to $150 million common shares under the program from and after January 3, 2019. During the year ended

2018, we repurchased and retired 1,729,278 common shares at an average price of $12.64 per share, totaling $21.9 million. During the years ended December 31, 2017 and 2016, there were no share repurchases under the program. We expect to fund any additional share repurchases with a combination of available cash balances and availability under our unsecured revolving credit facility. The timing and amounts of any repurchases 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.

The Parent Company also maintains a continuous offering program (the "Offering Program") that permits it to sell 16,000,000 common shares until January 10, 2020 in at-the-market offerings. During 2018 and 2017, we issued 23,311 and 2,858,991 common shares under the Offering Program at weighted average prices per share of $18.04 and $18.19, receiving net cash proceeds of $0.4 million and $51.2 million, respectively. No shares were issued during 2016 under the Offering Program. As of December 31, 2018, 13,117,698 common shares remained available for issuance under the Offering Program.

<u>*Inflation*</u>

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

Commitments and Contingencies

The following table outlines the timing of payment requirements related to our contractual commitments as of December 31, 2018:

	Payments by Period (in thousands)				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Mortgage notes payable (a)	$ 323,032	$ 7,595	$ 102,367	$ 213,070	$ -
Unsecured credit facility	92,500	-	92,500	-	-
Unsecured term loan (a)	250,000	-	-	250,000	-
Unsecured debt (a)	1,378,610	-	-	350,000	1,028,610
Ground leases (b)	61,799	1,222	2,445	2,445	55,687
Development contracts (c)	103,348	96,995	5,733	620	-
Tenant improvements (d)	62,184	53,794	8,390	-	-
Interest expense (e)	494,937	77,137	138,191	109,516	170,093
Other liabilities (f)	30,325	3,243	12,237	4,911	9,934
	$ 2,796,735	$ 239,986	$ 361,863	$ 930,562	$ 1,264,324

(a) Amounts are gross of deferred financing costs and do not include unamortized discounts and/or premiums.
(b) Future minimum rental payments under the terms of all non-cancelable ground leases under which we are the lessee are expensed on a straight-line basis regardless of when payments are due.
(c) Represents contractual obligations for wholly owned development projects and does not contemplate all costs expected to be incurred for such developments. This table does not include contractual obligations for our real estate venture developments, which are described below. For information regarding our developments, see Item 1. "*Business - Developments.*"
(d) Represents cash commitments under signed leases and excludes tenant-funded improvements. The timing of these expenditures may fluctuate.
(e) Variable rate debt future interest expense commitments are calculated using December 31, 2018 interest rates.
(f) Other liabilities consist of (i) our deferred compensation liability, (ii) the interest accretion on the anticipated transfer tax liability on Two Logan Square in Philadelphia, Pennsylvania; (iii) the contingent consideration associated with the purchase of 618 Market Street in Philadelphia, Pennsylvania; and (iv) a payment to a tenant under a profit sharing arrangement.

The above table does not include amounts related to the development at 4040 Wilson, an unconsolidated real estate venture in which we hold a 50% ownership interest, in Arlington, Virginia. For further discussion of this development, see Item 1., "*Business - Developments.*"

We provide customary guarantees for certain development projects of our unconsolidated real estate ventures. See Note 4, "*Investment in Unconsolidated Real Estate Ventures*," and Note 19, "*Commitments and Contingencies,*" to our consolidated financial statements for further details on payment guarantees provided on the behalf of real estate ventures.

As of December 31, 2018, we expect to incur $2.0 million for capital improvements to operating properties, which are not included in the above table. We expect that most of these improvements will be paid by December 31, 2020.

On October 13, 2017, we acquired a leasehold interest in the office building known as The Bulletin Building, in Philadelphia, Pennsylvania. In connection with the acquisition, we are required to spend no less than $8.0 million in capital improvements to the property. As of December 31, 2018, $1.2 million of the funding related to this requirement had been met. See Note 19, "*Commitments and Contingencies,*" to the consolidated financial statements for further information.

Also on October 13, 2017, we acquired a leasehold interest in the land parcel at 3001 Market Street in Philadelphia, Pennsylvania ("Drexel Square"). During the fourth quarter of 2017, we broke ground on the construction of a public park on the site, marking the commencement of construction of our Schuylkill Yards Project with Drexel. Under the terms of the Development Agreement with Drexel, we have until July 2019 to complete development of Drexel Square. If we are unable to complete such development within this timeframe, we may be subject to damages under the Development Agreement. As of December 31, 2018, the project was substantially complete.

During the fourth quarter of 2017, in connection with the Schuylkill Yards Project, we entered into a neighborhood engagement program and, as of December 31, 2018, had $2.7 million of future contractual obligations, which are included in the table above within the "Development contracts" caption. In addition, we estimate $0.6 million of potential additional contributions for which we are not currently contractually obligated. As such, these costs are not included in the above table. See Note 19, "*Commitments and Contingencies,*" to our consolidated financial statements for further information.

Certain of the ground leases, entered into in Philadelphia, Pennsylvania, provide for contingent rent participation by the lessor in certain capital transactions and net operating cash flows of the properties after certain returns are achieved by us. Such amounts, if any, will be reflected as contingent rent when incurred. The leases also provide for payment by us of certain operating costs relating to the land, primarily real estate taxes. The above schedule of future minimum rental payments for ground leases does not include any contingent rent amounts or any reimbursed expenses.

As part of the Operating Partnership's September 2004 acquisition of a portfolio of properties from the Rubenstein Company (which we refer to as the "TRC acquisition"), the Operating Partnership acquired its interest in Two Logan Square, a 708,844 square foot office building in Philadelphia, primarily through its ownership of a second and third mortgage secured by this property. This property is consolidated as the borrower is a variable interest entity and the Operating Partnership, through its ownership of the second and third mortgages, is the primary beneficiary. The Operating Partnership currently does not expect to take title to Two Logan Square until, at the earliest, on or about August 2020. If the Operating Partnership takes fee title to Two Logan Square upon foreclosure of its mortgage, the Operating Partnership has agreed to pay an unaffiliated third party that holds a residual interest in the fee owner of this property an amount equal to $2.9 million. On the TRC acquisition date, the Operating Partnership recorded a liability of $0.7 million and this amount will accrete up to $2.9 million through January 2020. As of December 31, 2018, the Operating Partnership has a balance of $2.7 million for this liability on its consolidated balance sheet.

As part our 2006 merger with Prentiss Properties Trust, our 2004 TRC acquisition and several of our other transactions, we agreed not to sell certain of the properties we acquired in transactions that would trigger taxable income to the former owners. In the case of the TRC acquisition, we agreed not to sell for a period of up to 15 years from the date of the TRC acquisition the acquired properties at One Logan Square, Two Logan Square and Radnor Corporate Center (January 2020). We subsequently agreed to extend the no-sale period applicable to Two Logan Square to on or about August 2020. In the Prentiss acquisition, we assumed the obligation of Prentiss not to sell Concord Airport Plaza before March 2018. During 2017, we completed the sale of Concord Airport Plaza in a qualifying 1031 exchange for 3000 Market Street in Philadelphia, PA. We have an obligation not to sell 3000 Market Street before March 2018. Our agreements generally provide that we may dispose of the subject properties only in transactions that qualify as tax-free exchanges under Section 1031 of the Internal Revenue Code or in other tax deferred transactions. If we were to sell a restricted property before the expiration of the restricted period in a non-exempt transaction, we would be required to make significant payments to the parties who sold the applicable property to us for tax liabilities attributed to them. Similarly, as part of our 2013 acquisition of substantially all of the equity interests in the partnerships that own One and Two Commerce Square, we agreed, for the benefit of affiliates of the holder of the 1% residual ownership interest in these properties, to not sell these two properties in certain taxable transactions prior to October 20, 2021 without the holder's consent.

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

Guarantees

As of December 31, 2018, our unconsolidated real estate ventures had aggregate indebtedness of $370.3 million. These loans are generally mortgage or construction loans, most of which are non-recourse to us, except for customary carve-outs. As of December 31, 2018, the loans for which there is recourse to us consist of the following: (i) a $0.3 million payment guarantee on a loan with a $3.8 million outstanding principal balance, provided to PJP VII and (ii) up to a $41.3 million payment guarantee on a $150.0 million construction loan provided to 4040 Wilson. In addition, during construction undertaken by real estate ventures, including 4040 Wilson, we have provided and expect 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.

In addition, during construction undertaken by real estate ventures we have provided, and expect to continue to provide, cost overrun and completion guarantees, with rights of contribution among partners in ventures, as well as customary environmental indemnities and guarantees of customary exceptions to nonrecourse provisions in loan agreements.

As part of our acquisition of properties from time to time in tax-deferred transactions, we have agreed to provide certain of the prior owners of the acquired properties with the right to guarantee our indebtedness. If we were to seek to repay the indebtedness guaranteed by the prior owner before the expiration of the applicable agreement, we would be required to provide the prior owner an opportunity to guarantee qualifying replacement debt. These debt maintenance agreements may limit our ability to refinance indebtedness on terms that will be favorable to us. As part of our 2013 acquisition of substantially all of the equity interests in the partnerships that own One and Two Commerce Square, we agreed, for the benefit of affiliates of the holder of the 1% residual ownership interest in these properties, to maintain qualifying mortgage debt through October 20, 2021. As of December 31, 2018, the $120.2 million principal balance on the mortgage debt at One Commerce Square and the $110.5 million principal balance on the mortgage debt at Two Commerce Square were sufficient under each of the debt maintenance agreements. Similarly, we have agreements in place with other contributors of assets to us that obligate us to maintain debt available for them to guaranty.

Interest Rate Risk and Sensitivity Analysis

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

Our financial instruments consist of both fixed and variable rate debt. As of December 31, 2018, our consolidated debt consisted of mortgage loans with an outstanding principal balance of $323.0 million and unsecured notes with an outstanding principal balance of $1,300.0 million, all of which are fixed rate borrowings. We also have variable rate debt consisting of trust preferred securities with an outstanding principal balance of $78.6 million, a $600.0 million Credit Facility with an outstanding balance of $92.5 million and an unsecured term loan with an outstanding principal balance of $250.0 million, all of which have been swapped to fixed rates, except for one trust preferred security with an outstanding principal balance of $27.1 million and the Credit Facility. All financial instruments were entered into for other than trading purposes and the net market value of these financial instruments is referred to as the net financial position. Changes in interest rates have different impacts on the fixed and variable rate portions of our debt portfolio. A change in interest rates on the fixed portion of the debt portfolio impacts the net financial instrument position, but has no impact on interest incurred or cash flows. A change in interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows, but does not impact the net financial instrument position.

If market rates of interest increase by 100 basis points, the fair value of our outstanding fixed-rate mortgage debt would decrease by approximately $9.6 million. If market rates of interest decrease by 100 basis points, the fair value of our outstanding fixed-rate mortgage debt would increase by approximately $10.0 million.

As of December 31, 2018, based on prevailing interest rates and credit spreads, the fair value of our unsecured notes was $1,262.6 million. For sensitivity purposes, a 100 basis point change in the discount rate equates to a change in the total fair value of our debt of approximately $12.5 million at December 31, 2018.

From time to time or as the need arises, we use derivative instruments to manage interest rate risk exposures and not for speculative purposes. The total outstanding principal balance of our variable rate debt was approximately $421.1 million at December 31, 2018 and December 31, 2017, respectively. The total fair value of our debt was approximately $402.9 million and $308.9 million at December 31, 2018 and December 31, 2017, respectively. For sensitivity purposes, if market rates of interest increase by 100 basis points the fair value of our variable rate debt would decrease by approximately $18.2 million on December 31, 2018. If market rates of interest decrease by 100 basis points, the fair value of our outstanding variable rate debt would increase by approximately $19.6 million.

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

Funds from Operations (FFO)

Pursuant to the revised definition of FFO adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"), we calculate FFO by adjusting net income/(loss) attributable to common unit holders (computed in accordance with GAAP) for gains (or losses) from sales of properties, impairment losses on depreciable consolidated real estate, impairment losses on investments in unconsolidated joint ventures driven by a measurable decrease in the fair value of depreciable real estate held by the unconsolidated Real Estate Ventures, real estate related depreciation and amortization, and after similar adjustments for unconsolidated Real Estate Ventures. FFO is a non-GAAP financial measure. We believe that the use of FFO combined with the required GAAP presentations has been beneficial in improving the understanding of operating results of REITs among the investing public and making comparisons of REITs' operating results more meaningful. We consider FFO to be a useful measure for reviewing comparative operating and financial performance because, by excluding property impairments, gains or losses related to sales of previously depreciated operating real estate assets and real estate depreciation and amortization, FFO can help the investing public compare the operating performance of a company's real estate between periods or as compared to other companies. Our computation of FFO may not be comparable to FFO reported by other REITs or real estate companies that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently.

We consider net income, as defined by U.S. GAAP, to be the most comparable earnings measure to FFO. While FFO and FFO per unit are relevant and widely used measures of operating performance of REITs, FFO does not represent cash flow from operations or net income as defined by U.S. GAAP and should not be considered as alternatives to those measures in evaluating our liquidity or operating performance. We believe that to further understand our performance, FFO should be compared with our reported net income/ (loss) attributable to common unit holders and considered in addition to cash flows in accordance with GAAP, as presented in our Consolidated Financial Statements.

The following table presents a reconciliation of net income attributable to common unitholders to FFO for the years ended December 31, 2018 and 2017:

	Years Ended	
	December 31, 2018	December 31, 2017
	(amounts in thousands, except share information)	
Net income attributable to common unitholders	**$ 136,865**	**$ 116,290**
Add (deduct):		
Amount allocated to unvested restricted unitholders	369	327
Net gain on real estate venture transactions	(142,233)	(80,526)
Net gain on disposition of real estate	(2,932)	(31,657)
Gain on promoted interest in unconsolidated real estate venture	(28,283)	-
Provision for impairment (a)	71,707	2,730
Other than temporary impairment of equity method investment	4,076	4,844
Company's share of impairment of an unconsolidated real estate venture	10,416	-
Depreciation and amortization:		
Real property	137,461	142,548
Leasing costs including acquired intangibles	35,215	35,920
Company's share of unconsolidated real estate ventures	25,947	39,622
Partners' share of consolidated real estate ventures	(218)	(231)
Funds from operations	**$ 248,390**	**$ 229,867**
Funds from operations allocable to unvested restricted shareholders	(697)	(648)
Funds from operations available to common share and unit holders (FFO)	**$ 247,693**	**$ 229,219**
Weighted-average shares/units outstanding — basic (b)	**179,959,370**	**176,964,149**
Weighted-average shares/units outstanding — fully diluted (b)	**181,081,114**	**178,287,965**

(a) In accordance with the NAREIT definition of FFO, impairments on land held for development have been excluded.
(b) Includes common shares and partnership units outstanding through the year ended December 31, 2018 and December 31, 2017, respectively.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

See discussion in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," included in Item 7 herein.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary financial data of the Parent Company and the Operating Partnership and the reports thereon of PricewaterhouseCoopers LLP, an independent registered public accounting firm, with respect thereto, are listed under Items 15(a) and 15(b) and filed as part of this report. See Item 15., “*Exhibits and Financial Statement Schedules.*”

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

None.

Item 9A. Controls and Procedures

Controls and Procedures (Parent Company)

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of the Parent Company’s management, including its principal executive officer and principal financial officer, the Parent Company’s management conducted an evaluation of its disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on this evaluation, the principal executive officer and the principal financial officer of the Parent Company concluded that the Parent Company’s disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management’s Report on Internal Control Over Financial Reporting

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

Under the supervision and with the participation of the Parent Company’s management, including its principal executive officer and principal financial officer, the Parent Company’s management conducted an evaluation of the effectiveness of the Parent Company’s internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on this evaluation under the framework in *Internal Control — Integrated Framework,* the Parent Company’s management concluded that the Parent Company’s internal control over financial reporting was effective as of December 31, 2018.

The effectiveness of the Parent Company’s internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report that is included herein.

Changes in Internal Control over Financial Reporting

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

Controls and Procedures (Operating Partnership)

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of the Operating Partnership’s management, including its principal executive officer and principal financial officer, the Operating Partnership’s management conducted an evaluation of its disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Based on this evaluation, the principal executive officer and the principal financial officer of Operating Partnership concluded that the Operating Partnership’s disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management’s Report on Internal Control Over Financial Reporting

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

Under the supervision and with the participation of the Operating Partnership’s management, including its principal executive officer and principal financial officer, the Operating Partnership’s management conducted an evaluation of the effectiveness of the Operating Partnership’s internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on this evaluation under the framework in

Internal Control — Integrated Framework, the Operating Partnership's management concluded that the Operating Partnership's internal control over financial reporting was effective as of December 31, 2018.

The effectiveness of the Operating Partnership's internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report that is included herein.

Changes in Internal Control over Financial Reporting.

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

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Incorporated herein by reference to the Company’s definitive proxy statement to be filed with respect to its 2019 Annual Meeting of Shareholders.

Item 11. Executive Compensation

Incorporated herein by reference to the Company’s definitive proxy statement to be filed with respect to its 2019 Annual Meeting of Shareholders.

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

Incorporated herein by reference to the Company’s definitive proxy statement to be filed with respect to its 2019 Annual Meeting of Shareholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated herein by reference to the Company’s definitive proxy statement to be filed with respect to its 2019 Annual Meeting of Shareholders.

Item 14. Principal Accountant Fees and Services

Incorporated herein by reference to the Company’s definitive proxy statement to be filed with respect to its 2019 Annual Meeting of Shareholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Financial Statements and Schedules of Brandywine Realty Trust
(b) Financial Statements and Schedules of Brandywine Operating Partnership

The financial statements and schedules of the Parent Company and the Operating Partnership listed below are filed as part of this report on the pages indicated.

Index to Financial Statements and Schedules

(c) Exhibits

Exhibits Nos.	Description
3.1.1	Articles of Amendment and Restatement of Declaration of Trust of Brandywine Realty Trust (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on May 29, 2018 and incorporated herein by reference)
3.1.2	Articles Supplementary relating to opt-out of Maryland Unsolicited Takeover Act, filed with the State Department of Assessments and Taxation of Maryland on March 2, 2018 (previously filed as an Exhibit to Brandywine Realty Trust’s Form 8-K filed on March 6, 2018 and incorporated herein by reference)
3.1.3	Preferred Share Reclassification Articles Supplementary filed with the State Department of Assessments and Taxation of Maryland on March 2, 2018 (previously filed as an Exhibit to Brandywine Realty Trust’s Form 8-K filed on March 6, 2018 and incorporated herein by reference)
3.2.1	Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (the “Operating Partnership”) (previously filed as an exhibit to Brandywine Realty Trust’s Form 8-K dated December 17,1997 and incorporated herein by reference)
3.2.2	First Amendment to Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust’s Form 8-K dated December 17,1997 and incorporated herein by reference)
3.2.3	Second Amendment to the Amended and Restated Agreement of Limited Partnership Agreement of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust’s Form 8-K dated April 13, 1998 and incorporated herein by reference)
3.2.4	Third Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated May 14, 1998 and incorporated herein by reference)
3.2.5	Fourth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 13, 1998 and incorporated herein by reference)
3.2.6	Fifth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 13, 1998 and incorporated herein by reference)

Exhibits Nos.	Description
3.2.7	Sixth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 13, 1998 and incorporated herein by reference)
3.2.8	Seventh Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)
3.2.9	Eighth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)
3.2.10	Ninth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)
3.2.11	Tenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)
3.2.12	Eleventh Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)
3.2.13	Twelfth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)
3.2.14	Thirteenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated September 21, 2004 and incorporated herein by reference)
3.2.15	Fourteenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)
3.2.16	Fifteenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated August 18, 2006 and incorporated herein by reference)
3.2.17	Sixteenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated August 9, 2010 and incorporated herein by reference)
3.2.18	Seventeenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated April 11, 2012 and incorporated herein by reference)
3.2.19	List of partners of Brandywine Operating Partnership, L.P. (filed herewith)
3.3	Bylaws of Brandywine Realty Trust (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated May 29, 2018 and incorporated herein by reference)
4.1.1	Indenture dated October 22, 2004 by and among Brandywine Operating Partnership, L.P., Brandywine Realty Trust, certain subsidiaries of Brandywine Operating Partnership, L.P. named therein and The Bank of New York Mellon, as Trustee (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on October 22, 2004 and incorporated herein by reference)
4.1.2	First Supplemental Indenture dated as of May 25, 2005 by and among Brandywine Operating Partnership, L.P., Brandywine Realty Trust, certain subsidiaries of Brandywine Operating Partnership, L.P. named therein and The Bank of New York Mellon, as Trustee (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on May 26, 2005 and incorporated herein by reference)

Exhibits Nos.	Description
4.1.3	Second Supplemental Indenture dated as of October 4, 2006 by and among Brandywine Operating Partnership, L.P., Brandywine Realty Trust and The Bank of New York Mellon, as Trustee (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 4, 2006 and incorporated herein by reference)
4.1.4	Third Supplemental Indenture dated as of April 5, 2011 by and among Brandywine Operating Partnership, L.P., Brandywine Realty Trust and The Bank of New York Mellon, as Trustee (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on April 5, 2011 and incorporated herein by reference)
4.2	Form of 3.95% Guaranteed Notes due 2023 (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on December 18, 2012 and incorporated herein by reference)
4.3	Form of 4.10% Guaranteed Notes due 2024 (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on September 17, 2014 and incorporated herein by reference)
4.4	Form of 4.55% Guaranteed Notes due 2029 previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on September 17, 2014 and incorporated herein by reference)
4.5	Form of 3.95% Guaranteed Notes due 2023 previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on November 17, 2017 and incorporated herein by reference)
4.6	Form of 3.95% Guaranteed Notes due 2027 previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on November 17, 2017 and incorporated herein by reference)
10.1	Amended and Restated Revolving Credit Agreement dated as of July 17, 2018 (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on July 20, 2018 and incorporated herein by reference)
10.2	Amended and Restated Term Loan C Agreement dated as of December 13, 2018 (filed herewith)
10.3	Letter dated August 10, 2015 to Cohen & Steers Capital Management, Inc. relating to the waiver of share ownership limit, including Representations, Warranties and Agreements of Cohen & Steers Capital Management, Inc. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on August 13, 2015 and incorporated herein by reference)
10.4	Letter to RREEF America LLC relating to waiver of share ownership limit (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2009 and incorporated herein by reference)
10.5	Amended and Restated Employment Agreement dated as of February 9, 2007 of Gerard H. Sweeney** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated February 14, 2007 and incorporated herein by reference)
10.6	Letter Agreement dated March 1, 2012 modifying Amended and Restated Employment Agreement of Gerard H. Sweeney** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated March 7, 2012 and incorporated herein by reference)
10.7	Amended and Restated 1997 Long-Term Incentive Plan (as amended effective May 18, 2017)** (previously filed as Appendix A to Brandywine Realty Trust's definitive Proxy Statement on Schedule 14A filed on April 4, 2017 and incorporated herein by reference)
10.8	Amendment No. 1 to Amended and Restated 1997 Long-Term Incentive Plan** (previously filed as an exhibit to Brandywine Realty Trust's Form 10-Q for the quarter ended March 31, 2018 and incorporated herein by reference)
10.9	Amended and Restated Executive Deferred Compensation Plan dated January 1, 2013** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated December 11, 2012 and incorporated herein by reference)
10.10	2007 Non-Qualified Employee Share Purchase Plan** (previously filed as an exhibit to Brandywine Realty Trust's Form 10-Q for the quarter ended March 31, 2007 and incorporated herein by reference)

Exhibits Nos.	Description
10.11	Schedule of Non-Employee Trustee Compensation** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 6, 2018 and incorporated herein by reference)
10.12	Forms of Non-Qualified Share Option Agreement for Executive Officers** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated April 1, 2009 and incorporated herein by reference)
10.13	Forms of Incentive Stock Option Agreement for Executive Officers** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated April 1, 2009 and incorporated herein by reference)
10.14	Form of Amended and Restated Change of Control Agreement with Executive Officers** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on February 4, 2010 and incorporated herein by reference)
10.15	Forms of Incentive Stock Option Agreement (March 2010) for Executive Officers** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 8, 2010 and incorporated herein by reference)
10.16	Forms of Non-Qualified Share Option Agreement (March 2010) for Executive Officers** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 8, 2010 and incorporated herein by reference)
10.17	Forms of Incentive Share Option Agreement (March 2011) for Executive Officers** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 8, 2011 and incorporated herein by reference)
10.18	Forms of Non-Qualified Share Option Agreement (March 2011) for Executive Officers** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 8, 2011 and incorporated herein by reference)
10.19	Letter Agreement dated May 24, 2011 modifying options of President and Chief Executive Officer** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on May 24, 2011 and incorporated herein by reference)
10.20	Sales Agency Agreement dated January 10, 2017 among Brandywine Realty Trust, Brandywine Operating Partnership, L.P. and RBC Capital Markets (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on January 10, 2017 and incorporated herein by reference)
10.21	Sales Agency Agreement dated January 10, 2017 among Brandywine Realty Trust, Brandywine Operating Partnership, L.P. and Barclays Capital Inc. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on January 10, 2017 and incorporated herein by reference)
10.22	Sales Agency Agreement dated January 10, 2017 among Brandywine Realty Trust, Brandywine Operating Partnership, L.P. and Jefferies LLC (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on January 10, 2017 and incorporated herein by reference)
10.23	Sales Agency Agreement dated January 10, 2017 among Brandywine Realty Trust, Brandywine Operating Partnership, L.P. and BNY Mellon Capital Markets LLC (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on January 10, 2017 and incorporated herein by reference)
10.24	Form of Incentive Compensation Clawback Agreement** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on February 26, 2015 and incorporated herein by reference)
10.25	Form of Performance Unit Award Agreement** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on February 26, 2016 and incorporated herein by reference)
10.26	2016-2018 Performance Share Unit Program** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on February 26, 2016 and incorporated herein by reference)
10.27	Form of Restricted Share Award (President and CEO)** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on February 26, 2016 and incorporated herein by reference)
10.28	Form of Restricted Share Award (Other Executives)** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on February 26, 2016 and incorporated herein by reference)
10.29	Form of Performance Unit Award Agreement** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 7, 2017 and incorporated herein by reference)

Exhibits Nos.	Description
10.30	2017-2019 Performance Share Unit Program** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 7, 2017 and incorporated herein by reference)
10.31	Form of Restricted Share Award (President and CEO)** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 7, 2017 and incorporated herein by reference)
10.32	Form of Restricted Share Award (Other Executives)** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 7, 2017 and incorporated herein by reference)
10.33	Form of Performance Unit Award Agreement** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 6, 2018 and incorporated herein by reference)
10.34	2018-2020 Performance Share Unit Program** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 6, 2018 and incorporated herein by reference)
10.35	Form of Restricted Share Award (President and CEO)** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 6, 2018 and incorporated herein by reference)
10.36	Form of Restricted Share Award (Other Executives)** (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 6, 2018 and incorporated herein by reference)
14.1	Code of Business Conduct and Ethics, as amended on December 6, 2016 (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on December 9, 2016 and incorporated herein by reference)
21	List of subsidiaries (filed herewith)
23.1	Consent of PricewaterhouseCoopers LLP relating to financial statements of Brandywine Realty Trust (filed herewith)
23.2	Consent of PricewaterhouseCoopers LLP relating to financial statements of Brandywine Operating Partnership, L.P. (filed herewith)
31.1	Certification of the Chief Executive Officer of Brandywine Realty Trust pursuant to 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934 (filed herewith)
31.2	Certification of the Chief Financial Officer of Brandywine Realty Trust pursuant to 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934 (filed herewith)
31.3	Certification of the Chief Executive Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., pursuant to 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934 (filed herewith)
31.4	Certification of the Chief Financial Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., pursuant to 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934 (filed herewith)

Exhibits Nos.	Description
32.1	Certification of the Chief Executive Officer of Brandywine Realty Trust pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of the Chief Financial Officer of Brandywine Realty Trust pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.3	Certification of the Chief Executive Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.4	Certification of the Chief Financial Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
99.1	Material Federal Income Tax Considerations (filed herewith)
101.1	The following materials from the Annual Reports on Form 10-K of Brandywine Realty Trust and Brandywine Operating Partnership, L.P. for the year ended December 31, 2018 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statement of Equity, (iv) the Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements, detailed tagged and filed herewith.

** Management contract or compensatory plan or arrangement
(d) Financial Statement Schedule: See Item 15 (a) and (b) above

Item 16. Form 10-K Summary.

None.

SIGNATURES

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

BRANDYWINE REALTY TRUST

By: /s/ Gerard H. Sweeney
Gerard H. Sweeney
President and Chief Executive Officer

Date: February 22, 2019

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

Signature	Title	Date
/s/ Michael J. Joyce Michael J. Joyce	Chairman of the Board and Trustee	February 22, 2019
/s/ Gerard H. Sweeney Gerard H. Sweeney	President, Chief Executive Officer and Trustee (Principal Executive Officer)	February 22, 2019
/s/ Thomas E. Wirth Thomas E. Wirth	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 22, 2019
/s/ Daniel Palazzo Daniel Palazzo	Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 22, 2019
/s/ Wyche Fowler Wyche Fowler	Trustee	February 22, 2019
/s/ James C. Diggs James C. Diggs	Trustee	February 22, 2019
/s/ Anthony A. Nichols, Sr. Anthony A. Nichols, Sr.	Trustee	February 22, 2019
/s/ Charles P. Pizzi Charles P. Pizzi	Trustee	February 22, 2019
/s/ Terri A. Herubin Terri A. Herubin	Trustee	February 22, 2019
/s/ H. Richard Haverstick, Jr. H. Richard Haverstick, Jr.	Trustee	February 22, 2019

SIGNATURES

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.

By: Brandywine Realty Trust, its General Partner
By: /s/ Gerard H. Sweeney
Gerard H. Sweeney
President and Chief Executive Officer

Date: February 22, 2019

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

Signature	Title	Date
/s/ Michael J. Joyce Michael J. Joyce	Chairman of the Board and Trustee	February 22, 2019
/s/ Gerard H. Sweeney Gerard H. Sweeney	President, Chief Executive Officer and Trustee (Principal Executive Officer)	February 22, 2019
/s/ Thomas E. Wirth Thomas E. Wirth	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 22, 2019
/s/ Daniel Palazzo Daniel Palazzo	Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 22, 2019
/s/ Wyche Fowler Wyche Fowler	Trustee	February 22, 2019
/s/ James Diggs James Diggs	Trustee	February 22, 2019
/s/ Anthony A. Nichols, Sr. Anthony A. Nichols, Sr.	Trustee	February 22, 2019
/s/ Charles P. Pizzi Charles P. Pizzi	Trustee	February 22, 2019
/s/ Terri A. Herubin Terri A. Herubin	Trustee	February 22, 2019
/s/ H. Richard Haverstick, Jr. H. Richard Haverstick, Jr.	Trustee	February 22, 2019

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Brandywine Realty Trust

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Brandywine Realty Trust and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, beneficiaries’ equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedules listed in the index appearing under Item 15(a) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 22, 2019

We have served as the Company’s auditor since 2003.

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Brandywine Operating Partnership, L.P. and its subsidiaries (the "Partnership") as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, partners' equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedules listed in the index appearing under Item 15(b) (collectively referred to as the "consolidated financial statements"). We also have audited the Partnership's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Partnership's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Partnership's consolidated financial statements and on the Partnership's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 22, 2019

We have served as the Partnership's auditor since 2003.

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

	December 31, 2018	December 31, 2017
ASSETS		
Real estate investments:		
Operating properties	$ 3,953,319	$ 3,832,348
Accumulated depreciation	(865,462)	(895,091)
Operating real estate investments, net	3,087,857	2,937,257
Construction-in-progress	150,263	121,188
Land held for development	86,401	98,242
Prepaid leasehold interests in land held for development, net	39,999	-
Total real estate investments, net	3,364,520	3,156,687
Assets held for sale, net	11,599	392
Cash and cash equivalents	22,842	202,179
Accounts receivable, net of allowance of $1,653 and $3,467 as of December 31, 2018 and December 31, 2017, respectively	16,394	17,938
Accrued rent receivable, net of allowance of $11,266 and $13,645 as of December 31, 2018 and December 31, 2017, respectively	165,243	169,760
Investment in Real Estate Ventures, equity method	169,100	194,621
Deferred costs, net	91,075	96,695
Intangible assets, net	131,348	64,972
Other assets	126,400	92,204
Total assets	$ 4,098,521	$ 3,995,448
LIABILITIES AND BENEFICIARIES' EQUITY		
Mortgage notes payable, net	$ 320,869	$ 317,216
Unsecured credit facility	92,500	-
Unsecured term loan, net	248,042	248,429
Unsecured senior notes, net	1,366,635	1,365,183
Accounts payable and accrued expenses	125,696	107,074
Distributions payable	33,632	32,456
Deferred income, gains and rent	28,293	42,593
Acquired lease intangibles, net	31,783	20,274
Other liabilities	18,498	15,623
Total liabilities	$ 2,265,948	$ 2,148,848
Commitments and contingencies (See Note 19)		
Brandywine Realty Trust's Equity:		
Common Shares of Brandywine Realty Trust's beneficial interest, $0.01 par value; shares authorized 400,000,000; 176,873,324 and 178,285,236 issued and outstanding as of December 31, 2018 and December 31, 2017, respectively	1,770	1,784
Additional paid-in-capital	3,200,850	3,218,564
Deferred compensation payable in common shares	14,021	12,445
Common shares in grantor trust, 977,120 and 894,736 issued and outstanding as of December 31, 2018 and December 31, 2017, respectively	(14,021)	(12,445)
Cumulative earnings	796,513	660,174
Accumulated other comprehensive income	5,029	2,399
Cumulative distributions	(2,183,909)	(2,053,741)
Total Brandywine Realty Trust's equity	1,820,253	1,829,180
Noncontrolling interests	12,320	17,420
Total beneficiaries' equity	$ 1,832,573	$ 1,846,600
Total liabilities and beneficiaries' equity	$ 4,098,521	$ 3,995,448

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

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

	Years ended December 31, 2018	2017	2016
Revenue			
Rents	$ 430,656	$ 412,333	$ 421,505
Tenant reimbursements	82,625	72,620	70,629
Termination fees	1,763	2,370	2,339
Third party management fees, labor reimbursement and leasing	22,557	28,345	26,674
Other	6,744	4,825	4,316
Total revenue	544,345	520,493	525,463
Operating expenses:			
Property operating expenses	154,772	150,835	152,926
Real estate taxes	51,341	45,204	46,252
Third party management expenses	11,910	9,960	10,270
Depreciation and amortization	174,259	179,357	189,676
General and administrative expenses	27,802	28,538	26,596
Provision for impairment	71,707	3,057	40,517
Total operating expenses	491,791	416,951	466,237
Gain on sale of real estate			
Net gain on disposition of real estate	2,932	31,657	116,983
Net gain on sale of undepreciated real estate	3,040	953	9,232
Total gain on sale of real estate	5,972	32,610	126,215
Operating income	58,526	136,152	185,441
Other income (expense):			
Interest income	4,703	1,113	1,236
Interest expense	(78,199)	(81,886)	(84,708)
Interest expense - amortization of deferred financing costs	(2,498)	(2,435)	(2,696)
Interest expense - financing obligation	-	-	(679)
Equity in loss of Real Estate Ventures	(15,231)	(8,306)	(11,503)
Net gain on real estate venture transactions	142,233	80,526	20,000
Gain on promoted interest in unconsolidated real estate venture	28,283	-	-
Loss on early extinguishment of debt	(105)	(3,933)	(66,590)
Net income before income taxes	137,712	121,231	40,501
Income tax (provision) benefit	(423)	628	-
Net income	137,289	121,859	40,501
Net income attributable to noncontrolling interests	(965)	(1,009)	(310)
Net income attributable to Brandywine Realty Trust	136,324	120,850	40,191
Distribution to preferred shareholders	-	(2,032)	(6,900)
Preferred share redemption charge	-	(3,181)	-
Nonforfeitable dividends allocated to unvested restricted shareholders	(369)	(327)	(341)
Net income attributable to Common Shareholders of Brandywine Realty Trust	$ 135,955	$ 115,310	$ 32,950
Basic income per Common Share	$ 0.76	$ 0.66	$ 0.19
Diluted income per Common Share	$ 0.76	$ 0.65	$ 0.19
Basic weighted average shares outstanding	178,519,748	175,484,350	175,018,163
Diluted weighted average shares outstanding	179,641,492	176,808,166	176,010,814

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

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

	Years ended December 31,		
	2018	**2017**	**2016**
Net income	$ 137,289	$ 121,859	$ 40,501
Comprehensive income:			
Unrealized gain on derivative financial instruments	1,478	2,948	2,371
Amortization of interest rate contracts (1)	1,191	1,230	1,104
Total comprehensive income	2,669	4,178	3,475
Comprehensive income	139,958	126,037	43,976
Comprehensive income attributable to noncontrolling interest	(1,004)	(1,043)	(338)
Comprehensive income attributable to Brandywine Realty Trust	$ 138,954	$ 124,994	$ 43,638

(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 Years ended December 31, 2018, 2017 and 2016
(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 Income (Loss)	Cumulative Distributions	Noncontrolling Interests	Total
BALANCE, December 31, 2015	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)	$ 18,166	$ 1,952,091
Net income									40,191			310	40,501
Other comprehensive income										3,447		28	3,475
Issuance of partnership interest in consolidated real estate venture												108	108
Conversion of LP Units to Common Shares			55,303		1	874						(875)	-
Share-based compensation activity			405,200		4	5,718			42				5,764
Share Issuance from/to Deferred Compensation Plan			(8,311)	153,771		(47)	1,766	(1,766)					(47)
Reallocation of Noncontrolling Interest						(297)						297	-
Preferred Share distributions											(6,900)		(6,900)
Distributions declared (0.63 per share)											(110,614)	(941)	(111,555)
BALANCE, December 31, 2016	4,000,000	$ 40	175,140,760	899,457	$ 1,752	$ 3,258,870	$ 13,684	$ (13,684)	$ 539,319	$ (1,745)	$ (1,931,892)	$ 17,093	$ 1,883,437
Net income									120,850			1,009	121,859
Other comprehensive income										4,144		34	4,178
Issuance of Common Shares of Beneficial Interest			2,858,991		29	51,196							51,225
Redemption of Preferred Shares	(4,000,000)	(40)				(96,810)							(96,850)
Issuance of partnership interest in consolidated real estate venture												85	85
Distributions from consolidated real estate venture												(48)	(48)
Equity issuance costs						(499)							(499)
Bonus share issuance			6,752			110							110
Share-based compensation activity			333,127	39,870	3	6,689			5				6,697
Share Issuance from/(to) Deferred Compensation Plan			(52,971)	(44,591)		(768)	(1,239)	1,239					(768)
Share Choice Plan issuance			(1,423)										-
Reallocation of Noncontrolling Interest						(224)						224	-
Preferred Share distributions											(2,032)		(2,032)
Preferred Share redemption charges											(3,181)		(3,181)
Distributions declared (0.66 per share)											(116,636)	(977)	(117,613)
BALANCE, December 31, 2017	-	$ -	178,285,236	894,736	$ 1,784	$ 3,218,564	$ 12,445	$ (12,445)	$ 660,174	$ 2,399	$ (2,053,741)	$ 17,420	$ 1,846,600
Net income									136,324			965	137,289
Other comprehensive income										2,630		39	2,669
Issuance of Common Shares of Beneficial Interest			23,311			416							416
Repurchase and retirement of Common Shares of Beneficial Interest			(1,729,278)		(17)	(21,841)							(21,858)
Issuance of partnership interest in consolidated real estate ventures												16	16
Distributions from consolidated real estate ventures												(94)	(94)
Redemption of LP Units												(7,043)	(7,043)
Share-based compensation activity			196,151		2	5,826			15				5,843
Share Issuance from/(to) Deferred Compensation Plan			99,189	82,384	1	(112)	1,576	(1,576)					(111)
Share Choice Plan issuance			(1,285)										-
Reallocation of Noncontrolling interest						(2,003)						2,003	-
Distributions declared (0.73 per share)											(130,168)	(986)	(131,154)
BALANCE, December 31, 2018	**-**	**$ -**	**176,873,324**	**977,120**	**$ 1,770**	**$ 3,200,850**	**$ 14,021**	**$ (14,021)**	**$ 796,513**	**$ 5,029**	**$ (2,183,909)**	**$ 12,320**	**$ 1,832,573**

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

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

	Twelve-month periods ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net income	$ 137,289	$ 121,859	$ 40,501
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	174,259	179,357	189,676
Amortization of deferred financing costs	2,498	2,435	2,696
Amortization of debt discount/(premium), net	702	1,569	1,471
Amortization of stock compensation costs	5,716	4,883	4,310
Straight-line rent income	(12,283)	(27,115)	(28,351)
Amortization of acquired above (below) market leases, net	(3,344)	(3,071)	(6,529)
Straight-line ground rent expense	355	88	88
Provision for doubtful accounts	1,775	2,207	1,865
Net gain on real estate venture transactions	(142,233)	(80,526)	(20,000)
Gain on promoted interest	(28,283)	-	-
Net gain on sale of interests in real estate	(5,972)	(32,610)	(126,215)
Loss on early extinguishment of debt	105	3,933	66,590
Provision for impairment	71,707	3,057	40,517
Other than temporary impairment	4,076	4,844	-
Loss from Real Estate Ventures, net of distributions	12,871	3,462	12,125
Deferred financing obligation	-	-	(679)
Income tax benefit (provision)	423	(628)	-
Changes in assets and liabilities:			
Accounts receivable	3,524	(6,266)	2,373
Other assets	(14,334)	1,752	544
Accounts payable and accrued expenses	12,579	4,004	(8,004)
Deferred income, gains and rent	3,017	(1,482)	137
Other liabilities	2,902	829	685
Net cash provided by operating activities	227,349	182,581	173,800
Cash flows from investing activities:			
Acquisition of properties	(196,625)	(72,523)	(20,406)
Proceeds from the sale of properties	324,090	171,860	784,331
Proceeds from real estate venture sales	60,346	145,416	21,022
Issuance of mortgage notes receivable	(175,172)	-	(3,380)
Proceeds from repayment of mortgage notes receivable	192	151	-
Proceeds from repayment of a capital lease	181	-	-
Capital expenditures for tenant improvements	(65,264)	(60,586)	(51,398)
Capital expenditures for redevelopments	(48,231)	(34,679)	(11,909)
Capital expenditures for developments	(99,104)	(66,915)	(191,184)
Advances for the purchase of tenant assets, net of repayments	410	18	(784)
Investment in unconsolidated Real Estate Ventures	(908)	(6,638)	(28,610)
Deposits for real estate	(8,234)	573	(746)
Escrowed cash	5,694	-	6,992
Capital distributions from Real Estate Ventures	6,526	20,781	13,065
Leasing costs paid	(18,407)	(17,657)	(16,083)
Net cash (used in) provided by investing activities	(214,506)	79,801	500,910
Cash flows from financing activities:			
Proceeds from mortgage notes payable	-	-	86,900
Repayments of mortgage notes payable	(122,180)	(4,931)	(357,151)
Proceeds from credit facility borrowings	455,500	341,000	195,000
Repayments of credit facility borrowings	(363,000)	(341,000)	(195,000)
Proceeds from unsecured notes	-	550,131	-
Repayments of unsecured notes	-	(628,590)	(149,919)
Debt financing costs paid	(3,430)	(4,727)	(495)
Redemption of preferred shares	-	(100,000)	-
Proceeds from the exercise of stock options	-	1,229	1,286
Proceeds from the issuance of common shares	416	51,225	-
Shares used for employee taxes upon vesting of share awards	(1,494)	(674)	(879)
Partner contributions to consolidated real estate venture	16	85	108
Partner distributions from consolidated real estate venture	(94)	(48)	-
Repurchase and retirement of common shares	(21,841)	-	-
Redemption of limited partnership units	(7,043)	-	-
Distributions paid to shareholders	(128,859)	(116,311)	(115,702)
Distributions to noncontrolling interest	(1,065)	(947)	(934)
Net cash used in financing activities	(193,074)	(253,558)	(536,786)
Decrease in cash and cash equivalents and restricted cash	(180,231)	8,824	137,924
Cash and cash equivalents and restricted cash at beginning of year	203,442	194,618	56,694
Cash and cash equivalents and restricted cash at end of period	$ 23,211	$ 203,442	$ 194,618

	Twelve-month periods ended December 31,		
	2018	**2017**	**2016**
Supplemental disclosure:			
Cash paid for interest, net of capitalized interest during the twelve months ended December 31, 2018, 2017 and of $3,586, $3,527 and $12,835, respectively	$ 76,858	$ 83,139	$ 97,843
Cash paid for income taxes	405	225	-
Supplemental disclosure of non-cash activity:			
Dividends and distributions declared but not paid	33,632	32,456	30,032
Change in construction-in-progress related to non-cash disposition of land	27,231	-	-
Change in deferred income, gains and rent to the non-cash disposition of land	(29,780)	-	-
Change in investment in real estate ventures as a result of dispositions	14,169	(64,792)	(2,023)
Change in Notes receivable as a result of a noncash acquisition of an operating property	130,742	-	25,165
Change in real estate ventures as a result of other than temporary impairment	(4,076)	(4,844)	-
Change in operating real estate from deconsolidation of 3141 Fairview Park Drive	-	-	44,313
Change in investment in real estate ventures from deconsolidation of 3141 Fairview Park Drive	-	-	(12,642)
Change in mortgage notes payable from deconsolidation of 3141 Fairview Park Drive	-	-	(20,582)
Change in other liabilities from deconsolidation of 3141 Fairview Park Drive	-	-	(12,384)
Change in operating real estate related to a non-cash acquisition of an operating property	(20,653)	-	-
Change in intangible assets, net related to non-cash acquisition of an operating property	(3,144)	-	-
Change in acquired lease intangibles, net related to non-cash acquisition of an operating property	182	-	-
Change in investments in joint venture related to non-cash acquisition of property	(16,832)	-	-
Change in mortgage notes payable related to acquisition of an operating property	9,940	-	-
Change in capital expenditures financed through accounts payable at period end	8,784	(6,593)	8,222
Change in capital expenditures financed through retention payable at period end	(2,912)	(159)	848

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)

	December 31, 2018	December 31, 2017
ASSETS		
Real estate investments:		
Operating properties	$ 3,953,319	$ 3,832,348
Accumulated depreciation	(865,462)	(895,091)
Operating real estate investments, net	3,087,857	2,937,257
Construction-in-progress	150,263	121,188
Land held for development	86,401	98,242
Prepaid leasehold interests in land held for development, net	39,999	-
Total real estate investments, net	3,364,520	3,156,687
Assets held for sale, net	11,599	392
Cash and cash equivalents	22,842	202,179
Accounts receivable, net of allowance of $1,653 and $3,467 as of December 31, 2018 and December 31, 2017, respectively	16,394	17,938
Accrued rent receivable, net of allowance of $11,266 and $13,645 as of December 31, 2018 and December 31, 2017, respectively	165,243	169,760
Investment in Real Estate Ventures, equity method	169,100	194,621
Deferred costs, net	91,075	96,695
Intangible assets, net	131,348	64,972
Other assets	126,400	92,204
Total assets	$ 4,098,521	$ 3,995,448
LIABILITIES AND PARTNERS' EQUITY		
Mortgage notes payable, net	$ 320,869	$ 317,216
Unsecured credit facility	92,500	-
Unsecured term loan, net	248,042	248,429
Unsecured senior notes, net	1,366,635	1,365,183
Accounts payable and accrued expenses	125,696	107,074
Distributions payable	33,632	32,456
Deferred income, gains and rent	28,293	42,593
Acquired lease intangibles, net	31,783	20,274
Other liabilities	18,498	15,623
Total liabilities	$ 2,265,948	$ 2,148,848
Commitments and contingencies (See Note 19)		
Redeemable limited partnership units at redemption value; 982,871 and 1,479,799 issued and outstanding as of December 31, 2018 and December 31, 2017, respectively	12,520	26,918
Brandywine Operating Partnership, L.P.'s equity:		
General Partnership Capital; 176,873,324 and 178,285,236 units issued and outstanding as of December 31, 2018 and December 31, 2017, respectively	1,813,136	1,815,411
Accumulated other comprehensive income	4,725	2,056
Total Brandywine Operating Partnership, L.P.'s equity	1,817,861	1,817,467
Noncontrolling interest - consolidated real estate ventures	2,192	2,215
Total partners' equity	$ 1,820,053	$ 1,819,682
Total liabilities and partners' equity	$ 4,098,521	$ 3,995,448

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

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

	Years ended December 31, 2018	2017	2016
Revenue			
Rents	$ 430,656	$ 412,333	$ 421,505
Tenant reimbursements	82,625	72,620	70,629
Termination fees	1,763	2,370	2,339
Third party management fees, labor reimbursement and leasing	22,557	28,345	26,674
Other	6,744	4,825	4,316
Total revenue	544,345	520,493	525,463
Operating expenses:			
Property operating expenses	154,772	150,835	152,926
Real estate taxes	51,341	45,204	46,252
Third party management expenses	11,910	9,960	10,270
Depreciation and amortization	174,259	179,357	189,676
General and administrative expenses	27,802	28,538	26,596
Provision for impairment	71,707	3,057	40,517
Total operating expenses	491,791	416,951	466,237
Gain on sale of real estate			
Net gain on disposition of real estate	2,932	31,657	116,983
Net gain on sale of undepreciated real estate	3,040	953	9,232
Total gain on sale of real estate	5,972	32,610	126,215
Operating income	58,526	136,152	185,441
Other income (expense):			
Interest income	4,703	1,113	1,236
Interest expense	(78,199)	(81,886)	(84,708)
Interest expense - amortization of deferred financing costs	(2,498)	(2,435)	(2,696)
Interest expense - financing obligation	-	-	(679)
Equity in loss of Real Estate Ventures	(15,231)	(8,306)	(11,503)
Net gain on real estate venture transactions	142,233	80,526	20,000
Gain on promoted interest in unconsolidated real estate venture	28,283	-	-
Loss on early extinguishment of debt	(105)	(3,933)	(66,590)
Net income before income taxes	137,712	121,231	40,501
Income tax (provision) benefit	(423)	628	-
Net income	137,289	121,859	40,501
Net income attributable to noncontrolling interests - consolidated real estate ventures	(55)	(29)	(15)
Net income attributable to Brandywine Operating Partnership	137,234	121,830	40,486
Distribution to preferred unitholders	-	(2,032)	(6,900)
Preferred unit redemption charge	-	(3,181)	-
Nonforfeitable dividends allocated to unvested restricted unitholders	(369)	(327)	(341)
Net income attributable to Common Partnership Unitholders of Brandywine Operating Partnership, L.P.	$ 136,865	$ 116,290	$ 33,245
Basic income per Common Partnership Unit	$ 0.76	$ 0.66	$ 0.19
Diluted income per Common Partnership Unit	$ 0.76	$ 0.65	$ 0.19
Basic weighted average common partnership units outstanding	179,959,370	176,964,149	176,523,800
Diluted weighted average common partnership units outstanding	181,081,114	178,287,965	177,516,451

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

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

	Years ended December 31,		
	2018	**2017**	**2016**
Net income	$ 137,289	$ 121,859	$ 40,501
Comprehensive income:			
Unrealized gain on derivative financial instruments	1,478	2,948	2,371
Amortization of interest rate contracts (1)	1,191	1,230	1,104
Total comprehensive income	2,669	4,178	3,475
Comprehensive income	139,958	126,037	43,976
Comprehensive income attributable to noncontrolling interest - consolidated real estate ventures	(55)	(29)	(15)
Comprehensive income attributable to Brandywine Operating Partnership	$ 139,903	$ 126,008	$ 43,961

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

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.
CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY
For the Years ended December 31, 2018, 2017 and 2016
(in thousands, except Units)

	Series E-Linked Preferred Mirror Units		General Partner Capital				
	Units	Amount	Units	Amount	Accumulated Other Comprehensive Income (Loss)	Noncontrolling 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				40,486		15	40,501
Other comprehensive income					3,475		3,475
Deferred compensation obligation			(8,311)	(47)			(47)
Issuance of partnership interest in consolidated real estate venture						109	109
Conversion of LP Units to Common shares			55,303	875			875
Share-based compensation activity			405,200	5,763			5,763
Adjustment of redeemable partnership units to liquidation value at period end				(2,622)			(2,622)
Reallocation of noncontrolling interest				6		(6)	-
Redemption value of limited partnership units				(875)			(875)
Distributions to Preferred Mirror Units				(6,900)			(6,900)
Distributions declared to general partnership unitholders ($0.63 per unit)				(110,614)			(110,614)
BALANCE, December 31, 2016	4,000,000	$ 96,850	175,140,760	$ 1,762,764	$ (2,122)	$ 2,150	$ 1,859,642
Net income				121,830		29	121,859
Other comprehensive income					4,178		4,178
Redemption of Preferred Mirror Units	(4,000,000)	(96,850)					(96,850)
Deferred compensation obligation			(52,971)	(768)			(768)
Issuance of LP Units			2,858,991	50,726			50,726
Issuance of partnership interest in consolidated real estate venture						85	85
Distributions from consolidated real estate venture						(48)	(48)
Share Choice Plan issuance			(1,423)				-
Bonus share issuance			6,752	110			110
Share-based compensation activity			333,127	6,697			6,697
Adjustment of redeemable partnership units to liquidation value at period end				(4,099)		(1)	(4,100)
Distributions to Preferred Mirror Units				(2,032)			(2,032)
Preferred Mirror Units redemption charge				(3,181)			(3,181)
Distributions declared to general partnership unitholders ($0.66 per unit)				(116,636)			(116,636)
BALANCE, December 31, 2017	-	$ -	178,285,236	$ 1,815,411	$ 2,056	$ 2,215	$ 1,819,682
Net income				137,234		55	137,289
Other comprehensive income					2,669		2,669
Deferred compensation obligation			99,189	(111)			(111)
Issuance of LP Units			23,311	416			416
Repurchase and retirement of LP units			(1,729,278)	(21,858)			(21,858)
Issuance of partnership interest in consolidated real estate venture						16	16
Distributions from consolidated real estate venture						(94)	(94)
Share Choice Plan issuance			(1,285)				-
Redemption value of limited partnership units				6,369			6,369
Share-based compensation activity			196,151	5,843			5,843
Distributions declared to general partnership unitholders ($0.73 per unit)				(130,168)			(130,168)
BALANCE, December 31, 2018	**-**	**$ -**	**176,873,324**	**$ 1,813,136**	**$ 4,725**	**$ 2,192**	**$ 1,820,053**

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

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

	Twelve-month periods ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net income	$ 137,289	$ 121,859	$ 40,501
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	174,259	179,357	189,676
Amortization of deferred financing costs	2,498	2,435	2,696
Amortization of debt discount/(premium), net	702	1,569	1,471
Amortization of stock compensation costs	5,716	4,883	4,310
Straight-line rent income	(12,283)	(27,115)	(28,351)
Amortization of acquired above (below) market leases, net	(3,344)	(3,071)	(6,529)
Straight-line ground rent expense	355	88	88
Provision for doubtful accounts	1,775	2,207	1,865
Net gain on real estate venture transactions	(142,233)	(80,526)	(20,000)
Gain on promoted interest	(28,283)	-	-
Net gain on sale of interests in real estate	(5,972)	(32,610)	(126,215)
Loss on early extinguishment of debt	105	3,933	66,590
Provision for impairment	71,707	3,057	40,517
Other than temporary impairment	4,076	4,844	-
Loss from Real Estate Ventures, net of distributions	12,871	3,462	12,125
Deferred financing obligation	-	-	(679)
Income tax benefit (provision)	423	(628)	-
Changes in assets and liabilities:			
Accounts receivable	3,524	(6,266)	2,373
Other assets	(14,334)	1,752	544
Accounts payable and accrued expenses	12,579	4,004	(8,004)
Deferred income, gains and rent	3,017	(1,482)	137
Other liabilities	2,902	829	685
Net cash provided by operating activities	227,349	182,581	173,800
Cash flows from investing activities:			
Acquisition of properties	(196,625)	(72,523)	(20,406)
Proceeds from the sale of properties	324,090	171,860	784,331
Proceeds from real estate venture sales	60,346	145,416	21,022
Issuance of mortgage notes receivable	(175,172)	-	(3,380)
Proceeds from repayment of mortgage notes receivable	192	151	-
Proceeds from repayment of a capital lease	181	-	-
Capital expenditures for tenant improvements	(65,264)	(60,586)	(51,398)
Capital expenditures for redevelopments	(48,231)	(34,679)	(11,909)
Capital expenditures for developments	(99,104)	(66,915)	(191,184)
Advances for the purchase of tenant assets, net of repayments	410	18	(784)
Investment in unconsolidated Real Estate Ventures	(908)	(6,638)	(28,610)
Deposits for real estate	(8,234)	573	(746)
Escrowed cash	5,694	-	6,992
Capital distributions from Real Estate Ventures	6,526	20,781	13,065
Leasing costs paid	(18,407)	(17,657)	(16,083)
Net cash (used in) provided by investing activities	(214,506)	79,801	500,910
Cash flows from financing activities:			
Proceeds from mortgage notes payable	-	-	86,900
Repayments of mortgage notes payable	(122,180)	(4,931)	(357,151)
Proceeds from credit facility borrowings	455,500	341,000	195,000
Repayments of credit facility borrowings	(363,000)	(341,000)	(195,000)
Proceeds from unsecured notes	-	550,131	-
Repayments of unsecured notes	-	(628,590)	(149,919)
Debt financing costs paid	(3,430)	(4,727)	(495)
Redemption of preferred shares	-	(100,000)	-
Proceeds from the exercise of stock options	-	1,229	1,286
Proceeds from the issuance of common shares	416	51,225	-
Shares used for employee taxes upon vesting of share awards	(1,494)	(674)	(879)
Partner contributions to consolidated real estate venture	16	85	108
Partner distributions from consolidated real estate venture	(94)	(48)	-
Repurchase and retirement of common shares	(21,841)	-	-
Redemption of limited partnership units	(7,043)	-	-
Distributions paid to preferred and common partnership units	(129,924)	(117,258)	(116,636)
Net cash used in financing activities	(193,074)	(253,558)	(536,786)
Decrease in cash and cash equivalents and restricted cash	(180,231)	8,824	137,924
Cash and cash equivalents and restricted cash at beginning of year	203,442	194,618	56,694
Cash and cash equivalents and restricted cash at end of period	$ 23,211	$ 203,442	$ 194,618

	Twelve-month periods ended December 31,		
	2018	**2017**	**2016**
Supplemental disclosure:			
Cash paid for interest, net of capitalized interest during the twelve months ended December 31, 2018, 2017 and of $3,586, $3,527 and $12,835, respectively	$ 76,858	$ 83,139	$ 97,843
Cash paid for income taxes	405	225	-
Supplemental disclosure of non-cash activity:			
Dividends and distributions declared but not paid	33,632	32,456	30,032
Change in construction-in-progress related to non-cash disposition of land	27,231	-	-
Change in deferred income, gains and rent to the non-cash disposition of land	(29,780)	-	-
Change in investment in real estate ventures as a result of dispositions	14,169	(64,792)	(2,023)
Change in Notes receivable as a result of a noncash acquisition of an operating property	130,742	-	25,162
Change in real estate ventures as a result of other than temporary impairment	(4,076)	(4,844)	-
Change in operating real estate from deconsolidation of 3141 Fairview Park Drive	-	-	44,313
Change in investment in real estate ventures from deconsolidation of 3141 Fairview Park Drive	-	-	(12,642)
Change in mortgage notes payable from deconsolidation of 3141 Fairview Park Drive	-	-	(20,582)
Change in other liabilities from deconsolidation of 3141 Fairview Park Drive	-	-	(12,384)
Change in operating real estate related to a non-cash acquisition of an operating property	(20,653)	-	-
Change in intangible assets, net related to non-cash acquisition of an operating property	(3,144)	-	-
Change in acquired lease intangibles, net related to non-cash acquisition of an operating property	182	-	-
Change in investments in joint venture related to non-cash acquisition of property	(16,832)	-	-
Change in mortgage notes payable related to acquisition of an operating property	9,940	-	-
Change in capital expenditures financed through accounts payable at period end	8,784	(6,593)	8,222
Change in capital expenditures financed through retention payable at period end	(2,912)	(159)	848

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

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 December 31, 2018, owned a 99.4% 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 December 31, 2018, the Company owned 97 properties that contained an aggregate of approximately 16.8 million net rentable square feet (collectively, the "Properties"). The Company's core portfolio of operating properties, as of December 31, 2018, excludes one development property and three redevelopment properties under construction or committed for construction (collectively, the "Core Properties"). The Properties were comprised of the following as of December 31, 2018:

	Number of Properties	Rentable Square Feet
Office properties	88	15,609,156
Mixed-use properties	4	646,741
Retail property	1	17,884
Core Properties	93	16,273,781
Development property	1	164,818
Redevelopment properties	3	338,650
The Properties	97	16,777,249

In addition to the Properties, as of December 31, 2018, the Company owned land held for development, comprised of 237.4 acres of undeveloped land, of which 37.9 acres were held for sale, 1.8 acres related to leasehold interests in two land parcels, each acquired through prepaid 99-year ground leases, and held options to purchase approximately 55.5 additional acres of undeveloped land. As of December 31, 2018, the total potential development that these land parcels could support, under current zoning and entitlements, including the parcels under option, amounted to an estimated 14.3 million square feet, of which 0.4 million square feet relates to the 37.9 acres held for sale. As of December 31, 2018, the Company also owned economic interests in ten unconsolidated real estate ventures (collectively, the "Real Estate Ventures") (see Note 4, "*Investment in Unconsolidated Real Estate Ventures,*" for further information). The Properties and the properties owned by the Real Estate Ventures are located in or near Philadelphia, Pennsylvania; Austin, Texas; Metropolitan Washington, D.C.; Southern New Jersey; and Wilmington, Delaware.

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

The Company conducts its third-party real estate management services business primarily through six management companies (collectively, the "Management Companies"): Brandywine Realty Services Corporation ("BRSCO"), BDN Management Holdings, LLC ("BMH"), Brandywine Properties I Limited, Inc. ("BPI"), BDN Brokerage, LLC ("BBL"), Brandywine Properties Management, L.P. ("BPM") and Brandywine Brokerage Services, LLC ("BBS"). BRSCO, BMH and BPI are each a taxable REIT subsidiary. As of December 31, 2018, the Operating Partnership owned, directly and indirectly, 100% of each of BRSCO, BMH, BPI, BBL, BPM and BBS. As of December 31, 2018, the Management Company subsidiaries were managing properties containing an aggregate of approximately 24.8 million net rentable square feet, of which approximately 16.8 million net rentable square feet related to Properties owned by the Company and approximately 8.0 million net rentable square feet related to properties owned by third parties and Real Estate Ventures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Out of Period Adjustment

The Company recorded $1.2 million of impairment charges during the quarter ended December 31, 2016, which should have been recorded in the consolidated financial statements for the three-month period ended March 31, 2017 and the year ended December 31, 2017. Management concluded that this misstatement was not material to any prior period, nor was it material to the consolidated financial statements as of and for the twelve-month periods ended December 31, 2017 and 2016.

Reclassifications and Adoption of New Accounting Guidance

Through the year ended December 31, 2017, the Company included $0.6 million of income tax benefit in general and administrative expenses. During the fourth quarter of 2017, the Company began disaggregating the income tax provision/benefit in the consolidated statements of operations. As a result, in the statements of operations for the year ended December 31, 2017 the Company reclassified $0.6 million of net income tax benefit out of general and administrative expenses into the "Income tax (provision) benefit" caption in the consolidated statements of operations to provide comparative presentation.

During the first quarter of 2018, the Company adopted Financial Accounting Standards Board (the "FASB") Accounting Standards Update ("ASU") No. 2016-18, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts described as restricted cash or cash equivalents. Beginning-of-period and end-of-period total amounts shown on the statement of cash flows should include restricted cash, cash equivalents and amounts described as restricted cash or cash equivalents. The guidance does not define restricted cash or restricted cash equivalents. As of December 31, 2018, December 31, 2017 and December 31, 2016, the Company had $0.4 million, $1.3 million and $0.7 million of restricted cash, respectively, on its consolidated balance sheets within the caption "Other assets." As a result of the adoption of this ASU, restricted cash balances are included with cash and cash equivalents balances as of the beginning and end of each period presented in the consolidated statements of cash flows. Separate line items reconciling changes in restricted cash balances to the changes in cash and cash equivalents will no longer be presented within the operating and investing sections of the consolidated statements of cash flows. As a result of the adoption of ASU 2016-18, for the twelve-months ended December 31, 2017 and December 31, 2016 operating cash flows increased by $1.3 million and $0.7 million, respectively, which is reflected within the change in other assets caption.

In accordance with ASC 360, and in response to the SEC's "Disclosure Update and Simplification" release effective November 5, 2018, the Company reclassified gains and losses resulting from wholly owned real estate dispositions from the "Other income (expense)" section to the "Operating income" section within its consolidated statements of operations. As a result, in the consolidated statements of operations for the years ended December 31, 2018, 2017 and 2016, the Company reclassified the following amounts to the "Operating income" section:

Caption	2018	2017	2016
Net gain on disposition of real estate	$ 2,932	$ 31,657	$ 116,983
Net gain on sale of undepreciated real estate	3,040	953	9,232
Total gain on sale of real estate	$ 5,972	$ 32,610	$ 126,215

Principles of Consolidation

The Company consolidates variable interest entities ("VIEs") in which it is considered to be the primary beneficiary. VIEs are entities in which the equity investors do not have sufficient equity at risk to finance their endeavors without additional financial support or that the holders of the equity investment at risk do not have a controlling financial interest. The primary beneficiary is defined by the entity having both of the following characteristics: (i) the power to direct those matters that most significantly impact the activities of the VIE and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. For entities that the Company has the obligations to fund losses, its maximum exposure to loss is not limited to the carrying amount of its investments.

When an entity is not deemed to be a VIE, the Company consolidates entities for which it has significant decision making control over the entity's operations. The Company's judgement with respect to its level of influence or control of an entity involves consideration of various factors including the form of the Company's ownership interest, its representation in the entity's governance, the size of its investment (including loans), estimates of future cash flows, its ability to participate in policy making decisions and the rights of the other investors to participate in the decision making process and to replace the Company as manager and/or liquidate the venture, if applicable. The Company's assessment of its influence or control over an entity affects the presentation of these investments in the Company's consolidated financial statements. In addition to evaluating control rights, the Company consolidates entities in which the outside partner has no substantive kick-out rights to remove the Company as managing member. The portion of the consolidated entities that are not owned by the Company is presented as noncontrolling interest as of and during the periods consolidated. All intercompany transactions have been eliminated in consolidation.

The Company continuously assesses its determination of the primary beneficiary for each entity and assesses reconsideration events that may cause a change in the original determinations.

As of December 31, 2018 and 2017, the Company included in its consolidated balance sheets consolidated VIEs having total assets of $414.3 million and $412.9 million, respectively, and total liabilities of $254.1 million and $250.4 million, respectively.

Use of Estimates

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

Operating Properties

Operating properties are carried at historical cost less accumulated depreciation and impairment losses. The value of operating properties reflects their purchase price or development cost. Acquisition costs related to business combinations are expensed as incurred, whereas the costs related to asset acquisitions are capitalized as incurred. Costs incurred for the renovation and betterment of an operating property are capitalized to the Company’s investment in that property. Ordinary repairs and maintenance are expensed as incurred.

Purchase Price Allocation

For acquisitions of real estate or in-substance real estate that are accounted for as business combinations, we recognize the assets acquired (including the intangible value of acquired above- or below-market leases, acquired in-place leases and tenant relationship values), liabilities assumed, noncontrolling interests, and previously existing ownership interests at fair value as of the acquisition date. Any excess (deficit) of the consideration transferred relative to the fair value of the net assets acquired is accounted for as goodwill (bargain purchase gain). Acquisition costs related to business combinations are expensed as incurred.

Acquisitions of real estate and in-substance real estate that do not meet the definition of a business are accounted for as asset acquisitions. The accounting model for asset acquisitions is similar to the accounting model for business combinations except that the acquisition consideration (including acquisition costs) is allocated to the individual assets acquired and liabilities assumed on a relative fair value basis. As a result, asset acquisitions do not result in recognition of goodwill or a bargain purchase gain. Additionally, because the accounting model for asset acquisitions is a cost accumulation model, preexisting interests in the acquired assets, if any, are not remeasured to fair value but continue to be accounted for at their historical cost. Direct acquisition costs are capitalized if an asset acquisition is probable. If we determine that an asset acquisition is no longer probable, no new costs are capitalized and all capitalized costs that are not recoverable are written off. The Company adopted ASU 2017-01 – Business Combinations as of January 1, 2017, which amended the definition of a business.

The purchase price is allocated to the acquired assets and assumed liabilities, including land and buildings, as if vacant based on highest and best use for the acquired assets. The Company assesses and considers fair value of the operating properties based on estimated cash flow projections that utilize discount and/or capitalization rates that it deems appropriate, as well as available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known and anticipated trends, and market and economic conditions.

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

Other intangible assets also include in-place leases based on the Company’s evaluation of the specific characteristics of each tenant’s lease and the Company’s overall relationship with the respective tenant. The Company estimates the cost to execute leases with terms similar to the remaining lease terms of the in-place leases, including leasing commissions, legal and other related expenses. This intangible asset is amortized to expense over the remaining term of the respective leases and any fixed-rate bargain renewal periods. Company estimates of value are made using methods similar to those used by independent appraisers or by using independent appraisals. Factors considered by the Company in this analysis include an estimate of the carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, the Company includes real estate taxes, insurance and other operating expenses and estimates of lost rents at market rates during the expected lease-up periods, which primarily range from four to twelve months. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired. The Company also uses the information obtained as a result of its pre-acquisition due diligence as part of its consideration of the accounting standard governing asset retirement obligations and when necessary, will record a conditional asset retirement obligation as part of its purchase price. The Company also evaluates tenant relationships on a tenant-specific basis. On most of the Company's acquisitions, this intangible has been deemed immaterial, in which case no related intangible asset value is assigned.

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

The Company records development acquisitions that do not meet the accounting criteria to be accounted for as business combinations at the purchase price paid. Costs directly associated with development acquisitions accounted for as asset acquisitions are capitalized as part of the cost of the acquisition.

Depreciation and Amortization

The costs of buildings and improvements are depreciated using the straight-line method based on the following useful lives: buildings and improvements (5 to 55 years) and tenant improvements (the shorter of (i) the life of the asset, 1 to 16 years, or (ii) the lease term).

Construction-in-Progress

Project costs directly associated with the development and construction of a real estate project are capitalized as construction-in-progress. Construction-in-progress also includes costs related to ongoing tenant improvement projects. In addition, interest, real estate taxes and other expenses that are directly associated with the Company's development activities are capitalized until the property is placed in service. Interest expense is capitalized using the Company's weighted average interest rate. Internal direct costs are capitalized to projects in which qualifying expenditures are being incurred. Internal direct construction costs totaling $7.0 million in 2018, $6.1 million in 2017, $6.7 million in 2016 and interest totaling $3.6 million in 2018, $3.1 million in 2017, and $10.9 million in 2016 were capitalized related to the development of certain properties and land holdings.

During the years ended December 31, 2018, 2017 and 2016, the Company's internal direct construction costs are comprised entirely of capitalized salaries. The following table shows the amount of compensation costs (including bonuses and benefits) capitalized for the years presented (in thousands):

	December 31,		
	2018	2017	2016
Development	$ 3,185	$ 4,390	$ 3,182
Redevelopment	968	319	144
Tenant Improvements	2,811	1,354	3,391
Total	$ 6,964	$ 6,063	$ 6,717

Impairment or Disposal of Long-Lived Assets

The Company reviews its long-lived assets for impairment following the end of each quarter using cash flow projections and estimated fair values for each of its properties where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company updates leasing and other assumptions regularly, paying particular attention to properties where there is an event or change in circumstances that indicates an impairment in value. Additionally, the Company considers strategic decisions regarding the future development plans for property under development and other market factors. For long-lived assets to be held and used, the Company analyzes recoverability based on the estimated undiscounted future cash flows expected to be generated from the operations and eventual disposition of the assets over, in most cases, a 10-year hold period. If there is significant possibility that the Company will dispose of assets earlier, it analyzes the recoverability using a probability weighted analysis of the undiscounted future cash flows expected to be generated from the operations and eventual disposition of each asset using various probable hold periods. If the recovery analysis indicates that the carrying value of the tested property is not recoverable, the property is written down to its fair value and an impairment loss is recognized. In such case, an impairment loss is recognized in the amount of the excess of the carrying amount of the asset over its fair value. If and when the Company's plans change, it revises its recoverability analysis to use cash flows expected from operations and eventual disposition of each asset using hold periods that are consistent with its revised plans.

Estimated cash flows used in such analysis are based on the Company's plans for the property and its views of market economic conditions. The estimates consider factors such as current and future rental rates, occupancies for the tested property and comparable properties, estimated operating and capital expenditures and recent sales data for comparable properties; most of these factors are derived from market data obtained from real estate leasing and brokerage firms and the Company’s direct experience with the properties and their markets.

Assets Held for Sale

The Company generally considers assets to be “held for sale” when the transaction has been approved by its Board of Trustees, or by officers vested with authority to approve the transaction, and there are no known significant contingencies relating to the sale of the property within one year of the consideration date and the consummation of the transaction is otherwise considered probable. When a property is designated as held for sale, the Company stops depreciating the property and estimates the property’s fair value, net of selling costs. If the determination is made that the estimated fair value, net of selling costs, is less than the net carrying value of the property, an impairment loss is recognized, reducing the net carrying value of the property to estimated fair value less selling costs. For periods in which a property is classified as held for sale, the Company classifies the assets and liabilities, as applicable, of the property as “held for sale” on the consolidated balance sheet for such periods.

The relevant accounting guidance for impairments requires that qualifying assets and liabilities and the results of operations that have been sold, or otherwise qualify as “held for sale,” be presented as discontinued operations in all periods presented if the disposal represents a strategic shift that has, or will have, a major effect on the Company’s operations and financial results. The components of the property’s net income that is reflected as discontinued operations include the net gain (or loss) upon the disposition of the property held for sale, operating results, depreciation and interest expense (if the property is subject to a secured loan).

Impairment of Land Held for Development

When demand for build-to-suit office space declines and the ability to sell land held for development deteriorates, or other market factors indicate possible impairment in the recoverability of land held for development, it is reviewed for impairment by comparing its fair value to its carrying value. If the estimated sales value is less than the carrying value, the carrying value is written down to its estimated fair value.

Cash and Cash Equivalents

Cash and cash equivalents are highly-liquid investments with original maturities of three months or less. The Company maintains cash equivalents in money market accounts with financial institutions in excess of insured limits, but believes this risk is mitigated by only investing in or through major financial institutions. The Company does not invest its available cash balances in money market funds, as such available cash balances are appropriately reflected as cash and cash equivalents on the consolidated balance sheets.

Restricted Cash

Restricted cash consists of cash held as collateral to provide credit enhancement for the Company’s mortgage debt, cash for property taxes, capital expenditures and tenant improvements. Escrows also include cash held by qualified intermediaries for possible investments in like-kind exchanges in accordance with Section 1031 of the Internal Revenue Code in connection with sales of the Company’s properties. Restricted cash is included in the “Other assets” caption in the consolidated balance sheets.

Accounts Receivable and Accrued Rent Receivable

Generally, leases with tenants are accounted for as operating leases. Minimum lease payments under tenant leases are recognized on a straight-line basis over the term of the related lease. The cumulative difference between lease revenue recognized under the straight-line method and contractual lease payment terms are recorded as “Accrued rent receivable, net” on the consolidated balance sheets. Included in current tenant receivables are tenant reimbursements which are comprised of amounts recoverable from tenants for common area maintenance expenses and certain other recoverable expenses that are recognized as revenue in the period in which the related expenses are incurred. As of December 31, 2018 and 2017, no tenant represented more than 10% of accounts receivable and accrued rent receivable.

Tenant receivables and accrued rent receivables are carried net of the allowances for doubtful accounts of $1.7 million and $11.3 million in 2018, respectively, and $3.5 million and $13.6 million in 2017, respectively. The tenant receivables allowance is an estimate based on two calculations that are combined to determine the total amount reserved. First, the Company evaluates specific accounts where it has determined that a tenant may have an inability to meet its financial obligations. In these situations, the Company uses its judgment, based on the facts and circumstances, and records a specific reserve for that tenant against amounts due to reduce the receivable to the amount that the Company expects to collect. These reserves are reevaluated and adjusted as additional information becomes available. Second, a reserve is established for all tenants based on a range of percentages applied to receivable aging categories for tenant receivables. For accrued rent receivables, the Company considers the results of the evaluation of specific accounts and also considers other factors including assigning risk factors to different industries based on its tenants Standard Industrial

Classification (SIC). The accrued rent receivable allowance percentages are also based on historical collection and write-off experience adjusted for current market conditions, which requires management's judgments.

Investments in Unconsolidated Real Estate Ventures

Under the equity method, investments in unconsolidated Real Estate Ventures are recorded initially at cost and subsequently adjusted for equity in earnings, contributions, distributions and impairments. For Real Estate Ventures that are constructing assets to commence planned principal operations, the Company capitalizes interest expense to the extent that it is recoverable using the Company's weighted average interest rate of consolidated debt and its investment balance as a basis. Planned principal operations commence when a property is available to lease and at that point in time, the Company ceases capitalizing interest to its investment basis. During the twelve months ended December 31, 2018, the Company did not capitalize any interest expense. During the twelve months ended December 31, 2017 and 2016, the Company capitalized interest expense of $0.4 million and $1.9 million.

On a periodic basis, management also assesses whether there are any indicators that the value of the Company's investments in unconsolidated Real Estate Ventures may be other than temporarily impaired. An investment is impaired only if the value of the investment, as estimated by management, is less than the carrying value of the investment and the decline is other than temporary. To the extent that an impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the fair value of the investment, as estimated by management. Management is required to make significant judgements about the fair value of its ownership interests to determine if an impairment exists. Fair value is determined through various valuation techniques, including but not limited to, discounted cash flow models, quoted market values and third party appraisals.

When the Company acquires an interest in or contributes assets to a real estate venture project, the difference between the Company's cost basis in the investment and the value of the real estate venture or asset contributed is amortized over the life of the related assets, intangibles and liabilities and such adjustment is included in the Company's share of equity in income of unconsolidated Real Estate Ventures. For purposes of cash flow presentation, distributions from unconsolidated Real Estate Ventures are presented as part of operating activities when they are considered as a return on investments. The Company elected, in connection with its adoption of ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments" (ASU 2016-15) during the fourth quarter of 2016, to continue to account for distributions in excess of the Company's share in the cumulative unconsolidated Real Estate Ventures' earnings as return of investments and present as investing activities on the Company's cash flow statements. The Company's historical accounting treatment was consistent with this election.

Deferred Costs

Costs incurred in connection with property leasing are capitalized as deferred leasing costs. Deferred leasing costs consist primarily of leasing commissions and internal leasing costs that are amortized using the straight-line method over the life of the respective lease which generally ranges from 1 to 16 years. Management re-evaluates the remaining useful lives of leasing costs as economic and market conditions change.

Notes Receivable

The Company accounts for notes receivable on its balance sheet at amortized cost, net of allowance for loan losses. Interest income is recognized over the term of the notes receivable and is calculated based on the terms of the contractual terms of each note agreement.

Notes receivable are placed on nonaccrual status when management determines, after considering economic and business conditions and collection efforts, that the loans are impaired or collection of interest is doubtful. Uncollectible interest previously accrued is recognized as bad debt expense. Interest income on nonaccrual loans is recognized only to the extent that cash payments are received.

On June 26, 2018, the Company provided a $44.4 million mortgage loan with a 4.0% stated interest rate and maturing on June 25, 2023, to Brandywine 1919 Ventures, an unconsolidated real estate venture in which the Company holds a 50% ownership interest, and recorded a note receivable of $44.4 million. Additionally, a note receivable was given to an unaffiliated third party during the third quarter of 2016 to facilitate its acquisition and development of an industrial facility located in Pennsauken, New Jersey. The Company evaluated its investments in the notes receivable under ASC 310, "Receivables" and determined that the loans were provided at market terms and the Company does not participate in the residual profits of the unaffiliated third parties. Accordingly, the investments, totaling $47.8 million as of December 31, 2018 and $3.5 million as of December 31, 2017, have been classified on the Company's consolidated balance sheets as notes receivable within the "Other assets" caption on the accompanying consolidated balance sheets.

Deferred Financing Costs

Costs incurred in connection with debt financing are capitalized as a direct deduction from the carrying value of the debt, except for costs capitalized related to the Company's revolving credit facility, which are capitalized within the "Deferred costs, net" caption on the accompanying consolidated balance sheets. Deferred financing costs are charged to interest expense over the terms of the related debt agreements. Deferred financing costs consist primarily of loan fees which are amortized over the related loan term on a basis that approximates the effective interest method. Deferred financing costs are accelerated, when debt is extinguished, as part of the "Interest expense-amortization of deferred financing costs" caption within the Company's consolidated statements of operations. Original issue discounts are recognized as part of the gain or loss on extinguishment of debt, as appropriate.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). Under Topic 606, revenue is recognized when a customer obtains control of promised goods or services and is recognized at an amount that reflects the consideration expected to be received in exchange for such goods or services. In addition, Topic 606 requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company adopted Topic 606 in the first quarter of 2018 using the modified retrospective method. This adoption, which required the Company to evaluate incomplete contracts as of January 1, 2018, related to the Company's point of sale revenue, management, leasing and development fee arrangements and other sundry income. The Company's analysis of incomplete contracts resulted in no cumulative effect adjustment to the consolidated balance sheets and statements of operations presented in its consolidated financial statements. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606. The new guidance provides a unified model to determine how revenue is recognized. To determine the proper amount of revenue to be recognized, the Company performs the following steps: (i) identify the contract with the customer, (ii) identify the performance obligations within the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations and (v) recognize revenue when (or as) a performance obligation is satisfied.

The following is a summary of revenue earned by the Company's reportable segments (see Note 17, "*Segment Information,*" for further information) during the twelve-month period ended December 31, 2018 (in thousands):

	Twelve-month period ended December 31, 2018						
	Philadelphia CBD	Pennsylvania Suburbs	Metropolitan Washington, D.C.	Austin, Texas	Other	Corporate (a)	Total
Base rent	$ 164,369	$ 118,628	$ 80,858	$ 21,757	$ 8,400	$ (1,964)	$ 392,048
Straight-line rent	11,867	2,851	(1,577)	116	201	(449)	13,009
Point of sale	23,528	258	1,062	521	230	-	25,599
Total rents	199,764	121,737	80,343	22,394	8,831	(2,413)	430,656
Tenant reimbursements	51,572	14,440	3,519	10,736	2,832	(474)	82,625
Termination fees	192	1,435	136	-	-	-	1,763
Third party management fees, labor reimbursement and leasing	855	25	5,793	5,455	4,951	5,478	22,557
Other income	4,334	642	517	80	143	1,028	6,744
Total revenue	$ 256,717	$ 138,279	$ 90,308	$ 38,665	$ 16,757	$ 3,619	$ 544,345

(a) Corporate includes intercompany eliminations necessary to reconcile to consolidated Company totals.

Rental Revenue

The Company owns, operates and manages commercial real estate. The Company's primary source of revenue is leases which fall under the scope of Leases (Topic 840). Rental revenue is recognized on a straight-line basis over the term of the leases from the later of the date of the commencement of the lease or the date of acquisition of the property subject to existing leases. The straight-line rent adjustment increased revenue by approximately $10.4 million in 2018, $24.9 million in 2017 and $26.3 million in 2016. Deferred rents on the balance sheet represent rental revenue received prior to their due dates and amounts paid by the tenant for certain improvements considered to be landlord assets that will remain as the Company's property at the end of the tenant's lease term. The amortization of the amounts paid by the tenant for such improvements is calculated on a straight-line basis over the term of the tenant's lease and is a component of straight-line rental income and increased revenue by $1.8 million in 2018, $2.2 million in 2017 and $2.1 million in 2016. Lease incentives, which are included as reductions of rental revenue in the accompanying consolidated statements of operations, are recognized on a straight-line basis over the term of the lease. Lease incentives decreased revenue by $1.5 million in 2018, $1.8 million in 2017 and $2.0 million in 2016.

In addition, the Company's rental revenue is impacted by the Company's determination of whether improvements to the properties, whether made by the Company or by the tenant, are landlord assets. The determination of whether an improvement is a landlord asset requires judgment. In making this judgment, the Company's primary consideration is whether the improvement would be utilizable by another tenant upon move out of the improved space by the then-existing tenant. If the Company has funded an improvement that it determines not to be landlord assets, then it treats the cost of the improvement as a lease incentive. If the tenant has funded the improvement that the Company determines to be landlord assets, then the Company treats the costs of the improvement as deferred revenue and amortizes this cost into revenue over the lease term. For certain leases, the Company makes significant assumptions and judgments in determining the lease term, including assumptions when the lease provides the tenant with an early termination option. The lease term impacts the period over which the Company determines and records minimum rents and also impacts the period over which the Company amortizes lease-related costs.

No tenant represented greater than 10% of the Company’s rental revenue in 2018, 2017 or 2016.

Point of Sale Revenue

Point of sale revenue consists of parking, restaurant and flexible stay revenue from the Company’s hotel operations. Point of sale service obligations are performed daily, and the customer obtains control of those services simultaneously as they are performed. Accordingly, revenue is recorded on an accrual basis as it is earned, coinciding with the services that are provided to the Company’s customers.

Tenant Reimbursements

The Company’s leases also typically provide for tenant reimbursement of a portion of common area maintenance expenses and other operating expenses to the extent that a tenant’s pro rata share of expenses exceeds a base year level set in the lease or to the extent that the tenant has a lease on a triple net basis.

The Company also contracts with third-party vendors and suppliers for goods and services to fulfill certain of the Company’s obligations to tenants. The Company is reimbursed by tenants for these goods and services in the period that the expenses are incurred based on the terms of the lease agreements with each tenant.

Recoveries from tenants, consisting of amounts due from tenants for common area maintenance expenses, real estate taxes and other recoverable costs are recognized as revenue in the period during which the expenses are incurred.

Tenant reimbursements are recognized and presented in accordance with accounting guidance which requires that these reimbursements be recorded on a gross basis because the Company is generally the primary obligor with respect to the goods and services the purchase of which gives rise to the reimbursement obligation; because the Company has discretion in selecting the vendors and suppliers; and because the Company bears the credit risk in the event they do not reimburse the Company. The Company also receives payments from third parties for reimbursement of a portion of the payroll and payroll-related costs for certain of the Company’s personnel allocated to perform services for third parties and reflects these payments on a gross basis.

Termination Fees

The Company recognizes fees received for lease terminations as revenue and writes off against such revenue any deferred rents receivable. The resulting net amount is the net revenue from the early termination of the leases. When a tenant's lease for space in a property is terminated early but the tenant continues to lease such space under a new or modified lease in the property, the net revenue from the early termination of the lease is recognized evenly over the remaining life of the new or modified lease in place on that property, unless the Company cannot determine that collectability of the lease termination revenue is reasonably assured.

Third party management fees, labor reimbursement and leasing

The Company performs property management services for third-party property owners of real estate that consist of: (i) providing leasing services, (ii) property inspections, (iii) repairs and maintenance monitoring, and (iv) financial and accounting oversight. For these services, the Company earns management fees monthly, which are based on a fixed percentage of each managed property’s financial results, and is reimbursed for the labor costs incurred by its property management employees as services are rendered to the property owners. The Company determined that control over the services is passed to its customers simultaneously as performance occurs. Accordingly, management fee revenue is earned as the services are provided to the Company’s customers.

Lease commissions are earned when the Company, as a broker for the third party property owner, executes a lease agreement with a tenant. Based on the terms of the Company’s lease commission contracts, it determined that control is transferred to the customer upon execution of each lease agreement. The Company’s lease commissions are earned based on a fixed percentage of rental income generated for each executed lease agreement and there is no variable income component.

Development fee revenue is earned through two different sources: (i) the Company performs development services for third parties as an agent and earns fixed development fees based on a percentage of construction costs incurred over the construction period, and (ii) the Company acts as a general contractor on behalf of one of its managed real estate ventures. The Company acts as the principal construction company for the real estate ventures and records gross revenue as it provides construction services based on the quantifiable construction outputs.

In applying the cost based output method of revenue recognition, the Company uses the actual costs incurred relative to the total estimated costs to determine its progress towards contract completion and to calculate the corresponding gross revenue and gross profit to recognize. For any costs that do not contribute to satisfying the Company’s performance obligations, it excludes such costs from its output methods of revenue recognition as the amounts are not reflective of transferring control of the outputs to the customer. The use of estimates in this calculation involves significant judgment.

The Company receives leasing commission income, property management fees and third party development fees. Leasing commission income is earned based on a percentage of gross rental income upon a tenant signing a lease with a third party lessor. Property management fees are recorded and earned based on a percentage of collected rents at the properties under management, and not on a straight-line basis because such fees are contingent upon the collection of rents. The Company records development fees on a percentage of completion basis.

As of December 31, 2018, the Company has $1.5 million of accounts receivable associated with the Company's third party management contracts.

Other Income

Other income primarily consists of sundry revenue earned for services provided to tenants. Sundry revenues are recognized simultaneously with the services provided to the Company's tenants.

Nonfinancial Assets

In February 2017, the FASB issued ASU No. 2017-05 ("ASU 2017-05") to provide guidance for recognizing gains and losses from the transfer of nonfinancial assets and in-substance nonfinancial assets in contracts with non-customers, unless other specific guidance applies. The standard requires a company to derecognize nonfinancial assets once it transfers control of a distinct nonfinancial asset or distinct in substance nonfinancial asset. Additionally, when a company transfers its controlling interest in a nonfinancial asset, but retains a noncontrolling ownership interest, the company is required to measure any noncontrolling interest it receives or retains at fair value. The guidance requires companies to recognize a full gain or loss on the transaction. The Company adopted ASU 2017-05 in the first quarter of 2018 using the modified retrospective method. This adoption requires the Company to analyze incomplete contracts related to property dispositions previously accounted for under ASC 360-20 and to determine whether such arrangements had any forms of continuing involvement that may have affected the revenue or profit recognition of the transactions, including arrangements with prohibited forms of continuing involvement. The Company evaluated the following incomplete contracts to determine if the revenue recognition pattern was affected by ASU 2017-05:

Garza Land Sales

On July 1, 2016, the Company acquired 34.6 acres of land located in Austin, Texas known as the Garza Ranch, for a purchase price of $20.6 million. As of December 31, 2018, the Company sold three parcels containing 8.4 acres, 1.7 acres and 6.6 acres to three unaffiliated third parties. Two of the land parcels were sold to third party developers on January 30, 2017 and April 28, 2017 and the third land parcel was sold to a third party on March 16, 2018. In connection with the agreements of sale, the Company entered into a development agreement and related completion guarantee to construct certain infrastructure improvements to the land. These improvement costs were included in the sale price of each land parcel. Due to the completion guarantee, the Company did not transfer control to the buyers of the land parcels and recognition of the sale was deferred until the improvements were substantially complete. The cash received at settlement was recorded in the "Deferred income, gains and rent" caption on the Company's consolidated balance sheets.

During the three-month period ended June 30, 2018, the infrastructure improvements were substantially completed. As a result, the Company transferred control of the land parcels to the buyers and recognized the land sales. Accordingly, during the three-month period ended June 30, 2018, the Company applied the cash proceeds received from the settlements of each parcel and recognized an aggregate $2.8 million gain. During the quarter ended December 31, 2018, the Company recognized an additional $0.2 million gain.

The following table details the gain on sale for each land parcel, as of December 31, 2018 (dollars, in thousands):

Disposition Date	Property/Portfolio Name	Location	Number of Parcels	Acres	Sales Price	Net Proceeds on Sale	Gain on Sale
March 16, 2018	Garza Ranch - Office	Austin, TX	1	6.6	$ 14,571	$ 14,509	$ 1,515
April 28, 2017	Garza Ranch - Multifamily	Austin, TX	1	8.4	11,800	11,560	1,311
January 30, 2017	Garza Ranch - Hotel	Austin, TX	1	1.7	3,500	3,277	192
Total Dispositions			3	16.7	$ 29,871	$ 29,346	$ 3,018

Based on the facts and circumstances, revenue recognition under ASU 2017-05 coincides with the Company's conclusion under ASC 360-20, and as a result, no cumulative effect adjustment to the consolidated financial statements was necessary as a result of implementing the guidance for the sale of nonfinancial assets.

Marine Piers Sublease Interest Sale

On March 15, 2017, the Company sold its sublease interest in the Piers at Penn's Landing (the "Marine Piers"), which includes leasehold improvements containing 181,900 net rentable square feet, and a marina, located in Philadelphia, Pennsylvania, for an aggregate sales price of $21.4 million. On the closing date, the buyer paid $12.0 million in cash and the Company received cash proceeds of $11.2 million, after closing costs and prorations. The $9.4 million balance of the purchase price is due on (a) January 31, 2020, in the event that the tenant at the Marine Piers does not exercise an option it holds to extend the term of the sublease or (b) January 15, 2024, in the event that the tenant does exercise the option to extend the term of the sublease. In accordance with ASU 2017-05, the Company determined that it is appropriate to recognize the sale of the sublease interest in the Marine Piers and to defer the amount of the pending payment due from the buyer because the Company cannot determine the collectability of the remaining $9.4 million balance due under the purchase and sale agreement. The net book value of the Marine Piers was $4.7 million, resulting in a gain on sale of $6.5 million. The remaining gain on sale of $9.4 million arising from the pending payment will be recognized at the earlier of: (i) the time that the Company determines collection of the deferred payment is probable or (ii) on the second purchase price installment date. Based on the facts and circumstances, revenue recognition under ASU 2017-05 coincides with the Company's previous conclusion under ASC 360-20, and therefore no restatement of the consolidated financial statements is necessary as a result of implementing the guidance for the sale of nonfinancial assets.

Subaru National Training Center

On December 3, 2015, the Company entered into an agreement to construct an 83,000 square foot build-to-suit service center (the "Subaru NSTC Development") on land parcels owned by the Company for Subaru as the single tenant. Concurrently, Subaru entered into an 18-year lease for the service center. The lease was classified as a direct finance lease within the "Other assets" caption on the consolidated balance sheets. The lease contained a purchase option, which allowed Subaru to purchase the property at the commencement of the lease, or five years subsequent to inception, at depreciated cost. During the third quarter of 2018, the lease commenced and Subaru exercised its purchase option for the Subaru NSTC Development. In connection with the lease, the Company recognized $1.6 million in interest income during the twelve months ended December 31, 2018, in accordance with accounting guidance for direct finance leases. On December 21, 2018, the Company sold its interest in the Subaru NSTC Development to Subaru for a gross sales price of $45.3 million. The Company received $44.9 million in cash proceeds, after closing costs and prorations.

Income Taxes

Parent Company

The Parent Company has elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). In order to continue to qualify as a REIT, the Parent Company is required to, among other things, distribute at least 90% of its annual REIT taxable income to its shareholders and meet certain tests regarding the nature of its income and assets. As a REIT, the Parent Company is not subject to federal and state (in states that follow federal rules) income taxes with respect to the portion of its income that meets certain criteria and is distributed annually to its shareholders. Accordingly, a nominal provision for federal and state (as applicable) income taxes is included in the accompanying consolidated financial statements with respect to the operations of the Parent Company. The Parent Company intends to continue to operate in a manner that allows it to meet the requirements for taxation as a REIT. If the Parent Company fails to qualify as a REIT in any taxable year, it will be subject to federal and state (as applicable) income taxes and may not be able to qualify as a REIT for the four subsequent tax years. The Parent Company is subject to certain local income taxes. Provision for federal income taxes is recorded in the income tax provision line item and state and local income taxes have been included in operating expenses in the Parent Company's consolidated statements of operations.

The tax basis of the Parent Company's assets was $3.3 billion and $3.1 billion for the years ended December 31, 2018 and December 31, 2017, respectively.

The Parent Company is subject to a 4% federal excise tax if sufficient taxable income is not distributed within prescribed time limits. The excise tax equals 4% of the annual amount, if any, by which the sum of (a) 85% of the Parent Company's ordinary income and (b) 95% of the Parent Company's net capital gain exceeds cash distributions and certain taxes paid by the Parent Company. No excise tax was incurred in 2018, 2017 or 2016.

The Parent Company has elected to treat several of its subsidiaries as taxable REIT subsidiaries (each a "TRS"). A TRS is subject to federal, state and local income tax. In general, a TRS may perform non-customary services for tenants, hold assets that the Parent Company, as a REIT, cannot hold directly and generally may engage in any real estate or non-real estate related business. The Company's taxable REIT subsidiaries did not have significant tax provisions or deferred income tax items as of December 31, 2018 and December 31, 2017.

During January 2017, the Company placed into service the hotel operations at FMC Tower. In order for the income from hotel property investments to constitute "*rents from real property*" for purposes of the gross income tests required by the Internal Revenue Service ("IRS") for REIT qualification, the income the Company earns cannot be derived from the operation of hotels. Therefore, the Operating Partnership leases our hotel property to its wholly owned taxable REIT subsidiary, BDN Management Inc. (the "BDNM TRS"). The BDNM TRS in turn engages a third-party eligible independent contractor to manage the hotel. The BDNM TRS is consolidated into the Company's financial statements.

Legislation commonly known as the Tax Cuts and Jobs Act (the "TCJA") was signed into law on December 22, 2017. The TCJA makes significant changes to the U.S. federal income tax rules for taxation of individuals and corporations (including REITs), generally effective for taxable years beginning after December 31, 2017.

Operating Partnership

In general, the Operating Partnership is not subject to federal and state income taxes, and accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The partners of the Operating Partnership are required to include their respective share of the Operating Partnership's profits or losses in their respective tax returns. The Operating Partnership's tax returns and the amount of allocable partnership profits and losses are subject to examination by federal and state taxing authorities. If such examination results in changes to the Operating Partnership profits or losses, then the tax liability of the partners would be changed accordingly.

The tax basis of the Operating Partnership's assets was $3.3 billion and $3.1 billion for the years ended December 31, 2018 and December 31, 2017, respectively.

The Operating Partnership may elect to treat a subsidiary REIT under Sections 856 through 860 of the Code, if applicable. Each subsidiary REIT would be required to meet the requirements for treatment as a REIT under Sections 856 through 860 of the Code. If a subsidiary REIT fails to qualify as a REIT in any taxable year, that subsidiary REIT would be subject to federal and state income taxes and would not be able to qualify as a REIT for the four subsequent taxable years. Also, each subsidiary REIT would be subject to certain local income taxes.

The Operating Partnership has elected to treat several of its subsidiaries as TRSs, which are subject to federal, state and local income tax.

Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income available to common shareholders, as adjusted for unallocated earnings, if any, of certain securities, by the weighted average number of common shares outstanding during the year. Diluted EPS reflects the potential dilution that could occur from common shares issuable in connection with awards under share-based compensation plans, including upon the exercise of stock options, and conversion of the noncontrolling interests in the Operating Partnership. Anti-dilutive shares are excluded from the calculation.

Earnings Per Unit

Basic earnings per unit is computed by dividing net income available to common unitholders, as adjusted for unallocated earnings, if any, of certain securities issued by the Operating Partnership, by the weighted average number of common unit equivalents outstanding during the year. Diluted earnings per unit reflects the potential dilution that could occur from units issuable in connection with awards under share-based compensation plans, including upon the exercise of stock options. Anti-dilutive units are excluded from the calculation.

Share-Based Compensation Plans

The Parent Company maintains a shareholder-approved equity-incentive plan known as the Amended and Restated 1997 Long-Term Incentive Plan (the "1997 Plan"). The 1997 Plan is administered by the Compensation Committee of the Parent Company's Board of Trustees. Under the 1997 Plan, the Compensation Committee is authorized to award equity and equity-based awards, including incentive stock options, non-qualified stock options, restricted shares and performance-based shares. On May 18, 2017, an additional 2,663,886 awards were authorized for issuance, bringing the total authorized awards to 6,500,000. As of December 31, 2018, 429,434 awards had been granted, 1,295,740 awards were cancelled as a result of stock options that expired during 2018, leaving 7,366,306 awards available for future issuance under the 1997 Plan, which included 964,359 awards for options and share appreciation rights.

The Company incurred share-based compensation expense of $7.6 million during 2018, of which $1.6 million was capitalized as part of the Company's review of employee salaries eligible for capitalization. The Company incurred share-based compensation expense of $6.3 million and $5.6 million during 2017 and 2016, of which $1.2 million and $1.0 million, respectively, were also capitalized. The expensed amounts are included in general and administrative expense on the Company's consolidated income statement in the respective periods.

Comprehensive Income

Comprehensive income is recorded in accordance with the provisions of the accounting standard for comprehensive income. The accounting standard establishes standards for reporting comprehensive income and its components in the financial statements. Comprehensive income includes the effective portions of changes in the fair value of derivatives.

Accounting for Derivative Instruments and Hedging Activities

The Company accounts for its derivative instruments and hedging activities in accordance with the accounting standard for derivative and hedging activities. The accounting standard requires the Company to measure every derivative instrument (including certain derivative instruments embedded in other contracts) at fair value and record them on the balance sheet as either an asset or liability. See disclosures below related to the accounting standard for fair value measurements and disclosures.

For derivatives designated as cash flow hedges, the effective portions of changes in the fair value of the derivative are reported in other comprehensive income while the ineffective portions are recognized in earnings.

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

Fair Value Measurements

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, 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.

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

Non-financial assets and liabilities recorded at fair value on a non-recurring basis include non-financial assets and liabilities measured at fair value in a purchase price allocation and the impairment. The fair values assigned to the Company's purchase price allocations primarily utilize Level 3 inputs. The fair value assigned to the long-lived assets and equity method investments for which there was impairment recorded utilize Level 3 inputs.

Recent Accounting Pronouncements

In November 2018, the FASB issued ASU No. 2018-19, which clarifies that operating lease receivables are not within the scope of ASC 326-20 and should instead be accounted for under the new leasing standard, ASC 842. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2019. The Company has evaluated the impact of this new guidance and determined that it will have an immaterial impact on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07 that aligns the accounting for share-based payment awards issued to employees and nonemployees. Under previously issued GAAP guidance, the accounting for nonemployee share-based payments differed from that applied to employee awards, particularly with regard to the measurement date and the impact of performance conditions. Under the revised guidance, the existing employee guidance will apply to nonemployee share-based transactions (as long as the transaction is not effectively a form of financing), with the exception of specific guidance related to the attribution of compensation cost. The cost of nonemployee awards will continue to be recorded as if the grantor had paid cash for the goods or services. In addition, the contractual term will be able to be used in lieu of an expected term in the option-pricing model for nonemployee awards. Changes to the accounting for nonemployee awards include:

- Equity-classified share-based payment awards issued to nonemployees will now be measured on the grant date, instead of the previous requirement to remeasure the awards through the performance completion date.
- Compensation cost associated with the award will be recognized when achievement of the performance condition is probable, rather than upon achievement of the performance condition.

- The current requirement to reassess the classification (equity or liability) for nonemployee awards upon vesting will be eliminated, except for awards in the form of convertible instruments.
- The revised guidance also clarifies that any share-based payment awards issued to customers should be evaluated under ASC 606, Revenue from Contracts with Customers.

The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. Adoption of this ASU has no impact on the Company's consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12 to simplify the application of hedge accounting guidance and improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. In addition, ASU 2017-12 requires an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. The transition guidance provides companies with the option of early adopting the new standard using a modified retrospective transition method in any interim period after issuance of the update or requires adoption for fiscal years beginning after December 15, 2018. This adoption method requires companies to recognize the cumulative effect of initially applying the guidance as an adjustment to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the update. Adoption of this standard has no impact on the Company's 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 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 determined that the adoption of the guidance will have an impact on the Company's estimation of its allowance for doubtful accounts. The Company has not quantified the impact that this guidance will have on its consolidated financial statements.

Leasing Standard

In February 2016, the FASB issued guidance ("ASU-2016-02") 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 lease ASU requires the use of the modified retrospective transition method and does not allow for a full retrospective approach. However, it provides two options for application of the modified retrospective transition method:

- Under the first option, the ASU requires the application of the standard to all leases that exist at or commence after, January 1, 2017 (the beginning of the earliest comparative period presented in the 2019 financial statements), with a cumulative adjustment to the opening balance of retained earnings on January 1, 2017, for the effect of applying the standard at the date of initial applications, and restatement of the amounts presented prior to January 1, 2019.
- Under the second option, an entity may elect a package of practical expedients, which allows for the following:
  - o An entity need not reassess whether any expired or existing contracts are or contain leases;
  - o An entity need not reassess the lease classification for any expired or existing leases; and
  - o An entity need not reassess initial direct costs for any existing leases.

This package of practical expedients is available as a single election that must be consistently applied to all existing leases at the date of adoption. Lessors that adopt this package are not expected to reassess expired or existing leases at the date of initial application, which is January 1, 2017, under the ASU. This option enables entities to account for their existing leases for the remainder of the respective lease terms following previous accounting guidance, which eliminates the need to calculate a cumulative adjustment to the opening balance of retained earnings. The Company elected to adopt this practical expedient to implement ASC 842.

In addition, there is a practical expedient that allows the Company to use hindsight when determining the lease term and assessing the fair value of right of use assets. After considering its impact, the Company has decided not to elect the hindsight expedient as part of the application of the modified retrospective transition method. The Company did not adopt the hindsight practical expedient.

Furthermore, in July 2018, the FASB adopted an amendment to the package of practical expedients that provides an optional transition method to make January 1, 2019 the initial application date of the ASU, rather than January 1, 2017. Entities that elect both the package of practical expedients and the optional transitional method will apply the new lease ASU prospectively, to leases commencing or modified after January 1, 2019, and will not be required to apply the disclosures under the new lease ASU to comparative periods. The Company elected to adopt this practical expedient and will only evaluate leases that commenced or are modified subsequent to January 1, 2019.

In January 2018, the FASB issued ASU No. 2018-01 to address the accounting treatment of land easements within the context of ASU No. 2016-02, Leases (Topic 842). ASU 2018-01 provides an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current leases guidance in Topic 840. An entity that elects this practical expedient should evaluate new or modified land easements under Topic 842 beginning at the date that the entity adopts Topic 842. An entity that does not elect this practical expedient should evaluate all existing or expired land easements in connection with the adoption of the new lease requirements in Topic 842 to assess whether they meet the definition of a lease. The Company adopted this ASU and will evaluate land easements entered into subsequent to January 1, 2019

In July 2018, the FASB issued ASU No. 2018-11, an amendment to the lease ASU that will allow lessors to elect, as a practical expedient, not to allocate the total consideration to lease and nonlease components based on their relative standalone selling prices. This practical expedient will allow lessors to elect a combined single lease component presentation if: (i) the timing and pattern of the revenue recognition of the combined single lease component is the same, and (ii) the related lease component and, the combined single lease component would be classified as an operating lease. Nonlease components that do not meet the criteria of this practical expedient will be accounted for under the new revenue recognition ASU. The Company adopted this practical expedient and has determined that lease and nonlease components pattern of recognition is the same. As result, lease and nonlease components will be disclosed as a single lease component.

In December 2018, the FASB issued ASU No. 2018-20, an amendment to the lease ASU that will allow lessors to elect to not evaluate whether certain sales taxes and other similar taxes are lessor costs or lessee costs. Instead, those lessors will account for those costs as if they are lessee costs. A lessor making this election will exclude, from the consideration in the contract and from variable payments not included in the consideration in the contract, all collections from lessees of taxes within the scope of the election and will provide certain disclosures. Lessors will allocate certain variable payments to the lease and nonlease components when the changes in facts and circumstances on which the variable payment is based occur. After the allocation, the amount of variable payments allocated to the lease components will be recognized as income in profit or loss in accordance with Topic 842, while the amount of variable payments allocated to nonlease components will be recognized in accordance with other Topics, such as Topic 606. The Company has elected to adopt this ASU.

The guidance is effective on January 1, 2019, with early adoption permitted. The ASU is expected to have the following impact on the Company’s consolidated financial statements:

- Under ASC 842 as a lessor, the Company evaluated its leases and determined that the lease and nonlease components have the same timing and pattern of recognition. As a result, all lease revenue and related tenant reimbursement revenue earned by the Company will be reported within the “Rents” caption of its consolidated statement of operations.
- Under ASC 842 as lessor, the Company is required to record bad debt expense as a reduction of revenue. The Company’s bad debt expense was previously recorded within the operating expense caption on its consolidated statement of operations.
- ASC 842 is expected to impact the Company’s consolidated financial statements as the Company has land lease arrangements for which it is the lessee. Based on the Company’s evaluation, it expects to record lease liabilities and right of use assets in the amount of $22.4 million. Additionally, operating expenses are expected increase because of ground rent expense for certain of its CPI indexed ground leases will be recognized on a straight-line basis under the new guidance.
- The Company evaluated a ground lease at one of its real estate ventures and determined that under ASC 842, its equity in income will decrease annually for its share of additional ground rent expense recorded under ASC 842.
- The Company will expense additional costs related to leasing efforts under ASC 842 compared to the previous GAAP because certain activities performed by personnel involved in the leasing process will no longer be considered incremental costs to execute a lease agreement. Based on the Company’s analysis, leasing expenses will increase for the year ended December 31, 2019, as internal costs and leasing pursuit costs will be expensed as incurred under ASC 842.
- The impact of ASC 842 to the Company’s Real Estate Ventures is similar to the items described above.

3. REAL ESTATE INVESTMENTS

As of December 31, 2018 and 2017, the gross carrying value of the operating properties was as follows (in thousands):

	December 31, 2018	December 31, 2017
Land	$ 508,363	$ 492,197
Building and improvements	3,029,427	2,896,113
Tenant improvements	415,529	444,038
Total	$ 3,953,319	$ 3,832,348

2018

Acquisitions

On December 19, 2018, the Company acquired an office property containing 120,559 rentable square feet located at 4516 Seton Center Parkway in Austin, Texas, known as Quarry Lake II, for a gross purchase price of $39.5 million. The purchase of Quarry Lake II is an asset acquisition under ASU 2017-01. The Company capitalized $0.1 million of acquisition-related costs and funded the acquisition with a borrowing of $39.0 million from the Company's unsecured credit facility.

On December 11, 2018, the Company acquired from DRA Advisors ("DRA"), its 50% ownership interest in the G&I Austin Office LLC real estate venture (the "DRA Austin Venture") for an aggregate purchase price of $535.1 million. The DRA Austin Venture owned twelve office properties ("the Austin Venture Portfolio") containing an aggregate 1,570,123 square feet located in Austin, Texas. As a result of the acquisition, the Company acquired complete ownership of the Austin Portfolio. The aggregate purchase price includes the carrying amount of the Company's investment in DRA Austin Venture of $14.6 million. At settlement, the Company assumed $115.5 million of mortgage debt and received a credit at settlement of $130.7 million for a note receivable provided to the DRA Austin Venture on November 1, 2018. This note receivable was used to repay one of DRA Austin Venture's mortgage loans prior to the December 11, 2018 acquisition date. The Company also obtained working capital of $24.9 million. Subsequent to receiving cash proceeds of $28.3 million for its promoted interest in the DRA Austin Venture and recognizing a remeasurement gain of $103.8 million, reflected in the caption "Net gain on real estate venture transactions" in the consolidated statements of operations, the Company funded the acquisition with an aggregate cash payment of $117.3 million. Additionally, the assumed mortgage debt of $115.5 million was repaid at settlement. Both cash payments were funded through borrowings under the Company's unsecured credit facility. The Company recognized a $28.3 million gain on its promoted interest in the DRA Austin Venture, reflected in the caption "Gain on promoted interest in unconsolidated real estate venture" in the consolidated statements of operations. The gain on promoted interest was based off of the returns earned over the duration of the DRA Austin Venture and the returns were determined based on operating results and real estate valuation of the venture.

The Company accounted for the acquisition of the Austin Venture Portfolio as an asset acquisition, and as a result, a nominal amount of transaction costs were capitalized to the basis of the acquired properties.

The Company previously accounted for its 50% non-controlling interest in the DRA Austin Venture under the equity method of accounting. As a result of the Company's acquistion of DRA's 50% ownership interest in the DRA Austin Venture, the Company obtained control of DRA Austin Venture and the Company's existing investment balance was remeasured based on the fair value of the underlying properties acquired and the existing distribution provisions under the relevant partnership agreement, including the Company's entitlement to a distribution on account of its promoted interest.

On June 29, 2018, the Company acquired, through a 99-year ground lease, the leasehold interest in a one-acre land parcel, located at 3025 JFK Boulevard, in Philadelphia, Pennsylvania. The Company prepaid $15.0 million of ground lease rent and, in accordance with ASC 840, capitalized $0.3 million of costs related to entering the lease. Additionally, the ground lease required the Company to pay $5.6 million for a leasehold valuation credit, which can be applied to increase the density of the projects subject to the Schuylkill Yards Project master development agreement. Of this credit, $2.4 million will be applied to the development of 3001-3003 and 3025 JFK Boulevard if the Company constructs a minimum of 1.2 million square feet of floor area ratio ("FAR") on these land parcels. The remaining credit of $3.2 million can be used for development in excess of 1.2 million FAR at 3001-3003 and 3025 JFK Boulevard or toward future ground lease takedowns at the Schuylkill Yards Development Site. This $3.2 million credit is reimbursed if the master development agreement is terminated by the landowner. Based on the Company's evaluation under ASC 840, the ground lease is classified as an operating lease. The ground lease and credit are included in the "Prepaid leasehold interests in land held for development, net" and "Other assets" captions, respectively, in the consolidated balance sheets.

On March 22, 2018, the Company acquired, through a 99-year ground lease, the leasehold interest in a one-acre land parcel, located at 3001-3003 JFK Boulevard, in Philadelphia, Pennsylvania. The Company prepaid $24.6 million of ground lease rent and, in accordance with ASC 840, capitalized $0.3 million of costs related to entering the lease. Based on the Company's evaluation under

ASC 840, the ground lease is classified as an operating lease and included in the “Prepaid leasehold interests in land held for development, net,” caption in the consolidated balance sheets.

On January 5, 2018, the Company acquired, from its then partner in each of the Four Tower Bridge real estate venture and the Seven Tower Bridge real estate venture, the partner’s 35% ownership interest in the Four Tower Bridge real estate venture in exchange for the Company's 20% ownership interest in the Seven Tower Bridge real estate venture. As a result of this non-monetary exchange, the Company acquired 100% of the Four Tower Bridge real estate venture, which owns an office property containing 86,021 square feet, in Conshohocken, Pennsylvania, encumbered with $9.7 million in debt. The Company previously accounted for its noncontrolling interest in Four Tower Bridge using the equity method. As a result of the exchange transaction, the Company obtained control of the Four Tower Bridge property.

The Company’s acquisition of the 35% ownership interest in Four Tower Bridge from its former partner resulted in the consolidation of the property, which has been accounted for as an asset acquisition under ASU 2017-01. As such, the Company capitalized $0.1 million of acquisition-related costs and allocated the unencumbered acquisition value, consisting of the fair value of $23.6 million and the acquisition-related costs, to tangible and intangible assets and liabilities. The unencumbered acquisition value was determined under the comparative sales approach, which utilized observable transactions within the Conshohocken submarket.

The Company utilized a number of sources in making estimates of fair value for purposes of allocating the acquisition values to tangible and intangible assets acquired. The acquisition values have been allocated as follows (in thousands):

	Quarry Lake II		Austin Venture Portfolio		Four Tower Bridge	
Acquisition Date	12/19/2018		12/11/2018		01/05/2018	
Building, land and improvements	$	35,120	$	457,390	$	20,734
Intangible assets acquired		5,809		76,925		3,144
Below market lease liabilities assumed		(1,524)		(13,769)		(182)
Deferred gain (a)		-		14,594		-
Total unencumbered acquisition value	$	39,405	$	535,140	$	23,696
Mortgage debt assumed - at fair value (b)		-		-		(9,940)
Total encumbered acquisition value	$	39,405	$	535,140	$	13,756
Total unencumbered acquisition value		39,405		535,140		23,696
Mortgage debt assumed - at fair value (b)		-		-		(9,940)
Mortgage debt repaid at settlement (c)		-		(115,461)		-
Investment in unconsolidated real estate ventures		-		(14,594)		(3,502)
Gain on promoted interest in unconsolidated real estate venture		-		(28,283)		-
Gain on real estate venture transactions		-		(103,847)		(11,633)
Purchase price reduction for note receivable (d)		-		(130,742)		-
Net working capital assumed		(368)		(24,865)		1,379
Total cash payment at settlement	$	39,037	$	117,348	$	-
Weighted average amortization period of intangible assets		-		5.5 years		4.1 years
Weighted average amortization period of below market liabilities assumed		3.0 years		4.6 years		4.8 years

(a) Represents a deferred gain resulting recognized at settlement, which resulted in a reduction in the acquisition value.
(b) The outstanding principal balance on mortgage debt for Four Tower Bridge, assumed on January 5, 2018, was $9.7 million.
(c) On December 11, 2018, the Company assumed $115.5 million of mortgage debt which was repaid in full at settlement.
(d) Represents a note receivable due from the DRA Austin Venture that represents a purchase price reduction.

Quarry Lake II contributed approximately $0.1 million of revenue and $0.1 million of net income, included in the Company’s consolidated statements of operations, for the twelve-month period ended December 31, 2018.

Austin Venture Portfolio contributed approximately $3.4 million of revenue and $1.3 million of net loss, included in the Company’s consolidated statements of operations, for the twelve-month period ended December 31, 2018.

Four Tower Bridge contributed approximately $2.8 million of revenue and $0.3 million of net income, included in the Company’s consolidated statements of operations, for the twelve-month period ended December 31, 2018.

The unaudited pro forma information below summarizes the Company's combined results of operations for the years ended December 31, 2018 and December 31, 2017, respectively, as though the acquisition of the Austin Venture Portfolio was completed on January 1, 2017. The supplemental pro forma operating data is not necessarily indicative of what the actual results of operations would have been assuming the transaction had been completed as set forth above, nor do they purport to represent the Company's results of operations for future periods (in thousands, except for per share amounts).

	December 31,	
	2018	2017
Pro forma revenue	$ 602,713	$ 582,244
Pro forma net income	134,142	115,475
Pro forma net income available to common shareholders	134,142	115,475

Dispositions

The Company sold the following properties during the twelve-month period ended December 31, 2018 (dollars in thousands):

Disposition Date	Property/Portfolio Name	Location	Type	Number of Properties	Rentable Square Feet	Sales Price	Net Proceeds on Sale	Gain/(Loss) on Sale
December 21, 2018	Subaru National Training Center (a)	Camden, NJ	Mixed-use	1	83,000	$ 45,300	$ 44,877	$ 2,570
December 20, 2018	Rockpoint Portfolio (b)	Herndon, VA	Office	8	1,293,197	312,000	262,442	397
June 21, 2018	20 East Clementon Road	Gibbsboro, NJ	Office	1	38,260	2,000	1,850	(35)
Total Dispositions				10	1,414,457	$ 359,300	$ 309,169	$ 2,932

(a) During the second quarter of 2018, Subaru exercised its purchase option under the lease agreement for the Subaru NSTC and the sale occurred during the fourth quarter of 2018. See Note 2, "*Summary of Significant Accounting Policies*," for further discussion of the lease agreement and related revenue recognition.

(b) On December 20, 2018, the Company contributed a portfolio of eight properties containing an aggregate of 1,293,197 square feet, located in its Metropolitan Washington, D.C. segment (the "Rockpoint Portfolio") to a newly-formed joint venture (the "Herndon Innovation Center Metro Portfolio Venture, LLC") for a gross sales price of $312.0 million. The Company and its partner own 15% and 85% interests in the Herndon Innovation Center Metro Portfolio Venture, LLC, respectively. The Herndon Innovation Center Metro Portfolio Venture, LLC funded the acquisition with $265.2 million of cash, which was distributed to the Company at closing. After funding its share of closing costs and working capital contributions of $2.2 million and $0.6 million, respectively, the Company received $262.4 million of cash proceeds at settlement. The Company recorded an impairment charge of $56.9 million for the Rockpoint Portfolio during the third quarter of 2018. The Company recorded a $0.4 million gain on sale, which represents an adjustment to estimated closing costs used to determine the impairment charge in the third quarter of 2018. For further information related to this transaction, see the "*Herndon Innovation Center Metro Portfolio Venture, LLC*" section in Note 4, "*Investment in Unconsolidated Real Estate Ventures*."

The Company sold the following land parcels during the twelve-month period ended December 31, 2018 (dollars in thousands):

Disposition Date	Property/Portfolio Name	Location	Number of Parcels	Acres	Sales Price	Net Proceeds on Sale	Gain on Sale	
March 16, 2018	Garza Ranch - Office	Austin, TX	1	6.6	$ 14,571	$ 14,509	$ 1,515	(a)
January 10, 2018	Westpark Land	Durham, NC	1	13.1	485	412	22	
Total Dispositions			2	19.7	$ 15,056	$ 14,921	$ 1,537	

(a) As of March 31, 2018, the Company had not transferred control to the buyer of this land parcel, or two other parcels at this site which were sold during 2017, because of a completion guarantee which required the Company, as developer, to complete certain infrastructure improvements on behalf of the buyers of the land parcels. The cash received at settlement was recorded as "Deferred income, gains and rent" on the Company's consolidated balance sheets. During the three months ended June 30, 2018, the infrastructure improvements were substantially completed, at which time the Company transferred control of the land parcels. As a result, the Company then recognized the sales of the three land parcels during 2018 and recorded an aggregate $2.8 million gain. During the quarter ended December 31, 2018, the Company recognized an additional $0.2 million gain. See Note 2, "*Summary of Significant Accounting Policies,*" for further discussion of the infrastructure improvements and related revenue recognition.

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

Held for Use Impairment

As of December 31, 2018, the Company evaluated the recoverability of the carrying values of certain properties that triggered an assessment under the undiscounted cash flow model. Based on its evaluation, the Company determined it would not recover the carrying value of one property in its Other segment, 1900 Gallows Road, located in Vienna, Virginia, due to a reduction in the intended hold period. Accordingly, the Company recorded an impairment charge of $14.8 million at December 31, 2018, reflected in the results for the twelve-month period ended December 31, 2018, which reduced the carrying value of the property from $52.8 million to its estimated fair value of $38.0 million. The Company measured this impairment based on a discounted cash flow analysis, using a hold period of ten years and a residual capitalization rate and discount rate of 7.5% and 9.5%, respectively. The result was comparable 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 December 31, 2018 (in thousands):

	Held for Sale Properties December 31, 2018		
	Pennsylvania Suburbs - Land (a)	Other - Land (a)	Total
ASSETS HELD FOR SALE			
Real estate investments:			
Land inventory	$ 4,254	$ 7,345	$ 11,599
Total real estate investments	4,254	7,345	11,599
Total assets held for sale, net	$ 4,254	$ 7,345	$ 11,599

(a) As of December 31, 2018, the Company determined that the sales of one land parcel in its Pennsylvania Suburbs segment and two parcels of land in its Other segment were probable and classified these properties as held for sale in accordance with applicable accounting standards for long-lived assets. At such date, the fair value less the anticipated costs of sale of the properties exceeded the carrying values. As a result, there is no impairment. The fair value measurement will be based on the pricing in the purchase and sale agreements.

The disposals of the properties referenced above do not represent a strategic shift that has a major effect on the operations and financial results of the Company. As a result, the operating results of the properties remain classified within continuing operations for all periods presented.

Held for Sale Impairment

As of September 30, 2018, the Company determined that the sale of eight office properties, known as the Rockpoint Portfolio, containing 1,293,197 rentable square feet, in the Metropolitan Washington, D.C. segment, was probable and classified these properties as held for sale in accordance with applicable accounting standards for long-lived assets. At such date, the $366.0 million carrying value of the properties exceeded the estimated $309.1 million fair value less the anticipated costs of sale. As a result, the Company recognized an impairment loss totaling approximately $56.9 million during the three-month period ended September 30, 2018. The Company measured this impairment based on a discounted cash flow analysis, using a hold period of ten years and residual capitalization rates and discount rates of 7.47% and 8.60%, respectively. The results were comparable to indicative pricing in the market. As significant inputs to the model are unobservable, the Company determined that the value determined for this property falls within Level 3 fair value reporting. The Rockpoint Portfolio was sold during the fourth quarter of 2018. See the "*Dispositions*" section above for further information relating to this sale.

2017

Acquisitions

On October 13, 2017, the Company acquired, through a 99-year prepaid ground lease, the leasehold interest in an office property containing 282,709 rentable square feet located at 3025 Market Street in Philadelphia, Pennsylvania, known as The Bulletin Building, for a gross purchase price of $35.0 million. The purchase of The Bulletin Building is an asset acquisition under ASU 2017-01. As such, the Company capitalized $2.8 million of acquisition-related costs. The Company utilized a number of sources in making estimates of fair value for purposes of allocating the purchase price to tangible and intangibles assets acquired. The purchase price has been allocated as follows (in thousands):

		October 13, 2017
Building and improvements	$	30,583
Construction-in-progress		672
Intangible assets acquired (a)		10,575
Below market lease liabilities assumed (b)		(4,055)
	$	37,775

(a) Weighted average amortization period of 7.9 years.
(b) Weighted average amortization period of 7.0 years.

The Bulletin Building contributed approximately $1.2 million of revenue and approximately $0.4 million of net loss in the Company’s consolidated statements of operations, for the period from October 13, 2017 through December 31, 2017.

On July 28, 2017, the Company acquired an office building containing 58,587 rentable square feet located at 3000 Market Street, in Philadelphia, Pennsylvania, for $32.7 million. The acquisition was the Section 1031 exchange receiver for the sale of Concord Airport Plaza. See property disposition table below.

The purchase of 3000 Market Street is an asset acquisition under ASU 2017-01. As such, the Company capitalized $0.7 million of acquisition-related costs and allocated the purchase price, consisting of the contractual purchase price of $32.0 million and the acquisition related costs, to the tangible and intangible assets. The Company utilized a number of sources in making estimates of fair value for purposes of allocating the purchase price to tangible and intangibles assets acquired. The purchase price has been allocated as follows (in thousands):

		July 28, 2017
Building, land and improvements	$	32,004
Intangible assets acquired (a)		2,562
Below market lease liabilities assumed (b)		(1,818)
	$	32,748

(a) Weighted average amortization period of 5.9 years.
(b) Weighted average amortization period of 6.0 years.

3000 Market Street contributed approximately $0.8 million of revenue and a $0.5 million of net loss in the Company’s consolidated statements of operations, for the period from July 28, 2017 through December 31, 2017.

Dispositions

The Company sold the following properties during the twelve-month period ended December 31, 2017 (dollars in thousands):

Disposition Date	Property/Portfolio Name	Location	Type	Number of Properties	Rentable Square Feet	Sales Price	Net Proceeds on Sale	Gain/(Loss) on Sale (a)	
November 22, 2017	11, 14, 15, 17 and 18 Campus Boulevard (Newtown Square)	Newtown Square, PA	Office	5	252,802	$ 42,000	$ 40,459	$ 19,642	
October 31, 2017	630 Allendale Road	King of Prussia, PA	Office	1	150,000	17,500	16,580	3,605	
June 27, 2017	Two, Four A, Four B and Five Eves Drive (Evesham Corporate Center)	Marlton, NJ	Office	4	134,794	9,700	8,650	(325)	(b)
June 12, 2017	7000 Midlantic Drive	Mount Laurel, NJ	Retail	1	10,784	8,200	7,714	1,413	
March 30, 2017	200, 210 & 220 Lake Drive East (Woodland Falls)	Cherry Hill, NJ	Office	3	215,465	19,000	17,771	(249)	(c)
March 15, 2017	Philadelphia Marine Center (Marine Piers)	Philadelphia, PA	Mixed-use	1	181,900	21,400	11,182	6,498	(d)
March 13, 2017	11700, 11710, 11720 & 11740 Beltsville Drive (Calverton)	Beltsville, MD	Office	3	313,810	9,000	8,354	-	(e)
February 2, 2017	1200 & 1220 Concord Avenue (Concord Airport Plaza)	Concord, CA	Office	2	350,256	33,100	32,010	551	(f)
Total Dispositions				20	1,609,811	$ 159,900	$ 142,720	$ 31,135	

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

(b) As of March 31, 2017, the Company evaluated the recoverability of the carrying value of its properties that triggered assessment under the undiscounted cash flow model. Based on the Company's evaluation, it was determined that due to the reduction in the Company's intended hold period of four properties located in the Other segment, the Company would not recover the carrying values of these properties. Accordingly, the Company recorded impairment charges on these properties of $1.0 million at March 31, 2017, which reduced the aggregate carrying values of the properties from $10.2 million to their estimated fair value of $9.2 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 9.00% and 9.25%, respectively. The results were comparable 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." The loss on sale in the table above represents additional closing costs.

(c) As of December 31, 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 Company's evaluation, it was determined that due to the reduction in the Company's intended hold period of three properties located in the Other segment, the Company would not recover the carrying values of these properties. Accordingly, the Company recorded impairment charges on these properties of $7.3 million at December 31, 2016, reducing the aggregate carrying values of the properties from $25.8 million to their estimated fair value of $18.5 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 8.75% and 9.00%, respectively. The results were comparable 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." The loss on sale in the table above represents additional closing costs.

(d) On March 15, 2017, the Company sold its sublease interest in the Piers at Penn's Landing (the "Marine Piers"), which includes leasehold improvements containing 181,900 net rentable square feet, and a marina, located in Philadelphia, Pennsylvania for an aggregate sales price of $21.4 million. On the closing date, the buyer paid $12.0 million in cash. The $9.4 million balance of the purchase is due on (a) January 31, 2020, in the event that the tenant at the Marine Piers does not exercise an option it holds to extend the term of the sublease or (b) January 15, 2024, in the event that the tenant does exercise the option to extend the term of the sublease. The Company determined that it is appropriate to account for the sales transaction under the cost recovery method. The Company received cash proceeds of $11.2 million, after closing costs and prorations, and the net book value of the Marine Piers was $4.7 million, resulting in a gain on sale of $6.5 million. The remaining gain on sale of $9.4 million will be recognized on the second purchase price installment date. Prior to its sale, the Marine Piers had been classified as mixed-use within the Company's property count.

(e) During the fourth quarter of 2016, the Company recognized a $3.0 million impairment related to these properties. During the first quarter of 2017, there was a price reduction of $1.7 million under the agreement of sale and an additional impairment of $1.7 million was recognized.

(f) During the fourth quarter of 2016, the Company recognized an $11.5 million impairment related to these properties. This sale was designated as a like-kind exchange under Section 1031 of the Internal Revenue Code ("IRC") and, as such, the proceeds, totaling $32.0 million after closing costs and prorations, were deposited with a Qualified Intermediary, as defined under the IRC. The proceeds received at closing were recorded as "Other assets" in the Company's consolidated balance sheets. During the third quarter of 2017, the Company acquired 3000 Market Street in Philadelphia, Pennsylvania using the full balance of the Section 1031 proceeds. See "*Acquisition*" section above.

In addition to the amounts in the table above, the Company recorded a $0.5 million gain during the first quarter of 2017 from the receipt of additional proceeds from the disposition of Cira Square in 2016. For further information relating to this sale, see the dispositions table in the 2016 section below.

The Company sold the following land parcels during the twelve-month period ended December 31, 2017 (dollars in thousands):

Disposition Date	Property/Portfolio Name	Location	Number of Parcels	Acres	Sales Price	Net Proceeds on Sale	Gain on Sale	
September 13, 2017	50 E. Swedesford Square	Malvern, PA	1	12.0	$ 7,200	$ 7,098	$ 882	
July 18, 2017	Bishop's Gate	Mount Laurel, NJ	1	49.5	6,000	5,640	71	(a)
April 28, 2017	Garza Ranch - Multi-family	Austin, TX	1	8.4	11,800	11,560	-	(b)
February 15, 2017	Gateway Land - Site C	Richmond, VA	1	4.8	1,100	1,043	-	(c)
January 30, 2017	Garza Ranch - Hotel	Austin, TX	1	1.7	3,500	3,277	-	(b)
Total Dispositions			5	76.4	$ 29,600	$ 28,618	$ 953	

(a) During the fourth quarter of 2016, the Company recognized an impairment of $3.0 million. During the second quarter of 2017, the Company recorded a held for sale impairment charge of $0.3 million, reducing the aggregate carrying value of the land parcel from $5.9 million to its estimated fair value less costs to sell of $5.6 million. The fair value measurement is based on pricing in the purchase and sale agreement for the property. As the pricing in the purchase and sale agreement is unobservable, the Company determined that the input utilized to determine fair value for the 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 land parcel was sold on July 18, 2017.

(b) The Company has a continuing involvement in this property through a completion guaranty, which requires the Company, as developer, to complete certain infrastructure improvements on behalf of the buyers of the land parcels. The Company recorded the cash received at settlement as "Deferred income, gains and rent" on the Company's consolidated balance sheet and the Company will recognize the sale upon completion of infrastructure improvements.

(c) During the fourth quarter of 2016, the Company recognized a nominal impairment related to this land parcel.

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

Held for Use Impairment

As of December 31, 2017, 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 December 31, 2017.

As of March 31, 2017, the Company evaluated the recoverability of the carrying value of its properties that triggered an assessment under the undiscounted cash flow model. Based on the Company's evaluation, it was determined that due to the reduction in the Company's intended hold period of four properties located in the Other segment, the Company would not recover the carrying values of these properties. Accordingly, the Company recorded impairment charges on these properties of $1.0 million at March 31, 2017, reflected in the results for the twelve-month period ended December 31, 2017, reducing the aggregate carrying values of the properties from $10.2 million to their estimated fair value of $9.2 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 9.00% and 9.25%, respectively. The results were comparable 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."

Land Impairment

As of December 31, 2017, the Company evaluated the recoverability of the carrying value of its land parcels that triggered assessment. Based on the analysis, no impairment charges were identified during the three-month period ended December 31, 2017. See above land disposition table for detail of the Bishop's Gate land parcel, on which a $0.3 million impairment charge was recorded as of June 30, 2017.

Held for Sale

As of December 31, 2017, the Company had land held for development, consisting of a 13.1-acre parcel of land located in the Company's Other segment, classified as held for sale but which did not meet the criteria to be classified within discontinued operations. Accordingly, as of December 31, 2017, $0.4 million was reclassified from 'Land held for development' to 'Assets held for sale, net' on the consolidated balance sheets. There were no other reclassifications related to this parcel of land. As of December 31, 2017, the carrying value of the land was less than the fair value less the anticipated costs of sale and, as such, the Company expects to record a nominal gain on sale. The fair value measurement is based on the pricing in the purchase and sale agreement.

The sale of the Company's fee interest in the property referenced above does not represent a strategic shift that has a major effect on the Company's operations and financial results. As a result, the operating results of this property remains classified within continuing operations for all periods presented.

2016

Acquisition

On July 1, 2016, the Company acquired 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 Company funded the acquisition with $20.4 million of available corporate funds, net of prorations and other adjustments. As of December 31, 2017, the Company sold 9.5 acres (of the 34.6 acres) to two unaffiliated third parties. As of December 31, 2016, the land under this agreement of sale did not meet the criteria to be classified as held for sale. The Company had a continuing involvement through a completion guaranty, which required the Company, as developer, to complete certain infrastructure improvements on behalf of the buyers of the land parcels. See "*2017*" section above for information related to the sale of 1.7 acres.

Dispositions

The Company sold the following properties during the twelve-month period ended December 31, 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)	
October 13, 2016	620, 640, 660 Allendale Road	King of Prussia, PA	3	156,669	$ 12,800	$ 12,014	$ 2,382	
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	58	3,924,783	398,100	353,971	(372)	(d)
Total Dispositions			66	5,239,632	$ 820,000	$ 769,799	$ 116,983	

(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 for the sale of the property. 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 closing.
(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 closing.
(d) 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 closing.

The Company sold the following land parcels during the twelve-month period ended December 31, 2016 (dollars in thousands):

Disposition Date	Property/Portfolio Name	Location	Number of Parcels	Acres	Sales Price	Net Proceeds on Sale	Gain on Sale (a)	
December 2, 2016	Oakland Lot B	Oakland, CA	1	0.9	$ 13,750	$ 13,411	$ 9,039	
August 19, 2016	Highlands Land	Mt. Laurel, NJ	1	2.0	288	284	193	
January 15, 2016	Greenhills Land	Reading, PA	1	120.0	900	837	-	(b)
Total Dispositions			3	122.9	$ 14,938	$ 14,532	$ 9,232	

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

(b) 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.

Held for Use Impairment

As of December 31, 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 Company's evaluation, it was determined that due to the reduction in the Company's intended hold period of three properties located in the Other segment, the Company would not recover the carrying values of these properties. Accordingly, the Company recorded impairment charges on these properties of $7.3 million at December 31, 2016, reducing the aggregate carrying values of the properties from $25.8 million to their estimated fair value of $18.5 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 8.75% and 9.00%, respectively. The results were comparable 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 June 30, 2016, the Company evaluated the recoverability of the carrying value of its properties that triggered an assessment under the undiscounted cash flow model. Based on the analysis, the Company determined that due to the reduction in the Company's intended hold period of a property located in the Metropolitan D.C. segment, the Company would not recover the carrying values 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 a discount rate of 7.75% and 8.25%, respectively. The results were comparable 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 an assessment under the undiscounted cash flow model. Based on the analysis, the Company determined that due to a reduction in the Company'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 comparable 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.”

Land Impairments

As of December 31, 2016, the Company assessed the fair value of the land parcels within its Other segment that it intends to sell in the short-term and, based on that assessment, the Company determined that it would not recover the carrying value of five land parcels, consisting of 108 acres. Accordingly, the Company recorded impairment charges of $5.6 million at December 31, 2016, reducing the aggregate carrying value of the land parcels from $18.2 million to their estimated fair values of $12.6 million. The Company measured these impairments using indicative pricing in the markets in which each land parcel is located. The assumptions used to determine fair value under the market 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 at December 31, 2016 but which did not meet the criteria to be classified within discontinued operations at December 31, 2016 (in thousands):

	Held for Sale Properties Included in Continuing Operations			
	December 31, 2016			
	Metropolitan D.C. - Office (a)	Other Segment - Office (b)	Other Segment - Land (c)	Total
ASSETS HELD FOR SALE				
Real estate investments:				
Operating properties	$ 21,720	$ 51,871	$ -	$ 73,591
Accumulated depreciation	(11,935)	(20,981)	-	(32,916)
Operating real estate investments, net	9,785	30,890	-	40,675
Land held for development	-	-	1,043	1,043
Total real estate investments, net	9,785	30,890	1,043	41,718
Total assets held for sale, net	$ 9,785	$ 30,890	$ 1,043	$ 41,718
LIABILITIES HELD FOR SALE				
Other liabilities	$ 73	$ 8	$ -	$ 81
Total liabilities held for sale	$ 73	$ 8	$ -	$ 81

(a) As of December 31, 2016, the Company determined that the sale of three office properties in the Metropolitan D.C. segment was probable and classified these properties as held for sale in accordance with applicable accounting standards for long lived assets. At such date, the carrying value of the properties exceeded their fair value less the anticipated costs of sale. As a result, the Company recognized an impairment loss totaling approximately $3.0 million during the three-month period ended December 31, 2016. The Company measured this impairment based on a discounted cash flow analysis, using a hold period of 10 years and residual capitalization rates and discount rates of 9.00% and 10.00%, respectively. The results were comparable to indicative pricing in the market. As significant inputs to the model are unobservable, the Company determined that the value determined for this property falls within Level 3 fair value reporting.

(b) As of December 31, 2016, the Company determined that the sale of two office properties in the Other segment was probable and classified these properties as held for sale in accordance with applicable accounting standards for long lived assets. At such date, the carrying value of the properties exceeded the fair value less the anticipated costs of sale. As a result, the Company recognized an impairment loss totaling approximately $11.5 million during the three-month period ended December 31, 2016. The Company measured this impairment based on a discounted cash flow analysis, using a hold period of 10 years and residual capitalization rates and discount rates of 9.75% and 9.75%, respectively. The results were comparable to indicative pricing in the market. As significant inputs to the model are unobservable, the Company determined that the value determined for this property falls within Level 3 fair value reporting.

(c) As of December 31, 2016, the Company determined that the sale of a land parcel in the Other segment was probable and classified the land parcel as held for sale in accordance with applicable accounting standards for long lived assets. At such date, the carrying value of the land approximated the fair value less the anticipated costs of sale and the Company recorded a nominal impairment. The fair value measurement was based on the pricing in the purchase and sale.

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

4. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURES

As of December 31, 2018, the Company held ownership interests in ten unconsolidated Real Estate Ventures for an aggregate investment balance of $169.1 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 December 31, 2018, six of the real estate ventures owned properties that contained an aggregate of approximately 5.8 million net rentable square feet of office space; two real estate ventures owned 1.4 acres of land held for development; one real estate venture owned 1.3 acres of land in active development; and one real estate venture owned a residential tower that contains 321 apartment units.

The Company accounts for its unconsolidated interests in the Real Estate Ventures using the equity method. The Company's unconsolidated interests range from 15% 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 $6.3 million, $6.4 million and $6.7 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The Company earned leasing commission income from its Real Estate Ventures of $2.5 million, $4.5 million and $3.8 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The Company has outstanding accounts receivable balances from its Real Estate Ventures of $0.8 million and $0.9 million for the years ended December 31, 2018 and 2017, respectively.

The amounts reflected in the following tables (except for the Company's share of equity and income) are based on the historical financial information of the individual Real Estate Ventures. 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 Company's investment in Real Estate Ventures as of December 31, 2018 and 2017, and the Company's share of the Real Estate Ventures' income (loss) for the years ended December 31, 2018 and 2017 was as follows (in thousands):

	Ownership	Carrying Amount		Company's Share of Real Estate Venture Income (Loss)		Real Estate Venture Debt at 100%		Current Interest	Debt
	Percentage (a)	2018	2017	2018	2017	2018	2017	Rate	Maturity
Office Properties									
Brandywine-AI Venture LLC (b)	50%	$ 11,731	$ 43,560	$ (14,559)	$ (4,465)	$ 26,111	$ 93,117	4.65%	(c)
Rockpoint Venture (d)	15%	47,834	-	83	-	-	-		
MAP Venture (e)	50%	11,173	15,450	(2,155)	(3,443)	185,000	180,800	L+2.45%	Aug 2023 (e)
PJP VII	25%	1,100	1,156	157	175	3,777	4,792	L+2.65%	Dec 2019
PJP II	30%	663	604	179	72	2,214	2,564	6.12%	Nov 2023
PJP VI	25%	125	179	71	38	7,069	7,370	6.08%	Apr 2023
DRA (G&I) Austin (f)	50%	-	13,972	1,687	(989)	-	249,481		
Four Tower Bridge (g)	65%	-	3,032	-	746	-	9,749		
Other									
Brandywine 1919 Ventures (h)	50%	19,897	22,268	253	(194)	88,860	88,860	4%	Jun 2023 (i)
HSRE-BDN I, LLC	50%	-	17,671	(358)	449	-	110,886		
TB-BDN Plymouth Apartments (j)		-	-	-	99	-	-		
Development Properties									
4040 Wilson (k)	50%	37,371	37,179	(192)	(255)	57,288	6,664	L+2.75%	Dec 2021
51 N Street	70%	21,368	21,212	(137)	(176)	-	-		
1250 First Street Office	70%	17,838	17,867	(260)	(149)	-	-		
Seven Tower Bridge (g)	20%	-	471	-	(214)	-	14,629		
		$ 169,100	$ 194,621	$ (15,231)	$ (8,306)	$ 370,319	$ 768,912		

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

(b) See "*Brandywine - AI Venture: Station Square and 7101 Wisconsin Avenue*" and "*Brandywine - AI Venture: Other Than Temporary Impairment*" sections below for information discussing activity that occurred during 2018 and 2017 relating to this venture.

(c) The debt for these properties is comprised of one fixed rate mortgage: (1) $26.1 million with a 4.65% fixed interest rate due January 1, 2022. On December 28, 2018, the BDN – AI Venture repaid its $66.5 million mortgage with a fixed interest rate of 3.22% upon the disposition of three properties known as Station Square.

(d) On December 20, 2018, the Company contributed a portfolio of eight properties containing an aggregate of 1,293,197 square feet, located in its Metropolitan Washington, D.C. segment, known as the Rockpoint Portfolio, to a newly-formed joint venture, known as the Herndon Innovation Center Metro Portfolio Venture, LLC, for a gross sales price of $312.0 million. Rockpoint and the Company own 85% and 15% interests in the Herndon Innovation Center Metro Portfolio Venture, LLC, respectively. See "*Herndon Innovation Center Metro Portfolio Venture, LLC*" section below for further details.

(e) On August 1, 2018, the MAP Venture refinanced its $180.8 million third party debt financing, secured by the buildings of MAP Venture and maturing February 9, 2019, with $185.0 million third party debt financing, also secured by the buildings, bearing interest at LIBOR + 2.45% capped at a total maximum interest of 6.00% and maturing on August 1, 2023.

(f) See “*Austin Venture*” section below for information discussing the Company’s purchase of its partner’s entire 50% interest in the twelve remaining properties within the Austin Venture on December 11, 2018.
(g) On January 5, 2018, the Company exchanged its 20% interest in Seven Tower Bridge to acquire the remaining 35% interest in Four Tower Bridge. For further information regarding the accounting of the transaction, see “*Four Tower Bridge Acquisition*” section below.
(h) The basis difference associated with this venture is allocated between cost and the underlying equity in the net assets of the investee and is accounted for as if the entity were consolidated (i.e., allocated to the Company’s relative share of assets and liabilities with an adjustment to recognize equity in earnings for the appropriate depreciation/amortization).
(i) On June 26, 2018, each of the Company and its partner, LCOR/Calstrs, provided a $44.4 million mortgage loan to Brandywine 1919 Ventures. As a result, the Company recorded a related-party note receivable of $44.4 million in the “Other assets” caption on its consolidated balance sheets. The loans bear interest at a fixed 4.0% per annum interest rate with a scheduled maturity on June 25, 2023. On June 26, 2018, Brandywine 1919 Ventures used the loan to repay the venture’s then outstanding $88.8 million construction loan, comprised of $88.6 million in principal and $0.2 million of accrued interest.
(j) On January 31, 2017, the Company sold its 50% interest in TB-BDN Plymouth Apartments, LP.
(k) During the fourth quarter of 2017, 4040 Wilson obtained a secured construction loan with a total borrowing capacity of $150.0 million.

The following is a summary of the financial position of the Real Estate Ventures as of December 31, 2018 and December 31, 2017 (in thousands):

	December 31, 2018				
	DRA (G&I) Austin (a)	Brandywine-AI Venture LLC	evo at Cira Centre South (b)	Other	Total
Net property	$ -	$ 47,043	$ -	$ 788,940	$ 835,983
Other assets	-	11,206	-	148,293	159,499
Other liabilities	-	2,002	-	83,679	85,681
Debt, net	-	26,020	-	339,687	365,707
Equity (c)	-	30,227	-	513,867	544,094

	December 31, 2017				
	DRA (G&I) Austin	Brandywine-AI Venture LLC	evo at Cira Centre South	Other	Total
Net property	$ 263,557	$ 158,960	$ 143,990	$ 517,458	$ 1,083,965
Other assets	42,272	24,181	8,563	86,916	161,932
Other liabilities	24,131	4,493	1,648	67,435	97,707
Debt, net	248,700	92,917	110,136	314,667	766,420
Equity (c)	32,998	85,731	40,769	222,272	381,770

(a) On December 11, 2018, the Company acquired DRA’s 50% ownership interest in the DRA Austin Venture for an aggregate purchase price of $535.1 million. See *“Austin Venture”* section below.
(b) On January 10, 2018, HSRE-BDN I, LLC (evo at Cira Centre South) sold the 345-unit student housing tower, its sole operating asset. See “*evo at Cira Disposition*” section below.
(c) 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.

The following is a summary of results of operations of the Real Estate Ventures in which the Company had interests as of December 31, 2018, 2017 and 2016 (in thousands):

	Twelve-month period ended December 31, 2018				
	DRA (G&I) Austin	Brandywine-AI Venture LLC	evo at Cira Centre South	Other	Total
Revenue	$ 53,476	$ 23,515	$ 163	$ 88,172	$ 165,326
Operating expenses	(22,994)	(10,483)	(256)	(48,302)	(82,035)
Interest expense, net	(9,083)	(3,478)	(123)	(17,090)	(29,774)
Depreciation and amortization	(19,226)	(8,991)	(409)	(25,200)	(53,826)
Provision for impairment	-	(20,832)	-	-	(20,832)
Loss on extinguishment of debt	(356)	(695)	-	(334)	(1,385)
Net income (loss)	$ 1,817	$ (20,964)	$ (625)	$ (2,754)	$ (22,526)
Ownership interest %	50%	50%	50%	(a)	
Company's share of net income (loss)	$ 909	$ (10,482)	$ (313)	$ (2,038)	$ (11,924)
Other-than-temporary impairment (b)	-	(4,076)	-	-	(4,076)
Basis adjustments and other	778	(1)	(45)	37	769
Equity in income (loss) of Real Estate Ventures	$ 1,687	$ (14,559)	$ (358)	$ (2,001)	$ (15,231)

	Twelve-month period ended December 31, 2017				
	DRA (G&I) Austin	Brandywine-AI Venture LLC	evo at Cira Centre South	Other	Total
Revenue	$ 85,500	$ 29,500	$ 12,285	$ 88,986	$ 216,271
Operating expenses	(35,997)	(12,298)	(3,075)	(47,970)	(99,340)
Interest expense, net	(13,985)	(4,707)	(4,092)	(17,429)	(40,213)
Depreciation and amortization	(34,026)	(11,428)	(4,512)	(28,474)	(78,440)
Loss on extinguishment of debt	(2,613)	(811)	-	-	(3,424)
Net income (loss)	$ (1,121)	$ 256	$ 606	$ (4,887)	$ (5,146)
Ownership interest %	50%	50%	50%	(a)	
Company's share of net income (loss)	$ (560)	$ 128	$ 303	$ (1,735)	$ (1,864)
Other-than-temporary impairment (b)	-	(4,844)	-	-	(4,844)
Basis adjustments and other	(429)	251	146	(1,566)	(1,598)
Equity in income (loss) of Real Estate Ventures	$ (989)	$ (4,465)	$ 449	$ (3,301)	$ (8,306)

	Twelve-month period ended December 31, 2016				
	DRA (G&I) Austin	Brandywine-AI Venture LLC	evo at Cira Centre South	Other	Total
Revenue	$ 85,749	$ 31,047	$ 12,393	$ 85,263	$ 214,452
Operating expenses	(37,643)	(13,654)	(3,183)	(48,712)	(103,192)
Provision for impairment (c)	-	(10,476)	-	-	(10,476)
Interest expense, net	(15,052)	(5,825)	(3,230)	(16,207)	(40,314)
Depreciation and amortization	(38,365)	(12,811)	(4,512)	(30,050)	(85,738)
Net income (loss) (d)	$ (5,311)	$ (11,719)	$ 1,468	$ (9,706)	$ (25,268)
Ownership interest %	50%	50%	50%	(a)	
Company's share of net income (loss)	$ (2,656)	$ (5,860)	$ 734	$ (4,719)	$ (12,501)
Basis adjustments and other	776	(35)	109	148	998
Equity in income (loss) of Real Estate Ventures	$ (1,880)	$ (5,895)	$ 843	$ (4,571)	$ (11,503)

(a) See above table, which discloses the Company's investment in Real Estate Ventures as of December 31, 2018 and 2017, for the Company's unconsolidated ownership interests, subject to specified priority allocations of distributable cash, in certain of the Real Estate Ventures.
(b) See "*Brandywine - AI Venture: Other Than Temporary Impairment*" section below.
(c) See "*Brandywine - AI Venture: Station Square Impairment*" section below.
(d) During the year ended December 31, 2016, there were $7.1 million of acquisition deal costs related to the formation of the MAP Venture.

As of December 31, 2018, the aggregate principal payments of recourse and non-recourse debt payable to third-parties are as follows (in thousands):

2019	$ 4,998
2020	1,290
2021	58,651
2022	25,277
2023	280,005
Thereafter	98
Total principal payments	370,319
Net deferred financing costs	(4,612)
Outstanding indebtedness	$ 365,707

Herndon Innovation Center Metro Portfolio Venture, LLC

On December 20, 2018, the Company contributed a portfolio of eight properties containing an aggregate of 1,293,197 square feet, located in its Metropolitan Washington, D.C. segment, to a newly-formed joint venture, known as the Herndon Innovation Center Metro Portfolio Venture, LLC ("Herndon Innovation Center"), for a gross sales price of $312.0 million. The Company and its partner own 15% and 85% interests in the Herndon Innovation Center, respectively. The Herndon Innovation Center funded the acquisition with $265.2 million of cash, which was distributed to the Company at closing. After funding its share of closing costs and working capital contributions of $2.2 million and $0.6 million, respectively, the Company received $262.4 million of cash proceeds at settlement and was given a $47.7 million capital credit for its share of the fair value of the Herndon Innovation Center. The Company recorded an impairment charge of $56.9 million for the Herndon Innovation Center during the third quarter of 2018. The Company recorded a $0.4 million gain on sale, which represents an adjustment to estimated closing costs used to determine the impairment charge in the third quarter of 2018. As part of the transaction, the Company's subsidiary management company executed an agreement with the Herndon Innovation Center to provide property management and leasing services to the Herndon Innovation Center.

Based on the facts and circumstances at the formation of the Herndon Innovation Center, the Company determined that the venture is not a VIE in accordance with the accounting standard for the consolidation of VIEs. As a result, the Company used the voting interest model under the accounting standard for consolidation in order to determine whether to consolidate the Herndon Innovation Center. Based upon each member's substantive participating rights over the activities of the Herndon Innovation Center under the operating and related agreements of the Herndon Innovation Center, it is not consolidated by the Company, and is accounted for under the equity method of accounting. As a result, the Company measured its equity interest at fair value based on the fair value of the Herndon Innovation Center properties and the distribution provisions of the real estate venture agreement. Since the Company retains a non-controlling interest in the Herndon Innovation Center and there are no other facts and circumstances that preclude the consummation of a sale, the contribution qualifies as a sale of a nonfinancial asset under the relevant guidance.

Austin Venture

On October 16, 2013, the Company contributed a portfolio of seven office properties containing an aggregate of 1,398,826 rentable square feet located in Austin, Texas (the "Austin Properties") to a newly-formed joint venture (the "Austin Venture") with G&I VII Austin Office LLC ("DRA"). DRA and the Company agreed to an aggregate gross sales price of $330.0 million subject to an obligation on the Company's part to fund the first $5.2 million of post-closing capital expenditures, of which $0.8 million was funded by the Company during 2013 and the remaining $4.4 million was funded by the Company during the twelve months ended December 31, 2014.

DRA owned a 50% interest in the Austin Venture and the Company owned a 50% interest in the Austin Venture, subject to the Company's right to receive up to an additional 10% of distributions.

At closing the Austin Venture incurred third party debt financing of approximately $230.6 million secured by mortgages on the Austin Properties and used proceeds of this financing together with $49.7 million of cash contributions by DRA (less $1.9 million of closing costs and $6.9 million of closing prorations and lender holdbacks) to fund a $271.5 million distribution to the Company. The Company agreed to fund the first $5.2 million of post-closing capital expenditures on behalf of the Austin Venture, resulting in net proceeds of $266.3 million after funding the Company's capital expenditure obligation. As part of the transaction, the Company's subsidiary management company executed an agreement with the Austin Venture to provide property management and leasing services to the Austin Venture in exchange for a market-based fee.

The Company measured its equity interest at fair value based on the fair value of the Austin Properties and the distribution provisions of the real estate venture agreement. Since the Company retained a noncontrolling interest in the Austin Properties and there were no other facts and circumstances that precluded the consummation of a sale, the contribution qualified as a partial sale of real estate under the relevant guidance for sales of real estate.

On April 3, 2014, the Company contributed two three-story, Class A office buildings, commonly known as "Four Points Centre," containing an aggregate of 192,396 net rentable square feet in Austin, Texas to the Austin Venture.

On July 31, 2014, the Austin Venture acquired the Crossings at Lakeline, comprised of two three-story buildings containing an aggregate of 232,274 rentable square feet located in Austin, Texas for $48.2 million. The transaction was funded with $34.5 million of proceeds of a 3.87% fixed rate mortgage loan from a non-affiliated institutional lender and $12.8 million (net of $0.9 million in purchase adjustments) of cash capital contributions, with $6.4 million made by each of DRA and the Company. The Austin Venture expensed approximately $0.1 million of transaction costs to acquire the property, net of $0.6 million credit from the seller.

On October 17, 2014, the Austin Venture acquired River Place, comprised of seven Class A office buildings containing 590,881 rentable square feet located in Austin, Texas for $128.1 million. The transaction was funded through a combination of an $88.0 million short-term loan, secured by a mortgage, made by the Company to the Austin Venture and cash capital contributions of $18.9 million made by each of DRA and the Company to the Austin Venture. The short-term financing was provided by the Company while the Austin Venture secured permanent financing. As of December 31, 2014, the Company accounted the short-term financing as a note receivable. On January 30, 2015, the Austin Venture closed on a mortgage loan with a non-affiliated institutional lender, and used the proceeds of the loan to repay in full an $88.0 million short-term secured loan made by the Company to fund costs of the Austin Venture's acquisition of River Place. The Austin Venture expensed approximately $0.2 million of transaction costs to acquire the property.

On December 31, 2015, the Company contributed two newly constructed four-story, Class A office buildings, commonly known as "Encino Trace," containing an aggregate of approximately 320,000 square feet in Austin, Texas to the Austin Venture.

On October 18, 2017, the Austin Venture sold eight office properties in Austin, Texas containing 1,164,496 square feet for a gross sales price of $333.3 million. Seven of the properties were encumbered by $151.0 million of mortgage debt. The Company's share of cash proceeds, after payment of the of the mortgage debt, closing costs and prorations, was $86.4 million. The Company's share of the Austin Venture's gain on sale was $40.1 million. Additionally, the Company recognized a deferred gain on sale of $12.1 million, which was established on the Company's consolidated balance sheets when certain assets were contributed to the Austin Venture on October 16, 2013. In accordance with the relevant guidance for the sales of real estate, the contributed properties qualified as a partial sale and a portion of the gain was deferred and accreted. The Company met the criteria to recognize the unaccreted portion of the deferred gain on the partial sale as the sales process was complete upon the Austin Venture selling the properties to a third party.

The summary of the transaction is as follows (in thousands);

	October 18, 2017
Gross sales price	$ 333,250
Debt principal	(150,968)
Debt prepayment penalties	(2,120)
Closing costs and net prorations	(7,420)
Cash to Austin Venture	$ 172,742
Company's ownership interest	50%
Cash to the Company	$ 86,371
Cash to Austin Venture	$ 172,742
Austin Venture basis of sold properties	(92,559)
Austin Venture gain on sale	$ 80,183
Company's ownership interest	50%
Company's share of gain	$ 40,092
Company's share of gain	$ 40,092
Deferred gain from partial sale	12,072
Gain on real estate venture transactions	$ 52,164

On December 11, 2018, the Company acquired DRA's 50% ownership interest in the DRA Austin Venture for an aggregate purchase price of $535.1 million. The DRA Austin Venture owned twelve office properties containing an aggregate 1,570,123 square feet, located in Austin, Texas. See Note 3, "*Real Estate Investments*," for further information.

Brandywine - AI Venture: Station Square Impairment

On July 10, 2012, Brandywine – AI Venture (the "AISS Venture"), an unconsolidated real estate venture in which the Company owns a 50% interest, acquired a three building office portfolio totaling 497,896 net rentable square feet in Silver Spring, Maryland, known as Station Square, valued at $120.6 million. During the period ended September 30, 2016, the AISS 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 Real Estate Ventures in its consolidated statement of operations for the period ended December 31, 2016. The fair value of the Station Square properties was primarily determined based on offers received for the properties. The remaining properties in the AISS Venture were evaluated for impairment, and based on an undiscounted cash flow analysis, no additional other than temporary impairment was identified.

All of the inputs used to determine the above-mentioned impairment charges are categorized Level 3 inputs in accordance with the fair value hierarchy established by Accounting Standards Codification (ASC) Topic 820, "Fair Value Measurements and Disclosures."

The Company evaluated for other than temporary impairment in its investment in the AISS Venture in accordance with ASC 323, "Investments - Equity Method and Joint Ventures." The investment in the AISS 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 AISS Venture through a hypothetical liquidation at book value method. No other than temporary impairment was identified.

Brandywine - AI Venture: Station Square and 7101 Wisconsin Avenue

On December 28, 2018, the BDN – AI Venture sold three properties containing an aggregate of 510,202 rentable square feet located in Silver Spring, Maryland ("Station Square"), for a gross sales price of $107.0 million. At the time of sale, the properties were encumbered by a $66.5 million first mortgage financing, which was repaid in full at closing, resulting in a debt prepayment penalty of $0.7 million. Net of the first mortgage payoff and closing costs, BDN – AI Venture received cash proceeds of $34.8 million. For the Company's 50% interest in BDN – AI Venture, it received net cash proceeds of $17.4 million and recognized a $1.5 million gain on the sale. Subsequent to the sale transaction, the BDN – AI Venture continues to own two properties containing an aggregate of 364,277 rentable square feet.

On September 14, 2017, the BDN – AI Venture sold 7101 Wisconsin Avenue, a property containing 230,904 rentable square feet located in Bethesda, Maryland, for a gross sales price of $105.7 million. At the time of sale, the property was encumbered by $37.4 million first mortgage financing, which was repaid in full at closing, resulting in a debt prepayment penalty of $0.8 million. Net of the first mortgage payoff and closing costs, BDN – AI Venture received cash proceeds of $63.6 million. For the Company's 50% interest, it received net cash proceeds of $31.8 million and recognized a $13.8 million gain on the sale transaction. Subsequent to the sale transaction, the BDN-AI Venture continued to own five properties containing an aggregate of 874,479 rentable square feet.

Brandywine - AI Venture: Fairview Park Drive Impairment

During the period ended December 31, 2018, the BDN – AI Venture recorded a $20.8 million held for use impairment charge related to 3141 Fairview Park Drive and 3130 Fairview Park Drive (the "Fairview Properties"). As of December 31, 2018, after the $20.8 million impairment charge, the carrying value of the properties was $50.4 million. The Company's share of this impairment charge was $10.4 million and is reflected in the "Equity in loss of Real Estate Ventures" caption in the consolidated statements of operations for the period ended December 31, 2018. Subsequent to recording this impairment charge, the Company had a net basis of $15.8 million in the venture. The BDN – AI Venture measured this impairment based on a discounted cash flow analysis, using a hold period of 10 years and residual capitalization rates and discount rates of 8.00% and 9.50% for 3130 Fairview Park Drive, and 8.00% and 8.00% for 3141 Fairview Park Drive, respectively. The results were comparable 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 Codification (ASC) Topic 820, "Fair Value Measurements and Disclosures."

The Company evaluated for other than temporary impairment in its investment in the BDN – AI Venture in accordance with ASC 323, *Investments - Equity Method and Joint Ventures*. The investment in the BDN – AI Venture was determined to be the level of account for evaluation of other than temporary impairment. The impairment recorded on the two 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 the "Equity in loss of Real Estate Ventures" caption in its consolidated statements of operations for the period ended December 31, 2018, the Company evaluated the fair value of its investment in the BDN – AI Venture through a hypothetical liquidation at book value method. An other than temporary impairment was identified. See "*Brandywine - AI Venture: Other Than Temporary Impairment*" section below for further details.

Brandywine - AI Venture: Other Than Temporary Impairment

As of December 31, 2018, the Company evaluated the recoverability of its investment basis in BDN – AI Venture utilizing a discounted cash flow model. Based on the Company's evaluation of the fair value of the Company's investment in the two properties that remained owned by the BDN – AI Venture subsequent to the disposition of Station Square, the Company determined that a persistent weak demand for office space and intense competition for tenants at the Fairview Properties had reduced the Company's share of the fair value of the remaining properties to be less than its investment basis in BDN – AI Venture. As a result, the Company concluded that the decline in value was other than temporary. As of December 31, 2018, subsequent to recording a $4.1 million impairment charge, which was recorded within the "Equity in Loss of Real Estate Ventures" caption in the consolidated statements of operations, the Company had a net basis of $11.7 million in the venture.

Determining the current fair value of the Company's investment is based on a number of factors that are difficult to predict. The market may decline further and future impairment charges may be needed. The Company measured this impairment based on a discounted cash flow analysis, using a hold period of 10 years, a residual capitalization rate of 8.0% and discount rates ranging from 9.0% to 9.5%. The assumptions 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."

As of September 30, 2017, the Company evaluated the recoverability of its investment basis in BDN – AI Venture utilizing a discounted cash flow model. Based on the Company's evaluation of the fair value of the Company's investment in the five properties that remained owned by the BDN – AI Venture subsequent to the disposition of 7101 Wisconsin Avenue, the Company determined that a persistent weak demand office for space and intense competition for tenants had reduced the Company's share of the fair value of the remaining properties to be less than its investment basis in BDN – AI Venture. As a result, the Company concluded that the decline in value was other than temporary. As of September 30, 2017, subsequent to recording a $4.8 million other than temporary impairment charge, which was recorded within the "Equity in Loss of Real Estate Ventures" caption in the consolidated statements of operations, the Company had a net basis of $44.3 million in the venture.

The Company measured this impairment based on a discounted cash flow analysis, using a hold period of 10 years, a residual capitalization rate of 7.5% and discount rates ranging from 7.8% to 8.5%. The assumptions 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."

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 and; (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% noncontrolling equity interest in the MAP Venture.

The MAP Venture leases the Land Parcels 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. Thereafter, annual rental payments increase by 2.5% or CPI at the discretion of the lessor.

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.

On August 1, 2018, MAP Venture refinanced its $180.8 million third party debt financing, secured by the buildings of MAP Venture and maturing February 9, 2019, with $185.0 million third party debt financing, also secured by the buildings, bearing interest at LIBOR + 2.45% capped at a total maximum interest of 6.00% and maturing on August 1, 2023.

The Company accounts for its investment in the MAP Venture under the equity method of accounting. Based upon the reconsideration event caused by the refinancing of the MAP Venture's third party debt financing, 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 MAP Venture, through the refinancing of the third-party debt financing and without further support from the Company or its partner in the venture, demonstrated that it has sufficient equity at risk to finance its activities. As a result, the Company is using the voting interest model under the accounting standard for consolidation in order to determine whether to consolidate MAP Venture. Based upon each member's substantive participating rights over the activities that significantly impact the operations and revenues of MAP Venture under the operating agreement and related agreements, MAP Venture 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 MAP Venture; therefore, it was not required to remeasure its previously held equity interest to fair value.

Brandywine 1919 Ventures

On January 20, 2011, the Company acquired a one acre parcel of land in Philadelphia, Pennsylvania for $9.3 million. The Company thereafter contributed the acquired land into a then newly-formed general partnership, referred to as "1919 Ventures" in return for a 50.0% general partner interest, with the remaining 50% interest owned by an unaffiliated third party, who contributed cash in exchange for its interest. On October 15, 2014, the Company acquired the 50% interest of the unaffiliated third party at fair value, which approximates carrying value. No remeasurement gain or loss on the Company's previous investment was recorded at that time.

On October 21, 2014, the Company admitted an unaffiliated third party, LCOR/CalSTRS ("LCOR") into 1919 Ventures, for $8.2 million, representing a 50% interest and, reflecting an agreed upon $16.4 million valuation of the land and improvements incurred by the Company on behalf of 1919 Ventures. After giving effect to settlement date contributions, distributions and credits, the Company and LCOR had each made, as of October 21, 2014, an additional $5.2 million capital contribution to 1919 Ventures for closing costs and development.

On October 27, 2014, 1919 Ventures announced a planned 29-story, 455,000 square foot contemporary glass tower development. The tower is a mixed-use development consisting of 321 luxury apartments, 24,000 square feet of commercial space and a 215-car structured parking facility. Development was substantially completed as of September 30, 2016. As of December 31, 2017, $88.9 million was outstanding on the mortgage loan and equity contributions of $29.6 million had been funded by each of the Company and LCOR.

On June 26, 2018, each of the Company and its partner, LCOR/Calstrs, provided a $44.4 million mortgage loan to Brandywine 1919 Ventures. As a result, the Company recorded a related-party note receivable of $44.4 million in the "Other assets" caption on its consolidated balance sheets. The loans bear interest at a fixed 4.0% per annum interest rate with a scheduled maturity on June 25, 2023. On June 26, 2018, Brandywine 1919 Ventures used the loan to repay the venture's then outstanding $88.8 million construction loan, comprised of $88.6 million in principal and $0.2 million of accrued interest. On an ongoing basis, the Company will evaluate its loan for collectability. There are no collectability concerns as of December 31, 2018.

The Company accounts for its investment in 1919 Ventures under the equity method of accounting. Based upon the reconsideration event caused by the refinancing of 1919 Ventures' 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. As a result, the Company is using the voting interest model under the accounting standard for consolidation in order to determine whether to consolidate 1919 Ventures. The partner mortgage loans do not impact the controlling rights within the partnership agreements or provide the partners with additional rights through the mortgage loans. Based upon each member's substantive participating rights over the activities that significantly impact the operations and revenues of 1919 Ventures under the operating agreement and related partnership agreements, 1919 Ventures 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 1919 Ventures; therefore, it was not required to remeasure its previously held equity interest to fair value.

Four Tower Bridge Acquisition

On January 5, 2018, the Company acquired, from its then partner in each of the Four Tower Bridge real estate venture and the Seven Tower Bridge real estate venture, the partner's remaining 35% ownership interest in the Four Tower Bridge real estate venture in exchange for the Company's 20% ownership interest in the Seven Tower Bridge real estate venture. The Four Tower Bridge real estate venture owned an office property containing 86,021 square feet in Conshohocken, Pennsylvania encumbered with $9.7 million in debt. The Company previously accounted for its noncontrolling interest in Four Tower Bridge using the equity method. As a result of the exchange transaction, the Company obtained control of the Four Tower Bridge property and recognized a gain of $11.6 million. For further information regarding the accounting of the transaction, see Note 3, "*Real Estate Investments.*"

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”). evo at Cira constructed a 33-story, 850-bed student housing tower located in the University City submarket of Philadelphia, Pennsylvania. Each of the Company and Campus Crest owned a 30% interest in evo at Cira and HSRE owned a 40% interest. evo at Cira developed the project on a one-acre land parcel held under a long-term ground lease with a third party lessor. The Company contributed to evo at Cira its tenancy rights under a long-term ground lease, together with associated development rights, at an agreed-upon value of $8.5 million.

The Company’s historical cost basis in the development rights that it contributed to the evo at Cira was $4.0 million, thus creating a $4.5 million basis difference at December 31, 2013 between the Company’s initial outside investment basis and its $8.5 million initial equity basis. As this basis difference is not related to a physical land parcel, but rather to development rights to construct evo at Cira, the Company will accrete the basis difference as a reduction of depreciation expense over the life of evo at Cira’s assets.

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 owned a 50% interest in evo at Cira. Subsequent to the transaction, the Company’s investment basis in evo at Cira was $28.3 million. In conjunction with the purchase, the Company and HSRE entered into an amended and restated operating agreement, changing the legal name of evo at Cira to HSRE-BDN I, LLC, 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 an 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 was 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.

On January 10, 2018, evo at Cira, a real estate venture in which the Company held a 50% interest, sold its sole asset, a 345-unit student housing tower, at a gross sales value of $197.5 million. The student housing tower, located in Philadelphia, Pennsylvania, was encumbered by a secured loan with a principal balance of $110.9 million at the time of sale, which was repaid in full from the sale proceeds. The Company’s share of net cash proceeds from the sale, after debt repayment and closing costs, was $43.0 million. As the Company’s investment basis was $17.3 million, a gain of $25.7 million was recorded within the “Net gain on real estate venture transactions’ caption in the consolidated statements of operations.

The Parc at Plymouth Meeting Venture

On January 31, 2017, the Company sold its 50% interest in TB-BDN Plymouth Apartments, L.P., a real estate venture with Toll Brothers, at a gross sales value of $100.5 million, of which the Company was allocated 50% for its interest. The venture developed and operated a 398-unit multi-family complex in Plymouth Meeting, Pennsylvania encumbered by a $54.0 million construction loan. The construction loan was repaid commensurate with the sale of the Company’s 50% interest. As a result, the Company is no longer subject to a $3.2 million payment guarantee on the construction loan. The cash proceeds, after the payment of the Company’s share of the debt and closing costs, were $27.2 million. The carrying amount of the Company’s investment at the time of sale was $12.6 million, resulting in a $14.6 million gain on sale of an interest in the real estate venture which was recorded within the “Net gain on real estate venture transactions’ caption in the consolidated statements of operations.

JBG Ventures

On May 29, 2015, the Company and an unaffiliated third party, JBG/DC Manager, LLC ("JBG"), formed 51 N 50 Patterson, Holdings, LLC Venture ("51 N Street") and 1250 First Street Office, LLC Venture ("1250 First Street"), as real estate ventures, with the Company owning a 70.0% interest and JBG owning a 30.0% interest in each of the two ventures. At formation, the Company and JBG made cash contributions of $15.2 million and $6.5 million, respectively, to 51 N Street, which was used to purchase 0.9 acres of undeveloped land. At formation, the Company and JBG made cash capital contributions of $13.2 million and $5.7 million, respectively, to 1250 First Street, which was used to purchase 0.5 acres of undeveloped land.

Based on the facts and circumstances at the formation of each of the two ventures with JBG, the Company determined that each venture is a VIE in accordance with the accounting standard for the consolidation of VIEs. As a result, the Company used the variable interest model under the accounting standard for consolidation in order to determine whether to consolidate the JBG Ventures. JBG is the managing member of the ventures, and pursuant to the operating and related agreements, major decisions require the approval of both members. Based upon each member's shared power over the activities of each of the two ventures, which most significantly impact the economics of the ventures, neither venture is consolidated by the Company. Each venture is accounted for under the equity method of accounting.

4040 Wilson Venture

On July 31, 2013, the Company formed 4040 Wilson LLC Venture (“4040 Wilson”) a joint venture between the Company and Ashton Park Associates LLC (“Ashton Park”), an unaffiliated third party. Each of the Company and Ashton Park owns a 50% interest in 4040 Wilson. 4040 Wilson expects to develop a 427,500 square foot mixed-use building representing the final phase of the eight building, mixed-use, Liberty Center complex located in the Ballston submarket of Arlington, Virginia. The project is being constructed on a 1.3-acre land parcel contributed by Ashton Park to 4040 Wilson at an agreed upon value of $36.0 million. As of December 31, 2018, the Company and Ashton Park had each made a total of $36.9 million in capital contributions to the venture. During the fourth quarter of 2017, 4040 Wilson achieved pre-leasing levels that enabled the venture to obtain a secured construction loan with a total borrowing capacity of $150.0 million for the remainder of the project costs. As of December 31, 2018, $57.3 million had been advanced under the construction loan, and the venture had commenced construction of the mixed-use building.

Based upon the facts and circumstances at the formation of 4040 Wilson, the Company determined that 4040 Wilson is a VIE in accordance with the accounting standard for the consolidation of VIEs. As a result, the Company used the variable interest model under the accounting standard for consolidation in order to determine whether to consolidate 4040 Wilson. Based upon each member’s shared power over the activities of 4040 Wilson under the operating and related agreements, and the Company’s lack of control over the development and construction phases of the project, 4040 Wilson is not consolidated by the Company and is accounted for under the equity method of accounting.

Guarantees

As of December 31, 2018, the Company’s unconsolidated real estate ventures had aggregate indebtedness of $370.3 million. These loans are generally mortgage or construction loans, most of which are non-recourse to the Company, except for customary carve-outs. As of December 31, 2018, the loans for which there is recourse to the Company consist of the following: (i) a $0.3 million payment guarantee on a loan with a $3.8 million outstanding principal balance, provided to PJP VII and (ii) up to a $41.3 million payment guarantee on a $150.0 million construction loan provided to 4040 Wilson. In addition, during construction undertaken by real estate ventures, including 4040 Wilson, 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.

5. DEFERRED COSTS

As of December 31, 2018 and 2017, the Company’s deferred costs (assets) were comprised of the following (in thousands):

	December 31, 2018		
	Total Cost	Amortization	Deferred Costs, net
Leasing costs	$ 144,831	$ (56,846)	$ 87,985
Financing costs - Revolving Credit Facility	6,298	(3,208)	3,090
Total	$ 151,129	$ (60,054)	$ 91,075

	December 31, 2017		
	Total Cost	Accumulated Amortization	Deferred Costs, net
Leasing costs	$ 154,481	$ (59,046)	$ 95,435
Financing costs - Revolving Credit Facility	3,595	(2,335)	1,260
Total	$ 158,076	$ (61,381)	$ 96,695

During the years ended December 31, 2018, 2017 and 2016, the Company capitalized internal direct leasing costs of $3.9 million, $4.6 million and $5.0 million, respectively, in accordance with the accounting standard for the capitalization of leasing costs.

6. INTANGIBLE ASSETS

As of December 31, 2018 and 2017, the Company's intangible assets were comprised of the following (in thousands):

	December 31, 2018		
	Total Cost	Accumulated Amortization	Intangible Assets, net
Intangible assets, net:			
In-place lease value	$ 181,887	$ (53,376)	$ 128,511
Tenant relationship value	$ 9,564	(8,551)	1,013
Above market leases acquired	$ 4,966	(3,142)	1,824
Total intangible assets, net	$ 196,417	$ (65,069)	$ 131,348
Acquired lease intangibles, net:			
Below market leases acquired	$ 49,655	$ (17,872)	$ 31,783

	December 31, 2017		
	Total Cost	Accumulated Amortization	Intangible Assets, net
Intangible assets, net:			
In-place lease value	$ 108,060	$ (47,003)	$ 61,057
Tenant relationship value	11,201	(9,275)	1,926
Above market leases acquired	4,545	(2,556)	1,989
Total intangible assets, net	$ 123,806	$ (58,834)	$ 64,972
Acquired lease intangibles, net:			
Below market leases acquired	$ 36,213	$ (15,939)	$ 20,274

For the year ended December 31, 2018 the Company accelerated the amortization of intangible assets by approximately $0.7 million as a result of tenant move-outs prior to the end of the associated lease term. For each of the years ended December 31, 2017 and 2016, this amount was $0.6 million. For the years ended December 31, 2018, 2017, and 2016, the Company accelerated the amortization of a nominal amount of intangible liabilities as a result of tenant move-outs.

As of December 31, 2018, the Company's annual amortization for its intangible assets/liabilities, assuming no early lease terminations, are as follows (dollars in thousands):

	Assets	Liabilities
2019	$ 41,968	$ 7,403
2020	28,393	5,707
2021	20,128	4,302
2022	12,791	2,654
2023	9,756	2,094
Thereafter	18,312	9,623
Total	$ 131,348	$ 31,783

7. DEBT OBLIGATIONS

The following table sets forth information regarding the Company’s consolidated debt obligations outstanding at December 31, 2018 and 2017 (in thousands):

	December 31, 2018	December 31, 2017	Effective Interest Rate		Maturity Date
MORTGAGE DEBT:					
Two Logan Square	$ 82,805	$ 84,440	3.98%		May 2020
Four Tower Bridge	9,526	-	4.50%	(a)	Feb 2021
One Commerce Square	120,183	123,667	3.64%		Apr 2023
Two Commerce Square	110,518	112,000	4.51%		Apr 2023
Principal balance outstanding	323,032	320,107			
Plus: fair market value premium (discount), net	(1,759)	(2,325)			
Less: deferred financing costs	(404)	(566)			
Mortgage indebtedness	$ 320,869	$ 317,216			
UNSECURED DEBT					
$600 million Unsecured Credit Facility	$ 92,500	$ -	LIBOR + 1.10%		Jul 2022
Seven-Year Term Loan - Swapped to fixed	250,000	250,000	2.87%	(b)	Oct 2022
$350.0M 3.95% Guaranteed Notes due 2023	350,000	350,000	3.87%		Feb 2023
$250.0M 4.10% Guaranteed Notes due 2024	250,000	250,000	4.33%		Oct 2024
$450.0M 3.95% Guaranteed Notes due 2027	450,000	450,000	4.03%		Nov 2027
$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	LIBOR + 1.25%		Mar 2035
Indenture IB (Preferred Trust I) - Swapped to fixed	25,774	25,774	3.30%		Apr 2035
Indenture II (Preferred Trust II) - Swapped to fixed	25,774	25,774	3.09%		Jul 2035
Principal balance outstanding	1,721,110	1,628,610			
Plus: original issue premium (discount), net	(4,096)	(4,423)			
Less: deferred financing costs	(9,837)	(10,575)			
Total unsecured indebtedness	$ 1,707,177	$ 1,613,612			
Total Debt Obligations	$ 2,028,046	$ 1,930,828			

(a) This loan was assumed upon acquisition of the related property on January 5, 2018. The interest rate reflects the market rate at the time of acquisition.

(b) On December 13, 2018, the Company amended and restated its $250.0 million seven-year term loan maturing October 8, 2022. In connection with the terms of the amendment, the credit spread on the term loan decreased from LIBOR plus 1.80% to LIBOR plus 1.25%, reducing the Company’s effective interest rate by 0.55%. Through a series of interest rate swaps, the $250.0 million outstanding balance of the term loan has a fixed interest rate of 2.87%.

During 2018, 2017, and 2016, the Company’s weighted-average effective interest rate on its mortgage notes payable was 4.05%, 4.04%, and 4.03%, respectively.

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.

On July 17, 2018, the Company amended and restated its revolving credit agreement (as amended and restated, the “2018 Credit Facility”). The amendment and restatement, among other things: (i) maintained the total commitment of the revolving line of credit of $600.0 million; (ii) extended the maturity date from May 15, 2019 to July 15, 2022, with two six-month extensions at the Company’s election subject to specified conditions and subject to payment of an extension fee; (iii) reduced the interest rate margins applicable to Eurodollar loans; (iv) provided for an additional interest rate option based on a floating LIBOR rate; and (v) removed the covenant requiring the Company to maintain a minimum net worth. In connection with the amendments, the Company capitalized $2.7 million in financing costs, which will be amortized through the July 15, 2022 maturity date.

At the Company's option, loans outstanding under the 2018 Credit Facility will bear interest at a rate per annum equal to (1) LIBOR plus between 0.775% and 1.45%, based on the Company's credit rating, or (2) a base rate equal to the greatest of (a) the Administrative Agent's prime rate, (b) the Federal Funds rate plus 0.5% or (c) LIBOR for a one month period plus 1.00%, in each case, plus a margin ranging from 0.0% to 0.45% based on the Company's credit rating. The 2018 Credit Facility also contains a competitive bid option that allows banks that are part of the lender consortium to bid to make loan advances to the Company at a reduced interest rate. In addition, the Company is also obligated to pay (1) in quarterly installments a facility fee on the total commitment at a rate per annum ranging from 0.125% to 0.30% based on the Company's credit rating and (2) an annual fee on the undrawn amount of each letter or credit equal to the LIBOR Margin. Based on the Company's current credit rating, the LIBOR margin is 1.10% and the facility fee is 0.25%.

The terms of the 2018 Credit Facility require that the Company maintain customary financial and other covenants, including: (i) a fixed charge coverage ratio greater than or equal to 1.5 to 1.00; (ii) a leverage ratio less than or equal to 0.60 to 1.00, subject to specified exceptions; (iii) a ratio of unsecured indebtedness to unencumbered asset value less than or equal to 0.60 to 1.00, subject to specified exceptions; (iv) a ratio of secured indebtedness to total asset value less than or equal to 0.40 to 1.00; and (v) a ratio of unencumbered cash flow to interest expense on unsecured debt greater than 1.75 to 1.00. In addition, the 2018 Credit Facility restricts payments of dividends and distributions on shares in excess of 95% of the Company's funds from operations (FFO) except to the extent necessary to enable the Company to continue to qualify as a REIT for Federal income tax purposes.

The Company had $92.5 million of borrowings under the 2018 Credit Facility as of the twelve-month period ended December 31, 2018. During the twelve months ended December 31, 2018, the weighted-average interest rate on 2018 Credit Facility borrowings was 3.24% resulting in $1.0 million of interest expense. As of December 31, 2018, the effective interest rate on 2018 Credit Facility borrowings was 3.61%. As of December 31, 2017, the Company had no borrowings under the Credit Facility. During the twelve months ended December 31, 2017, the weighted-average interest rate on Credit Facility borrowings was 2.28% resulting in $2.6 million of interest expense.

On November 17, 2017, the Company completed an underwriting offering of its $450.0 million 3.95% Guaranteed Notes due 2027 (the “2027 Notes”) and reopened the 3.95% Guaranteed Notes due 2023 (the “2023 Notes”) for an additional $100.0 million. The 2027 Notes were priced at 99.25% of their face amount with a yield to maturity of 4.04%, representing a spread at the time of pricing of 1.70% over the ten-year treasury rate. The 2023 Notes were priced at 102.497% of their face amount with a yield to maturity of 3.40%, representing a spread at the time of pricing of 1.40% over the five-year treasury rate. The 2027 Notes and 2023 Notes have been reflected net of a discount of $3.4 million and a premium of $2.5 million, respectively, in the consolidated balance sheet as of December 31, 2017. The Company received $546.6 million after the deduction for underwriting discounts and offering expenses.

On November 17, 2017, the Company used a portion of the net proceeds from the offering of the 2027 Notes and 2023 Notes to repurchase $115.1 million aggregate principal amount of 2018 Notes, through a tender offer, which consists of a $113.4 million principal repayment of the 2018 Notes, $1.2 million of prepayment penalties and $0.5 million of accrued interest. The Company recognized a $1.4 million loss on early extinguishment of debt related to the total repurchase.

On December 18, 2017, the Company redeemed in full the $211.6 million aggregate principal amount of 2018 Notes that remained outstanding following completion of the tender offer, at a cash redemption price of $215.7 million (inclusive of prepayment penalties of $2.3 million and accrued interest of $1.8 million). The Company recognized a $2.5 million loss on early extinguishment of debt related to the total repurchase.

The following table provides additional information on the Company’s repurchase of $325.0 million in the aggregate principal amount of its outstanding unsecured notes (consisting of the 2018 Notes, as indicated above) during the twelve months ended December 31, 2017 (in thousands). There were no repurchases of unsecured debt during the twelve months ended December 31, 2018 or 2016.

Notes	Principal	Repurchase Amount (a)	Loss on Early Extinguishment of Debt (b)
2018 4.95% Notes	$ 325,000	$ 330,792	$ (3,933)

(a) Includes prepayment penalties with respect to the redemption of debt.
(b) Includes unamortized balance of the original issue discount and deferred financing costs.

The Company was in compliance with all financial covenants as of December 31, 2018. 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.

As of December 31, 2018, the Company's aggregate scheduled principal payments of debt obligations, excluding amortization of discounts and premiums, are as follows (in thousands):

2019	$	7,595
2020		87,226
2021		15,143
2022		348,832
2023		556,736
Thereafter		1,028,610
Total principal payments		2,044,142
Net unamortized premiums/(discounts)		(5,855)
Net deferred financing costs		(10,241)
Outstanding indebtedness	$	2,028,046

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company determined the fair values disclosed below using available market information and discounted cash flow analyses as of December 31, 2018 and 2017, respectively. The discount rate used in calculating fair value is the sum of the current risk free rate and the risk premium on the date of measurement of the instruments or obligations. Considerable judgment is necessary to interpret market data and to develop the related estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Company could realize upon disposition. The use of different estimation methodologies may have a material effect on the estimated fair value amounts shown. The Company believes that the carrying amounts reflected in the consolidated balance sheets at December 31, 2018 and 2017 approximate the fair values for cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued expenses because they are short-term in duration.

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

	December 31, 2018		December 31, 2017	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
Unsecured notes payable	$ 1,288,024	$ 1,262,570	$ 1,286,573	$ 1,314,900
Variable rate debt	$ 419,153	$ 402,924	$ 327,039	$ 308,872
Mortgage notes payable	$ 320,869	$ 318,515	$ 317,216	$ 304,665
Notes receivable (b)	$ 47,771	$ 47,747	$ 3,532	$ 3,605

(a) The carrying amounts presented in the table above are net of deferred financing costs of $7.9 million and $8.9 million for unsecured notes payable, $5.1 million and $1.3 million for variable rate debt and $0.4 million and $0.6 million for mortgage notes payable as of December 31, 2018 and December 31, 2017, respectively.

(b) The inputs to originate the notes receivable are unobservable and, as a result, are categorized as Level 3. The Company determined fair value by calculating the present value of the cash payments to be received through the maturity date of the loans.

On June 26, 2018, the Company provided a $44.4 million mortgage loan to Brandywine 1919 Ventures, an unconsolidated real estate venture in which the Company holds a 50% ownership interest, and recorded a note receivable of $44.4 million. For additional information regarding the transaction, see Note 4, "*Investment in Unconsolidated Real Estate Ventures*."

As of December 31, 2018, notes receivable also consisted of a $3.4 million note receivable that was provided to a third party to acquire a property. The mortgage bears interest at 7.0% through March 2019 and 8.0% interest thereafter until its maturity date in March of 2020. The loan principal amortizes down to the balloon payment of $3.1 million which the Company expects to receive at maturity of the note in March of 2020.

The Company periodically assesses collectability of the notes receivable in accordance with the accounting standard for loan receivables. As of December 31, 2018, the Company's notes receivable are collectible.

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 December 31, 2018 and December 31, 2017. 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.

The inputs to originate the notes receivable are unobservable and, as a result, are categorized as Level 3. The Company determined fair value by calculating the present value of the cash payments to be received through the maturity dates of the loans.

For the Company's mortgage loans, the Company uses an estimate based discounted cash flow analyses and its knowledge of the mortgage market. An increase in the discount rate used in the discounted cash flow model would result in a decrease in 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 in 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 December 31, 2018 and December 31, 2017. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts were not comprehensively revalued for purposes of these financial statements since December 31, 2018. Current estimates of fair value may differ from the amounts presented herein.

9. RISK MANAGEMENT AND USE OF DERIVATIVE FINANCIAL INSTRUMENTS

Risk Management

In the course of its ongoing business operations, the Company encounters economic risk. There are three main components of economic risk: interest rate risk, credit risk, and market risk. The Company is subject to interest rate risk on its interest-bearing liabilities. Credit risk is primarily the risk of inability or unwillingness of tenants to make contractually required payments and of counterparties on derivatives contracts to fulfill their obligations. Market risk is the risk of declines in the value of Company properties due to changes in rental rates, interest rates, supply and demand of similar products and other market factors affecting the valuation of properties.

Risks and Uncertainties

In the U.S., market and economic conditions have been improving, resulting in an increase of the volume of real estate transactions in the market. If the economy deteriorates, vacancy rates may increase through 2019 and possibly beyond. The financial markets also have an effect on the Company's Real Estate Venture partners and contractual counterparties, including counterparties in derivative contracts.

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

Availability of borrowings under the unsecured revolving credit facility is subject to a traditional material adverse effect clause. Each time the Company borrows it must represent to the lenders that there have been no events of a nature which would have a material adverse effect on the business, assets, operations, condition (financial or otherwise) or prospects of the Company taken as a whole or which could negatively affect the ability of the Company to perform its obligations under the unsecured revolving credit facility. While the Company believes that there are currently no material adverse effect events, it is possible that such an event could arise which would limit the Company's borrowings under the unsecured revolving credit facility. If an event occurs which is considered to have a material adverse effect, the lenders could consider the Company in default under the terms of the unsecured revolving credit facility and any borrowings under the unsecured revolving credit facility would become unavailable. If the Company is unable to obtain a waiver, this would have a material adverse effect on the Company's financial position and results of operations.

The Company was in compliance with all financial covenants as of December 31, 2018. Management continuously monitors the Company's compliance with and anticipated compliance with the covenants. Certain of the covenants restrict management's ability to obtain alternative sources of capital. While the Company currently believes it will remain in compliance with its covenants, in the event 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.

Use of Derivative Financial Instruments

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

The Company formally assesses, both at the inception of a hedge and on an on-going basis, whether each derivative is highly-effective in offsetting changes in cash flows of the hedged item. If management determines that a derivative is not highly-effective as a hedge or if a derivative ceases to be a highly-effective hedge, the Company will discontinue hedge accounting prospectively for either the entire hedge or the portion of the hedge that is determined to be ineffective. The related ineffectiveness would be charged to the consolidated statement of operations.

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

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

The following table summarizes the terms and fair values of the Company's derivative financial instruments as of December 31, 2018 and December 31, 2017. 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).

Hedge Product	Hedge Type	Designation		Notional Amount		Strike	Trade Date	Maturity Date	Fair value	
				12/31/2018	12/31/2017				12/31/2018	12/31/2017
Assets										
Swap	Interest Rate	Cash Flow	(a)	$ 250,000	$ 250,000	2.868%	October 8, 2015	October 8, 2022	$ 7,008	$ 5,694
Swap	Interest Rate	Cash Flow	(a)	25,774	25,774	3.300%	December 22, 2011	January 30, 2021	292	25
Swap	Interest Rate	Cash Flow	(a)	25,774	25,774	3.090%	January 6, 2012	October 30, 2019	183	59
				$ 301,548	$ 301,548					

(a) Hedging unsecured variable rate debt.

The Company measures its derivative instruments at fair value and records them in the "Other assets" and ("Other liabilities") captions on the Company's consolidated balance sheets.

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 the inputs utilized to determine the fair value of derivative instruments are classified in Level 2 of the fair value hierarchy.

Disclosure about the fair value of derivative instruments is based upon pertinent information available to management as of December 31, 2018 and December 31, 2017. 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 December 31, 2018. Current estimates of fair value may differ from the amounts presented herein.

Concentration of Credit Risk

Concentrations of credit risk arise for the Company when multiple tenants of the Company are engaged in similar business activities, or are located in the same geographic region, or have similar economic features that impact in a similar manner their ability to meet contractual obligations, including those to the Company. The Company regularly monitors its tenant base to assess potential concentrations of credit risk. Management believes the current credit risk portfolio is reasonably well diversified and does not contain an unusual concentration of credit risk. No tenant accounted for 10% or more of the Company's rents during 2018, 2017 and 2016.

Conditions in the general economy and the global credit markets have had a significant adverse effect on numerous industries. The Company has tenants concentrated in various industries that may be experiencing adverse effects from the current economic conditions and the Company could be adversely affected if such tenants were to default under their leases.

10. LIMITED PARTNERS' NONCONTROLLING INTERESTS IN THE PARENT COMPANY

Noncontrolling 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 noncontrolling interests associated with the redeemable common limited partnership interests that were consolidated in the accompanying consolidated balance sheet of the Parent Company as of December 31, 2018 and December 31, 2017, was $10.1 million and $15.2 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 date) was approximately $12.6 million and $26.9 million, respectively, as of December 31, 2018 and December 31, 2017.

11. 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):

	Year ended December 31,					
	2018		2017		2016	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator						
Net income	$ 137,289	$ 137,289	$ 121,859	$ 121,859	$ 40,501	$ 40,501
Net income attributable to noncontrolling interests	(965)	(965)	(1,009)	(1,009)	(310)	(310)
Nonforfeitable dividends allocated to unvested restricted shareholders	(369)	(369)	(327)	(327)	(341)	(341)
Distribution to preferred shareholders	-	-	(2,032)	(2,032)	(6,900)	(6,900)
Preferred share redemption charge	-	-	(3,181)	(3,181)	-	-
Net income attributable to common shareholders	$ 135,955	$ 135,955	$ 115,310	$ 115,310	$ 32,950	$ 32,950
Denominator						
Weighted-average shares outstanding	178,519,748	178,519,748	175,484,350	175,484,350	175,018,163	175,018,163
Contingent securities/Share based compensation	-	1,121,744	-	1,323,816	-	992,651
Weighted-average shares outstanding	178,519,748	179,641,492	175,484,350	176,808,166	175,018,163	176,010,814
Earnings per Common Share:						
Net income attributable to common shareholders	$ 0.76	$ 0.76	$ 0.66	$ 0.65	$ 0.19	$ 0.19

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

Redeemable common limited partnership units, totaling 982,871 in 2018, and 1,479,799 in both 2017 and 2016, 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 years ended December 31, 2018, 2017 and 2016, earnings representing nonforfeitable dividends were allocated to the unvested restricted shares issued to the Company's executives and other employees under the Amended and Restated 1997 Long-Term Incentive Plan.

Common and Preferred Shares

On December 6, 2018, the Parent Company declared a distribution of $0.19 per common share, totaling $33.6 million, which was paid on January 22, 2019 to shareholders of record as of January 8, 2019.

Of the 20,000,000 preferred shares authorized, none were outstanding as of December 31, 2018 or December 31, 2017.

On April 11, 2017, the Parent Company redeemed all of its outstanding 4,000,000 Series E Preferred Shares at an aggregate redemption price of $25.51 per share, which includes $2.0 million of dividends accrued through the redemption date. The redemption was funded with existing cash balances on hand.

Also on April 11, 2017, the Parent Company recognized a $3.2 million charge related to the underwriting discount and related expenses incurred at issuance of the Series E Preferred Shares on April 11, 2012. This charge is included in the earnings per share calculations above, as well as within the Parent Company's consolidated statements of operations as a reduction in net income to arrive at net income attributable to common shareholders under the caption "Preferred share redemption charge." There were no comparable charges for the years ended December 31, 2018 or 2016.

Common Share Repurchases

The Parent Company maintains a common share repurchase program under which the Board of Trustees has authorized the Parent Company to repurchase common shares. On January 3, 2019, the Board of Trustees replenished this program by authorizing the Parent Company to repurchase up to $150 million common shares under the program from and after January 3, 2019. During the year ended 2018, the Company repurchased and retired 1,729,278 common shares at an average price of $12.64 per share, totaling $21.9 million. During the years ended December 31, 2017 and 2016, there were no share repurchases under the program. The Company expects to fund any additional share repurchases with a combination of available cash balances and availability under its unsecured revolving credit facility. The timing and amounts of any repurchases will depend on a variety of factors, including market conditions, regulatory requirements, share prices, capital availability and other factors as determined by the Company's 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.

In connection with the Parent Company's common share repurchase program, one common unit of the Operating Partnership is retired for each common share repurchased. During the year ended December 31, 2018, the Company repurchased and retired 1,729,278 common units at an average price of $12.64 per unit, totaling $21.9 million. During the years ended December 31, 2017 and 2016, there were no unit repurchases under the program. The Company expects to fund any additional unit repurchases with a combination of available cash balances and availability under its unsecured revolving credit facility. The timing and amounts of any purchases will depend on a variety of factors, including market conditions, regulatory requirements, unit prices, capital availability and other factors as determined by the Company's management team. The repurchase program does not require the purchase of any minimum number of units and may be suspended or discontinued at any time without notice.

The common shares repurchased were retired and, as a result, were accounted for in accordance with Maryland law, which does not contemplate treasury stock. The repurchases were recorded as a reduction of common shares (at $0.01 par value per unit) and a decrease to General Partnership Capital.

Continuous Offering Program

On January 10, 2017, the Parent Company entered into a continuous offering program (the "Offering Program"), under which it may sell up to an aggregate of 16,000,000 common shares until January 10, 2020 in at-the-market offerings. In connection with the commencement of the Offering Program, $0.2 million of upfront costs were recorded to additional paid-in capital. This program is a replacement of a prior continuous offering program that expired on November 3, 2016.

During 2018 and 2017, the Parent Company issued 23,311 and 2,858,991 common shares under the Offering Program at weighted average prices per share of $18.04 and $18.19, receiving net cash proceeds of $0.4 million and $51.2 million, respectively. No shares were issued during 2016 under the prior continuous offering program that expired on November 3, 2016. At December 31, 2018, 13,117,698 common shares remain available for issuance under the Offering Program.

12. 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):

	Year ended December 31,					
	2018		2017		2016	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator						
Net income	$ 137,289	$ 137,289	$ 121,859	$ 121,859	$ 40,501	$ 40,501
Net income attributable to noncontrolling interests	(55)	(55)	(29)	(29)	(15)	(15)
Nonforfeitable dividends allocated to unvested restricted unitholders	(369)	(369)	(327)	(327)	(341)	(341)
Preferred unit dividends	-	-	(2,032)	(2,032)	(6,900)	(6,900)
Preferred unit redemption charge	-	-	(3,181)	(3,181)	-	-
Net income attributable to common unitholders	$ 136,865	$ 136,865	$ 116,290	$ 116,290	$ 33,245	$ 33,245
Denominator						
Weighted-average units outstanding	179,959,370	179,959,370	176,964,149	176,964,149	176,523,800	176,523,800
Contingent securities/Share based compensation	-	1,121,744	-	1,323,816	-	992,651
Total weighted-average units outstanding	179,959,370	181,081,114	176,964,149	178,287,965	176,523,800	177,516,451
Earnings per Common Partnership Unit:						
Net income attributable to common unitholders	$ 0.76	$ 0.76	$ 0.66	$ 0.65	$ 0.19	$ 0.19

Unvested restricted units are considered participating securities which require the use of the two-class method for the computation of basic and diluted earnings per unit. For the years ended December 31, 2018, 2017 and 2016, earnings representing nonforfeitable dividends were allocated to the unvested restricted units issued to the Parent Company’s executives and other employees under the Parent Company’s shareholder-approved long-term incentive plan.

Common Partnership Units and Preferred Mirror Units

The Operating Partnership issues partnership units to the Parent Company in exchange for the contribution of the net proceeds of any equity security issuance by the Parent Company. The number and terms of such partnership units correspond to the number and terms of the related equity securities issued by the Parent Company. In addition, the Operating Partnership may also issue separate classes of partnership units. Historically, the Operating Partnership has had the following types of partnership units outstanding: (i) Preferred Partnership Units which have been issued to parties other than the Parent Company; (ii) Preferred Mirror Partnership Units which have been issued to the Parent Company; and (iii) Common Partnership Units which include both interests held by the Parent Company and those held by other limited partners.

Preferred Mirror Partnership Units

In exchange for the proceeds received in corresponding offerings by the Parent Company of preferred shares of beneficial interest, the Operating Partnership has issued to the Parent Company a corresponding amount of Preferred Mirror Partnership Units with terms consistent with that of the preferred securities issued by the Parent Company.

No preferred units were outstanding as of December 31, 2018 or December 31, 2017.

Common Partnership Units (Redeemable and General)

The Operating Partnership has two classes of Common Partnership Units outstanding as of December 31, 2018: (i) Class A Limited Partnership Interest which are held by both the Parent Company and outside third parties and (ii) General Partnership Interests which are held solely by the Parent Company (collectively, the Class A Limited Partnership Interest, and General Partnership Interests are referred to as “Common Partnership Units”). The holders of the Common Partnership Units are entitled to share in cash distributions from, and in profits and losses of, the Operating Partnership, in proportion to their respective percentage interests, subject to preferential distributions on the preferred mirror units and the preferred units.

The Common Partnership Units held by the Parent Company (comprised of both General Partnership Units and Class A Limited Partnership Units) are presented as partner’s equity in the consolidated financial statements. Class A Limited Partnership Interest held by parties other than the Parent Company are redeemable at the option of the holder for a like number of common shares of the Parent Company, or cash, or a combination thereof, at the election of the Parent Company. Because the form of settlement of these redemption rights are not within the control of the Operating Partnership, these Common Partnership Units have been excluded from partner's equity and are presented as redeemable limited partnership units measured at the potential cash redemption value as of the end of the periods presented based on the closing market price of the Parent Company's common shares at December 31, 2018, 2017 and 2016, which was $12.87, $18.19 and $16.51, respectively. As of December 31, 2018, 982,871 Class A Units were outstanding and owned by outside limited partners of the Operating Partnership. As of both December 31, 2017 and 2016, 1,479,799 Class A Units were outstanding and owned by outside limited partners of the Operating Partnership.

On December 6, 2018, the Operating Partnership declared a distribution of $0.19 per common unit, totaling $33.6 million, which was paid on January 22, 2019 to unitholders of record as of January 8, 2019.

On April 11, 2017, the Operating Partnership redeemed all of its outstanding 4,000,000 Series E-Linked Preferred Mirror Units at an aggregate redemption price of $25.51 per unit, which includes $2.0 million of dividends accrued through the redemption date. The redemption of preferred units was funded with existing cash balances on hand.

Also on April 11, 2017, the Operating Partnership recognized a $3.2 million charge related to the underwriting discount and related expenses incurred at issuance of the Series E-Linked Preferred Mirror Units on April 11, 2012. This charge is included in the earnings per share calculations above, as well as within the Operating Partnership's consolidated statements of operations as a reduction in net income to arrive at net income attributable to common partnership unitholders under the caption "Preferred unit redemption charge." There were no comparable charges for the years ended December 31, 2018 or 2016.

Common Unit Repurchases

In connection with the Parent Company's common share repurchase program, one common unit of the Operating Partnership is retired for each common share repurchased. On January 3, 2019, the Board of Trustees replenished this program by authorizing the Parent Company to repurchase of up to $150.0 million common shares under the program from and after January 3, 2019. During the year ended December 31, 2018, the Company repurchased and retired 1,729,278 common units at an average price of $12.64 per unit, totaling $21.9 million. During the years ended December 31, 2017 and 2016, there were no unit repurchases under the program. The Company expects to fund any additional unit repurchases with a combination of available cash balances and availability under its unsecured revolving credit facility. The timing and amounts of any purchases will depend on a variety of factors, including market conditions, regulatory requirements, unit prices, capital availability and other factors as determined by the Company's management team. The repurchase program does not require the purchase of any minimum number of units and may be suspended or discontinued at any time without notice.

The common units repurchased were retired and, as a result, were accounted for in accordance with Maryland law, which does not contemplate treasury stock. The repurchases were recorded as a reduction of common units (at $0.01 par value per unit) and a decrease to General Partnership Capital.

Continuous Offering Program

On January 10, 2017, the Parent Company entered into a continuous offering program (the "Offering Program"), under which it may sell up to an aggregate of 16,000,000 common units until January 10, 2020 in at-the-market offerings. In connection with the commencement of the Offering Program, $0.2 million of upfront costs were recorded to General Partner Capital. This program is a replacement of a prior continuous offering program that expired on November 3, 2016.

During 2018 and 2017, the Parent Company issued 23,311 and 2,858,991 common units under the Offering Program at weighted average prices per unit of $18.04 and $18.19, receiving net cash proceeds of $0.4 million and $51.2 million, respectively. No shares were issued during 2016 under the prior continuous offering program that expired on November 3, 2016. As of December 31, 2018, 13,117,698 common shares remain available for issuance under the Offering Program.

13. SHARE BASED COMPENSATION, 401(k) PLAN AND DEFERRED COMPENSATION

Stock Options

On December 31, 2018, options exercisable for 964,359 common shares were outstanding under the Parent Company's shareholder approved equity incentive plan (referred to as the "Equity Incentive Plan"). During the years ended December 31, 2018, 2017 and 2016, the Company did not recognize any compensation expense related to unvested options. During the years ended December 31, 2018, 2017 and 2016, the Company did not capitalize any compensation expense related to stock options as part of the Company's review of employee salaries eligible for capitalization.

Option activity as of December 31, 2018 and changes during the year-ended December 31, 2018 were as follows:

	Shares	Weighted Average Exercise Price		Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value	
Outstanding at January 1, 2018	2,238,590	$	15.67	1.10		
Exercised	-	$	-		$	-
Forfeited/Expired	(1,274,231)	$	20.61			
Outstanding at December 31, 2018	964,359	$	9.13	1.25	$	3,652,903
Vested/Exercisable at December 31, 2018	964,359	$	9.13	1.25	$	3,652,903

401(k) Plan

The Company sponsors a 401(k) defined contribution plan for its employees. Each employee may contribute up to 100% of annual compensation, subject to specific limitations under the Internal Revenue Code. At its discretion, the Company can make matching contributions equal to a percentage of the employee's elective contribution and profit sharing contributions. The Company funds its 401(k) contributions annually and plan participants must be employed as of December 31st in order to receive contributions, except for employees eligible for qualifying retirement, as defined under the Internal Revenue Code. Prior to 2016, employer contributions were funded in each pay period and automatically vested. The Company contributions were $0.4 million in 2018 and $0.5 million and $0.4 million in 2017 and 2016, respectively.

Restricted Share Rights Awards

As of December 31, 2018, 466,439 restricted share rights were outstanding under the Equity Incentive Plan and vest over two to three years from the initial grant dates. The remaining compensation expense to be recognized with respect to these awards at December 31, 2018 was approximately $1.8 million and is expected to be recognized over a weighted average remaining vesting period of 1.3 years. For the year ended December 31, 2018, the Company recognized compensation expense related to outstanding restricted shares of $3.6 million, of which $0.6 million was capitalized as part of the Company's review of employee salaries eligible for capitalization. For the years ended December 31, 2017 and 2016, the Company recognized $2.8 million (of which $0.4 million was capitalized) and $2.6 million (of which $0.4 million was capitalized), respectively, of compensation expense included in general and administrative expense in the respective periods related to outstanding restricted shares.

The following table summarizes the Company's restricted share activity during the year-ended December 31, 2018:

	Shares	Weighted Average Grant Date Fair Value		Aggregate Intrinsic Value	
Non-vested at January 1, 2018	455,643	$	14.95	$	8,288,146
Granted	220,241		15.71		-
Vested	(197,344)		15.87		5,923
Forfeited	(12,101)		15.04		23,292
Non-vested at December 31, 2018	466,439	$	14.93	$	70,677

On February 28, 2018, the Compensation Committee of the Parent Company's Board of Trustees awarded to officers of the Company an aggregate of 134,487 restricted common share rights ("Restricted Share Rights"), which cliff vest on April 15, 2021. Each Restricted Share Right is scheduled to vest or be settled on April 15, 2021 and, upon completion of vesting, each Restricted Share Right will be settled for one common share. The Parent Company pays dividend equivalents on the Restricted Share Rights prior to the vesting or settlement date. Vesting or settlement would accelerate if the recipient of the award were to die, become disabled or retire in a qualifying retirement prior to the vesting or settlement date. Qualifying retirement generally means the recipient's voluntary termination of employment after reaching at least age 57 and accumulating at least 15 years of service with the Company. In addition, vesting would also accelerate if the Parent Company were to undergo a change of control and, on or before the first anniversary of the change of control, the recipient's employment were to cease due to a termination without cause or resignation with good reason.

In addition, on February 28, 2018, the Compensation Committee awarded non-officer employees an aggregate of 44,062 Restricted Share Rights that vest in three equal annual installments on April 15 of 2019, 2020 and 2021. Vesting of these awards is subject to acceleration upon death, disability or termination without cause within one year following a change of control.

In accordance with the accounting standard for share-based compensation, the Company amortizes share-based compensation costs through the qualifying retirement dates for those executives who meet the conditions for qualifying retirement during the scheduled vesting period and whose award agreements provide for vesting upon a qualifying retirement.

Restricted Performance Share Units Plan

The Compensation Committee of the Parent Company's Board of Trustees has granted performance share-based awards (referred to as Restricted Performance Share Units, or RPSUs) to officers of the Parent Company. The RPSUs are settled in common shares, with the number of common shares issuable in settlement determined based on the Company's total shareholder return over specified measurement periods compared to total shareholder returns of comparative groups over the measurement periods. The table below presents certain information as to unvested RPSU awards.

	RPSU Grant			
	2/22/2016	3/1/2017	2/28/2018	Total
(Amounts below in shares, unless otherwise noted)				
Non-vested at January 1, 2018	228,077	172,411	-	400,488
Units Granted	-	-	209,193	209,193
Units Cancelled	(3,354)	(2,886)	(3,168)	(9,408)
Non-vested at December 31, 2018	224,723	169,525	206,025	600,273
Measurement Period Commencement Date	1/1/2016	1/1/2017	1/1/2018	
Measurement Period End Date	12/31/2018	12/31/2019	12/31/2020	
Units Granted	231,388	174,854	209,193	
Fair Value of Units on Grant Date (in thousands)	$ 3,558	$ 3,735	$ 4,276	

The Company values each RPSU on its grant date using a Monte Carlo simulation. The fair values of each award are being amortized over the three year cliff vesting period. The vesting of RPSUs is subject to acceleration upon a change in control or if the recipient of the award were to die, become disabled or retire in a qualifying retirement prior to the vesting date. In accordance with the accounting standard for share-based compensation, the Company amortizes stock-based compensation costs through the qualifying retirement date for those executives who meet the conditions for qualifying retirement during the scheduled vesting period.

For the year ended December 31, 2018, the Company recognized total compensation expense for the 2018, 2017 and 2016 RPSU awards of $3.9 million, of which $1.1 million was capitalized consistent with the Company's policies for capitalizing eligible portions of employee compensation. For the year ended December 31, 2017, the Company recognized total compensation expense for the 2017, 2016 and 2015 RPSU awards of $3.4 million, of which $0.8 million was capitalized consistent with the Company's policies for capitalizing eligible portions of employee compensation. For the year ended December 31, 2016, the Company recognized total compensation expense for the 2016, 2015 and 2014 RPSU awards of $2.8 million, of which $0.6 million was capitalized consistent with the Company's policies for capitalizing eligible portions of employee compensation.

The remaining compensation expense to be recognized at December 31, 2018 was approximately $2.0 million and is expected to be recognized over a weighted average remaining vesting period of 1.1 years.

The Company issued 193,516 common shares on February 1, 2018 in settlement of RPSUs that had been awarded on February 23, 2015 (with a three-year measurement period ended December 31, 2017). Holders of these RPSUs also received a cash dividend of $0.18 per share for these common shares on February 9, 2018.

Employee Share Purchase Plan

The Parent Company's shareholders approved the 2007 Non-Qualified Employee Share Purchase Plan (the "ESPP"), which is intended to provide eligible employees with a convenient means to purchase common shares of the Parent Company through payroll deductions and voluntary cash purchases at an amount equal to 85% of the average closing price per share for a specified period. Under the plan document, the maximum participant contribution for the 2018 plan year is limited to the lesser of 20% of compensation or $50,000. The ESPP allows the Parent Company to make open market purchases, which reflects all purchases made under the plan to date. In addition, the number of shares separately reserved for issuance under the ESPP is 1.25 million. During the year ended December 31, 2018, employees made purchases under the ESPP of $0.5 million and the Company recognized $0.1 million of compensation expense related to the ESPP. During each of the years ended December 31, 2017 and 2016, employees made purchases under the ESPP of $0.4 million. For the years ended December 31, 2017 and 2016, the Company recognized $0.1 million and $0.2 million of compensation expense related to the ESPP, respectively. Compensation expense represents the 15% discount on the purchase price. The Board of Trustees of the Parent Company may terminate the ESPP at its sole discretion at any time.

Deferred Compensation

In January 2005, the Parent Company adopted a Deferred Compensation Plan (the "Plan") that allows trustees and certain key employees to defer compensation voluntarily. Compensation expense is recorded for the deferred compensation and a related liability is recognized. Participants may elect designated benchmark investment options for the notional investment of their deferred compensation. The deferred compensation obligation is adjusted for deemed income or loss related to the investments selected. At the time the participants defer compensation, the Company records a liability, which is included in the Company's consolidated balance sheets. The liability is adjusted for changes in the market value of the participant-selected investments at the end of each accounting period, and the impact of adjusting the liability is recorded as an increase or decrease to compensation cost.

The Company has purchased mutual funds which can be utilized as a funding source for the Company's obligations under the Plan. Participants in the Plan have no interest in any assets set aside by the Company to meet its obligations under the Plan. For each of the years ended December 31, 2018, December 31, 2017 and December 31, 2016, the Company recorded a nominal amount of deferred compensation costs, net of investments in the company-owned policies and mutual funds.

Participants in the Plan may elect to have all or a portion of their deferred compensation invested in the Company's common shares. The Company holds these shares in a rabbi trust, which is subject to the claims of the Company's creditors in the event of the Company's bankruptcy or insolvency. The Plan does not permit diversification of a participant's deferral allocated to the Company common shares and deferrals allocated to Company common shares can only be settled with a fixed number of shares. In accordance with the accounting standard for deferred compensation arrangements where amounts earned are held in a rabbi trust and invested, the deferred compensation obligation associated with the Company's common shares is classified as a component of shareholder's equity and the related shares are treated as shares to be issued and are included in total shares outstanding. At December 31, 2018 and 2017, 1.0 million and 0.9 million of such shares were included in total shares outstanding, respectively. Subsequent changes in the fair value of the common shares are not reflected in operations or shareholders' equity of the Company.

14. DISTRIBUTIONS

The following table provides the tax characteristics of the 2018, 2017 and 2016 distributions paid:

	Years ended December 31,		
	2018	2017	2016
	(in thousands, except per share amounts)		
Common Share Distributions:			
Ordinary income	$ 0.55	$ 0.38	$ -
Capital gain	-	0.26	0.62
Non-taxable distributions	0.17	-	-
Distributions per share	$ 0.72	$ 0.64	$ 0.62
Percentage classified as ordinary income	76.20%	60.00%	0.00%
Percentage classified as capital gain	0.00%	40.00%	100.00%
Percentage classified as non-taxable distribution	23.80%	0.00%	0.00%
Preferred Share Distributions:			
Total distributions paid	$ -	$ 2,032	$ 6,900
Percentage classified as ordinary income	0.00%	60.00%	0.00%
Percentage classified as capital gain	0.00%	40.00%	100.00%
Percentage classified as non-taxable distribution	0.00%	0.00%	0.00%

15. INCOME TAXES AND TAX CREDIT TRANSACTIONS

Income Tax Provision/Benefit

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and for net operating loss, capital loss and tax credit carryforwards. The deferred tax assets and liabilities are measured using the enacted income tax rates in effect for the year in which those temporary differences are expected to be realized or settled. The effect on the deferred tax assets and liabilities from a change in tax rates is recognized in earnings in the period when the new rate is enacted. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of all available evidence, including the future reversals of existing taxable temporary differences, future projected taxable income and tax planning strategies. Valuation allowances are provided if, based upon the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

As of December 31, 2018, net deferred tax assets totaled $0.1 million and are included in the “Other assets” caption within the Company’s consolidated balance sheets. There were $0.6 million of net deferred tax assets at December 31, 2017 included in the “Other assets” caption within the Company’s consolidated balance sheets.

In projecting future taxable income, the analysis begins with historical results and incorporates assumptions about the amount of future state and federal pretax operating income adjusted for items that do not have tax consequences. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates the Company is using to manage the underlying businesses.

The Company had no accruals for tax uncertainties as of December 31, 2018 and December 31, 2017.

For the year ended December 31, 2018, there were $0.3 million of deferred income tax expense and $0.1 million of current income tax expense. For the year ended December 31, 2017, there were $0.6 million of deferred income tax benefits. For the year ended December 31, 2016, there was a nominal amount of income tax expense. These amounts are included in the “Income tax (provision) benefit” caption in the Company’s consolidated statements of operations for each respective year ended.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table details the components of accumulated other comprehensive income (loss) of the Parent Company and the Operating Partnership as of and for the three years ended December 31, 2018 (in thousands):

Parent Company		Cash Flow Hedges
Balance at January 1, 2016	$	(5,192)
Change in fair market value during year		2,371
Allocation of unrealized (gains)/losses on derivative financial instruments to noncontrolling interests		(28)
Amortization of interest rate contracts reclassified from comprehensive income to interest expense		1,104
Balance at December 31, 2016	$	(1,745)
Change in fair market value during year		2,948
Allocation of unrealized (gains)/losses on derivative financial instruments to noncontrolling interests		(34)
Amortization of interest rate contracts reclassified from comprehensive income to interest expense		1,230
Balance at December 31, 2017	$	2,399
Change in fair market value during year		1,478
Allocation of unrealized (gains)/losses on derivative financial instruments to noncontrolling interests		(39)
Amortization of interest rate contracts reclassified from comprehensive income to interest expense		1,191
Balance at December 31, 2018	$	5,029

Operating Partnership		Cash Flow Hedges
Balance at January 1, 2016	$	(5,597)
Change in fair market value during year		2,371
Amortization of interest rate contracts reclassified from comprehensive income to interest expense		1,104
Balance at December 31, 2016	$	(2,122)
Change in fair market value during year		2,948
Amortization of interest rate contracts reclassified from comprehensive income to interest expense		1,230
Balance at December 31, 2017	$	2,056
Change in fair market value during year		1,478
Amortization of interest rate contracts reclassified from comprehensive income to interest expense		1,191
Balance at December 31, 2018	$	4,725

Over time, the unrealized gains and losses held in Accumulated Other Comprehensive Income ("AOCI") will be reclassified to interest expense when the related hedged items are recognized in earnings. The current balance held in AOCI is expected to be reclassified to interest expense for realized losses on forecasted debt transactions over the related term of the debt obligation, as applicable. The Company expects to reclassify $0.8 million from AOCI into interest expense within the next twelve months.

17. SEGMENT INFORMATION

During the year ended December 31, 2018, the Company owned and managed its portfolio within five segments: (1) Philadelphia Central Business District (Philadelphia CBD), (2) Pennsylvania Suburbs, (3) Austin, Texas (4) Metropolitan Washington, D.C., and (5) Other. The Philadelphia CBD segment includes properties located in the City of Philadelphia, Pennsylvania. The Pennsylvania Suburbs segment includes properties in Chester, Delaware, and Montgomery counties in the Philadelphia suburbs. The Austin, Texas segment includes properties in the City of Austin, Texas. The Metropolitan Washington, D.C. segment includes properties in the District of Columbia, Northern Virginia and southern Maryland. The Other segment includes properties located in Camden County in New Jersey and properties in New Castle County in Delaware. In addition to the five segments, the corporate group is responsible for cash and investment management, development of certain real estate properties during the construction period, and certain other general support functions. Land held for development and construction in progress is transferred to operating properties by region upon completion of the associated construction or project.

The following tables provide selected asset information and results of operations of the Company's reportable segments for the three years ended December 31, 2018, 2017 and 2016 (in thousands):

Real estate investments, at cost:

	December 31, 2018	December 31, 2017	December 31, 2016
Philadelphia CBD	$ 1,670,388	$ 1,643,296	$ 1,320,974
Pennsylvania Suburbs	1,004,537	958,796	1,005,446
Metropolitan Washington, D.C. (a)	524,190	978,257	975,987
Austin, Texas (b)	667,698	163,653	146,794
Other	86,506	88,346	137,094
	$ 3,953,319	$ 3,832,348	$ 3,586,295
Assets held for sale (c)	-	-	73,591
Operating Properties	$ 3,953,319	$ 3,832,348	$ 3,659,886
Corporate			
Construction-in-progress	$ 150,263	$ 121,188	$ 297,462
Land held for development (d)	$ 86,401	$ 98,242	$ 150,970
Prepaid leasehold interests in land held for development, net (e)	$ 39,999	$ -	$ -

(a) On December 20, 2018, the Company contributed a portfolio of eight properties containing an aggregate of 1,293,197 square feet, located in its Metropolitan Washington, D.C. segment, known as the Rockpoint Portfolio, to the Herndon Innovation Center Metro Portfolio Venture, LLC for a gross sales price of $312.0 million. The Company and its partner own 15% and 85% interests in the Herndon Innovation Center Metro Portfolio Venture, LLC, respectively. The Herndon Innovation Center Metro Portfolio Venture, LLC funded the acquisition with $265.2 million of cash, which was distributed to the Company at closing. After funding its share of closing costs and working capital contributions of $2.2 million and $0.6 million, respectively, the Company received $262.4 million of cash proceeds at settlement. For further information related to this transaction, see the "*Herndon Innovation Center Metro Portfolio Venture, LLC*" section in Note 4, "*Investment in Unconsolidated Real Estate Ventures*," for further information.

(b) On December 11, 2018, the Company acquired from DRA Advisors its 50% ownership interest in the G&I Austin Office LLC real estate venture for an aggregate purchase price of $535.1 million. The DRA Austin Venture owned twelve office properties containing an aggregate 1,570,123 square feet, located in Austin, Texas. As a result of the acquisition, the Company acquired complete ownership of the Austin Venture Portfolio. For further information related to this transaction, see the "*Acquisitions*" section in Note 3, "*Real Estate Investments*."

(c) As of December 31, 2016, three office properties in the Metropolitan Washington, D.C. segment and two office properties in the Other segment were classified as held for sale in accordance with applicable accounting standards for long-lived assets. See the "*2016*" section of Note 3, "*Real Estate Investments,*" for further information.

(d) As of December 31, 2018, the Company classified 37.9 acres of land held for development, comprised of 2.7 acres and 35.2 acres, located in its Pennsylvania Suburbs segment and Other segment, respectively, as held for sale in accordance with applicable accounting standards for long lived assets. See Note 3, "*Real Estate Investments,*" for further information. As of December 31, 2017, the Company classified 13.1 acres of land held for development located in its Other segment as held for sale in accordance with applicable accounting standards for long lived assets.

(e) As of December 31, 2018, this caption comprised leasehold interests in prepaid 99-year ground leases at 3025 and 3001-3003 JFK Boulevard, in Philadelphia, Pennsylvania. See Note 3, "*Real Estate Investments*," for further information.

None of the above aforementioned sales or properties classified as held for sale are considered significant dispositions under the accounting guidance for discontinued operations.

	Years ended December 31,								
	2018			2017			2016		
	Total revenue	Operating expenses (a)	Net operating income (loss)	Total revenue	Operating expenses (a)	Net operating income	Total revenue	Operating expenses (a)	Net operating income
Philadelphia CBD	$ 256,717	$ (99,449)	$ 157,268	$ 226,673	$ (88,818)	$ 137,855	$ 200,245	$ (78,708)	$ 121,537
Pennsylvania Suburbs	138,279	(49,357)	88,922	139,785	(47,769)	92,016	144,338	(49,208)	95,130
Metropolitan Washington, D.C.	90,308	(34,072)	56,236	92,024	(35,014)	57,010	99,781	(39,036)	60,745
Austin, Texas	38,665	(16,739)	21,926	34,301	(15,456)	18,845	34,585	(13,222)	21,363
Other	16,757	(11,888)	4,869	18,347	(11,749)	6,598	39,359	(23,204)	16,155
Corporate	3,619	(6,518)	(2,899)	9,363	(7,193)	2,170	7,155	(6,070)	1,085
Operating properties	$ 544,345	$ (218,023)	$ 326,322	$ 520,493	$ (205,999)	$ 314,494	$ 525,463	$ (209,448)	$ 316,015

(a) Includes property operating expense, real estate taxes and third party management expense.

Unconsolidated real estate ventures:

	Investment in real estate ventures, at equity			Equity in income (loss) of real estate venture		
	As of			Years ended December 31,		
	December 31, 2018	December 31, 2017	December 31, 2016	2018	2017	2016
Philadelphia CBD	$ 19,897	$ 39,939	$ 48,691	$ (105)	$ 255	$ (686)
Pennsylvania Suburbs	-	3,503	15,421	-	631	748
Metropolitan Washington, D.C. (a)	136,142	119,817	141,786	(15,065)	(5,044)	(6,293)
MAP Venture (b)	11,173	15,450	20,893	(2,155)	(3,443)	(4,218)
Other	1,888	1,939	1,654	407	285	814
Austin, Texas (c)	-	13,973	52,886	1,687	(990)	(1,868)
Total	$ 169,100	$ 194,621	$ 281,331	$ (15,231)	$ (8,306)	$ (11,503)

(a) On December 20, 2018, the Company formed a joint venture with Rockpoint. See footnote (a) to the "Real estate investments, at cost" table above for further information regarding this transaction.

(b) The MAP Venture represents a joint venture formed between the Company and MAP Ground Lease Holdings LLC, an affiliate of Och-Ziff Capital Management Group, LLC, on February 4, 2016. The MAP Venture's business operations, including properties in Richmond, Virginia; Metropolitan Washington, D.C.; New Jersey/Delaware and Pennsylvania Suburbs, are centrally managed with the results reported to management of the Company on a consolidated basis. As a result, the investment in the MAP Venture is separately presented. All other unconsolidated real estate ventures are managed consistently with the Company's regional segments.

(c) See footnote (b) to the "Real estate investments, at cost" table above for further information regarding this transaction.

Net operating income ("NOI") is a non-GAAP financial measure defined as total revenue less property operating expenses, real estate taxes and third party management expenses. Property operating expenses that are included in determining NOI consist of costs that are necessary and allocable to our operating properties such as utilities, property-level salaries, repairs and maintenance, property insurance, management fees and bad debt expense. General and administrative expenses that are not reflected in NOI primarily consist of corporate-level salaries, amortization of share awards and professional fees that are incurred as part of corporate office management. All companies may not calculate NOI in the same manner. NOI is the measure that is used by the Company to evaluate the operating performance of its real estate assets by segment. The Company believes NOI provides useful information to investors regarding the financial condition and results of operations because it reflects only those income and expense items that are incurred at the property level. While NOI is a relevant and widely used measure of operating performance of real estate investment trusts, it does not represent cash flow from operations or net income as defined by GAAP and should not be considered as an alternative to those measures in evaluating our liquidity or operating performance. NOI does not reflect interest expenses, real estate impairment losses, depreciation and amortization costs, capital expenditures and leasing costs. The Company believes that net income (loss), as defined by GAAP, is the most appropriate earnings measure. The following is a reconciliation of consolidated net income (loss), as defined by GAAP, to consolidated NOI, (in thousands):

	Years Ended December 31,		
	2018	2017	2016
Net income	$ 137,289	$ 121,859	$ 40,501
Plus:			
Interest expense	78,199	81,886	84,708
Interest expense - amortization of deferred financing costs	2,498	2,435	2,696
Interest expense - financing obligation	-	-	679
Depreciation and amortization	174,259	179,357	189,676
General and administrative expenses	27,802	28,538	26,596
Equity in loss of Real Estate Ventures	15,231	8,306	11,503
Provision for impairment	71,707	3,057	40,517
Loss on early extinguishment of debt	105	3,933	66,590
Less:			
Interest income	4,703	1,113	1,236
Income tax (provision) benefit	(423)	628	-
Net gain on disposition of real estate	2,932	31,657	116,983
Net gain on sale of undepreciated real estate	3,040	953	9,232
Net gain on real estate venture transactions	142,233	80,526	20,000
Gain on promoted interest in unconsolidated real estate venture	28,283	-	-
Consolidated net operating income	$ 326,322	$ 314,494	$ 316,015

18. OPERATING LEASES

The Company leases properties to tenants under operating leases with various expiration dates extending to 2082. Minimum future rentals on non-cancelable leases at December 31, 2018 are as follows (in thousands):

Year		Minimum Rent
2019	$	392,058
2020		372,619
2021		349,160
2022		304,445
2023		277,388
Thereafter		1,265,810

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

19. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is involved from time to time in litigation on various matters, including disputes with tenants, disputes with vendors, employee disputes and disputes arising out of agreements to purchase or sell properties or joint ventures or disputes relating to state and local taxes. Given the nature of the Company's business activities, these lawsuits are considered routine to the conduct of its business. The result of any particular lawsuit cannot be predicted, because of the very nature of litigation, the litigation process and its adversarial nature, and the jury system. The Company will establish reserves for specific legal proceedings when it determines that the likelihood of an unfavorable outcome is probable and when the amount of loss is reasonably estimable. The Company does not expect that the liabilities, if any, that may ultimately result from such legal actions will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

Letters-of-Credit

Under certain mortgages, the Company has funded required leasing and capital reserve accounts for the benefit of the mortgage lenders with letters-of-credit. There were no associated letters-of-credit for a mortgage lender on December 31, 2018. Certain of the tenant rents at properties that secure these mortgage loans are deposited into the loan servicer's depository accounts, which are used to fund debt service, operating expenses, capital expenditures and the escrow and reserve accounts, as necessary. Any excess cash is included in cash and cash equivalents.

Environmental

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

Ground Rent

Future minimum rental payments under the terms of all non-cancellable ground leases under which the Company is the lessee are expensed on a straight-line basis regardless of when payments are due. The Company's ground leases have remaining lease terms ranging from 10 to 66 years. Minimum future rental payments on non-cancelable leases at December 31, 2018 are as follows (in thousands):

Year		Minimum Rent
2019	$	1,222
2020		1,222
2021		1,222
2022		1,222
2023		1,222
Thereafter		55,689
Total	$	61,799

The Company obtained ground tenancy rights related to three properties in Philadelphia, Pennsylvania, which provide for contingent rent participation by the lessor in certain capital transactions and net operating cash flows of the properties after certain returns are achieved by the Company. Such amounts, if any, will be reflected as contingent rent when incurred. The leases also provide for payment by the Company of certain operating costs relating to the land, primarily real estate taxes. The above schedule of future minimum rental payments does not include any contingent rent amounts or any reimbursed expenses.

Fair Value of Contingent Consideration

On April 2, 2015, the Company purchased 618 Market Street in Philadelphia, Pennsylvania. The allocated purchase price included contingent consideration of $2.0 million payable to the seller upon commencement of development. The liability was recorded at a fair value of $1.6 million and will accrete through interest expense to $2.0 million over the expected period until development is commenced. The fair value of this contingent consideration was determined using a probability weighted discounted cash flow model. The significant inputs to the discounted cash flow model were the discount rate and weighted probability scenarios. As the inputs are unobservable, the Company determined the inputs used to value this liability fall within Level 3 for fair value reporting. As of December 31, 2018, the liability had accreted to $1.9 million. As there were no significant changes to the inputs, the liability remains within Level 3 for fair value reporting.

Debt Guarantees

As of December 31, 2018, the Company's unconsolidated real estate ventures had aggregate indebtedness of $370.3 million. These loans are generally mortgage or construction loans, most of which are non-recourse to the Company, except for customary carve-outs. As of December 31, 2018, the loans for which there is recourse to the Company consist of the following: (i) a $0.3 million payment guarantee on a loan with a $3.8 million outstanding principal balance, provided to PJP VII and (ii) up to a $41.3 million payment guarantee on a $150.0 million construction loan provided to 4040 Wilson. In addition, during construction undertaken by real estate ventures, including 4040 Wilson, 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.

Other Commitments or Contingencies

On October 13, 2017, the Company acquired a leasehold interest in the office building known as The Bulletin Building, in Philadelphia, Pennsylvania. See Note 3, "*Real Estate Investments,*" for further information. In connection with the acquisition, the Company is required to spend no less than $8.0 million in capital improvements to the property. As of December 31, 2018, $1.2 million of the funding related to this requirement had been met. The Company estimates that it will incur $37.3 million in excess of this funding requirement and expects to complete the redevelopment of The Bulletin Building during the second quarter of 2020 at an estimated aggregate cost of $83.1 million, inclusive of the acquisition cost of $37.8 million.

Also on October 13, 2017, the Company acquired a leasehold interest in the land parcel at 3001 Market Street in Philadelphia, Pennsylvania ("Drexel Square"). During the fourth quarter of 2017, the Company broke ground on the construction of a public park on the site, marking the commencement of construction of its Schuylkill Yards Project with Drexel. Under the terms of the Development Agreement with Drexel, the Company has until July 2019 to complete development of Drexel Square. If the Company is unable to complete such development within this timeframe, it may be subject to damages under the Development Agreement. As of December 31, 2018, the project is substantially complete.

During the fourth quarter of 2017, in connection with the Schuylkill Yards Project, the Company entered into a neighborhood engagement program and, as of December 31, 2018, had $2.7 million of future contractual obligations. In addition, the Company estimates $0.6 million of potential additional contributions for which the Company is not currently contractually obligated.

As part of the Company's September 2004 acquisition of a portfolio of properties from The Rubenstein Company (which the Company refers to as the "TRC acquisition"), the Company acquired its interest in Two Logan Square, a 708,844 square foot office building in Philadelphia, primarily through its ownership of a second and third mortgage secured by this property. This property is consolidated, as the borrower is a variable interest entity and the Company, through its ownership of the second and third mortgages, is the primary beneficiary. The Company currently does not expect to take title to Two Logan Square until, at the earliest, on or about August 2020. If the Company takes fee title to Two Logan Square upon foreclosure of its mortgage, the Company has agreed to pay an unaffiliated third party that holds a residual interest in the fee owner of this property an amount equal to $2.9 million. On the TRC acquisition date, the Company recorded a liability of $0.7 million and this amount will accrete up to $2.9 million through January 2020. As of December 31, 2018, the Company had a balance of $2.7 million for this liability in its consolidated balance sheets.

As part of the Company's 2006 merger with Prentiss Properties Trust ("Prentiss"), the 2004 TRC acquisition and several of our other transactions, the Company agreed not to sell certain of the properties it acquired in transactions that would trigger taxable income to the former owners. In the case of the TRC acquisition, the Company agreed not to sell acquired properties in non-exempt transactions for periods up to 15 years from the date of the TRC acquisition as follows at December 31, 2018: One Logan Square, Two Logan Square and Radnor Corporate Center (January 2020). The Company subsequently agreed to extend the no-sale period applicable to

Two Logan Square to on or about August 2020. In the Prentiss acquisition, the Company assumed the obligation of Prentiss not to sell Concord Airport Plaza before March 2018. The Company's agreements generally provide that it may dispose of the subject properties only in transactions that qualify as tax-free exchanges under Section 1031 of the Internal Revenue Code or in other tax deferred transactions. On February 2, 2017, the Company completed the disposition of Concord Airport Plaza in a transaction that qualified as a tax-free exchange under Section 1031 of the Internal Revenue Code. See Note 3, "*Real Estate Investments,*" for further information. If the Company were to sell a restricted property before the expiration of the restricted period in a non-exempt transaction, the Company may be required to make significant payments to the parties who sold the applicable property on account of tax liabilities attributed to them. Similarly, as part of the 2013 acquisition of substantially all of the equity interests in the partnerships that own One and Two Commerce Square, the Company agreed, for the benefit of affiliates of the holder of the 1% residual ownership interest in these properties, to not sell these two properties in certain taxable transactions prior to October 20, 2021 without the holder's consent.

As part of the Company's acquisition of properties from time to time in tax-deferred transactions, the Company has agreed to provide certain of the prior owners of the acquired properties with the right to guarantee the Company's indebtedness. If the Company were to seek to repay the indebtedness guaranteed by the prior owner before the expiration of the applicable agreement, the Company would be required to provide the prior owner an opportunity to guaranty qualifying replacement debt. These debt maintenance agreements may limit the Company's ability to refinance indebtedness on terms favorable to the Company. As part of our 2013 acquisition of substantially all of the equity interests in the partnerships that own One and Two Commerce Square, the Company agreed, for the benefit of affiliates of the holder of the 1% residual ownership interest in these properties, to maintain qualifying mortgage debt through October 20, 2021, in the amounts of not less than $125.0 million on One Commerce Square and $100.0 million on Two Commerce Square. Similarly, the Company has agreements in place with other contributors of assets that obligate it to maintain debt available for them to guaranty.

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

20. SUBSEQUENT EVENTS

On January 3, 2019, the Board of Trustees authorized the repurchase of up to $150.0 million common shares from and after January 3, 2019. During January 2019, the Company repurchased and retired 1,337,169 common shares at an average price of $12.92 per share, totaling $17.3 million.

21. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The following is a summary of quarterly financial information as of and for the years ended December 31, 2018 and 2017 (in thousands, except per share data):

Brandywine Realty Trust

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2018				
Total revenue	$ 136,358	$ 133,786	$ 134,998	$ 139,203 (b)
Net income (loss)	44,705	13,136	(43,262) (a)	122,710 (c)
Net income (loss) allocated to Common Shares	44,215	12,920	(43,003)	121,823
Basic earnings (loss) per Common Share	$ 0.25	$ 0.07	$ (0.24)	$ 0.68
Diluted earnings (loss) per Common Share	$ 0.25	$ 0.07	$ (0.24)	$ 0.68
2017				
Total revenue	$ 130,920	$ 127,791	$ 128,438	$ 133,344
Net income	21,271	7,698	19,046	73,844
Net income allocated to Common Shares	19,278	4,092	18,803	73,137
Basic earnings per Common Share	$ 0.11	$ 0.02	$ 0.11	$ 0.42
Diluted earnings per Common Share	$ 0.11	$ 0.02	$ 0.11	$ 0.41

The summation of quarterly earnings per share amounts does not necessarily equal the full year amounts due to rounding.

(a) The decrease in third quarter net income primarily relates to a $56.9 million impairment charge which related to eight office properties in the Company's Metropolitan Washington, D.C. segment. See Note 3, "*Real Estate Investments,*" for further information.

(b) The increase in fourth quarter revenues primarily relates to the acquisition of the Austin Portfolio, located in Austin, Texas, on December 11, 2018. See Note 3, *"Real Estate Investments,"* for further information on this transaction.

(c) The increase in net income for the fourth quarter primarily relates to gains of $103.8 million and $28.3 million, recorded in the "Net gain on real estate venture transactions" and "Gain on promoted interest in unconsolidated real estate venture" captions within the Company's consolidated statements of operations, respectively, from the Austin Portfolio transaction. For further details, see Note 3, *"Real Estate Investments."*

Brandywine Operating Partnership, L.P.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2018				
Total revenue	$ 136,358	$ 133,786	$ 134,998	$ 139,203 (b)
Net income (loss)	44,705	13,136	(43,262) (a)	122,710 (c)
Net income (loss) attributable to Common Partnership Unitholders	44,586	13,029	(43,362)	122,612
Basic earnings (loss) per Common Partnership Unit	$ 0.25	$ 0.07	$ (0.24)	$ 0.68
Diluted earnings (loss) per Common Partnership Unit	$ 0.25	$ 0.07	$ (0.24)	$ 0.68
2017				
Total revenue	$ 130,920	$ 127,791	$ 128,438	$ 133,344
Net income	21,271	7,698	19,046	73,844
Net income attributable to Common Partnership Unitholders	19,442	4,129	18,961	73,758
Basic earnings per Common Partnership Unit	$ 0.11	$ 0.02	$ 0.11	$ 0.42
Diluted earnings per Common Partnership Unit	$ 0.11	$ 0.02	$ 0.11	$ 0.41

The summation of quarterly earnings per share amounts does not necessarily equal the full year amounts due to rounding.

(a) (a)The decrease in third quarter net income primarily relates to a $56.9 million impairment charge which related to eight office properties in the Company's Metropolitan Washington, D.C. segment. See Note 3, *"Real Estate Investments,"* for further information.

(b) The increase in fourth quarter revenues primarily relates to the acquisition of the Austin Portfolio, located in Austin, Texas, on December 11, 2018. See Note 3, *"Real Estate Investments,"* for further information on this transaction.

(c) The increase in net income for the fourth quarter primarily relates to gains of $103.8 million and $28.3 million, recorded in the "Net gain on real estate venture transactions" and "Gain on promoted interest in unconsolidated real estate venture" captions within the Company's consolidated statements of operations, respectively, from the Austin Portfolio transaction. For further details, see Note 3, *"Real Estate Investments."*

Brandywine Realty Trust and Brandywine Operating Partnership, L.P.
Schedule II
Valuation and Qualifying Accounts
(in thousands)

Description	Balance at Beginning of Year	Additions	Deductions (1)	Balance at End of Year
Allowance for doubtful accounts:				
Year-ended December 31, 2018	$ 17,112	$ 1,775	$ 5,968	$ 12,919
Year-ended December 31, 2017	$ 16,116	$ 1,912	$ 916	$ 17,112
Year-ended December 31, 2016	$ 16,178	$ 2,207	$ 2,269	$ 16,116

(1) Deductions represent amounts that the Company had fully reserved for in prior years and for which the pursuit of collection of such amounts was ceased during the year.

BRANDYWINE REALTY TRUST AND BRANDYWINE OPERATING PARTNERSHIP, L.P.
Schedule III
Real Estate and Accumulated Depreciation — December 31, 2018
(in thousands)

				Initial Cost			Gross Amount Which Carried December 31, 2018						
Property Name	City	State	Encumbrances (a)	Land	Building & Improvements	Net Improvements (Retirements) Since Acquisition	Land	Building & Improvements	Total (b)	Accumulated Depreciation at December 31, 2018 (c)	Year of Construction	Year Acquired	Depreciable Life
PENNSYLVANIA SUBURBS													
400 Berwyn Park	Berwyn	PA	-	2,657	4,462	12,985	2,657	$ 17,447	20,104.00	8,060	1999	1999	40
300 Berwyn Park	Berwyn	PA	-	2,206	13,422	3,331	2,206	$ 16,753	18,959.00	9,777	1989	1997	40
1050 Westlakes Drive	Berwyn	PA	-	2,611	10,445	2,416	2,611	$ 12,861	15,472.00	5,990	1984	1999	40
1200 Swedesford Road	Berwyn	PA	-	2,595	11,809	218	2,595	$ 12,027	14,622.00	6,211	1994	2001	40
200 Berwyn Park	Berwyn	PA	-	1,533	9,460	2,074	1,533	$ 11,534	13,067.00	6,586	1987	1997	40
1180 Swedesford Road	Berwyn	PA	-	2,086	8,342	3,110	2,086	$ 11,452	13,538.00	5,496	1987	2001	40
100 Berwyn Park	Berwyn	PA	-	1,180	7,290	1,636	1,180	$ 8,926	10,106.00	5,012	1986	1997	40
1160 Swedesford Road	Berwyn	PA	-	1,781	7,124	6,831	2,045	$ 13,691	15,736.00	5,864	1986	2001	40
1100 Cassett Road	Berwyn	PA	-	1,695	6,779	1,662	1,695	$ 8,441	10,136.00	3,714	1997	2001	40
Six Tower Bridge (181 Washington Street)	Conshohocken	PA	-	6,927	14,722	2,448	6,237	$ 17,860	24,097.00	2,920	1999	2013	40
52 Swedesford Square	East Whiteland Twp.	PA	-	4,241	16,579	5,418	4,241	$ 21,997	26,238.00	10,712	1988	1998	40
640 Freedom Business Center	King Of Prussia	PA	-	4,222	16,891	4,827	4,222	$ 21,718	25,940.00	11,254	1991	1998	40
620 Freedom Business Center	King Of Prussia	PA	-	2,770	11,014	2,147	2,770	$ 13,161	15,931.00	6,925	1986	1998	40
1000 First Avenue	King Of Prussia	PA	-	2,772	10,936	3,660	2,772	$ 14,596	17,368.00	7,255	1980	1998	40
1060 First Avenue	King Of Prussia	PA	-	2,712	10,953	3,539	2,712	$ 14,492	17,204.00	7,111	1987	1998	40
630 Freedom Business Center Drive	King Of Prussia	PA	-	2,773	11,144	3,592	2,773	$ 14,736	17,509.00	7,517	1989	1998	40
1020 First Avenue	King Of Prussia	PA	-	2,168	8,576	3,939	2,168	$ 12,515	14,683.00	6,004	1984	1998	40
1040 First Avenue	King Of Prussia	PA	-	2,860	11,282	5,037	2,860	$ 16,319	19,179.00	7,941	1985	1998	40
610 Freedom Business Center Drive	King Of Prussia	PA	-	2,017	8,070	2,547	2,017	$ 10,617	12,634.00	5,319	1985	1998	40
650 Park Avenue	King Of Prussia	PA	-	1,916	4,378	1,357	1,916	$ 5,735	7,651.00	3,418	1968	1998	40
600 Park Avenue	King Of Prussia	PA	-	1,012	4,048	385	1,012	$ 4,433	5,445.00	2,527	1964	1998	40
933 First Avenue	King Of Prussia	PA	-	3,127	20,794	(1,125)	3,127	$ 19,669	22,796.00	1,345	2017	N/A	40
500 North Gulph Road	King Of Prussia	PA	-	1,303	5,201	18,777	1,303	$ 23,978	25,281.00	82	1979	1996	
401 Plymouth Road	Plymouth Meeting	PA	-	6,199	16,131	16,184	6,199	$ 32,315	38,514.00	14,477	2001	2000	40
Metroplex (4000 Chemical Road)	Plymouth Meeting	PA	-	4,373	24,546	452	4,373	$ 24,998	29,371.00	6,941	2007	2001	40
610 West Germantown Pike	Plymouth Meeting	PA	-	3,651	14,514	3,313	3,651	$ 17,827	21,478.00	7,996	1987	2002	40
600 West Germantown Pike	Plymouth Meeting	PA	-	3,652	15,288	2,377	3,652	$ 17,665	21,317.00	7,422	1986	2002	40
630 West Germantown Pike	Plymouth Meeting	PA	-	3,558	14,743	2,522	3,558	$ 17,265	20,823.00	7,157	1988	2002	40
620 West Germantown Pike	Plymouth Meeting	PA	-	3,572	14,435	1,561	3,572	$ 15,996	19,568.00	6,517	1990	2002	40
660 West Germantown Pike	Plymouth Meeting	PA	-	3,694	5,487	20,715	5,405	$ 24,491	29,896.00	5,636	1987	2012	30
351 Plymouth Road	Plymouth Meeting	PA	-	1,043	555	-	1,043	$ 555	1,598.00	191	N/A	2000	40
150 Radnor Chester Road	Radnor	PA	-	11,925	36,986	9,273	11,897	$ 46,287	58,184.00	20,332	1983	2004	29
One Radnor Corporate Center	Radnor	PA	-	7,323	28,613	23,155	7,323	$ 51,768	59,091.00	28,913	1998	2004	29
201 King of Prussia Road	Radnor	PA	-	8,956	29,811	3,064	8,949	$ 32,882	41,831.00	18,605	2001	2004	25
555 Lancaster Avenue	Radnor	PA	-	8,014	16,508	19,201	8,609	$ 35,114	43,723.00	16,532	1973	2004	24
Four Radnor Corporate Center	Radnor	PA	-	5,406	21,390	12,918	5,705	$ 34,009	39,714.00	14,908	1995	2004	30
Five Radnor Corporate Center	Radnor	PA	-	6,506	25,525	5,887	6,578	$ 31,340	37,918.00	11,579	1998	2004	38
Three Radnor Corporate Center	Radnor	PA	-	4,773	17,961	1,372	4,791	$ 19,315	24,106.00	9,731	1998	2004	29
Two Radnor Corporate Center	Radnor	PA	-	3,937	15,484	3,402	3,942	$ 18,881	22,823.00	9,359	1998	2004	29
130 Radnor Chester Road	Radnor	PA	-	2,573	8,338	3,188	2,567	$ 11,532	14,099.00	6,206	1983	2004	25
170 Radnor Chester Road	Radnor	PA	-	2,514	8,147	2,165	2,509	$ 10,317	12,826.00	4,210	1983	2004	25
200 Radnor Chester Road	Radnor	PA	-	3,366	-	3,572	3,366	$ 3,572	6,938.00	636	2014	2005	40
101 West Elm Street	W. Conshohocken	PA	-	6,251	25,209	3,633	6,251	$ 28,842	35,093.00	9,723	1999	2005	40
1 West Elm Street	W. Conshohocken	PA	-	3,557	14,249	3,372	3,557	$ 17,621	21,178.00	5,673	1999	2005	40
Four Tower Bridge (200 Barr Harbor Drive)	W. Conshohocken	PA	9,526	6,000	14,734	19	6,000	$ 14,753	20,753.00	369	1998	2018	40

				Initial Cost			Gross Amount Which Carried December 31, 2018						
Property Name	City	State	Encumbrances (a)	Land	Building & Improvements	Net Improvements (Retirements) Since Acquisition	Land	Building & Improvements	Total (b)	Accumulated Depreciation at December 31, 2018 (c)	Year of Construction	Year Acquired	Depreciable Life
PHILADELPHIA CBD													
Cira Centre (2929 Arch Street)	Philadelphia	PA	-	-	208,570	(13,907)	12,586	$ 182,077	194,663.00	65,851	2005	N/A	40
Three Logan Square (1717 Arch Street)	Philadelphia	PA	-	-	98,188	63,532	25,195	$ 136,525	161,720.00	34,908	1990	2010	40
Two Commerce Square (2001 Market Street)	Philadelphia	PA	110,518	15,323	120,200	24,144	15,323	$ 144,344	159,667.00	22,184	1992	2013	40
One Logan Square (130 North 18th Street)	Philadelphia	PA	-	14,496	107,736	28,657	14,473	$ 136,416	150,889.00	56,850	1998	2004	34
Two Logan Square (100 North 18th Street)	Philadelphia	PA	82,805	16,066	100,255	19,053	16,066	$ 119,308	135,374.00	45,211	1988	2004	36
One Commerce Square (2005 Market Street)	Philadelphia	PA	120,183	15,161	105,021	27,997	15,160	$ 133,019	148,179.00	19,848	1987	2013	40
Cira Centre South Garage (129 South 30th Street)	Philadelphia	PA	-	-	76,008	14,183	-	$ 90,191	90,191.00	17,015	2010	N/A	40
1900 Market Street	Philadelphia	PA	-	7,768	17,263	51,364	7,768	$ 68,627	76,395.00	11,327	1981	2012	30
3020 Market Street	Philadelphia	PA	-	-	21,417	8,100	-	$ 29,517	29,517.00	9,013	1959	2011	26
The Lift at Juniper Street (101 - 103 Juniper Street)	Philadelphia	PA	-	-	14,401	(14,401)	-	$ -	-	-	2010	2006	40
618-634 Market Street (d)	Philadelphia	PA	-	13,365	5,791	1,952	13,365	$ 7,743	21,108.00	4,601	1966	2015	5
FMC Tower at Cira Centre South (2929 Walnut Street)	Philadelphia	PA	-	-	400,294	12,964	-	$ 413,258	413,258.00	31,439	2016	N/A	40
2100 Market Street (e)	Philadelphia	PA	-	18,827	-	6,594	18,854	$ 6,567	25,421.00	547	N/A	2015	N/A
3000 Market Street (f)	Philadelphia	PA	-	18,924	13,080	600	18,924	$ 13,680	32,604.00	1,720	1937	2017	12
The Bulletin Building (3025 Market Street) (f)	Philadelphia	PA	-	-	24,377	6,968	-	$ 31,345	31,345.00	978	1953	2017	40
3001-3003 JFK Boulevard (h)	Philadelphia	PA	-	-	-	78	-	$ 78	78.00	2	N/A	2018	N/A
3025 JFK Boulevard (h)	Philadelphia	PA	-	-	-	-	-	$ -	-	-	N/A	2018	N/A
METROPOLITAN WASHINGTON, D.C.													
6600 Rockledge Drive	Bethesda	MD	-	-	37,421	9,349	-	$ 46,770	46,770.00	13,469	1981	2006	50
2340 Dulles Corner Boulevard	Herndon	VA	-	-	-	82,248	16,129	$ 66,119	82,248.00	20,429	1987	2006	40
1676 International Drive	Mclean	VA	-	18,437	97,538	3,412	18,785	$ 100,602	119,387.00	25,864	1999	2006	55
8260 Greensboro Drive	Mclean	VA	-	7,952	33,964	4,559	8,102	$ 38,373	46,475.00	10,083	1980	2006	52
2273 Research Boulevard	Rockville	MD	-	5,167	31,110	4,538	5,237	$ 35,578	40,815.00	10,624	1999	2006	45
2275 Research Boulevard	Rockville	MD	-	5,059	29,668	8,034	5,154	$ 37,607	42,761.00	12,388	1990	2006	45
2277 Research Boulevard	Rockville	MD	-	4,649	26,952	18,854	4,733	$ 45,722	50,455.00	14,723	1986	2006	45
1900 Gallows Road	Vienna	VA	-	7,797	47,817	(2,381)	5,566	$ 47,667	53,233.00	19,418	1989	2006	52
8521 Leesburg Pike	Vienna	VA	-	4,316	30,885	6,826	4,397	$ 37,630	42,027.00	11,046	1984	2006	51
AUSTIN, TX													
11501 Burnet Road - Building 1	Austin	TX	-	3,755	22,702	117	3,755	$ 22,819	26,574.00	2,489	1991	2015	35
11501 Burnet Road - Building 2	Austin	TX	-	2,732	16,305	1,562	2,732	$ 17,867	20,599.00	2,268	1991	2015	35
11501 Burnet Road - Building 3	Austin	TX	-	3,688	22,348	115	3,688	$ 22,463	26,151.00	2,449	1991	2015	35
11501 Burnet Road - Building 4	Austin	TX	-	2,614	15,740	81	2,614	$ 15,821	18,435.00	1,725	1991	2015	35
11501 Burnet Road - Building 5	Austin	TX	-	3,689	22,354	115	3,689	$ 22,469	26,158.00	2,450	1991	2015	35
11501 Burnet Road - Building 6 (g)	Austin	TX	-	2,676	15,972	13,396	2,676	$ 29,368	32,044.00	1,387	1991	2015	40
11501 Burnet Road - Building 8	Austin	TX	-	1,400	7,422	100	1,400	$ 7,522	8,922.00	828	1991	2015	35
11501 Burnet Road - Parking Garage	Austin	TX	-	-	19,826	102	-	$ 19,928	19,928.00	2,884	1991	2015	35
One Barton Skyway (1501 South MoPac Expressway)	Austin	TX	-	10,496	47,670	(39)	10,495	$ 47,632	58,127.00	103	1999	2018	40
Two Barton Skyway (1601 South MoPac Expressway)	Austin	TX	-	10,849	53,868	(40)	10,848	$ 53,829	64,677.00	116	2000	2018	40
Three Barton Skyway (1221 South MoPac Expressway)	Austin	TX	-	10,374	47,624	(39)	10,373	$ 47,586	57,959.00	100	2001	2018	40
Four Barton Skyway (1301 South MoPac Expressway)	Austin	TX	-	13,301	57,041	(40)	13,300	$ 57,002	70,302.00	121	2001	2018	40

				Initial Cost			Gross Amount Which Carried December 31, 2018						
Property Name	City	State	Encumbrances (a)	Land	Building & Improvements	Net Improvements (Retirements) Since Acquisition	Land	Building & Improvements	Total (b)	Accumulated Depreciation at December 31, 2018 (c)	Year of Construction	Year Acquired	Depreciable Life
Four Points Centre (11305 Four Points Drive)	Austin	TX	-	7,800	43,581	(40)	7,800	$ 43,541	51,341.00	91	2008	2018	40
River Place - Building 1 (6500 River Place Boulevard)	Austin	TX	-	2,004	17,680	(39)	2,004	$ 17,641	19,645.00	36	2000	2018	40
River Place - Building 2 (6500 River Place Boulevard)	Austin	TX	-	3,137	29,254	(40)	3,137	$ 29,214	32,351.00	61	2000	2018	40
River Place - Building 3 (6500 River Place Boulevard)	Austin	TX	-	3,064	26,705	(40)	3,064	$ 26,665	29,729.00	56	2000	2018	40
River Place - Building 4 (6500 River Place Boulevard	Austin	TX	-	2,273	18,617	(39)	2,273	$ 18,578	20,851.00	39	2000	2018	40
River Place - Building 5 (6500 River Place Boulevard)	Austin	TX	-	1,752	14,315	(39)	1,752	$ 14,276	16,028.00	30	2001	2018	40
River Place - Building 6 (6500 River Place Boulevard)	Austin	TX	-	1,598	12,945	(39)	1,598	$ 12,906	14,504.00	27	2001	2018	40
River Place - Building 7 (6500 River Place Boulevard)	Austin	TX	-	1,801	16,486	(39)	1,801	$ 16,447	18,248.00	35	2002	2018	40
Quarry Lake II (4516 Seton Center Parkway)	Austin	TX	-	3,970	30,546	604	3,867	$ 31,253	35,120.00	-	1998	2018	40
OTHER													
10 Foster Avenue	Gibbsboro	NJ	-	244	971	69	244	$ 1,040	1,284.00	597	1983	1997	40
7 Foster Avenue	Gibbsboro	NJ	-	231	921	31	231	$ 952	1,183.00	522	1983	1997	40
2 Foster Avenue	Gibbsboro	NJ	-	185	730	11	185	$ 741	926.00	741	1974	1997	40
4 Foster Avenue	Gibbsboro	NJ	-	183	726	6	183	$ 732	915.00	732	1974	1997	40
1 Foster Avenue	Gibbsboro	NJ	-	93	364	8	93	$ 372	465.00	372	1972	1997	40
5 U.S. Avenue	Gibbsboro	NJ	-	21	81	2	21	$ 83	104.00	59	1987	1997	40
5 Foster Avenue	Gibbsboro	NJ	-	9	32	3	9	$ 35	44.00	25	1968	1997	40
Main Street - Plaza 1000	Voorhees	NJ	-	2,732	10,942	376	2,732	$ 11,318	14,050.00	11,064	1988	1997	40
Main Street - Piazza	Voorhees	NJ	-	696	2,802	3,701	705	$ 6,494	7,199.00	3,124	1990	1997	40
Main Street - Promenade	Voorhees	NJ	-	532	2,052	405	532	$ 2,457	2,989.00	1,445	1988	1997	40
920 North King Street	Wilmington	DE	-	6,141	21,140	7,969	6,141	$ 29,109	35,250.00	11,593	1989	2004	30
300 Delaware Avenue	Wilmington	DE	-	6,369	13,739	1,991	6,369	$ 15,729	22,099.00	8,202	1989	2004	23
	Total:		$ 323,032	$ 453,723	$ 2,863,832	$ 635,764	$ 508,363	$ 3,444,955	$ 3,953,319	$ 865,462			

(a) Excludes the effect of any net interest premium/(discount) and deferred financing costs.

(b) Reconciliation of Real Estate:

The following table reconciles the real estate investments from January 1, 2016 to December 31, 2018 (in thousands):

	2018	2017	2016
Balance at beginning of year	$ 3,832,348	$ 3,659,886	$ 4,487,588
Additions:			
Acquisitions	509,654	62,586	-
Capital expenditures and assets placed into service	129,274	356,857	213,996
Less:			
Dispositions/impairments/placed into redevelopment	(469,441)	(189,395)	(962,676)
Retirements	(48,516)	(57,586)	(79,022)
Balance at end of year	$ 3,953,319	$ 3,832,348	$ 3,659,886
Less:			
Assets held for sale	-	-	(73,591)
Per consolidated balance sheet	$ 3,953,319	$ 3,832,348	$ 3,586,295

The aggregate cost for federal income tax purposes is $3.3 billion as of December 31, 2018.

(c) Reconciliation of Accumulated Depreciation:

The following table reconciles the accumulated depreciation on real estate investments from January 1, 2016 to December 31, 2018 (in thousands):

	2018	2017	2016
Balance at beginning of year	$ 895,091	$ 885,392	$ 1,080,616
Additions:			
Depreciation expense	135,473	135,822	131,859
Less:			
Dispositions/impairments/placed into redevelopment	(117,589)	(74,178)	(250,110)
Retirements	(47,513)	(51,945)	(76,973)
Balance at end of year	$ 865,462	$ 895,091	$ 885,392
Less:			
Assets held for sale	-	-	(32,916)
Per consolidated balance sheet	$ 865,462	$ 895,091	$ 852,476

(d) At acquisition it was determined that the useful life of the parking structure is five years, which reflects the expected demolition date.

(e) Building and improvements consists of capital improvements, which are depreciated over the lease term.

(f) Reflects original construction date. Significant improvements were made to 3000 Market Street in 1988 and The Bulletin Building in 2012.

(g) The property was partially placed into service during 2017.

(h) Represent leasehold interests in two land parcels, each acquired through prepaid 99-year ground leases.

Exhibit 3.2.19

ADMITTED PARTNERS OF

BRANDYWINE OPERATING PARTNERSHIP, L.P.

AS OF DECEMBER 31, 2018

Jack R. Loew
Brandywine Holdings I, Inc.
Brandywine Realty Trust
R. Randle Scarborough
Steven L. Shapiro
Hirschman Family Trust
Trust UTW of Theodore Geffner
Gloria Kantor
Helen Geffner
TRC Associates Limited Partnership
D. Kent Dahlke
Kenneth L. Hatfield
Michael G. Tombari
James J. Gorman
Christopher J. Knauer
The Jon Q. Reynolds and Ann S. Reynolds Family Trust
The Revocable Trust Declaration of Thomas K. Terrill and Susan Jean Terrill
The Redford Family Survivor's Trust
The Judith B. Brown 1992 Trust
The Peter M. Reynolds and Christina A. Reynolds Family Trust
C. Thomas Martz
Karen Leigh Brown
Tara Lynne Brown
Kristen Ann Stinnett-Brown
The Reynolds Family Partners

<u>GENERAL PARTNER</u>

Brandywine Realty Trust

Exhibit 10.2

SECOND AMENDED AND RESTATED TERM LOAN C AGREEMENT

Among

BRANDYWINE REALTY TRUST
and
BRANDYWINE OPERATING PARTNERSHIP, L.P.,
as Borrowers

and

THE LENDERS IDENTIFIED HEREIN

and

PNC BANK, NATIONAL ASSOCIATION
as Administrative Agent

and

CAPITAL ONE, NATIONAL ASSOCIATION
as Syndication Agent

and

THE BANK OF NEW YORK MELLON
as Documentation Agent

and

PNC CAPITAL MARKETS LLC
and
CAPITAL ONE, NATIONAL ASSOCIATION
as Joint Lead Arrangers and Joint Bookrunners

DATED AS OF DECEMBER 13, 2018

TABLE OF CONTENTS

Page

SCHEDULES

EXHIBITS

SECOND AMENDED AND RESTATED TERM LOAN C AGREEMENT

THIS SECOND AMENDED AND RESTATED TERM LOAN C AGREEMENT (as amended, supplemented or otherwise modified from time to time, this "***Credit Agreement***") is entered into as of December 13, 2018 among BRANDYWINE REALTY TRUST ("***BRT***"), a Maryland real estate investment trust, BRANDYWINE OPERATING PARTNERSHIP, L.P. ("***BOP***"), a Delaware limited partnership (collectively, the "***Borrowers***"), the Lenders (as defined herein), and PNC BANK, NATIONAL ASSOCIATION (the "***Administrative Agent***"), as Administrative Agent for the Lenders.

RECITALS

WHEREAS, the Borrowers, the Lenders and the Administrative Agent are party to an Amended and Restated Term Loan C Agreement dated as of October 8, 2015 (as amended, supplemented or otherwise modified to the date hereof, the "***Existing Credit Agreement***"); and

WHEREAS, the Borrowers, the Lenders and the Administrative Agent now desire to further amend and restate the Existing Credit Agreement in its entirety, to, among other things, reflect a term loan facility in an initial aggregate amount of up to $250 million with the option to increase the aggregate amount by up to an additional $150 million;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree to amend and restate the Existing Credit Agreement in its entirety as follows:

SECTION 1.

DEFINITIONS AND ACCOUNTING TERMS

1.1 Definitions.

As used herein, the following terms shall have the meanings herein specified unless the context otherwise requires. Defined terms herein shall include in the singular number the plural and in the plural the singular:

"***Acquisition Property***" means, as of any date of determination, a Property owned by a Borrower or a Subsidiary thereof for fewer than 24 months since the date of acquisition (regardless of whether such date of acquisition occurs prior to or after the Closing Date), unless the Borrowers have made a one-time election to treat such Property as a Stabilized Property for purposes of calculating Total Asset Value and Unencumbered Value.

"***Additional Guarantees***" has the meaning set forth in Section 7.12(b).

"***Additional Guarantors***" has the meaning set forth in Section 7.12(b).

"***Adjusted Eurodollar Rate***" means the Eurodollar Rate plus the Applicable Percentage for Eurodollar Loans.

“***Adjusted NOI***” means NOI less (a) an annual sum of $0.25 per square foot for all Properties and (b) all interest income of the Combined Parties for the applicable period.

“***Administrative Agent***” means PNC Bank, National Association or any successor administrative agent appointed pursuant to Section 10.

“***Administrative Questionnaire***” means an administrative questionnaire in a form supplied by the Administrative Agent.

“***Affiliate***” means, with respect to any Person, any other Person directly or indirectly controlling (including, but not limited to, all directors and officers of such Person), controlled by or under direct or indirect common control with such Person. A Person shall be deemed to control a corporation, partnership, limited liability company or real estate investment trust if such Person possesses, directly or indirectly, the power (i) to vote 10% or more of the securities having ordinary voting power for the election of directors of such corporation or real estate investment trust or to vote 10% or more of the partnership or membership interests of such partnership or limited liability company or (ii) to direct or cause direction of the management and policies of such corporation, trust, limited liability company or partnership, whether through the ownership of voting securities, as managing member or general partner, by contract or otherwise.

“***Agency Services Address***” means PNC Firstside Center, 500 First Avenue, 4th Floor, Pittsburgh, PA 15219, Attn: Agency Services, or such other address as may be identified by written notice from the Administrative Agent to the Borrowers.

“***Agent-Related Persons***” means the Administrative Agent (including any successor administrative agent), together with its Affiliates (including, in the case of PNC Bank, National Association in its capacity as Administrative Agent, PNC Capital Markets LLC), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

“***Annualized Modified Adjusted NOI***” means an amount equal to Adjusted NOI for the prior fiscal quarter for all Properties owned during such fiscal quarter multiplied times four.

“***Applicable Percentage***” means, with respect to any Loans, if (a) BOP has two Unsecured Senior Debt Ratings in effect, the appropriate applicable percentages corresponding to the Pricing Level in the table below based upon the higher of the two Unsecured Senior Debt Ratings or (b) if BOP has one Unsecured Senior Debt Rating in effect, the appropriate applicable percentages corresponding to the Pricing Level in the table below based on such Unsecured Senior Debt Rating; provided that if BOP does not have at least one Unsecured Senior Debt Rating in effect, the Applicable Percentage shall be based on Pricing Level V below:

Pricing Level	Unsecured Senior Debt Rating	Applicable Percentage for Eurodollar Loans	Applicable Percentage for Base Rate Loans
I	A- / A3 or higher	0.85%	0%
II	BBB+ / Baa1	0.90%	0%
III	BBB / Baa2	1.00%	0%
IV	BBB- / Baa3	1.25%	.25%
V	< BBB- / Baa3 or NR	1.65%	.65%

The Applicable Percentage for Loans shall be determined and adjusted on the date (each a "***Calculation Date***") on which BOP obtains an Unsecured Senior Debt Rating from either of S&P or Moody's or the date on which there is a change in any Unsecured Senior Debt Rating of BOP that would cause a change in the Applicable Percentage, in each case promptly after the Administrative Agent receives notice regarding such Unsecured Senior Debt Rating. Each Applicable Percentage shall be effective from one Calculation Date until the next Calculation Date. Any adjustment in the Applicable Percentage shall be applicable to all existing Loans. As of the Closing Date, Pricing Level IV shall apply.

The Borrowers shall promptly deliver to the Administrative Agent, at the address set forth on Schedule 11.1 and at the Agency Services Address, information regarding any change in the Unsecured Senior Debt Rating that would change the existing Pricing Level for the Applicable Percentage as set forth above.

"***Approved Fund***" means a fund administered or managed by a Lender, an Affiliate thereof or an entity or an Affiliate of an entity that administers or manages a Lender.

"***Arrangers***" means PNC Capital Markets LLC and Capital One, National Association, collectively, in their capacity as joint lead arrangers and joint bookrunners.

"***Bankruptcy Code***" means the Bankruptcy Code in Title 11 of the United States Code, as amended, modified, succeeded or replaced from time to time.

"***Bail-In Action***" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"***Bail-In Legislation***" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European

Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"***Bankruptcy Event***" means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof, as long as that ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

"***Base Rate***" means, for any day, the fluctuating rate per annum equal to (i) the highest of (a) the Federal Funds Rate in effect on such day plus 1/2 of 1%, (b) the Prime Rate in effect on such day or (c) the Eurodollar Rate for a one-month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%; provided that, for the avoidance of doubt, the Eurodollar Rate for any day shall be based on the rate appearing on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) at approximately 11:00 a.m. London time on such day (provided that if such highest rate shall be less than zero, such rate shall be deemed zero for purposes hereof) plus (ii) the Applicable Percentage for Base Rate Loans. Any change in the Base Rate due to a change in the Prime Rate, the Federal Funds Rate or the Eurodollar Rate shall be effective on the effective date of such change in the Prime Rate, the Federal Funds Rate or the Eurodollar Rate, respectively.

"***Base Rate Loan***" means a Loan bearing interest based on a rate determined by reference to the Base Rate.

"***Beneficial Ownership Certification***" means a certification regarding beneficial ownership required by the Beneficial Ownership Regulation.

"***Beneficial Ownership Regulation***" means 31 C.F.R. § 1010.230.

"***Benefit Plan***" means any of (a) an "employee benefit plan" (as defined in ERISA) that is subject to Title I of ERISA, (b) a "plan" as defined in Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such "employee benefit plan" or "plan".

"***BOP***" means Brandywine Operating Partnership, L.P., a Delaware limited partnership, together with any successors and permitted assigns.

"***Borrower Materials***" has the meaning set forth in Section 11.1(d)(iii).

"***Borrowers***" means BRT and BOP and "***Borrower***" means either one of them.

“***BRT***” means Brandywine Realty Trust, a Maryland real estate investment trust, together with any successors and permitted assigns.

“***Business Day***” means any day other than a Saturday, a Sunday, a legal holiday or a day on which banking institutions are authorized or required by law or other governmental action to close in New York, New York; provided that in the case of Eurodollar Loans, such day is also a day on which dealings between banks are carried on in Dollar deposits in the London interbank market.

“***Calculation Date***” has the meaning set forth in the definition of Applicable Percentage in this Section 1.1.

“***Capital Expenditures***” means all expenditures of the Borrowers and their Subsidiaries which, in accordance with GAAP, would be classified as capital expenditures, including, without limitation, Capital Leases.

“***Capital Lease***” means, as applied to any Person, any lease of any property (whether real, personal or mixed) by that Person as lessee which, in accordance with GAAP, is required to be classified and accounted for as a capital lease (under FASB ASC Topic 840) or as a financing lease (under FASB ASC Topic 842) on the balance sheet of that Person.

“***Capital Percentage***” means, with respect to the interest of a Borrower or one of its Subsidiaries in another Person, the percentage interest of such Person based on the aggregate amount of net capital contributed by such Borrower or such Subsidiary in such Person at the time of determination relative to all capital contributions made in such Person at such time of determination.

“***Capitalization Rate***” means 6.50% for improved Properties located in the City of Philadelphia, Pennsylvania, improved Properties located in the City of Austin, Texas and improved Properties located in Fairfax County, Virginia, and 7.50% for all other Properties.

“***Cash Equivalents***” means (a) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than twelve months from the date of acquisition, (b) Dollar denominated time and demand deposits and certificates of deposit of (i) any Lender or any of its Affiliates, (ii) any domestic commercial bank having capital and surplus in excess of $500,000,000 or (iii) any bank whose short-term commercial paper rating from S&P is at least A-1 or the equivalent thereof or from Moody’s is at least P-1 or the equivalent thereof (any such bank being an “Approved Bank”), in each case with maturities of not more than 270 days from the date of acquisition, (c) commercial paper and variable or fixed rate notes issued by any Approved Bank (or by the parent company thereof) or any variable rate notes issued by, or guaranteed by, any domestic corporation rated A-1 (or the equivalent thereof) or better by S&P or P-1 (or the equivalent thereof) or better by Moody’s and maturing within six months of the date of acquisition, (d) repurchase agreements with a bank or trust company (including any of the Lenders) or securities dealer having capital and surplus in excess of $500,000,000 for direct obligations issued by or fully guaranteed by the United States of America in which a Borrower or one of its Subsidiaries shall have a perfected first priority security interest (subject to no other Liens) and having, on the date of purchase thereof, a fair market value of at least 100% of the amount of the repurchase obligations and (e) Investments, classified in accordance with GAAP as current assets, in money market investment programs registered under the Investment Company Act of 1940, as amended, which are administered by financial institutions having capital of at least $500,000,000 and the portfolios of which are limited to investments of the character described in the foregoing subdivisions (a) through (d).

"***Change in Law***" means the occurrence, after the date of this Credit Agreement, of any of the following: (a) the adoption or taking effect of any Requirement of Law or governmental or quasi-governmental rule, regulation or treaty, (b) any change in any Requirement of Law or governmental or quasi-governmental rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"***Change of Control***" means any of the following events:

(a) any "person" or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act) has become, directly or indirectly, the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a Person shall be deemed to have "beneficial ownership" of all shares that any such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time or the occurrence of any contingency), by way of merger, consolidation or otherwise, of 20% or more of the voting power of BRT on a fully-diluted basis, after giving effect to the conversion and exercise of all outstanding warrants, options and other securities of BRT convertible into or exercisable for voting power of BRT (whether or not such securities are then currently convertible or exercisable); or

(b) during any period of up to twelve (12) consecutive months commencing on or after the Closing Date, (i) individuals who were trustees of BRT at the beginning of such period (the "***Continuing Trustees***"), plus (ii) any new trustees whose election or appointment was approved by a majority of the Continuing Trustees then in office, shall cease for any reason to constitute a majority of the Board of Trustees of BRT; or

(c) BRT fails to directly own at least 75% of the aggregate ownership interests in BOP (giving effect to any convertible interests with respect thereto).

"***Closing Date***" means the date hereof.

“***Code***” means the Internal Revenue Code of 1986, as amended, and any successor statute thereto, as interpreted by the rules and regulations issued thereunder, in each case as in effect from time to time. References to sections of the Code shall be construed also to refer to any successor sections.

“***Combined Parties***” means the Borrowers and their Subsidiaries and all joint ventures or partnerships to which a Borrower or one of its Subsidiaries is a party.

“***Commitment***” means, with respect to any Lender, the obligations of such Lender to make Loans pursuant to the terms and conditions of this Credit Agreement, and which shall not exceed the principal amount set forth opposite such Lender’s name on Exhibit 1.1(a) hereto or in the Assignment and Acceptance by which it became a Lender, as modified from time to time pursuant to the terms of this Credit Agreement or to give effect to any applicable Assignment and Acceptance, and “***Commitments***” means the aggregate principal amount of the Commitments of all the Lenders, the initial maximum amount of which shall be $250,000,000.

“***Commitment Percentage***” means, for each Lender, the percentage identified as its Commitment Percentage on Exhibit 1.1(a), as such percentage may be modified in connection with any assignment made in accordance with the provisions of Section 11.3 or may be adjusted in accordance with the provisions of Section 2.7.

“***Committed Amount***” means $250,000,000, as the same may be permanently reduced in accordance with Section 2.1(e) or increased from time to time pursuant to Section 2.7.

“***Communications***” has the meaning set forth in Section 11.1(d)(ii).

“***Construction-in-Process***” means a Property or portion thereof on which construction of improvements (excluding tenant improvements and excluding work prior to erection of the structure of the building) has commenced and is proceeding to completion in the ordinary course, but has not yet been completed (as such completion shall be evidenced by a temporary or permanent certificate of occupancy permitting use of such Property or portion thereof by the general public). Any such Property or portion thereof shall be treated as Construction-in-Process for twenty-four (24) months from the date of completion (as evidenced by a certificate of occupancy permitting use of such Property or portion thereof by the general public), unless the Borrowers have made a one-time election (by written notice to the Administrative Agent in the certificate delivered pursuant to Section 7.1(c)) to treat such Property or portion thereof as a Stabilized Property for purposes of calculating Total Asset Value and Unencumbered Value.

“***Continuing Trustees***” has the meaning set forth in the definition of Change of Control.

“***Credit Agreement***” means this Amended and Restated Term Loan C Agreement.

“***Credit Documents***” means this Credit Agreement, the Notes, each Guaranty (if any), any Notice of Borrowing, any Notice of Continuation/Conversion and all other related agreements and documents issued or delivered hereunder or thereunder or pursuant hereto or thereto.

“***Credit Parties***” means the Borrowers and any Guarantors and “***Credit Party***” means any one of them.

“***Debtor Relief Laws***” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

“***Default***” means any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

“***Defaulting Lender***” means any Lender that (a) has failed, within two Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans or (ii) pay over to any Lender Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent and the Borrowers in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, (b) has notified the Borrowers or any Lender Party in writing, that it does not intend to comply with its funding obligations hereunder or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) to funding a loan under this Credit Agreement cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrowers, to confirm in writing to the Administrative Agent and the Borrowers that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrowers), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, or (iii) become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above, and of the effective date of such status, shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to the last paragraph of Section 11.9) as of the date established therefor by the Administrative Agent in a written notice of such determination, which shall be delivered by the Administrative Agent to the Borrowers and each Lender promptly following such determination.

“***Designated Jurisdiction***” means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

"***Dollars***" and "***$***" each means the lawful currency of the United States of America.

"***EEA Financial Institution***" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a Subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"***EEA Member Country***" means any of the member states of the European Union, Iceland, Liechtenstein and Norway.

"***EEA Resolution Authority***" means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institutions.

"***Effective Date***" means the date on which the conditions set forth in Section 5.1 and Section 5.2 shall have been fulfilled (or waived in the sole discretion of the Lenders).

"***Eligible Assignee***" means (a) any Lender, any Affiliate of a Lender or any Approved Fund (other than a Defaulting Lender); (b) a commercial bank having total assets in excess of $5,000,000,000; (c) the central bank of any country which is a member of the Organization for Economic Cooperation and Development; or (d) a finance company or other financial institution reasonably acceptable to the Administrative Agent, which is regularly engaged in making, purchasing or investing in loans and having total assets in excess of $500,000,000 or is otherwise acceptable to the Administrative Agent. None of a Borrower, any Affiliate of the Borrowers or any natural person shall qualify as an Eligible Assignee.

"Eligible Cash 1031 Proceeds" means the cash proceeds held by a "qualified intermediary" from the sale of Property, which proceeds are intended to be used by such qualified intermediary to acquire one or more "replacement properties" that are of "like-kind" to such Property in an exchange that qualifies as a tax-free exchange under Section 1031 of the Code, and no portion of which proceeds any Combined Party has the right to receive, pledge, borrow or otherwise obtain the benefits of until such time as provided under the applicable "exchange agreement" (as such terms in quotations are defined in Treasury Regulations Section 1.1031(k)-1(g)(4) (the "***Regulations***")) or until such exchange is terminated. Upon the cash proceeds no longer being held by such qualified intermediary pursuant to the Regulations or otherwise no longer qualifying under the Regulations for like-kind exchange treatment, such proceeds shall cease being Eligible Cash 1031 Proceeds.

"Eligible Ground Lease" means a ground lease that (a) has a minimum remaining term of twenty-five (25) years, including tenant controlled options, as of any date of determination, (b) has customary notice rights, default cure rights, bankruptcy new lease rights and other customary provisions for the benefit of a leasehold mortgagee or has equivalent protection for a leasehold permanent mortgagee by a subordination to such leasehold permanent mortgagee of the landlord's fee interest, and (c) is otherwise acceptable for non-recourse leasehold mortgage financing under customary prudent lending requirements. The Eligible Ground Leases as of the date of this Credit Agreement are listed on ***Schedule EG***.

"***Eligible Land***" means, undeveloped land which is owned or leased under an Eligible Ground Lease by a Combined Party, which is zoned for office, industrial, residential, parking or hotel use and which is not subject to a building moratorium or other restriction on construction.

"***Eligible Subsidiary***" means any Subsidiary of the Borrowers which has no Recourse Indebtedness and has not provided a guaranty of any other Funded Debt of the Borrowers.

"***Eligible Unencumbered Property Subsidiary***" means an Eligible Subsidiary that owns or ground-leases any Property that is treated as Unencumbered Property, Unencumbered Construction-in-Process or Unencumbered Eligible Land under this Credit Agreement.

"***Environmental Claim***" means any investigation, written notice, violation, written demand, written allegation, action, suit, injunction, judgment, order, consent decree, penalty, fine, lien, proceeding, or written claim whether administrative, judicial or private in nature arising (a) pursuant to, or in connection with, an actual or alleged violation of any Environmental Law, (b) in connection with any Hazardous Material, (c) from any assessment, abatement, removal, remedial, corrective, or other response action in connection with an Environmental Law or other order of a Governmental Authority or (d) from any actual or alleged damage, injury, threat, or harm to health, safety, natural resources, or the environment.

"***Environmental Laws***" means any current or future legal requirement of any Governmental Authority pertaining to (a) the protection of health, safety, and the indoor or outdoor environment, (b) the conservation, management, or use of natural resources and wildlife, (c) the protection or use of surface water and groundwater or (d) the management, manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, release, threatened release, abatement, removal, remediation or handling of, or exposure to, any hazardous or toxic substance or material or (e) pollution (including any release to land surface water and groundwater) and includes, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. 9601 et seq., Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and Hazardous and Solid Waste Amendment of 1984, 42 U.S.C. 6901 et seq., Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 U.S.C. 1251 et seq., Clean Air Act of 1966, as amended, 42 U.S.C. 7401 et seq., Toxic Substances Control Act of 1976, 15 U.S.C. 2601 et seq., Hazardous Materials Transportation Act, 49 U.S.C. App. 1801 et seq., Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. 651 et seq., Oil Pollution Act of 1990, 33 U.S.C. 2701 et seq., Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. 11001 et seq., National Environmental Policy Act of 1969, 42 U.S.C. 4321 et seq., Safe Drinking Water Act of 1974, as amended, 42 U.S.C. 300(f) et seq., any analogous implementing or successor law, and any amendment, rule, regulation, order, or directive issued thereunder.

"***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto, as interpreted by the rules and regulations thereunder, all as the same may be in effect from time to time. References to sections of ERISA shall be construed also to refer to any successor sections.

"***ERISA Affiliate***" means an entity, whether or not incorporated, which is under common control with a Borrower or any of its Subsidiaries within the meaning of Section 4001(a)(14) of ERISA, or is a member of a group which includes a Borrower or any Subsidiary of a Borrower and which is treated as a single employer under subsections (b) or (c) of Section 414 of the Code.

"***ERISA Event***" means (i) with respect to any Plan, the occurrence of a Reportable Event or the substantial cessation of operations (within the meaning of Section 4062(e) of ERISA); (ii) the withdrawal of a Borrower, any Subsidiary of a Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a substantial employer (as such term is defined in Section 4001(a)(2) of ERISA), or the termination of a Multiple Employer Plan; (iii) the distribution of a notice of intent to terminate or the actual termination of a Plan pursuant to Section 4041(a)(2) or 4041A of ERISA; (iv) the institution of proceedings to terminate or the actual termination of a Plan by the PBGC under Section 4042 of ERISA; (v) any event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (vi) the complete or partial withdrawal of a Borrower, any Subsidiary of a Borrower or any ERISA Affiliate from a Multiemployer Plan; (vii) the conditions for imposition of a lien under Section 302(f) of ERISA exist with respect to any Plan; or (viii) the adoption of an amendment to any Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA.

"***EU Bail-In Legislation Schedule***" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"***Eurodollar Loan***" means a Loan bearing interest based on a rate determined by reference to the Adjusted Eurodollar Rate.

"***Eurodollar Rate***" means, for the Interest Period for each Eurodollar Loan comprising part of the same borrowing (including conversions, extensions and renewals), the rate per annum equal to the London Interbank Offered Rate ("**LIBOR**") or a comparable or successor rate, which rate is approved by the Administrative Agent, as published on the applicable Bloomberg screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period; and if the Eurodollar Rate shall be less than zero, such rate shall be deemed zero for purposes of this Credit Agreement (the "***Eurodollar Minimum***"); provided, however, that at any time during which interest rate protection or hedging agreements with a Lender (or an affiliate of such Lender) are then in effect with respect to the entirety of the Loans, the Eurodollar Minimum shall be disregarded and no longer of any force and effect with respect to (i.e., the Eurodollar Rate applied hereunder shall not be subject to the Eurodollar Minimum with respect to) the Loans; provided, further that to the extent a comparable or successor rate is approved by the Administrative Agent in connection herewith, the approved rate shall be applied in a manner consistent with market practice; and provided, further that to the extent such market practice is not administratively feasible for the Administrative Agent, such approved rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent. In the event that Administrative Agent is unable to obtain any such quotation as provided above, it will be deemed that the Eurodollar Rate for a Eurodollar Loan cannot be determined and the provisions of Section 3.10 shall apply. In the event that the Board of Governors of the Federal Reserve System shall impose a Eurodollar Reserve Percentage with respect to Eurodollar deposits of the Person serving as the Administrative Agent, then for any period during which such Eurodollar Reserve Percentage shall apply, the Eurodollar Rate shall be equal to the amount determined above divided by an amount equal to 1 minus the Eurodollar Reserve Percentage.

"***Eurodollar Reserve Percentage***" means, for any day, that percentage (expressed as a decimal) which is in effect from time to time under Regulation D as the maximum reserve requirement (including, without limitation, any basic, supplemental, emergency, special, or marginal reserves) applicable with respect to Eurodollar liabilities as that term is defined in Regulation D (or against any other category of liabilities that includes deposits by reference to which the interest rate on Eurodollar Loans is determined) with respect to member banks of the Federal Reserve System, whether or not any Lender has any Eurodollar liabilities subject to such reserve requirement at that time. Eurodollar Loans shall be deemed to constitute Eurodollar liabilities and as such shall be deemed subject to reserve requirements without benefits of credits for proration, exceptions or offsets that may be available from time to time to a Lender. The Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in the Eurodollar Reserve Percentage.

"***Event of Default***" means any of the events or circumstances described in Section 9.1.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended, modified, succeeded or replaced from time to time, and the rules and regulations promulgated thereunder.

"***Excluded Taxes***" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrowers under Section 3.15) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 3.13, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 3.13(g) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"***Existing Credit Agreement***" has the meaning set forth in the recitals.

"***Extension of Credit***" means, as to any Lender, the making of a Loan by such Lender (or a participation therein by a Lender).

"***FATCA***" means Sections 1471 through 1474 of the Code, as of the date of this Credit Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

"***Federal Funds Rate***" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upwards, if necessary, to a whole multiple of 1/100 of 1%) charged to PNC Bank, National Association on such day on such transactions as determined by the Administrative Agent.

"***Fee Letter***" means that certain letter agreement, dated as of _______________, 2018 between the Administrative Agent and BRT, as amended, modified, supplemented or replaced from time to time.

"***Fixed Charge Coverage Ratio***" means, as of the end of any fiscal quarter of the Borrowers, the ratio of (a) Annualized Modified Adjusted NOI for the quarter then ended to (b) the sum of (i) Principal Payments and all dividends on preferred shares of beneficial interest of BRT or preferred operating partnership units of BOP (not owned by BRT) for the period of twelve (12) months ending on such date plus (ii) Interest Expense and any letter of credit fees for the quarter then ended multiplied by four.

"***Foreign Lender***" means (a) if a Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if a Borrower is not a U.S. Person, a Lender that is resident or organized under the laws of a jurisdiction other than that in which such Borrower is resident for tax purposes.

"***Funded Debt***" means, without duplication, the sum of (a) all Indebtedness of the Combined Parties for borrowed money, (b) all purchase money Indebtedness of the Combined Parties, (c) the principal portion of all obligations of the Combined Parties under Capital Leases, (d) all obligations, contingent or otherwise, relative to the face amount of all letters of credit (other than letters of credit supporting trade payables in the ordinary course of business), whether or not drawn, and banker's acceptances issued for the account or upon the application of a Combined Party (it being understood that, to the extent an undrawn letter of credit supports another obligation constituting Indebtedness, in calculating aggregated Funded Debt only such other obligation shall be included), (e) all Guaranty Obligations of the Combined Parties with respect to the indebtedness of another Person of the types described in this definition, (f) all indebtedness of another Person of the types described in this definition that is secured by a Lien on any property of the Combined Parties whether or not such indebtedness has been assumed by a Combined Party, (g) the principal balance outstanding under any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product of a Combined Party where such transaction is considered borrowed money indebtedness for tax purposes, but is classified as an operating lease in accordance with GAAP, (h) all obligations of the Combined Parties in respect of interest rate protection agreements, foreign currency exchange agreements or other interest or exchange rate or commodity price hedging agreements and (i) all take out loan commitments to the extent such take out commitment is not supported by a financial commitment from a third party containing standard terms and conditions; provided that Funded Debt shall not include intercompany items or trade payables incurred in the ordinary course of business; and provided further that, for purposes of calculating the Leverage Ratio, the Secured Debt Ratio, the Unsecured Debt limitation and the Unencumbered Cash Flow Ratio, to the extent Funded Debt includes Indebtedness in respect of Construction-in-Process, the amount of such Funded Debt shall be deemed to be the total construction costs incurred for the Construction-in-Process as of such date. The calculation of Funded Debt of the Combined Parties shall be subject to Section 1.4.

"***Funds From Operations***", when used with respect to any Person, shall have the meaning given to such term in, and shall be calculated in accordance with, standards promulgated by the National Association of Real Estate Investment Trusts in effect from time to time.

"***GAAP***" means generally accepted accounting principles in the United States applied on a consistent basis and subject to Section 1.3.

"***Governmental Authority***" means any Federal, state, local or provincial court or governmental agency, authority, instrumentality or regulatory body.

"***Guarantors***" means any Persons who may from time to time execute a Guaranty, as required by Section 7.12(a) or otherwise, together with their successors and assigns; in each case unless released as a Guarantor pursuant to Section 8.5(b) or Section 11.19.

"***Guaranty***" means the guaranty of payment provided by a Subsidiary of a Borrower in favor of the Administrative Agent and the Lenders in the form of Exhibit 7.12(a).

"***Guaranty Obligations***" means, with respect to any Person, without duplication, any obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing or intended to guarantee any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (a) to purchase any such Indebtedness or other obligation or any property constituting security therefor, (b) to advance or provide funds or other support for the payment or purchase of such Indebtedness or obligation or to maintain working capital, solvency or other balance sheet condition of such other Person (including, without limitation, maintenance agreements, comfort letters, take or pay arrangements, put agreements or similar agreements or arrangements) for the benefit of the holder of Indebtedness of such other Person, (c) to lease or purchase property, securities or services primarily for the purpose of assuring the owner of such Indebtedness or (d) to otherwise assure or hold harmless the owner of such Indebtedness or obligation against loss in respect thereof. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount (or maximum principal amount, if larger) of the Indebtedness in respect of which such Guaranty Obligation is made. It is understood and agreed that for purposes of any "completion guaranty" provided by a Borrower or one of its Subsidiaries, the amount of Indebtedness associated with such completion guaranty shall be none unless such completion guaranty is enforced (or written notice of the intent to enforce such completion guaranty has been received) at which time the Indebtedness associated with such completion guaranty shall equal the remaining cost to complete the project plus ten percent until such time as a certificate of occupancy is issued.

"***Hazardous Materials***" means any substance, material or waste defined or regulated in or under any Environmental Laws.

"***HMT***" has the meaning set forth in the definition of the term "Sanctions."

"***Increased Amount Date***" has the meaning set forth in Section 2.7(a).

"***Incur***" has the meaning set forth in Section 8.1.

"***Indebtedness***" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person to the extent of the value of such property (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (d) all obligations of such Person issued or assumed as the deferred purchase price of property or services purchased by such Person which would appear as liabilities on a balance sheet of such Person, (e) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (f) all Guaranty Obligations of such Person, (g) the principal portion of all obligations of such Person under (i) Capital Leases and (ii) any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product of such Person where such transaction is considered borrowed money indebtedness for tax purposes, but is classified as an operating lease in accordance with GAAP, (h) all obligations of such Person in respect of interest rate protection agreements, foreign currency exchange agreements, or other interest or exchange rate or commodity price hedging agreements, (i) the maximum amount of all performance and standby letters of credit issued or bankers' acceptances facilities created for the account or upon the application of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed), (j) all preferred stock issued by such Person and required by the terms thereof to be redeemed, or for which mandatory sinking fund payments are due, by a fixed date; provided that Indebtedness shall not include preferred stock which carries a defined term if its conversion or redemption occurs solely through the issuance of additional equity or from the proceeds of an equity offering, (k) all obligations evidenced by take out commitments, (l) the aggregate amount of uncollected accounts receivables of such Person subject at such time to a sale of receivables (or similar transaction) regardless of whether such transaction is effected without recourse to such Person or in a manner that would not be reflected on the balance sheet of such Person in accordance with GAAP and (m) all obligations of such Person to repurchase any securities which repurchase obligation is related to the issuance thereof, including, without limitation, obligations commonly known as residual equity appreciation potential shares or forward equity purchase contracts; provided, however, that Indebtedness shall not include intercompany items or trade payables incurred in the ordinary course of business. Subject to Section 1.4, the Indebtedness of any Person shall include the

Indebtedness of any partnership or unincorporated joint venture in which such Person is legally obligated or has a reasonable expectation of being liable with respect thereto.

“***Indemnified Taxes***” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrowers under any Credit Document and (b) to the extent not otherwise described in (a), Other Taxes.

“***Indenture”*** means the Indenture, First Supplemental Indenture, Second Supplemental Indenture and Third Supplemental Indenture dated as of October 22, 2004, May 25, 2005, October 4, 2006, and April 5, 2011, respectively, among BOP, as Issuer, BRT, as Parent Guarantor, and The Bank of New York Mellon (formerly known as the Bank of New York), as Trustee.

“***Information***” has the meaning set forth in Section 11.17.

“***Interest Expense***” means, for any period, with respect to the Combined Parties, all net interest expense, whether paid or accrued (including that portion applicable to Capital Leases in accordance with GAAP) plus capitalized interest, but excluding non-cash interest expense with respect to convertible debt.

“***Interest Payment Date***” means (a) as to Base Rate Loans, the last Business Day of each month and the Maturity Date, (b) as to any Eurodollar Loan having an Interest Period of three months or less, the last day of such Interest Period and the Maturity Date, and (c) as to any Eurodollar Loan having an Interest Period longer than three months, the day which is three months after the first day of such Interest Period, the last day of such Interest Period, and the Maturity Date.

“***Interest Period***” means, as to Eurodollar Loans, a period of one, two, three or six months’ duration as the Borrowers may elect, commencing on the date of the borrowing (including, as applicable, continuations thereof and conversions thereto); provided, however, (a) if any Interest Period would end on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day (except that where the next succeeding Business Day falls in the next succeeding calendar month, then on the next preceding Business Day), (b) no Interest Period shall extend beyond the then effective Maturity Date, and (c) where an Interest Period begins on a day for which there is no numerically corresponding day in the calendar month in which the Interest Period is to end, such Interest Period shall end on the last Business Day of such calendar month.

“***Investment***” in any Person means (a) the acquisition (whether for cash, property, services, assumption of Indebtedness, securities or otherwise) of assets, shares of capital stock, bonds, notes, debentures, partnership interests, membership interests, joint ventures or other ownership interests or other securities of such other Person or (b) any deposit with, or advance, loan or other extension of credit to, such Person (other than deposits made in connection with the purchase of equipment or other assets in the ordinary course of business) or (c) any other capital contribution to or investment in such Person, including, without limitation, any Guaranty Obligation (including any support for a letter of credit issued on behalf of such Person) incurred for the benefit of such Person.

“***Investment Grade Rating***” means an Unsecured Senior Debt Rating of (a) BBB- or better from S&P, or (b) Baa3 or better from Moody’s, as applicable.

“***Lender***” means the Person serving as the Administrative Agent, any of the other financial institutions party to this Credit Agreement, or any other Person which may provide an additional Commitment and become a party to this Credit Agreement or becomes an assignee of any rights to a Lender pursuant to Section 11.3, together with their successors and permitted assigns.

“***Lender Party***” means the Administrative Agent or any other Lender.

“***Leverage Ratio***” means the ratio of (a) Funded Debt to (b) Total Asset Value.

“***LIBOR***” has the meaning set forth in the definition of Eurodollar Rate.

“***Lien***” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance, lien (statutory or otherwise), preference, priority or charge of any kind, including, without limitation, any agreement to give any of the foregoing, any conditional sale or other title retention agreement, and any lease in the nature thereof.

“***Loan***” or “***Loans***” means a loan or loans made by a Lender pursuant to Section 2.1 or Section 2.7; provided, that if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Conversion/Continuation, the term “Loan” shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

“***Material Adverse Effect***” means a material adverse effect on (a) the business, assets, operations, condition (financial or otherwise) or prospects of BRT, BOP or the Borrowers and their Subsidiaries taken as a whole, (b) the ability of a Borrower to perform its respective obligations under this Credit Agreement or any of the other Credit Documents, (c) the ability of a Guarantor to perform its respective obligations under any of the other Credit Documents, unless the Guarantor subject to such material adverse effect could be immediately released as a Guarantor in compliance with Section 8.5(b), or (d) the validity or enforceability of this Credit Agreement, any of the other Credit Documents, or the rights and remedies of the Administrative Agent or the Lenders hereunder or thereunder taken as a whole.

“***Material Subsidiary***” means any Eligible Unencumbered Property Subsidiary and any Subsidiary of a Borrower which is a Guarantor.

“***Maturity Date***” means October 8, 2022.

“***Moody’s***” means Moody’s Investors Service, Inc., or any successor or assignee of the business of such company in the business of rating securities.

“***Multiemployer Plan***” means a Plan which is a multiemployer plan as defined in Section 3(37) or Section 4001(a)(3) of ERISA.

“***Multiple Employer Plan***” means a Plan (other than a Multiemployer Plan) in which a Borrower, a Subsidiary of a Borrower or any ERISA Affiliate and at least one employer other than a Borrower, a Subsidiary of a Borrower or any ERISA Affiliate are contributing sponsors.

“***Negative Pledge***” has the meaning set forth in Section 8.11.

“***Net Income***” means, for any period, the net income for such period of the Combined Parties, as determined in accordance with GAAP.

“***New Term Loan***” has the meaning set forth in Section 2.7(a).

“***New Term Loan Lender***” has the meaning set forth in Section 2.7(a).

“***NOI***” means, for any period, an amount equal to (a) Net Income for such period (excluding the effect of gains and losses from the sale of real property, debt restructurings, extinguishment or forgiveness of debt, write-ups and write-downs, acquisition costs for consummated acquisitions, and any other extraordinary or other non-recurring gains or losses or other non-cash gains or losses outside the ordinary course of business) plus (b) an amount which in the determination of Net Income for such period has been deducted for (i) proceeds to minority interests, (ii) income taxes, (iii) depreciation and amortization, (iv) Interest Expense and (v) actual property management expense, less (c) 3% of the total real estate revenue of the Combined Parties as an assumed property management expense.

“***Non-Excluded Taxes***” means any Taxes that are not Excluded Taxes.

“***Non-Recourse Indebtedness***” means any Indebtedness: (a) under the terms of which the payee’s remedies upon the occurrence of an event of default are limited to specific, identified assets of the payor which secure such Indebtedness and (b) for the repayment of which neither a Borrower nor any Subsidiary of a Borrower (other than a special purpose Subsidiary of a Borrower which owns such assets) has any personal liability beyond the loss of such specified assets, except for liability for fraud, material misrepresentation or misuse or misapplication of insurance proceeds, condemnation awards, existence of hazardous wastes or other customary exceptions to non-recourse provisions.

“***Note***” or “***Notes***” ” means the promissory notes of the Borrowers in favor of each of the Lenders evidencing the Loans provided pursuant to Section 2.1 or Section 2.7, individually or collectively, as appropriate, as such promissory notes may be amended, modified, supplemented, extended, renewed or replaced from time to time and in the form of Exhibit 2.1(h).

“***Notice of Borrowing***” means the request by the Borrowers for a Loan, in the form of Exhibit 2.1(c).

“***Notice of Continuation/Conversion***” means a request by the Borrowers to continue an existing Eurodollar Loan to a new Interest Period or to convert a Eurodollar Loan to a Base Rate Loan or to convert a Base Rate Loan to a Eurodollar Loan, in the form of Exhibit 2.1(f).

“***Obligations***” means, without duplication, all of the obligations, liabilities and indebtedness of the Credit Parties to the Lenders and the Administrative Agent, whenever arising, under this Credit Agreement, the Notes or any of the other Credit Documents to which a Credit Party is a party, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, including without limitation the outstanding principal amount of the Loans and interest and fees that accrue after the commencement by or against any Credit Party of any Bankruptcy Event.

“***OFAC***” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“***Other Connection Taxes***” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Credit Document, or sold or assigned an interest in any Loan or Credit Document).

“***Other Taxes***” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Credit Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 3.15).

“***Parent***” means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a Subsidiary.

“***Participant***” has the meaning set forth in Section 11.3(c).

“***Participant Register***” has the meaning set forth in Section 11.3(c).

“***Participation Interest***” means the Extension of Credit by a Lender by way of a purchase of a participation in any Loans as provided in Section 3.8.

“***PBGC***” means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA and any successor thereto.

“***Permitted Liens***” means (a) Liens securing Obligations, (b) Liens for taxes not yet due or Liens for taxes being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof), (c) Liens in respect of property imposed by law arising in the ordinary course of business such as materialmens', mechanics', warehousemens', carriers', landlords' and other nonconsensual statutory Liens which are not yet due and payable or which are being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof); (d) Liens arising from good faith deposits in connection with or to secure performance of tenders, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business (other than obligations in respect of the payment of borrowed money), (e) Liens arising from good faith deposits in connection with or to secure performance of statutory obligations and surety and appeal bonds, (f) easements, rights-of-way, restrictions (including zoning restrictions), matters of plat, minor defects or irregularities in title and other similar charges or encumbrances not, in any material respect, impairing the use of the encumbered property for its intended purposes, (g) judgment Liens that would not constitute an Event of Default, (h) Liens arising by virtue of any statutory or common law provision relating to bankers' liens, rights of setoff or similar rights as to deposit accounts or other funds maintained with a creditor depository institution, (i) Liens (not affecting an Unencumbered Property) in connection with Indebtedness permitted by Section 8.1(c) and (j) Liens existing on the date hereof and identified on Schedule 8.2; provided that no such Lien shall extend to any property other than the property subject thereto on the Closing Date.

"***Person***" means any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise (whether or not incorporated), or any Governmental Authority.

"***Plan***" means any employee benefit plan (as defined in Section 3(3) of ERISA) which is covered by ERISA and with respect to which a Borrower, any Subsidiary of a Borrower or any ERISA Affiliate is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" within the meaning of Section 3(5) of ERISA.

"***Platform***" has the meaning set forth in Section 11.1(d)(i).

"***Pricing Level***" means, based upon the Unsecured Senior Debt Rating of BOP, the corresponding category (I, II, III, IV or V) within the Applicable Percentage table.

"***Prime Rate***" means the per annum rate of interest announced publicly from time to time by the Person that is the Administrative Agent at its principal offices (or such other principal office of such Person as communicated in writing to the Borrowers and the Lenders) as its Prime Rate. Any change in the interest rate resulting from a change in the Prime Rate shall become effective at the opening of business on the day specified in the public announcement of such change. The Prime Rate is a rate set by the Person that is the Administrative Agent based upon various factors including such Person's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate.

"***Principal Payments***" means, for any period, for the Combined Parties, all scheduled payments of principal and any required prepayments on Funded Debt of the Combined Parties (other than balloon payments) for such period, ending on the date of determination (including the principal component of payments due on Capital Leases during the applicable period ending on the date of determination and excluding voluntary prepayments).

"***Pro Forma Basis***" means with respect to (a) the sale of a Property or the sale of an equity interest in a Credit Party or Eligible Unencumbered Property Subsidiary, (b) the creation of a Lien on a Property or (c) the acquisition of or Investment in a Property or other asset, that such sale, creation of Lien, acquisition or Investment shall be deemed to have occurred as of the first day of the four fiscal quarter period ending as of the last day of the most recent fiscal quarter for which the Lenders have received the financial information required by Section 7.1(b).

"***Properties***" means all real properties owned or ground-leased by the Borrowers and their Subsidiaries whether directly or through a joint venture investment.

"***Property Value***" means Annualized Modified Adjusted NOI for all Stabilized Properties divided by the Capitalization Rate; provided that a Stabilized Property that has a negative Adjusted NOI for the most recently ended quarter shall be valued at zero.

"***PTE***" means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

"***Public Lender***" has the meaning set forth in Section 11.1(d)(iii).

"***Recipient***" means (a) the Administrative Agent or (b) any Lender, as applicable.

"***Recourse Indebtedness***" means any Indebtedness other than Non-Recourse Indebtedness.

"***Register***" has the meaning set forth in Section 11.3(d).

"***Regulation D, O, T, U, or X***" means Regulation D, O, T, U or X, respectively, of the Board of Governors of the Federal Reserve System (or any successor body) as from time to time in effect and any successor to all or a portion thereof.

"***REIT***" means a real estate investment trust as defined in Sections 856-860 of the Code.

"***REIT Subsidiary***" means a Subsidiary of the Borrowers that is a REIT.

"***Related Parties***" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person's Affiliates.

"***Removal Effective Date***" has the meaning set forth in Section 10.6(b).

"***Reportable Event***" means any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the notice requirement has been waived by regulation.

"***Required Lenders***" means, as of any date, the Lenders whose aggregate Commitments constitute at least fifty-one percent (51%) of the aggregate Commitments of all Lenders, provided that on and after the date that Commitments have expired or terminated pursuant to Section 2.1 or Section 9.2, Required Lenders shall mean the Lenders whose aggregate Loans constitute at least fifty-one percent (51%) of the aggregate Loans of all Lenders, and provided that the Commitments (or the Loans) of any Defaulting Lenders shall be disregarded when determining the Required Lenders.

"***Requirement of Law***" means, as to any Person, the articles or certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or final, non-appealable determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or to which any of its material property is subject.

"***Resignation Effective Date***" has the meaning set forth in Section 10.6(a).

"***Responsible Officer***" means the chief executive officer, president, chief financial officer, treasurer, assistant treasurer or controller of a Credit Party, and solely for purposes of the delivery of incumbency certificates pursuant to Section 5.1, the secretary or any assistant secretary of a Credit Party. Any document delivered hereunder that is signed by a Responsible Officer of a Credit Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Credit Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Credit Party.

"***Revolving Credit Agreement***" means the Revolving Credit Agreement dated as of July 17, 2018 among the Borrowers, Bank of America, N.A., as Administrative Agent, and the lenders party thereto, as the same may be amended, modified or restated from time to time.

"***S&P***" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., or any successor or assignee of the business of such division in the business of rating securities.

"***Sanction(s)***" means any sanction administered or enforced by the United States Government (including, without limitation, OFAC), the United Nations Security Council, the European Union, Her Majesty's Treasury ("***HMT***") or other relevant sanctions authority.

"***Secured Debt***" means all Funded Debt of the Combined Parties that is subject to a Lien in favor of the creditor holding such Funded Debt; provided that any Funded Debt owed to the Lenders hereunder and the lenders under the Revolving Credit Agreement shall be considered to be Unsecured Debt even if a Lien has been granted in favor of the Lenders or the lenders party to the Revolving Credit Agreement, as the case may be.

"***Secured Debt Ratio***" means the ratio of (a) Secured Debt to (b) Property Value plus, to the extent Secured Debt includes Funded Debt on Construction-in-Process, total construction costs incurred as of such date with respect to such Construction-in-Process.

"***Significant Subsidiary***" means any Eligible Unencumbered Property Subsidiary, any Subsidiary of the Borrowers which is a Guarantor, and any other Subsidiary of the Borrowers which contributes at least $25,000,000 to Total Asset Value.

"***Single Employer Plan***" means any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan or a Multiple Employer Plan.

"***Solvent***" means, with respect to any Person as of a particular date, that on such date (a) such Person is able to pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (b) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature in their ordinary course, (c) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such

Person’s assets would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged or is to engage, (d) the fair value of the assets of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person and (e) the present fair saleable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

“***Stabilized Property***” means a Property which is not an Acquisition Property, Construction-in-Process or Eligible Land.

“***Subsidiary***” means, as to any Person, (a) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time, any class or classes of stock of such corporation shall have or might have voting power by reason of the lapse of time or the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries, and (b) any partnership, association, joint venture, limited liability company, trust or other entity in which such Person directly or indirectly through Subsidiaries has more than a 50% equity interest or 50% Capital Percentage at any time.

“***Taxes***” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“***Termination Event***” means (a) with respect to any Single Employer Plan, the occurrence of a Reportable Event or the substantial cessation of operations (within the meaning of Section 4062(e) of ERISA); (b) the withdrawal of any Borrower or any of its Subsidiaries or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a substantial employer (as such term is defined in Section 4001(a)(2) of ERISA), or the termination of a Multiple Employer Plan; (c) the distribution of a notice of intent to terminate or the actual termination of a Plan pursuant to Section 4041(a)(2) or 4041A of ERISA; (d) the institution of proceedings to terminate or the actual termination of a Plan by the PBGC under Section 4042 of ERISA; (e) any event or condition which might reasonably constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan; or (f) the complete or partial withdrawal of any Borrower or any of its Subsidiaries or any ERISA Affiliate from a Multiemployer Plan.

“***Total Asset Value***” means the sum, without duplication, of (i) Property Value, plus (ii) Acquisition Properties valued, with respect to each such Acquisition Property, at the higher of its acquisition cost (after taking into account any impairments) or its Property Value (assuming for purposes of such valuation that such Acquisition Property is a Stabilized Property), provided that once an Acquisition Property is valued at its Property Value, such Acquisition Property can no longer be valued by using its acquisition cost, plus (iii) all unrestricted cash of the Combined Parties, plus (iv) all Cash Equivalents of the Combined Parties, plus (v) all unrestricted tenant security deposits held by the Combined Parties, plus (vi) the aggregate of all amounts of the

Combined Parties incurred and paid with respect to Construction-in-Process and Eligible Land (after taking into account any impairments), plus (vii) all notes receivable of the Combined Parties valued at the lower of cost or market in accordance with GAAP and which are not more than 30 days past due or otherwise in default, plus (viii) all investments in (based on the actual cash investment in), directly or indirectly, unconsolidated entities holding real estate assets, plus (ix) Eligible Cash 1031 Proceeds, plus (x) the product of 5 multiplied by Net Income attributable to third-party property management agreements, for the most recent period of four (4) consecutive fiscal quarters, to the extent that payments thereunder are not more than 30 days past due or otherwise in default, which credit will be limited to 5% of Total Asset Value; provided that the aggregate credit to Total Asset Value from the investments described in clauses (vi) through (viii) above will be limited to 35% of Total Asset Value.

"***Unencumbered Cash Flow Ratio***" means, as of any date of determination, the ratio of (a) Adjusted NOI with respect to Unencumbered Properties for the fiscal quarter ending on such date to (b) Interest Expense on Unsecured Debt for the fiscal quarter ending on such date.

"***Unencumbered Construction-in-Process***" means all Construction-in-Process that is (i) wholly-owned by a Credit Party or an Eligible Subsidiary that is a Wholly-Owned Subsidiary of the Borrowers, (ii) not subject to a Lien or negative pledge other than (a) nonconsensual Permitted Liens and (b) Liens in favor of the Lenders to secure the Obligations, and (iii) not subject to a significant environmental release, Environmental Claim or other violation of Environmental Laws.

"Unencumbered Construction-in-Process and Eligible Land Value" means the sum of Unencumbered Construction-in-Process and Unencumbered Eligible Land, in each case valued at the lower of cost or market (after taking into account any impairments).

"***Unencumbered Eligible Land***" means all Eligible Land that is (i) wholly-owned or leased under an Eligible Ground Lease by a Credit Party or an Eligible Subsidiary that is a Wholly-Owned Subsidiary of the Borrowers, (ii) not subject to a Lien or negative pledge other than (a) nonconsensual Permitted Liens and the terms of any applicable Eligible Ground Lease and (b) Liens in favor of the Lenders to secure the Obligations, and (iii) not subject to a significant environmental release, Environmental Claim or other violation of Environmental Laws.

"***Unencumbered Properties***" means all Properties that are (i) wholly-owned or leased under an Eligible Ground Lease by a Credit Party or an Eligible Subsidiary that is a Wholly-Owned Subsidiary of the Borrowers, (ii) not subject to a Lien or Negative Pledge (and, if such Property is owned or leased by an Eligible Subsidiary, the Borrowers' direct or indirect ownership interests in such Eligible Subsidiary are not subject to a Lien or Negative Pledge) other than (a) nonconsensual Permitted Liens and (b) Liens in favor of the Lenders to secure the Obligations, (iii) improved with a building that has received a certificate of occupancy, and (iv) not subject to a significant environmental release, Environmental Claim or other violation of Environmental Laws.

"***Unencumbered Property Value***" means the aggregate Property Value with respect to all Unencumbered Properties that are Stabilized Properties.

"***Unencumbered Value***" means the sum, without duplication, of (i) Unencumbered Property Value, plus (ii) Acquisition Properties that are Unencumbered Properties valued, with respect to each such Acquisition Property, at the higher of its acquisition cost (after taking into account any impairments) or its Property Value (assuming for purposes of such valuation that such Acquisition Property is a Stabilized Property), provided that once an Acquisition Property is valued at its Property Value, such Acquisition Property can no longer be valued by using its acquisition cost, plus (iii) Unencumbered Construction-in-Process and Eligible Land Value, plus (iv) the aggregate amount of unrestricted cash or Cash Equivalents of the Combined Parties, plus (v) Eligible Cash 1031 Proceeds, to the extent not subject to a Lien, plus (vi) all notes receivable of the Combined Parties valued at the lower of cost or market in accordance with GAAP and which are not more than 30 days past due or otherwise in default, to the extent not subject to a Lien, which credit will be limited to 5% of Unencumbered Value; provided that Unencumbered Construction-in-Process and Eligible Land Value shall not account for more than 20% of Unencumbered Value.

"***Unsecured Debt***" means the sum of all Funded Debt of the Combined Parties that was incurred, and continues to be outstanding, without granting a Lien to the creditor holding such Funded Debt; provided that all Funded Debt of the Combined Parties owing to the Lenders under this Credit Agreement and the Revolving Credit Agreement shall be considered to be Unsecured Debt even if a Lien has been granted in favor of the Lenders or the lenders party to any of the Revolving Credit Agreement.

"***Unsecured Senior Debt Rating***" means either (a) if BOP has issued unsecured, senior, long term, non-credit enhanced debt, the debt rating provided by S&P or Moody's with respect to such unsecured, senior, long term, non-credit enhanced debt, or (b) if BOP has not issued unsecured, senior, long term, non-credit enhanced debt, the issuer rating for BOP provided by Moody's or the corporate credit rating for BOP provided by S&P.

"***U.S. Person***" means any Person that is a "United States Person" as defined in Section 7701(a)(30) of the Code.

"***U.S. Tax Compliance Certificate***" has the meaning set forth in Section 3.13(g)(ii)(B)(iii).

"***Wholly-Owned Subsidiary of the Borrowers***" means a Subsidiary of a Borrower in which the Borrowers directly or indirectly own 100% of the equity interests (excluding those equity interests that are owned by other Persons in order to permit such Subsidiary to qualify as a REIT or for other necessary tax reasons, so long as the Borrowers directly or indirectly own at least 99% of the equity interests in such Subsidiary and control decisions regarding the sale and financing of all Properties owned by such Subsidiary).

"***Withholding Agent***" means the Borrowers and the Administrative Agent.

"***Write-Down and Conversion Powers***" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

1.2 Computation of Time Periods and Other Definition Provisions.

For purposes of computation of periods of time hereunder, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding." References in this Credit Agreement to "Articles", "Sections", "Schedules" or "Exhibits" shall be to Articles, Sections, Schedules or Exhibits of or to this Credit Agreement unless otherwise specifically provided. References in this Credit Agreement to "during the term of this Credit Agreement" shall mean the period from the Effective Date to the earlier of the Maturity Date or the acceleration of the Loans pursuant to Section 9.2. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any organization document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Credit Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "hereto," "herein," "hereof" and "hereunder," and words of similar import when used in any Credit Document, shall be construed to refer to such Credit Document in its entirety and not to any particular provision thereof, (iv) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (v) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

1.3 Accounting Terms.

Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Lenders hereunder shall be prepared, in accordance with GAAP applied on a consistent basis, and excluding the effects of consolidation of investments in non-wholly owned subsidiaries under Codification 810-10 of the Financial Accounting Standards Board. All financial statements delivered to the Lenders hereunder shall be accompanied by a statement from the Borrowers that GAAP has not changed since the most recent financial statements delivered by the Borrowers to the Lenders or, if GAAP has changed, describing such changes in detail and explaining how such changes affect the financial statements. All calculations made for the purposes of determining compliance with this Credit Agreement shall (except as otherwise expressly provided herein) be made by application of GAAP applied on a basis consistent with the most recent annual or quarterly financial statements delivered pursuant to Section 7.1 (or, prior to the delivery of the first financial statements pursuant to Section 7.1, consistent with the financial statements described in Section 5.1(k)); provided that, if the Borrowers notify the Administrative Agent that the Borrowers request an amendment to any provision of this Credit Agreement to eliminate the effect of any change in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrowers that the Required Lenders request an amendment to any provision herein for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended.

1.4 Joint Venture Investments.

For purposes of calculating the financial covenants in Section 7.2 (including the definitions used therein), (a) NOI, Adjusted NOI, Annualized Modified Adjusted NOI, Property Value and Interest Expense shall be calculated, to the extent applicable, to include the pro-rata share (as determined by their respective percentage interests in the profits and losses of such joint venture) of results attributable to the Borrowers and their Subsidiaries from joint ventures and (b) Indebtedness and Funded Debt shall be calculated as follows: (i) if the Indebtedness of a joint venture is recourse to such Borrower (or Subsidiary), then the greater of (A) the amount of such Indebtedness or Funded Debt that is recourse to such Borrower (or Subsidiary), without duplication, or (B) the Borrower's pro-rata share of such Indebtedness or Funded Debt as determined by its percentage interest in the profits and losses of such joint venture and (ii) if the Indebtedness of such joint venture is not recourse to such Borrower (or Subsidiary), then such Borrower's (or Subsidiary's) pro-rata share of such Indebtedness or Funded Debt as determined by its percentage interest in the profits and losses of such joint venture. For purposes of this Section 1.4, Indebtedness of a joint venture that is recourse to a Borrower or one of its Subsidiaries solely as a result of such Borrower (or Subsidiary) being a partner or member in such joint venture shall be treated as not recourse to such Borrower (or Subsidiary) as long as the only assets owned by such Borrower (or Subsidiary) are its equity interest in such joint venture and any contributed capital held to fund such equity interest.

SECTION 2.

CREDIT FACILITY

2.1 Loans.

(a) Term Loan Commitment. Subject to the terms and conditions set forth in this Credit Agreement, each Lender hereby severally and not jointly agrees to make a term loan in a single draw in Dollars (the "***Loan***" and collectively, the "***Loans***") to the Borrowers on the Effective Date, in an amount equal to such Lender's Commitment Percentage of the principal amount requested by the Borrowers. The Loans may be subdivided into different tranches, but the aggregate amount of the Loans to be made hereunder shall not exceed the Committed Amount. The Loans shall be made by the Lenders simultaneously and proportionately to their then respective Commitment Percentages, it being understood that no Lender shall be responsible for any failure by any other Lender to perform its obligation to make a Loan hereunder nor shall the Loans of any Lender be increased or decreased as a result of any such failure. The Commitments shall expire on the date on which the Loans are made.

(b) [Reserved].

(c) Method of Borrowing for Loans. By no later than 11:00 a.m. (i) one Business Day prior to the date of the requested borrowing of Base Rate Loans or (ii) three Business Days prior to the date of the requested borrowing of Eurodollar Loans, the Borrowers shall submit an irrevocable written Notice of Borrowing in the form of Exhibit 2.1(c) to the Administrative Agent setting forth (A) the amount requested, (B) whether such Loans shall be Base Rate Loans or Eurodollar Loans, (C) with respect to Eurodollar Loans, the Interest Period applicable thereto, (D) the purpose of the proceeds of the requested Loans, (E) a certification that the Borrowers have complied in all respects with Section 5.1 and Section 5.2 and (F) the date of borrowing.

(d) Funding of Loans. Upon receipt of the Notice of Borrowing, the Administrative Agent shall promptly inform the Lenders as to the terms thereof. Each Lender shall make its Commitment Percentage of the requested Loans available to the Administrative Agent by 1:00 p.m. on the date specified in the Notice of Borrowing by deposit, in Dollars, of immediately available funds to the Administrative Agent at its principal office in New York City, New York or at such other address as the Administrative Agent may designate in writing. The amount of the requested Loans will then be made available to the Borrowers by the Administrative Agent by crediting the account of the Borrowers on the books of such office of the Administrative Agent, to the extent the amount of such requested Loans are made available to the Administrative Agent.

No Lender shall be responsible for the failure or delay by any other Lender in its obligation to make Loans hereunder; provided, however, that the failure of any Lender to fulfill its obligations hereunder shall not relieve any other Lender of its obligations hereunder. Unless the Administrative Agent shall have been notified by any Lender prior to the date of any Loan that such Lender does not intend to make available to the Administrative Agent its portion of the Loans to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on the date of such Loans, and the Administrative Agent in reliance upon such assumption, may (in its sole discretion but without any obligation to do so) make available to the Borrowers a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent, the Administrative Agent shall be able to recover such corresponding amount from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent will promptly notify the Borrowers, and the Borrowers shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover from such Lender or the Borrowers, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrowers to the date such corresponding amount is recovered by the Administrative Agent at a per annum rate equal to (i) from the Borrowers at the applicable rate for such Loan pursuant to the Notice of Borrowing and (ii) from such Lender at the Federal Funds Rate.

(e) Reduction or Termination of Committed Amount. Upon at least three Business Days' notice to the Administrative Agent, the Borrowers shall have the right to permanently terminate or reduce the aggregate amount of the Committed Amount at any time prior to the date of borrowing of the Loans; provided that each partial reduction shall be in an aggregate amount at least equal to $5,000,000 and in integral multiples of $1,000,000 above such amount. Any reduction in (or termination of) the Committed Amount shall be permanent and may not be reinstated. The Administrative Agent shall immediately notify the Lenders of any reduction in the Committed Amount and each Lender's Commitment shall be reduced pro rata in accordance with each Lender's Commitment Percentage.

(f) Continuations and Conversions. The Borrowers shall have the option with respect to any Loan, on any Business Day, to continue existing Eurodollar Loans for a subsequent Interest Period, to convert Base Rate Loans into Eurodollar Loans, or to convert Eurodollar Loans into Base Rate Loans; provided, however, that (i) each such continuation or conversion must be requested by the Borrowers pursuant to a written Notice of Continuation/Conversion, in the form of Exhibit 2.1(f), in compliance with the terms set forth below, (ii) except as provided in Section 3.11, Eurodollar Loans may only be continued or converted on the last day of the Interest Period applicable thereto, (iii) Eurodollar Loans may not be continued nor may Base Rate Loans be converted into Eurodollar Loans during the existence and continuation of a Default or Event of Default and (iv) any request to continue a Eurodollar Loan that fails to comply with the terms hereof or any failure to request a continuation of a Eurodollar Loan at the end of an Interest Period shall result in a conversion of such Eurodollar Loan to a Base Rate Loan on the last day of the applicable Interest Period. Each continuation or conversion must be requested by the Borrowers no later than 11:00 a.m. (A) one Business Day prior to the date for a requested conversion of a Eurodollar Loan to a Base Rate Loan or (B) three Business Days prior to the date for a requested continuation of a Eurodollar Loan or conversion of a Base Rate Loan to a Eurodollar Loan, in each case pursuant to a written Notice of Continuation/Conversion submitted to the Administrative Agent (which shall promptly notify each of the Lenders) which shall set forth (x) whether the Borrowers wish to continue or convert such Loans and (y) if the request is to continue a Eurodollar Loan or convert a Loan to a Eurodollar Loan, the Interest Period applicable thereto.

(g) Minimum Amounts/Restrictions on Loans. Each request for a borrowing, conversion or continuation of a Loan shall be subject to the requirements that (i) each Eurodollar Loan shall be in a minimum amount of $1,000,000 and in integral multiples of $100,000 in excess thereof, (ii) each Base Rate Loan shall be in a minimum amount of $500,000, and (iii) no more than eight Eurodollar Loans shall be outstanding at any one time. For the purposes of this Section 2.1(g), all Eurodollar Loans with the same Interest Periods beginning on the same date shall be considered as one Eurodollar Loan, but Eurodollar Loans with different Interest Periods, even if they begin or end on the same date, shall be considered as separate Eurodollar Loans.

(h) Notes. The Loans made by each Lender shall be evidenced by a duly executed promissory note of the Borrowers to each Lender in substantially the form of Exhibit 2.1(h).

2.2 [Reserved].

2.3 [Reserved].

2.4 Joint and Several Liability of the Borrowers.

(a) Each of the Borrowers is accepting joint and several liability hereunder in consideration of the financial accommodation to be provided by the Lenders under this Credit Agreement, for the mutual benefit, directly and indirectly, of each of the Borrowers and in consideration of the undertakings of each of the Borrowers to accept joint and several liability for the obligations of each of them.

(b) Each of the Borrowers jointly and severally hereby irrevocably and unconditionally accepts, not merely as a surety, but also as a co-debtor, joint and several liability with the other Borrower with respect to the payment and performance of all of the Obligations arising under this Credit Agreement and the other Credit Documents, it being the intention of the parties hereto that all the Obligations shall be the joint and several obligations of each of the Borrowers without preferences or distinction among them.

(c) If and to the extent that either of the Borrowers shall fail to make any payment with respect to any of the Obligations as and when due or to perform any of the Obligations in accordance with the terms thereof, then in each such event, the other Borrower will make such payment with respect to, or perform, such Obligation. Each Borrower further agrees that it shall have no right of subrogation, indemnity, reimbursement or contribution against the other Borrower for amounts so paid under this Credit Agreement until such time as the Lenders have been paid in full and all Commitments under this Credit Agreement have been terminated.

(d) The obligations of each Borrower under the provisions of this Section 2.4 constitute full recourse obligations of such Borrower, enforceable against it to the full extent of its properties and assets.

(e) Except as otherwise expressly provided herein, to the extent permitted by law, each Borrower hereby waives notice of acceptance of its joint and several liability and of all extensions of credit to the Borrowers by the Lenders, notice of occurrence of any Default or Event of Default (except to the extent notice is expressly required to be given pursuant to the terms of this Credit Agreement), or of any presentment or demand for any payment under this Credit Agreement, notice of any action at any time taken or omitted by the Administrative Agent or the Lenders under or in respect of any of the obligations hereunder, any requirement of diligence and, generally, all demands, notices and other formalities of every kind in connection with this Credit Agreement and the benefit of any laws that exonerate or limit the liability of co-borrowers or sureties and any defenses provided by those laws. Each Borrower hereby assents to, and waives notice of, any extension or postponement of the time for the payment of any of the Obligations, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by the Administrative Agent or the Lenders at any time or times in respect of any default by either Borrower in the performance or satisfaction of any term, covenant, condition or provision of this Credit Agreement, any and all other indulgences whatsoever by the Administrative Agent or the Lenders in respect of any of the obligations hereunder, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of such obligations or the addition, substitution or release, in whole or in part, of either Borrower. Without limiting the generality of the foregoing, each Borrower assents to any other action or delay in acting or any failure to act on the part of the Administrative Agent or the Lenders, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder which might, but for the provisions of this Section 2.4, afford grounds for terminating, discharging or relieving such Borrower, in whole or in part, from any of its obligations under this Section 2.4, it being the intention of each Borrower that, so long as any of the Obligations hereunder remain unsatisfied, the obligations of such Borrower under this Section 2.4 shall not be discharged except by performance and then only to the extent of such performance. The obligations of each Borrower under this Section 2.4 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, reconstruction or similar proceeding with respect to either Borrower or a Lender. The joint and several liability of the Borrowers hereunder shall continue in full force and effect notwithstanding any absorption, merger, amalgamation or any other change whatsoever in the name, membership, constitution or place of formation of either Borrower or any of the Lenders.

(f) The provisions of this Section 2.4 are made for the benefit of the Lenders and their successors and assigns, and may be enforced by them from time to time against either of the Borrowers as often as occasion therefor may arise and without requirement on the part of the Lenders first to marshal any of its claims or to exercise any of its rights against the other Borrower or to exhaust any remedies available to it against the other Borrower or to resort to any other source or means of obtaining payment of any of the Obligations hereunder or to elect any other remedy. The provisions of this Section 2.4 shall remain in effect until all the Obligations shall have been paid in full or otherwise fully satisfied. If at any time, any payment, or any part thereof, made in respect of any of the Obligations is rescinded or must otherwise be restored or returned by the Lenders upon the insolvency, bankruptcy or reorganization of either of the Borrowers, or otherwise, the provisions of this Section 2.4 will forthwith be reinstated and in effect as though such payment had not been made.

(g) Notwithstanding any provision to the contrary contained herein or in any of the other Credit Documents, to the extent the obligations of either Borrower shall be adjudicated to be invalid or unenforceable for any reason (including, without limitation, because of any applicable state or federal law relating to fraudulent conveyances or transfers) then the obligations of such Borrower hereunder shall be limited to the maximum amount that is permissible under applicable law (whether federal or state and including, without limitation, the Bankruptcy Code).

2.5 Appointment of BOP.

BRT hereby appoints BOP to act as its agent for all purposes under this Credit Agreement (including, without limitation, with respect to all matters related to the borrowing and repayment of Loans) and agrees that (i) BOP may execute such documents on behalf of BRT as BOP deems appropriate in its sole discretion and BRT shall be obligated by all of the terms of any such document executed on its behalf, (ii) any notice or communication delivered by the Administrative Agent or the Lender to BOP shall be deemed delivered to BRT and (iii) the Administrative Agent or the Lenders may accept, and be permitted to rely on, any document, instrument or agreement executed by BOP on behalf of BRT. In addition, each of the Credit Parties hereby appoints BOP to act as its agent for all purposes of this Credit Agreement, the other Credit Documents and all other documents and electronic platforms entered into in connection herewith and agrees that (a) BOP may execute such documents and provide such authorizations on behalf of such Credit Parties as BOP deems appropriate in its sole discretion and each Credit Party shall be obligated by all of the terms of any such document and/or authorization executed on its behalf, (b) any notice or communication delivered by the Administrative Agent or a Lender to BOP shall be deemed delivered to each Credit Party and (c) the Administrative Agent or the Lenders may accept, and be permitted to rely on, any document, authorization, instrument or agreement executed by BOP on behalf of each of the Credit Parties.

2.6 Non-Recourse.

Notwithstanding anything herein to the contrary, no recourse shall be had against any past, present or future shareholder, officer, director or trustee of BRT for any obligation of the Credit Parties under the Credit Documents, or for any claim based thereon or otherwise in respect thereof; provided, however, that this Section 2.6 shall not restrict or limit any claim against any such Person arising out of or occurring with respect to fraud or any intentional misrepresentation or any act or omission that is willful or wanton or constitutes gross negligence or willful misconduct.

2.7 Incremental Commitments.

(a) The Borrowers may, by written notice to the Administrative Agent on two occasions during the period from the Closing Date to the date five Business Days prior to the Maturity Date, request incremental Commitments in an amount not less than $25,000,000 per request and not more than $150,000,000 in the aggregate from one or more additional Lenders (which may include any existing Lender, each, a “***New Term Loan Lender***”) willing to provide such incremental Commitments in their own discretion; provided, that each New Term Loan Lender shall be subject to the approval of the Administrative Agent (which approval shall not be unreasonably withheld) unless such New Term Loan Lender is a Lender or an Affiliate of a Lender. Such notice shall set forth (i) the amount of the incremental Commitments being requested, and (ii) the date on which such incremental Commitments are requested to become effective (the “***Increased Amount Date***”). On any Increased Amount Date on which any such incremental Commitments are effective, subject to the satisfaction of the foregoing terms and conditions, (i) each New Term Loan Lender shall make a Loan to the Borrowers (a “***New Term Loan***”) in an amount equal to its incremental Commitment, and (ii) each New Term Loan Lender shall become a Lender hereunder with respect to such incremental Commitment and the New Term Loans made pursuant thereto. The terms and provisions of the New Term Loans and the incremental Commitments shall be identical to the existing Loans.

(b) The Borrowers and each New Term Loan Lender shall execute and deliver to the Administrative Agent such documentation as the Administrative Agent shall reasonably specify to evidence the incremental Commitment of such New Term Loan Lender. Each of the parties hereto hereby agrees that, upon the effectiveness of any such documentation, this Credit Agreement shall be amended to the extent (but only to the extent) necessary to reflect the existence and terms of the incremental Commitments and New Term Loans evidenced thereby (including adjusting the Commitment Percentages), and new Notes shall be issued and the Borrowers shall make such borrowings without the consent of the Lenders other than those Lenders with incremental Commitments. The fees payable by the Borrowers upon any such incremental Commitments shall be agreed upon by the Administrative Agent, the New Term Loan Lenders and the Borrowers at the time of such increase.

Notwithstanding the foregoing, nothing in this Section 2.7 shall constitute or be deemed to constitute an agreement by any Lender to increase its Commitment hereunder.

(c) Notwithstanding the foregoing, no incremental Commitment shall become effective under this Section 2.7 unless (i) on the date of such effectiveness, the conditions set forth in Section 5.2 shall be satisfied assuming a Loan were then being made and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Responsible Officer of BRT, (ii) the Administrative Agent shall have received customary legal opinions, board resolutions and other customary closing certificates and documentation as required by the relevant amendment or other documentation and, to the extent required by the Administrative Agent, consistent with those delivered on the Effective Date under Section 5.1 and such additional customary documents and filings as the Administrative Agent may reasonably require, and (iii) the Borrowers shall be in pro forma compliance with the covenants set forth in Section 7.2 after giving effect to such incremental Commitments, the Loans to be made thereunder and the application of the proceeds therefrom as if made and applied on such date.

(d) Each of the parties hereto hereby agrees that the Administrative Agent may take any and all action as may be reasonably necessary to ensure that all New Term Loans, when originally made, are included in each borrowing of outstanding Loans on a pro rata basis.

SECTION 3.

GENERAL PROVISIONS APPLICABLE TO LOANS

3.1 Interest.

(a) Interest Rate. Subject to Section 3.1(b), all Base Rate Loans shall accrue interest at the Base Rate. Subject to Section 3.1(b), all Eurodollar Loans shall accrue interest at the Adjusted Eurodollar Rate.

(b) Default Rate of Interest. Upon the occurrence, and during the continuance, of an Event of Default, the principal of and, to the extent permitted by law, interest on the

Loans and any other amounts owing hereunder or under the other Credit Documents (including without limitation fees and expenses) shall bear interest, payable on demand, at a per annum rate equal to four percent (4%) plus the rate which would otherwise be applicable (or if no rate is applicable, then the rate for Base Rate Loans plus four percent (4%) per annum), and when such default rate of interest is in effect, it shall continue to remain in effect both before and after the entry of any judgment; provided that unless the Loans have been accelerated, interest, including the default rate of interest, shall only be due and payable on the Interest Payment Dates.

(c) Interest Payments. Interest on Loans shall be due and payable in arrears on each Interest Payment Date. If an Interest Payment Date falls on a date which is not a Business Day, such Interest Payment Date shall be deemed to be the succeeding Business Day, except that in the case of Eurodollar Loans where the succeeding Business Day falls in the succeeding calendar month, such Interest Payment Date shall be the preceding Business Day.

3.2 Place and Manner of Payments.

(a) General. All payments of principal, interest, fees, expenses and other amounts to be made by a Borrower under this Credit Agreement shall be made by such Borrower unconditionally and without deduction for any counterclaim, defense, recoupment or setoff and received not later than 2:00 p.m. on the date when due, in Dollars and in immediately available funds, to the Administrative Agent at its offices in New York City, New York. Payments received after such time shall be deemed to have been received on the next Business Day. The Borrowers shall, at the time they make any payment under this Credit Agreement, specify to the Administrative Agent the Loans, fees or other amounts payable by the Borrowers hereunder to which such payment is to be applied (and in the event that they fail to specify, or if such application would be inconsistent with the terms hereof, the Administrative Agent shall, subject to Section 3.7, distribute such payment to the Lenders in such manner as the Administrative Agent may deem appropriate). The Administrative Agent will distribute any such payment to the Lenders on the day received if such payment is received prior to 2:00 p.m.; otherwise the Administrative Agent will distribute such payment to the Lenders on the next succeeding Business Day. Whenever any payment hereunder shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day (subject to accrual of interest and fees for the period of such extension), except that in the case of Eurodollar Loans, if the extension would cause the payment to be made in the next following calendar month, then such payment shall instead be made on the next preceding Business Day.

(b) Payments by Borrowers; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrowers prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that a Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders, the amount due. In such event, if a Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Rate.

A notice of the Administrative Agent to any Lender or a Borrower with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

3.3 Prepayments.

(a) Voluntary Prepayments. The Borrowers shall have the right to prepay the Loans, in whole or in part from time to time; provided, however, that (i) Eurodollar Loans may only be prepaid on three Business Days' prior written notice to the Administrative Agent and any prepayment of Eurodollar Loans will be subject to Section 3.14, and (ii) (x) in the case of Eurodollar Loans, each such partial prepayment shall be in the minimum principal amount of $1,000,000 and integral multiples of $100,000 in excess thereof, or (y) in the case of Base Rate Loans, each such partial prepayment shall be in the minimum principal amount of $500,000 and integral multiples of $100,000 in excess thereof. Amounts prepaid pursuant to this Section 3.3(a) may not be reborrowed.

(b) Mandatory Prepayments. If at any time after the Closing Date a Change of Control shall occur (the date on which such Change of Control occurs being the "***Prepayment Date***"), the Commitments shall terminate and reduce to zero and the Borrowers shall immediately prepay the Loans on the Prepayment Date as if the Prepayment Date were the Maturity Date. The Borrowers shall make such prepayment on the Prepayment Date together with all accrued interest on the amount prepaid and any unpaid fees and expenses that are due and owing. Amounts prepaid pursuant to this Section 3.3(b) may not be reborrowed.

(c) Application of Prepayments. All principal amounts paid pursuant to Section 3.3(a) shall be applied as directed by the Borrowers. All principal amounts paid pursuant to Section 3.3(a) the application of which has not been directed by the Borrowers and all principal amounts required to be paid pursuant to Section 3.3(b) shall be applied first to Base Rate Loans, then to Eurodollar Loans in direct order of Interest Period maturities. All prepayments hereunder shall be subject to Section 3.14; provided that prepayments required to be made pursuant to Section 3.3(b) that repay a Eurodollar Loan within 30 days of the last day of its Interest Period shall not be subject to Section 3.14.

3.4 Fees.

(a) [Reserved].

(b) Administrative Fees. The Borrowers agree to pay to the Administrative Agent, for its own account, an annual fee as agreed to between the Borrowers and the Administrative Agent in the Fee Letter.

3.5 Payment in full at Maturity.

On the Maturity Date, the entire outstanding principal balance of all Loans, together with accrued but unpaid interest and all other sums owing with respect thereto, shall be due and payable in full, unless accelerated sooner pursuant to Section 9.2.

3.6 Computations of Interest and Fees.

(a) Except for Base Rate Loans bearing interest based on the Prime Rate, which shall be calculated on the basis of a 365 or 366 day year as the case may be, all computations of interest and fees hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days. Interest shall accrue from and include the date of borrowing (or continuation or conversion), but exclude the date of payment.

(b) It is the intent of the Lenders and the Borrowers to conform to and contract in strict compliance with applicable usury law from time to time in effect. All agreements between the Lenders and the Credit Parties are hereby limited by the provisions of this paragraph which shall override and control all such agreements, whether now existing or hereafter arising and whether written or oral. In no way, nor in any event or contingency (including, but not limited to, prepayment or acceleration of the maturity of any obligation), shall the interest taken, reserved, contracted for, charged, or received under this Credit Agreement, under the Notes or otherwise, exceed the maximum nonusurious amount permissible under applicable law. If, from any possible construction of any of the Credit Documents or any other document, interest would otherwise be payable in excess of the maximum nonusurious amount, any such construction shall be subject to the provisions of this paragraph and such interest shall be automatically reduced to the maximum nonusurious amount permitted under applicable law, without the necessity of execution of any amendment or new document. If any Lender shall ever receive anything of value which is characterized as interest on the Loans under applicable law and which would, apart from this provision, be in excess of the maximum lawful amount, an amount equal to the amount which would have been excessive interest shall, without penalty, be applied to the reduction of the principal amount owing on the Loans and not to the payment of interest, or refunded to the Borrowers or the other payor thereof if and to the extent such amount which would have been excessive exceeds such unpaid principal amount of the Loans. The right to demand payment of the Loans or any other indebtedness evidenced by any of the Credit Documents does not include the right to receive any interest which has not otherwise accrued on the date of such demand, and the Lenders do not intend to charge or receive any unearned interest in the event of such demand. All interest paid or agreed to be paid to the Lenders with respect to the Loans shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term (including any renewal or extension) of the Loans so that the amount of interest on account of such indebtedness does not exceed the maximum nonusurious amount permitted by applicable law.

3.7 Pro Rata Treatment.

Except to the extent otherwise provided herein, each Loan borrowing, each payment or prepayment of principal of any Loan, each payment of fees (other than fees payable pursuant to Section 3.4), and each conversion or continuation of any Loan, shall (except as otherwise provided in Section 3.11) be allocated pro rata among the Lenders in accordance with the respective Commitment Percentages of the Lenders (or, if the Commitments of the Lenders have expired or been terminated, in accordance with the respective principal amounts of the outstanding Loans and Participation Interests of the Lenders); provided that, if any Lender shall have failed to pay its applicable pro rata share of any Loan, then any amount to which such Lender would otherwise be entitled pursuant to this Section 3.7 shall instead be payable to the Administrative Agent until the share of such Loan not funded by such Lender has been repaid; provided further, that in the event any amount paid to any Lender pursuant to this Section 3.7 is rescinded or must otherwise be returned by the Administrative Agent, each Lender shall, upon the request of the Administrative Agent, repay to the Administrative Agent the amount so paid to such Lender, with interest for the period commencing on the date such payment is returned by the Administrative Agent until the date the Administrative Agent receives such repayment at a rate per annum equal to, during the period to but excluding the date two Business Days after such request, the Federal Funds Rate, and thereafter, at the Base Rate plus two percent (2%) per annum.

3.8 Sharing of Payments.

The Lenders agree among themselves that, except to the extent otherwise provided herein, in the event that any Lender shall obtain payment in respect of any Loan or any other obligation owing to such Lender under this Credit Agreement through the exercise of a right of setoff, banker’s lien or counterclaim, or pursuant to a secured claim under Section 506 of the Bankruptcy Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means (other than (a) in connection with an assignment pursuant to Section 3.15 or Section 11.3 or (b) any payment made by any Borrower pursuant to or in accordance with the express terms of this Credit Agreement (including the application of funds arising from the existence of a Defaulting Lender), in excess of its pro rata share of such payment as provided for in this Credit Agreement, such Lender shall promptly (i) notify the Administrative Agent of such fact and (ii) pay in cash or purchase from the other Lenders a participation in such Loans and other obligations in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all Lenders share such payment in accordance with their respective ratable shares as provided for in this Credit Agreement. The Lenders further agree among themselves that if payment to a Lender obtained by such Lender through the exercise of a right of setoff, banker’s lien, counterclaim or other event as aforesaid shall be rescinded or must otherwise be restored, each Lender which shall have shared the benefit of such payment shall, by payment in cash or a repurchase of a participation theretofore sold, return its share of that benefit (together with its share of any accrued interest payable with respect thereto) to each Lender whose payment shall have been rescinded or otherwise restored. The Borrowers agree that any Lender so purchasing such a participation may, to the fullest extent permitted by law, exercise all rights of payment, including setoff, banker’s lien or counterclaim, with respect to such participation as fully as if such Lender were a holder of such Loan or other obligation in the amount of such participation. Except as otherwise expressly provided in this Credit Agreement, if any Lender shall fail to remit to the

Administrative Agent or any other Lender an amount payable by such Lender to the Administrative Agent or such other Lender pursuant to this Credit Agreement on the date when such amount is due, such payments shall be made together with interest thereon for each date from the date such amount is due until the date such amount is paid to the Administrative Agent or such other Lender at a rate per annum equal to the Federal Funds Rate. If under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a setoff to which this Section 3.8 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders under this Section 3.8 to share in the benefits of any recovery on such secured claim.

3.9 Capital Adequacy.

If, after the date hereof, any Lender has determined that any Change in Law regarding capital or liquidity requirements or ratios would have the effect of reducing the rate of return on such Lender's (or parent corporation's) capital or assets as a consequence of its commitments or obligations hereunder to a level below that which such Lender, or its parent corporation, could have achieved but for such Change in Law (taking into consideration such Lender's (or parent corporation's) policies with respect to capital adequacy and liquidity), then, within 10 days after receipt of notice from such Lender to the Borrowers and the Administrative Agent, the Borrowers shall be obligated to pay to such Lender such additional amount or amounts as will compensate such Lender (or parent corporation) on an after-tax basis (after taking into account applicable deductions and credits in respect of the amount indemnified) for such reduction. Each determination by any such Lender of amounts owing under this Section shall, absent manifest error, be conclusive and binding on the parties hereto. This covenant shall survive the termination of this Credit Agreement and the payment of the Loans and all other amounts payable hereunder.

3.10 Inability To Determine Interest Rate.

(a) If (i) the Administrative Agent determines that (A) Dollar deposits are not being offered to banks in the London interbank market for the applicable amount and Interest Period of such Eurodollar Loan, or (B) adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Loan or in connection with an existing or proposed Base Rate Loan (in each case with respect to clause (i) (A) above, "**Impacted Loans**"), or (ii) the Administrative Agent or the Required Lenders determine that for any reason the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Eurodollar Loan, the Administrative Agent will promptly so notify the Borrowers and each Lender. Thereafter, (y) the obligation of the Lenders to make or maintain Eurodollar Loans shall be suspended (to the extent of the affected Eurodollar Loans or Interest Periods), and (z) in the event of a determination described in the preceding sentence with respect to the Eurodollar Rate component of the Base Rate, the utilization of the Eurodollar Rate component in determining the Base Rate shall be suspended, in each case until the Administrative Agent upon the instruction of the Required Lenders revokes such notice. Upon receipt of such notice, the Borrowers may revoke any pending request for a borrowing of, conversion to or continuation of Eurodollar Loans (to the extent of the affected Eurodollar Rate Loans or Interest Periods) or, failing that, will be deemed to have converted such request into a request for a borrowing of Base Rate Loans (subject to clause (z) above) in the amount specified therein.

Notwithstanding the foregoing, unless Section 3.10(b) is applicable, if the Administrative Agent has made the determination described in clause (i) (A) of this section, the Administrative Agent, in consultation with the Borrowers and the affected Lenders, may establish an alternative interest rate for the Impacted Loans, in which case, such alternative rate of interest shall apply with respect to the Impacted Loans until (1) the Administrative Agent revokes the notice delivered with respect to the Impacted Loans under clause (i) of the first sentence of this section, (2) the Administrative Agent or the Required Lenders notify the Administrative Agent and the Borrowers that such alternative interest rate does not adequately and fairly reflect the cost to such Lenders of funding the Impacted Loans, or (3) any Lender determines that any law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender or its applicable lending office to make, maintain or fund Loans whose interest is determined by reference to such alternative rate of interest or to determine or charge interest rates based upon such rate or any Governmental Authority has imposed material restrictions on the authority of such Lender to do any of the foregoing and provides the Administrative Agent and the Borrowers written notice thereof.

(b) Notwithstanding anything to the contrary in this Credit Agreement or any other Credit Documents, if the Administrative Agent determines (which determination shall be conclusive absent manifest error), or the Borrowers or Required Lenders notify the Administrative Agent (with, in the case of the Required Lenders, a copy to the Borrowers) that the Borrowers or Required Lenders (as applicable) have determined, that:

(i) adequate and reasonable means do not exist for ascertaining LIBOR for any requested Interest Period, including, without limitation, because the LIBOR Screen Rate is not available or published on a current basis and such circumstances are unlikely to be temporary: or

(ii) the administrator of the LIBOR Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which LIBOR or the LIBOR Screen Rate shall no longer be made available, or used for determining the interest rate of loans (such specific date, the "**Scheduled Unavailability Date**"); or

(iii) syndicated loans currently being executed, or that include language similar to that contained in this Section, are being executed or amended (as applicable) to incorporate or adopt a new benchmark interest rate to replace LIBOR,

then, reasonably promptly after such determination by the Administrative Agent or receipt by the Administrative Agent of such notice, as applicable, the Administrative Agent and the Borrowers may amend this Credit Agreement to replace LIBOR with an alternate benchmark rate (including any mathematical or other adjustments to the benchmark (if any) incorporated therein), giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated syndicated credit facilities for such alternative benchmarks (any such proposed rate, a "**LIBOR Successor Rate**"), together with any proposed LIBOR Successor Rate Conforming

Changes (as defined below) and any such amendment shall become effective at 5:00 p.m. (New York time) on the fifth Business Day after the Administrative Agent shall have posted such proposed amendment to all Lenders and the Borrowers unless, prior to such time, Lenders comprising the Required Lenders have delivered to the Administrative Agent written notice that such Required Lenders do not accept such amendment.

If no LIBOR Successor Rate has been determined and the circumstances under clause (i) above exist or the Scheduled Unavailability Date has occurred (as applicable), the Administrative Agent will promptly so notify the Borrowers and each Lender. Thereafter, (x) the obligation of the Lenders to make or maintain Eurodollar Loans shall be suspended (to the extent of the affected Eurodollar Loans or Interest Periods), and (y) the Eurodollar Rate component shall no longer be utilized in determining the Base Rate. Upon receipt of such notice, the Borrowers may revoke any pending request for a borrowing of, conversion to or continuation of Eurodollar Loans (to the extent of the affected Eurodollar Rate Loans or Interest Periods) or, failing that, will be deemed to have converted such request into a request for a borrowing of Base Rate Loans (subject to the foregoing clause (y)) in the amount specified therein.

Notwithstanding anything else herein, any definition of LIBOR Successor Rate shall provide that in no event shall such LIBOR Successor Rate be less than zero for purposes of this Credit Agreement.

As used above:

"**LIBOR Screen Rate**" means the LIBOR quote on the applicable screen page the Administrative Agent designates to determine LIBOR (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time).

"**LIBOR Successor Rate Conforming Changes**" means, with respect to any proposed LIBOR Successor Rate, any conforming changes to the definitions of Base Rate or Interest Period, timing and frequency of determining rates and making payments of interest and other administrative matters as may be appropriate, in the discretion of the Administrative Agent, to reflect the adoption of such LIBOR Successor Rate and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent determines that adoption of any portion of such market practice is not administratively feasible or that no market practice for the administration of such LIBOR Successor Rate exists, in such other manner of administration as the Administrative Agent determines in consultation with the Borrowers).

3.11 Illegality.

Notwithstanding any other provision herein, if any Change in Law or in the interpretation or application thereof occurring after the Closing Date shall make it unlawful for any Lender to perform any of its obligations hereunder or to make or maintain Eurodollar Loans as contemplated by this Credit Agreement, (a) such Lender shall promptly give written notice of such circumstances to the Borrowers and the Administrative Agent (which notice shall be promptly withdrawn whenever such circumstances no longer exist), (b) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert a Base Rate Loan to Eurodollar Loans shall forthwith be cancelled and, until such time as it shall no longer be unlawful for such Lender to make or maintain Eurodollar Loans, such Lender shall then have a commitment only to make a Base Rate Loan when a Eurodollar Loan is requested and (c) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Base Rate Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrowers shall pay to such Lender such amounts, if any, as may be required pursuant to Section 3.14; provided that no such payments shall be required if the conversion of a Eurodollar Loan occurs within 30 days of the last day of the Interest Period of such Eurodollar Loan.

3.12 Requirements of Law.

If any Change in Law or in the interpretation or application thereof applicable to any Lender, or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority, in each case made subsequent to the Closing Date (or, if later, the date on which such Lender becomes a Lender):

(a) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto;

(b) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender which is not otherwise included in the determination of the Adjusted Eurodollar Rate hereunder; or

(c) shall impose on such Lender or the London interbank market any other condition, cost or expense (excluding any Taxes);

and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender deems to be material, of making, converting into, continuing or maintaining Loans or to reduce any amount receivable hereunder in respect thereof, then, in any such case, upon notice to the Borrowers from such Lender, through the Administrative Agent, in accordance herewith, the Borrowers shall be obligated to promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender on an after-tax basis (after taking into account applicable deductions and credits in respect of the amount indemnified) for such increased cost or reduced amount receivable, provided that, in any such case, the Borrowers may elect to convert the Eurodollar Loans made by such Lender hereunder to Base Rate Loans by giving the Administrative Agent at least one Business Day's notice of such election, in which case the Borrowers shall promptly pay to such Lender, upon demand, without duplication, such amounts, if any, as may be required pursuant to Section 3.14. If any Lender becomes entitled to claim any additional amounts pursuant to Section 3.9 or this Section 3.12, it shall provide prompt notice thereof to the Borrowers, through the Administrative Agent, certifying (x) that one of the events described in Section 3.9 or this Section 3.12 has occurred and describing in reasonable detail the nature of such event, (y) as to the increased cost or reduced amount resulting from such event and (z) as to the additional amount demanded by such Lender and a reasonably detailed explanation of the calculation thereof. Such a certificate as to any additional amounts payable pursuant to Section 3.9 or this Section 3.12 submitted by such Lender, through the Administrative Agent, to the Borrowers shall be conclusive and binding on the parties hereto in the absence of manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof. This covenant shall survive the termination of this Credit Agreement and the payment of the Loans and all other amounts payable hereunder.

Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrowers shall not be required to compensate a Lender pursuant to this Section for any increased costs incurred or reductions suffered more than nine (9) months prior to the date that such Lender notifies the Borrowers of the Change in Law giving rise to such increased cost or reductions, and of such Lender's intention to claim compensation therefor (except, that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine (9) month period referred to above shall be extended to include the period of retroactive effect thereof).

3.13 Taxes.

(a) [Reserved].

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrowers under any Credit Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrowers under any Credit Document shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Borrowers. The Borrowers shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it or any Lender for the payment of, any Other Taxes.

(d) Indemnification by the Borrowers. The Borrowers shall indemnify each Recipient, within 10 days after Borrower's receipt of written notice of demand therefor together with a certificate specifying the amount of such payment or liability (with a copy to the Administrative Agent), for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this

Section) payable or paid by such Recipient (whether directly or pursuant to Section 3.13(e)) or required to be withheld or deducted from a payment to such Recipient and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrowers by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error. The Borrowers shall indemnify the Administrative Agent, and shall make payment in respect thereof within 10 days after demand therefor, for any amount which a Lender for any reason fails to pay indefeasibly to the Administrative Agent as required pursuant to Section 3.13(e) below.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrowers have not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrowers to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 11.3(c) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Credit Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Credit Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) Evidence of Payments. As soon as practicable after any payment of Taxes by the Borrowers to a Governmental Authority pursuant to this Section 3.13, the Borrowers shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) Status of Lenders.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Credit Document shall deliver to the Borrowers and the Administrative Agent, at the time or times reasonably requested by the Borrowers or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrowers or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrowers or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrowers or the Administrative Agent as will enable the Borrowers or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 3.13(g)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the applicable Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that a Borrower is a U.S. Person,

(A) any Lender that is a U.S. Person shall deliver to such Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Credit Agreement (and from time to time thereafter upon the reasonable request of such Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to such Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Credit Agreement (and from time to time thereafter upon the reasonable request of such Borrower or the Administrative Agent), whichever of the following is applicable:

(i) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Credit Document, executed originals of IRS Form W-8BENE (or W-8BEN, as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Credit Document, IRS Form W-8BENE (or W-8BEN, as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(ii) executed originals of IRS Form W-8ECI;

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of such Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "***U.S. Tax Compliance Certificate***") substantially in the form of Exhibit 3.13-1 and (y) executed originals of IRS Form W-8BENE (or W-8BEN, as applicable); or

(iv) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BENE (or W-8BEN, as applicable), a U.S. Tax Compliance Certificate substantially in the form of Exhibit 3.13-2 or Exhibit 3.13-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if such Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit 3.13-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to such Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Credit Agreement (and from time to time thereafter upon the reasonable request of such Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit such Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Credit Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to such Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by such Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by such Borrower or the Administrative Agent as may be necessary for such Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Credit Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the applicable Borrower and the Administrative Agent in writing of its legal inability to do so.

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 3.13 (including by the payment of additional amounts pursuant to this Section 3.13), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to, or to file for or pursue any refund of Taxes on behalf of, the indemnifying party or any other Person.

(i) Survival. Each party's obligations under this Section 3.13 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Credit Document.

3.14 Compensation.

Except as expressly set forth in Section 3.3(c), the Borrowers promise to indemnify each Lender and to hold each Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of (a) default by the Borrowers in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrowers have given a notice requesting the same in accordance with the provisions of this Credit Agreement, (b) default by the Borrowers in making any prepayment of a Eurodollar Loan after the Borrowers have given a notice thereof in accordance with the provisions of this Credit Agreement and (c) any continuation, conversion, payment or prepayment of Eurodollar Loans on a day which is not the last day of an Interest Period with respect thereto. Such indemnification shall be calculated by the Administrative Agent and shall include, without limitation, an amount equal to (i) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of the applicable Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Eurodollar Loans provided for herein minus (ii) the amount of interest which would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurodollar market. The agreements in this Section 3.14 shall survive the termination of this Credit Agreement and the payment of the Loans and all other amounts payable hereunder. Notwithstanding the foregoing, any prepayment of a Eurodollar Loan made hereunder (as a result of a mandatory requirement of this Credit Agreement) within thirty (30) days of the end of the Interest Period with respect to such Eurodollar Loan, shall not be subject to this Section 3.14.

3.15 Mitigation; Mandatory Assignment.

(a) Designation of a Different Lending Office. Each Lender may make any Loan to the Borrowers through any lending office, provided that the exercise of this option shall not affect the obligation of the Borrowers to repay the Loan in accordance with the terms of this Credit Agreement. If any Lender requests compensation under Section 3.12, or requires the Borrowers to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.13, then such Lender shall (at the request of the Borrowers, use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.12 or 3.13, as the case may be, in the future, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrowers hereby agree to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. In the event a Lender makes a request to the Borrowers for additional payments in accordance with Sections 3.9, 3.10, 3.11, 3.12, 3.13 or 3.14 or a Lender becomes a Defaulting Lender, then, provided that no Default or Event of Default has occurred and is continuing at such time and such Lender has declined or is unable to designate another lender office in accordance with Section 3.15(a), the Borrowers may, at their own expense (such expense to include any transfer fee payable to the Administrative Agent under Section 11.3(b) and any expense pursuant to Section 3.14), and in their sole discretion, require such Lender to transfer and assign in whole (but not in part), without recourse (in accordance with and subject to the terms and conditions of Section 11.3(b)), all of its interests, rights and obligations under this Credit Agreement to an Eligible Assignee which shall assume such assigned obligations (which Eligible Assignee may be another Lender, if a Lender accepts such assignment); provided that (a) such assignment shall not conflict with any law, rule or regulation or order of any court or other governmental authority and (b) the Borrowers or such assignee shall have paid to the assigning Lender in immediately available funds the principal of and interest accrued to the date of such payment on the portion of the Loans hereunder held by such assigning Lender and all other amounts owed to such assigning Lender hereunder, including amounts owed pursuant to Sections 3.9 through 3.14. Notwithstanding such assignment, and without limiting any other provision of this Credit Agreement, such assigning Lender shall continue to benefit from the provisions of Sections 3.9, 3.12, 3.13 and 11.5 with respect to the period before the effectiveness of such assignment.

SECTION 4.

[RESERVED]

SECTION 5.

CONDITIONS PRECEDENT

5.1 Closing Conditions.

The obligation of the Lenders to enter into this Credit Agreement and make the initial Extensions of Credit is subject to satisfaction of the following conditions:

(a) Executed Credit Documents. Receipt by the Administrative Agent of duly executed copies of: (i) this Credit Agreement; (ii) the Notes; and (iii) all other Credit Documents required to be delivered on or before the Effective Date, each in form and substance reasonably acceptable to the Administrative Agent in its sole discretion.

(b) Partnership Documents. With respect to each Credit Party that is a partnership, receipt by the Administrative Agent of the following:

(i) Partnership Agreements. Certified copies of the partnership agreement of such Credit Party, together with all amendments thereto.

(ii) Certificates of Good Standing or Existence. A certificate of good standing or existence for such Credit Party issued as of a recent date by its state of organization and each other state where the failure to qualify or be in good standing could have a Material Adverse Effect.

(c) Corporate Documents. With respect to each Credit Party that is a corporation, if applicable, receipt by the Administrative Agent of the following:

(i) Charter Documents. Copies of the articles or certificates of incorporation or other charter documents of such Credit Party certified to be true and complete as of a recent date by the appropriate Governmental Authority of the state or other jurisdiction of its incorporation and certified by a secretary or assistant secretary of such Credit Party to be true and correct as of the Closing Date.

(ii) Bylaws. A copy of the bylaws of such Credit Party certified by a secretary or assistant secretary of such Credit Party to be true and correct as of the Closing Date.

(iii) Good Standing. Copies of certificates of good standing, existence or their equivalent with respect to such Credit Party certified as of a recent date by the appropriate Governmental Authority of the state or other jurisdiction of incorporation and each other jurisdiction in which the failure to so qualify and be in good standing could have a Material Adverse Effect.

(d) Limited Liability Company Documents. With respect to each Credit Party that is a limited liability company, if applicable, receipt by the Administrative Agent of the following:

(i) Certificate of Formation. A copy of the certificate of formation of such Credit Party certified to be true and complete by the appropriate Governmental Authority of the state or jurisdiction of its formation and certified by the sole or managing member of such Credit Party to be true and correct as of the Closing Date.

(ii) Operating Agreement. A copy of the Operating Agreement of such Credit Party certified by the sole or managing member of such Credit Party to be true and correct as of the Closing Date.

(iii) Good Standing. Copies of certificates of good standing, existence or their equivalent with respect to such Credit Party certified as of a recent date by the appropriate Governmental Authority of the state or other jurisdiction of formation and each other jurisdiction in which the failure to so qualify and be in good standing could have a Material Adverse Effect.

(e) Trust Documents. With respect to BRT, receipt by the Administrative Agent of the following:

(i) Declaration of Trust. A copy of the Declaration of Trust of BRT certified to be true and complete by the appropriate Governmental Authority of the state or jurisdiction of its formation and certified by the secretary of BRT to be true and correct as of the Closing Date.

(ii) Bylaws. A copy of the Bylaws of BRT certified by the trustee of BRT to be true and complete as of the Closing Date.

(iii) Resolutions. Copies of the resolutions of the Board of Trustees of BRT approving and adopting the Credit Documents to which it and each Credit Party is a party, the transactions contemplated therein and authorizing execution and delivery thereof by and on behalf of itself and each Credit Party.

(iv) Good Standing. Copies of certificates of good standing, existence or their equivalent with respect to BRT certified as of a recent date by the appropriate Governmental Authorities of the state or other jurisdiction of formation and each other jurisdiction in which the failure to so qualify and be in good standing could have a Material Adverse Effect.

(v) Incumbency. An incumbency certificate with respect to each of the Credit Parties, certified by a secretary or assistant secretary of BRT to be true and correct as of the Closing Date.

(f) [Reserved]

(g) [Reserved]

(h) Opinion of Counsel. Receipt by the Administrative Agent of opinions (which shall cover, among other things, authority, legality, validity, binding effect and enforceability), satisfactory to the Administrative Agent, addressed to the Administrative Agent and the Lenders and dated as of the Effective Date, from legal counsel to the Credit Parties.

(i) Material Adverse Effect. There shall not have occurred a change since December 31, 2017 that has had or could reasonably be expected to have a Material Adverse Effect.

(j) Litigation. There shall not exist any pending or threatened action, suit, investigation or proceeding in any court or before any arbitrator or Governmental Authority against a Credit Party or any of its Subsidiaries that would have or would reasonably be expected to have a Material Adverse Effect.

(k) Officer's Certificate. The Administrative Agent shall have received a certificate of a Responsible Officer of the Borrowers on behalf of the Credit Parties as of the Closing Date stating that (i) the Credit Parties and each of their Subsidiaries are in compliance with all existing material financial obligations, (ii) no action, suit, investigation or proceeding is pending or threatened in any court or before any arbitrator or Governmental Authority that purports to affect a Credit Party or any transaction contemplated by the Credit Documents, if such action, suit, investigation or proceeding could have or could be reasonably expected to have a Material Adverse Effect, (iii) the financial statements and information included in the Borrowers' Form 10-K report for the year ended December 31, 2017 and the Form 10-Q Report for the quarter ended June 30, 2018 were prepared in good faith and using reasonable assumptions and (iv) immediately after giving effect to this Credit Agreement, the other Credit Documents and all the transactions contemplated herein and therein to occur on such date, (A) each of the Credit Parties is Solvent, (B) no Default or Event of Default exists, (C) all representations and warranties contained herein and in the other Credit Documents are true and correct in all material respects, and (D) the Credit Parties and their Subsidiaries are in compliance as of June 30, 2018, and will be in compliance on a Pro Forma Basis, using the most recently available financial statements and adjusting for any impairments and any capital markets events since the date of such financial statements, as of the Effective Date, with each of the financial covenants set forth in Section 7.2.

(l) Fees and Expenses. Payment by the Borrowers of all fees and expenses owed by them to the Lenders and the Administrative Agent, including, without limitation, payment to the Administrative Agent of the fees set forth herein and in the Fee Letter.

(m) Consents and Approvals. All governmental, shareholder, partner, member and third-party consents and approvals necessary or, in the opinion of the Administrative Agent, desirable in connection with the Extensions of Credit and the transactions contemplated under the Credit Documents shall have been duly obtained and shall be in full force and effect, and a copy of each such consent or approval shall have been delivered to the Administrative Agent.

(n) Absence of Guarantors for Other Debt. Receipt by the Administrative Agent of a certificate of a Responsible Officer of the Borrowers confirming the absence of guaranties provided by the Subsidiaries of the Borrowers pursuant to the Indenture.

(o) KYC Information. (i) Upon the reasonable request of any Lender made at least five (5) days prior to the Closing Date, the Borrowers shall have provided to such Lender, and such Lender shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable “know your customer” and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act, in each case at least five (5) days prior to the Closing Date.

(ii) At least five (5) days prior to the Closing Date, any Borrower that qualifies as a “legal entity customer” under the Beneficial Ownership Regulation shall deliver, to each Lender that so requests, a Beneficial Ownership Certification in relation to such Borrower.

(p) Other. Receipt by the Lenders of such other documents, instruments, agreements or information as reasonably and timely requested by any Lender, including, but not limited to, information regarding litigation, tax, accounting, labor, insurance, pension liabilities (actual or contingent), real estate leases, material contracts, debt agreements, property ownership and contingent liabilities of the Credit Parties and their Subsidiaries.

5.2 Conditions to All Extensions of Credit.

In addition to the conditions precedent stated elsewhere herein, the Lenders shall not be obligated to make Loans unless:

(a) Delivery of Notice. The Borrowers shall have delivered a Notice of Borrowing, duly executed and completed, by the time specified in Section 2.1.

(b) Representations and Warranties. The representations and warranties made by the Credit Parties in any Credit Document shall be true and correct in all material respects (or true and correct in all respects in the case of any representation or warranty qualified by materiality, Material Adverse Effect or other similar qualifier) at and as if made as of such date except to the extent they expressly and exclusively relate to an earlier date.

(c) No Default. No Default or Event of Default shall exist or be continuing either prior to or after giving effect thereto.

(d) Restrictions on Loans. After giving effect to the making of the requested Loan, the Borrowers shall be in compliance with the terms of Section 2.1(g).

(e) No Legal Impediments. No law, regulation, order, judgment or decree of any Governmental Authority shall, and the Administrative Agent shall not have received any notice that litigation is pending or threatened which is likely to, (i) enjoin, prohibit or restrain such Extension of Credit or (ii) impose or result in the imposition of a Material Adverse Effect.

The delivery of each Notice of Borrowing shall constitute a representation and warranty by the Borrowers of the correctness of the matters specified in subsections (b), (c), and, if applicable, (d) above.

SECTION 6.

REPRESENTATIONS AND WARRANTIES

Each of the Borrowers hereby represents to the Administrative Agent and each Lender that:

6.1 Financial Condition.

The financial statements described in Section 5.1(k) and those delivered to the Lenders pursuant to Section 7.1(a) and (b): (a) have been prepared in accordance with GAAP (subject, in the case of quarterly financial statements, to changes resulting from audit and normal year-end audit adjustments) and (b) present fairly the consolidated financial condition, results of operations and cash flows of the Borrowers and their Subsidiaries as of such date and for such periods. Since June 30, 2018, there has been no sale, transfer or other disposition by any Borrower or any of its Subsidiaries of any material part of the business or property of the Borrowers and their Subsidiaries, taken as a whole, and no purchase or other acquisition by any of them of any business or property (including any capital stock or other equity interests of any other Person) material in relation to the consolidated financial condition of the Borrowers and their Subsidiaries, taken as a whole, in each case, which, is not (i) reflected in the most recent financial statements described in Section 5.1(k) or delivered to the Lenders pursuant to Section 7.1 or in the notes thereto or (ii) otherwise permitted by the terms of this Credit Agreement.

6.2 No Material Change.

Since December 31, 2014, there has been no development or event relating to or affecting a Combined Party which has had or would be reasonably expected to have a Material Adverse Effect.

6.3 Organization and Good Standing.

Each Borrower and each Material Subsidiary (a) is either a partnership, a corporation, a limited liability company or a REIT duly organized or formed, validly existing and in good standing under the laws of the state (or other jurisdiction) of its organization or formation, (b) is duly qualified and in good standing as a foreign partnership, a foreign corporation, a foreign limited liability company or a foreign REIT and authorized to do business in every other jurisdiction where the failure to be so qualified, in good standing or authorized would have or would reasonably be expected to have a Material Adverse Effect and (c) has the power and authority to own its properties and to carry on its business as now conducted and as proposed to be conducted.

6.4 Due Authorization.

Each Credit Party (a) has the power and authority to execute, deliver and perform this Credit Agreement and the other Credit Documents to which it is a party and to incur the obligations herein and therein provided for and to consummate the transactions contemplated herein and therein and (b) is duly authorized, and has been authorized by all necessary action, to execute, deliver and perform this Credit Agreement and the other Credit Documents to which it is a party and to consummate the transactions contemplated herein and therein.

6.5 No Conflicts.

Neither the execution and delivery of the Credit Documents, nor the consummation of the transactions contemplated herein and therein, nor the performance of or compliance with the terms and provisions hereof and thereof by a Credit Party will (a) violate or conflict with any provision of its or its Material Subsidiaries' organizational or governing documents, (b) violate, contravene or materially conflict with any Requirement of Law or any other law, regulation (including, without limitation, Regulation U or Regulation X), order, writ, judgment, injunction, decree or permit applicable to it or its Material Subsidiaries, (c) violate, contravene or conflict with contractual provisions of, or cause an event of default under, any indenture, loan agreement, mortgage, deed of trust, contract or other agreement or instrument to which it or any of its Material Subsidiaries is a party or by which it or its Material Subsidiaries may be bound, the violation of which would have or would be reasonably expected to have a Material Adverse Effect, or (d) result in or require the creation of any Lien upon or with respect to its or its Material Subsidiaries' properties.

6.6 Consents.

Except for consents, approvals, authorizations and orders that have been obtained, and filings, registrations and qualifications that have been made, no consent, approval, authorization or order of, or filing, registration or qualification with, any court or Governmental Authority or third party in respect of any Credit Party is required in connection with the execution, delivery or performance of this Credit Agreement or any of the other Credit Documents by such Credit Party or the consummation of the transactions contemplated herein and therein.

6.7 Enforceable Obligations.

This Credit Agreement and the other Credit Documents to which it is a party have been duly executed and delivered and constitute legal, valid and binding obligations of each Credit Party enforceable against such Credit Party in accordance with their respective terms, except as may be limited by bankruptcy or insolvency laws or similar laws affecting creditors' rights generally or by general equitable principles.

6.8 No Default.

No Combined Party is in default in any respect under any contract, lease, loan agreement, indenture, mortgage, security agreement or other agreement or obligation to which it is a party or by which any of its properties is bound which default would have or would be reasonably expected to have a Material Adverse Effect. No Default or Event of Default has occurred or exists except as previously disclosed in writing to the Lenders.

6.9 Ownership.

Each Borrower and each of its Subsidiaries is the owner or ground-lessee of, and has good and marketable fee or leasehold title to, all of its respective assets and none of such assets is subject to any Lien other than Permitted Liens.

6.10 Indebtedness.

The Borrowers and their Subsidiaries have no Indebtedness except as otherwise permitted by this Credit Agreement.

6.11 Litigation.

There are no actions, suits or legal, equitable, arbitration or administrative proceedings or investigations, pending or, to the knowledge of any Borrower, threatened, against a Combined Party which (a) would have or would be reasonably expected to have a Material Adverse Effect or (b) involve the Credit Documents.

6.12 Taxes.

Each Borrower, and each of its Subsidiaries, has filed, or caused to be filed, all tax returns (federal, state, local and foreign) required to be filed and has paid (a) all amounts of taxes shown thereon to be due (including interest and penalties) and (b) all other taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangibles taxes) owing by it, except for such taxes (i) which are not yet delinquent or (ii) that are being contested in good faith and by proper proceedings, and against which adequate reserves are being maintained in accordance with GAAP. No Borrower is aware of any material proposed tax assessments against it or any of its Subsidiaries.

6.13 Compliance with Law.

Each Combined Party is in compliance with all Requirements of Law and all other laws, rules, regulations, orders and decrees (including without limitation Environmental Laws) applicable to it, or to its properties, unless such failure to comply would not have or would not be reasonably expected to have a Material Adverse Effect. No Requirement of Law would be reasonably expected to cause a Material Adverse Effect.

6.14 Compliance with ERISA.

Except as would not result in or be reasonably expected to result in a Material Adverse Effect:

(a) During the five-year period prior to the date on which this representation is made or deemed made: (i) no ERISA Event has occurred, and, to the best of each Borrower's, each Subsidiary of a Borrower's and each ERISA Affiliate's knowledge, no event or condition has occurred or exists as a result of which any ERISA Event could reasonably be expected to occur, with respect to any Plan; (ii) no "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, has occurred with respect to any Plan; (iii) each Plan has been maintained, operated, and funded in compliance with its own terms and in material compliance with the provisions of ERISA, the Code, and any other applicable federal or state laws; and (iv) no Lien in favor or the PBGC or a Plan has arisen or is reasonably likely to arise on account of any Plan.

(b) The actuarial present value of all "benefit liabilities" (as defined in Section 4001(a)(16) of ERISA), whether or not vested, under each Single Employer Plan, as of the last annual valuation date prior to the date on which this representation is made or deemed made (determined, in each case, in accordance with Financial Accounting Standards Board Statement 87, utilizing the actuarial assumptions used in such Plan's most recent actuarial valuation report), did not exceed as of such valuation date the fair market value of the assets of such Plan.

(c) No Borrower, Subsidiary of a Borrower or ERISA Affiliate has incurred, or, to the best of each such party's knowledge, is reasonably expected to incur, any withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. No Borrower, Subsidiary of a Borrower or ERISA Affiliate would become subject to any withdrawal liability under ERISA if any such party were to withdraw completely from all Multiemployer Plans and Multiple Employer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No Borrower, Subsidiary of a Borrower or ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA), is insolvent (within the meaning of Section 4245 of ERISA), or has been terminated (within the meaning of Title IV of ERISA), and no Multiemployer Plan is, to the best of each such party's knowledge, reasonably expected to be in reorganization, insolvent, or terminated.

(d) No prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility has occurred with respect to a Plan which has subjected or may subject any Borrower, any Subsidiary of a Borrower or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which any Borrower, any Subsidiary of a Borrower or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability.

(e) No Borrower, Subsidiary of a Borrower or ERISA Affiliate has material liability with respect to "expected post-retirement benefit obligations" within the meaning of the Financial Accounting Standards Board Statement 106. Each Plan which is a welfare plan (as defined in Section 3(1) of ERISA) to which Sections 601-609 of ERISA and Section 4980B of the Code apply has been administered in compliance in all material respects with such sections.

6.15 Organization Structure/Subsidiaries.

As of the Closing Date, (a) Schedule 6.15 is a complete and accurate organization chart of the Combined Parties, and (b) no Borrower has any Subsidiaries or owns an interest, directly or indirectly, in any joint venture, except as set forth on Schedule 6.15. The outstanding equity interest of all Subsidiaries of the Borrowers are validly issued, fully paid and non-assessable and are owned by the Borrowers free and clear of all Liens. Schedule 6.15 shall be updated as of the end of each fiscal quarter as set forth in Section 7.1(c). Each owner of an Unencumbered Property, Unencumbered Construction-in-Process or Unencumbered Eligible Land is a Credit Party or an Eligible Subsidiary.

6.16 Use of Proceeds; Margin Stock.

The proceeds of the Loans will be used solely for the purposes specified in Section 7.10. None of the proceeds of the Loans will be used in a manner that would violate Regulation U, Regulation X, or Regulation T. No proceeds of the Loans will be used for the acquisition of another Person unless the board of directors (or other comparable governing body) or stockholders (or other equity owners), as appropriate, of such Person has approved such acquisition.

6.17 Government Regulation.

No Borrower, nor any of its Subsidiaries, is an "investment company" as defined in, or subject to regulation under the Investment Company Act of 1940, as amended. No director, executive officer or principal shareholder of a Borrower or any of its Subsidiaries is a director, executive officer or principal shareholder of any Lender. For the purposes hereof the terms "director," "executive officer" and "principal shareholder" (when used with reference to any Lender) have the respective meanings assigned thereto in Regulation O.

6.18 Environmental Matters.

(a) Except as would not have or be reasonably expected to have a Material Adverse Effect:

(i) Each of the Properties and all operations at the Properties are in material compliance with all applicable Environmental Laws, and there is no violation of any Environmental Law with respect to the Properties or the businesses operated by a Credit Party or any of its Subsidiaries (the "***Businesses***"), and there are no conditions relating to the Businesses or Properties that would be reasonably expected to give rise to liability under any applicable Environmental Laws.

(ii) No Borrower, nor any of its Subsidiaries, has received any written notice of, or inquiry from any Governmental Authority regarding, any violation, alleged violation, non-compliance, liability or potential liability regarding Hazardous Materials or compliance with Environmental Laws with regard to any of the Properties or the Businesses, nor does any Borrower or any of its Subsidiaries have knowledge that any such notice is being threatened.

(iii) Hazardous Materials have not been transported or disposed of from the Properties, or generated, treated, stored or disposed of at, on or under any of the Properties or any other location, in each case by, or on behalf or with the permission of, any Borrower or any of its Subsidiaries in a manner that would reasonably be expected to give rise to liability under any applicable Environmental Law.

(iv) No judicial proceeding or governmental or administrative action is pending or, to the knowledge of any Borrower or any of its Subsidiaries, threatened, under any Environmental Law to which any Borrower or any of its Subsidiaries is or will be named as a party, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to any Borrower or any of its Subsidiaries, the Properties or the Businesses, in any amount reportable under the federal Comprehensive Environmental Response, Compensation and Liability Act or any analogous state law, except releases in compliance with all Environmental Laws.

(v) There has been no release or threat of release of Hazardous Materials at or from the Properties, or arising from or related to the operations (including, without limitation, disposal) of a Borrower or any of its Subsidiaries in connection with the Properties or otherwise in connection with the Businesses except in compliance with Environmental Laws.

(vi) None of the Properties contains, or to the best knowledge of the Borrowers and their Subsidiaries has previously contained, any Hazardous Materials at, on or under the Properties in amounts or concentrations that, if released, constitute or constituted a violation of, or could give rise to liability under, Environmental Laws.

(vii) No Borrower, nor any of its Subsidiaries, has assumed any liability of any Person (other than a Borrower) under any Environmental Law.

(b) Each Borrower, and each of its Subsidiaries, has adopted procedures that are designed to (i) ensure that each such party, any of its operations and each of the properties owned or leased by such party remains in compliance with applicable Environmental Laws and (ii) minimize any liabilities or potential liabilities that each such party, any of its operations and each of the properties owned or leased by each such party may have under applicable Environmental Laws.

6.19 Solvency.

Each Credit Party, is and, after consummation of the transactions contemplated by this Credit Agreement, will be Solvent.

6.20 [Reserved].

6.21 Location of Properties.

As of the Closing Date, set forth on Schedule 6.21 is (a) a list of all Properties (with street address, county and state where located) and the owner of such Property and (b) a list of all Unencumbered Properties. Schedule 6.21 shall be updated as of the end of each fiscal quarter as set forth in Section 7.1(c).

6.22 Disclosure.

Neither this Credit Agreement nor any financial statements delivered to the Lenders nor any other document, certificate or statement furnished to the Lenders by or on behalf of any Borrower or its Subsidiaries in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein or herein not misleading in light of the circumstances in which made; provided, however, that the Borrowers make no representation or warranty regarding the information delivered pursuant to Section 7.1(i).

6.23 Licenses, etc.

The Combined Parties have obtained, and hold in full force and effect, all franchises, licenses, permits, certificates, authorizations, qualifications, accreditations, easements, rights of way and other rights, consents and approvals which are necessary for the operation of their respective businesses as presently conducted, except where the failure to obtain the same would not have or would not reasonably be expected to have a Material Adverse Effect.

6.24 No Burdensome Restrictions.

No Combined Party is a party to any agreement or instrument or subject to any other obligation or any charter or corporate restriction or any provision of any applicable law, rule or regulation which, individually or in the aggregate, would have or would be reasonably expected to have a Material Adverse Effect.

6.25 Eligible Subsidiaries.

Each Subsidiary of the Borrowers which owns or ground-leases any Property that is treated as Unencumbered Property, Unencumbered Construction-in-Process or Unencumbered Eligible Land under this Credit Agreement is either an Eligible Subsidiary or a Guarantor. Schedule 6.25 sets forth a list of all Eligible Subsidiaries which own or ground-lease any Property that is treated as Unencumbered Property, Unencumbered Construction-in-Process or Unencumbered Eligible Land under this Credit Agreement as of the Closing Date. Schedule 6.25 shall be updated as of the end of each fiscal quarter as set forth in Section 7.1(c).

6.26 OFAC.

No Borrower, nor any of their Subsidiaries, nor, to the knowledge of a Borrower and their Subsidiaries, any director, officer, employee, agent, affiliate or representative thereof, is an individual or entity that is, or is owned or controlled by any individual or entity that is (i) currently the subject or target of any Sanctions, (ii) included on OFAC's List of Specially Designated Nationals, HMT's Consolidated List of Financial Sanctions Targets and the Investment Ban List, or any similar list enforced by any other relevant sanctions authority or (iii) located, organized or resident in a Designated Jurisdiction.

6.27 Anti-Corruption Laws.

The Borrowers and their Subsidiaries have conducted their businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar anti-corruption legislation in other jurisdictions and have instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

6.28 EEA Financial Institutions.

No Credit Party is an EEA Financial Institution.

6.29 Beneficial Ownership Certification.

As of the Closing Date, the information included in the Beneficial Ownership Certification, if applicable, is true and correct in all respects.

SECTION 7.

AFFIRMATIVE COVENANTS

Each Borrower hereby covenants and agrees that so long as this Credit Agreement is in effect and until the Obligations have been paid in full and the Commitments hereunder shall have terminated:

7.1 Information Covenants.

The Borrowers will furnish, or cause to be furnished, to the Administrative Agent and, except as otherwise set forth in this Section, each of the Lenders:

(a) Annual Financial Statements. As soon as available, and in any event within 90 days after the close of each fiscal year of the Borrowers, a consolidated balance sheet and income statement of the Borrowers and their Subsidiaries as of the end of such fiscal year, together with related consolidated statements of operations and retained earnings and of cash flows for such fiscal year, setting forth in comparative form consolidated figures as of the end of and for the preceding fiscal year, all such financial information described above to be in reasonable form and detail and audited by independent certified public accountants of recognized national standing reasonably acceptable to the Administrative Agent and whose opinion shall be to the effect that such financial statements have been prepared in accordance with GAAP (except for changes with which such accountants concur) and shall not be limited as to the scope of the audit or qualified in any manner. Delivery by the Borrowers to the Administrative Agent of BRT's annual report to the Securities and Exchange Commission on Form 10-K with respect to any fiscal year shall be deemed to be compliance by the Borrowers with this Section 7.1(a) (it being agreed that such annual report shall be deemed delivered on the date that (i) such report on Form 10-K is posted on the website of the Securities and Exchange Commission at www.sec.gov or on the website of the Borrowers at www.brandywinerealty.com and (ii) the Borrowers have provided the Administrative Agent and the Lenders with written notice of such posting).

(b) Quarterly Financial Statements. As soon as available, and in any event within 45 days after the close of each fiscal quarter of the Borrowers (other than the fourth fiscal quarter), a consolidated balance sheet and income statement of the Borrowers and their Subsidiaries, as of the end of such fiscal quarter, together with related consolidated statements of operations and retained earnings and of cash flows for such fiscal quarter in each case setting forth in comparative form consolidated figures for (A) the corresponding quarter end and quarterly period of the preceding fiscal year and (B) management's proposed budget for such period, all such financial information described above to be in reasonable form and detail and reasonably acceptable to the Administrative Agent, and accompanied by a certificate of a Responsible Officer of BRT to the effect that such quarterly financial statements fairly present in all material respects the financial condition and results of operations of the Borrowers and their Subsidiaries and have been prepared in accordance with GAAP, subject to changes resulting from audit and normal year-end audit adjustments. The information required pursuant to this subsection (b) shall be delivered in both electronic and printed form. Delivery by the Borrowers to the Administrative Agent of BRT's quarterly report to the Securities and Exchange Commission on Form 10-Q with respect to any fiscal quarter shall be deemed to be compliance by the Borrowers with this Section 7.1(b) (it being agreed that such quarterly report shall be deemed delivered on the date that (i) such report on Form 10-Q is posted on the website of the Securities and Exchange Commission at www.sec.gov or on the website of the Borrowers at www.brandywinerealty.com and (ii) the Borrowers have provided the Administrative Agent and the Lenders with written notice of such posting).

(c) Officer's Certificate. At the time of delivery of the financial statements provided for in Sections 7.1(a) and 7.1(b), a certificate of a Responsible Officer of BRT, substantially in the form of Exhibit 7.1(c), (i) demonstrating whether there has been compliance with the financial covenants contained in Section 7.2 by calculation thereof as of the end of each such fiscal period, including such detail and supporting documentation as reasonably requested by the Administrative Agent (and in the case of Section 7.2(d) and Section 7.2(e), indicating the number of fiscal quarters for which such ratio has exceeded 0.60 to 1.0), (ii) stating that no Default or Event of Default exists, or if any Default or Event of Default does exist, specifying the nature and extent thereof and what action the Borrowers propose to take with respect thereto, (iii) providing information regarding dividends and redemption of shares in a manner to demonstrate compliance with Section 8.7 and (iv) updating Schedule 6.15, Schedule 6.21 and Schedule 6.25, as appropriate. Such certificate shall be delivered in both electronic and printed form.

(d) Accountant’s Certificate. Within the period for delivery of the annual financial statements provided in Section 7.1(a), a certificate of the accountants conducting the annual audit stating that they have reviewed this Credit Agreement and stating further whether, in the course of their audit, they have become aware of any Default or Event of Default under Section 7.2 and, if any such Default or Event of Default exists, specifying the nature and extent thereof.

(e) Annual Information and Projections. Within 30 days after the end of each fiscal year of the Borrowers, all such financial information regarding the Borrowers and their Subsidiaries and specifically regarding the Properties, as the Administrative Agent shall reasonably request, including, but not limited to, partnership, limited liability company and joint venture agreements, property cash flow projections, property budgets, actual and budgeted capital expenditures, operating statements (current year and immediately preceding year, if the Property existed as a Property in the immediately preceding year), mortgage information, rent rolls, lease expiration reports, leasing status reports, notes payable summary, bullet notes summary, equity funding requirements, contingent liability summary, lines of credit summary, lines of credit collateral summary, wrap notes and notes receivable summary, schedule of outstanding letters of credit, summary of cash and Cash Equivalents, projection of management and leasing fees and overhead budgets.

(f) Auditor’s Reports. Promptly upon receipt thereof, a copy of any “management letter” submitted by independent accountants to any Borrower or any of its Subsidiaries in connection with any annual, interim or special audit of the books of such Borrower or any of its Subsidiaries.

(g) Reports. Promptly, (i) and in any case within five (5) days of receipt or transmission thereof, copies of any filings and registrations with, and reports to or from, the Securities and Exchange Commission, or any successor agency, and copies of all financial statements, proxy statements, notices and reports as any Borrower or any of its Subsidiaries shall send to its shareholders, members or partners generally, (ii) and in any case within ten (10) days of filing thereof, copies of all income tax returns filed by a Borrower and (iii) upon the written request of the Administrative Agent, all reports and written information to and from the United States Environmental Protection Agency, or any state or local agency responsible for environmental matters, the United States Occupational Health and Safety Administration, or any state or local agency responsible for health and safety matters, or any successor agencies or authorities concerning environmental, health or safety matters; provided, however, that if any such transmissions are done electronically, the Borrowers shall instead promptly notify the Administrative Agent of same and provide information on how to retrieve such information.

(h) Notices. Upon a Borrower obtaining knowledge thereof, such Borrower will give written notice to the Administrative Agent (which shall promptly forward such notice to the Lenders) immediately of (i) the occurrence of an event or condition consisting of a Default or Event of Default, specifying the nature and existence thereof and what action the Borrowers propose to take with respect thereto, (ii) the occurrence of any of the following with respect to any Credit Party or any of its Subsidiaries: (A) the pendency or commencement of any litigation or arbitral or governmental proceeding against any Borrower or any of its Subsidiaries which if adversely determined would have or would be reasonably expected to have a Material Adverse Effect, or (B) the institution of any proceedings against any Borrower or any of its Subsidiaries with respect to, or the receipt of notice by such Person of potential liability or responsibility for, violation, or alleged violation, of any federal, state or local law, rule or regulation, including, but not limited to, Environmental Laws, the violation of which would have or would be reasonably expected to have a Material Adverse Effect, and (iii) the occurrence of any enforcement or notice to enforce a completion guaranty and within five Business Days thereafter provide evidence that the remaining costs to complete the applicable project are covered by a construction loan and/or surety bond.

(i) ERISA. Upon a Borrower or any ERISA Affiliate obtaining knowledge thereof, the Borrowers will give written notice to the Administrative Agent promptly (and in any event within five Business Days) of: (i) any event or condition, including, but not limited to, any Reportable Event, that constitutes, or might reasonably lead to, an ERISA Event; (ii) with respect to any Multiemployer Plan, the receipt of notice as prescribed in ERISA or otherwise of any withdrawal liability assessed against a Borrower, any Subsidiary of a Borrower or any ERISA Affiliate, or of a determination that any Multiemployer Plan is in reorganization or insolvent (both within the meaning of Title IV of ERISA); (iii) the failure to make full payment on or before the due date (including extensions) thereof of all amounts which a Borrower, any Subsidiary of a Borrower or any ERISA Affiliate is required to contribute to each Plan pursuant to its terms as required to meet the minimum funding standard set forth in ERISA and the Code with respect thereto; or (iv) any change in the funding status of any Plan that could have a Material Adverse Effect; in each case together, with a description of any such event or condition or a copy of any such notice and a statement by a Responsible Officer of the Borrowers briefly setting forth the details regarding such event, condition, or notice, and the action, if any, which has been or is being taken or is proposed to be taken by such Borrower, Subsidiary or ERISA Affiliate with respect thereto. Promptly upon request, the Borrowers shall furnish the Administrative Agent and the Lenders with such additional information concerning any Plan as may be reasonably requested, including, but not limited to, copies of each annual report/return (Form 5500 series), as well as all schedules and attachments thereto required to filed with the Department of Labor and/or the Internal Revenue Service pursuant to ERISA and the Code, respectively, for each "plan year" (within the meaning of Section 3(39) of ERISA).

(j) Environmental.

(i) Subsequent to a notice from any Governmental Authority that would reasonably cause concern or during the existence of an Event of Default, and upon the written request of the Administrative Agent, the Borrowers will furnish or cause to be furnished to the Administrative Agent, at the Borrowers' expense, an updated report of an environmental assessment of reasonable scope, form and depth, including, where appropriate, invasive soil or groundwater sampling, by a consultant reasonably acceptable to the Administrative Agent as to the nature and extent of the presence of any Hazardous Materials on any Property and as to the compliance by the Borrowers with Environmental Laws. If the Borrowers fail to deliver such an environmental report within seventy-five (75) days after receipt of such written request then the Administrative Agent may arrange for same, and the Borrowers hereby grant to the Administrative Agent and its representatives access to the Properties and a license of a scope reasonably necessary to undertake such an assessment (including, where appropriate, invasive soil or groundwater sampling). The reasonable cost of any assessment arranged for by the Administrative Agent pursuant to this provision will be payable by the Borrowers on demand and added to the Obligations.

(ii) Each of the Borrowers and their Subsidiaries will conduct and complete all investigations, studies, sampling, and testing and all remedial, removal, and other actions necessary to address all Hazardous Materials on, from, or affecting any Property to the extent necessary to be in compliance with all Environmental Laws and all other applicable federal, state, and local laws, regulations, rules and policies and with the orders and directives of all Governmental Authorities exercising jurisdiction over such Property to the extent any failure would have or would be reasonably expected to have a Material Adverse Effect.

(k) <u>On-going Obligation</u>. Promptly following any request therefor, provide information and documentation reasonably requested by the Administrative Agent or any Lender for purposes of compliance with applicable “know your customer” and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act and the Beneficial Ownership Regulation.

(l) <u>Other Information</u>. With reasonable promptness upon any such request, such other information regarding the Properties or regarding the business, assets or financial condition of the Credit Parties and their Subsidiaries as the Administrative Agent or any Lender may reasonably request.

7.2 Financial Covenants.

(a) [Reserved.]

(b) <u>Fixed Charge Coverage Ratio</u>. The Fixed Charge Coverage Ratio, as of the end of each fiscal quarter of the Combined Parties, shall be greater than or equal to 1.5 to 1.0.

(c) [Reserved].

(d) <u>Leverage Ratio</u>. The Leverage Ratio, as of the end of each fiscal quarter of the Combined Parties, shall be less than or equal to 0.60 to 1.0; <u>provided</u> that such ratio may exceed 0.60 to 1.0 as of the end of up to four (4) fiscal quarters of the Combined Parties during the term of this Credit Agreement (whether or not consecutive) so long as such ratio does not exceed 0.65 to 1.0.

(e) Unsecured Debt Limitation. At the end of each fiscal quarter of the Combined Parties, the ratio of Unsecured Debt to Unencumbered Value shall be less than or equal to 0.60 to 1.0; provided that such ratio may exceed 0.60 to 1.0 as of the end of up to four (4) fiscal quarters of the Combined Parties during the term of this Credit Agreement (whether or not consecutive) so long as such ratio does not exceed 0.65 to 1.0.

(f) Secured Debt Ratio. The Secured Debt Ratio, as of the end of each fiscal quarter of the Combined Parties, shall be less than or equal to 0.40 to 1.0.

(g) Unencumbered Cash Flow Ratio. The Unencumbered Cash Flow Ratio, as of the end of each fiscal quarter of the Combined Parties, shall be greater than or equal to 1.75 to 1.0.

7.3 Preservation of Existence.

Each of the Borrowers will do all things necessary to preserve and keep in full force and effect its existence, rights, franchises and authority and the existence, rights, franchises and authority of the Material Subsidiaries, except as permitted by Section 8.4. Without limiting the generality of the foregoing, BRT will do all things necessary to maintain its status as a REIT.

7.4 Books and Records.

Each of the Borrowers will, and will cause its Subsidiaries to, keep complete and accurate books and records of its transactions in accordance with good accounting practices on the basis of GAAP (including the establishment and maintenance of appropriate reserves).

7.5 Compliance with Law.

Each of the Borrowers will, and will cause its Subsidiaries to, comply in all material respects with all material laws, rules, regulations and orders, and all applicable material restrictions imposed by all Governmental Authorities, applicable to it and its property (including, without limitation, Environmental Laws and ERISA).

7.6 Payment of Taxes and Other Indebtedness.

Each of the Borrowers will, and will cause its Subsidiaries to, pay, settle or discharge (a) all taxes, assessments and governmental charges or levies imposed upon it, or upon its income or profits, or upon any of its properties, before they shall become delinquent, (b) all lawful claims (including claims for labor, materials and supplies) which, if unpaid, might give rise to a Lien upon any of its properties, and (c) except as prohibited hereunder, all of its other Indebtedness as it shall become due; provided, however, that a Borrower or any of its Subsidiaries shall not be required to pay any such tax, assessment, charge, levy, claim or Indebtedness which is being contested in good faith by appropriate proceedings and as to which adequate reserves therefor have been established in accordance with GAAP, unless the failure to make any such payment (i) would give rise to an immediate right to foreclose on a Lien on an Unencumbered Property securing such amounts (unless no Default or Event of Default would exist after giving effect to the disposition of such Unencumbered Property) or (ii) would have a Material Adverse Effect.

7.7 Insurance.

Each of the Borrowers will, and will cause its Subsidiaries to, at all times maintain in full force and effect insurance (including worker's compensation insurance, liability insurance, casualty insurance and business interruption insurance) in such amounts, covering such risks and liabilities and with such deductibles or self-insurance retentions as are in accordance with normal industry practice.

7.8 Maintenance of Assets.

Each of the Borrowers will, and will cause its Subsidiaries to, maintain and preserve its Properties and all other assets in good repair, working order and condition, normal wear and tear excepted, and will make, or cause to be made, in the Properties and other assets, from time to time, all repairs, renewals, replacements, extensions, additions, betterments and improvements thereto as may be needed or proper, to the extent and in the manner customary for companies in similar businesses.

7.9 Performance of Obligations.

Each of the Borrowers will, and will cause its Subsidiaries to, perform in all material respects all of its obligations under the terms of all material agreements, indentures, mortgages, security agreements or other debt instruments to which it is a party or by which it is bound.

7.10 Use of Proceeds.

The Borrowers will use the proceeds of the Loans solely for general working capital purposes and other general corporate purposes, including the funding of acquisitions and the repayment of Indebtedness under the Revolving Credit Agreement, the Existing Credit Agreement and other Indebtedness.

7.11 Audits/Inspections.

Upon reasonable notice and during normal business hours, each Borrower will, and will cause its Subsidiaries to, permit representatives appointed by the Administrative Agent, including, without limitation, independent accountants, agents, attorneys and appraisers to visit and inspect such Borrower's or other Combined Party's property, including, without limitation, the Properties, its books and records, its accounts receivable and inventory, its facilities and its other business assets, and to make photocopies or photographs thereof and to write down and record any information such representative obtains and shall permit the Administrative Agent or its representatives to investigate and verify the accuracy of information provided to the Lenders, and to discuss all such matters with the officers, employees and representatives of the Borrowers, their Subsidiaries and any other Combined Party.

7.12 Additional Credit Parties.

(a) At any time a Subsidiary of the Borrowers that (1) is not a Credit Party becomes the owner (or ground lessee under an Eligible Ground Lease) of Property that the Borrowers determine to treat as an Unencumbered Property, Unencumbered Eligible Land or Unencumbered Construction-in-Process and (2) is not an Eligible Subsidiary, the Borrowers shall notify the Administrative Agent and promptly thereafter (but in any event within 30 days after such event) such Subsidiary shall: (i) execute a Guaranty in substantially the form of Exhibit 7.12(a) and (ii) deliver such other documentation as the Administrative Agent may reasonably request in connection with the foregoing, including, without limitation, information regarding the real property owned by such Person, certified resolutions and other organizational and authorizing documents of such Person and favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to above), all in form, content and scope reasonably satisfactory to the Administrative Agent. It is understood and agreed that in the event any Subsidiary provides a Guaranty hereunder, it may also guaranty Indebtedness under the Revolving Credit Agreement and the Indenture.

(b) BOP may designate as guarantors of the Obligations one or more limited partners of BOP ("***Additional Guarantors***"); provided that the Administrative Agent and each Lender shall have reasonably satisfied itself with respect to "know your customer" and applicable Anti-Corruption Laws and Sanctions in respect of any such proposed Guarantor. The guarantees executed by the Guarantors pursuant to this Section 7.12(b) ("***Additional Guarantees***") shall not exceed $75,000,000 in the aggregate. The Additional Guarantees shall be guarantees of collection and not guarantees of payment, shall be in substantially the same form of Exhibit 7.12(b) (or such other form as is reasonably acceptable to the Administrative Agent), shall otherwise be reasonably acceptable to the Administrative Agent, and shall be acknowledged by the Administrative Agent, effective upon their execution by the Additional Guarantors. To evidence the Lenders' acceptance thereof, the Lenders hereby authorize the Administrative Agent to accept such Additional Guarantees on their behalf in accordance with this Section 7.12(b). No Additional Guarantee shall affect the obligations of the Borrowers hereunder. In the absence of an Event of Default, the Lenders irrevocably authorize the Administrative Agent, upon receipt of a certificate from a Responsible Officer, to release any Additional Guarantor from its obligations under its Additional Guarantee at the sole discretion of the Administrative Agent.

7.13 Anti-Corruption Laws.

Each Borrower will conduct its businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar anti-corruption legislation in other jurisdictions, and maintain policies and procedures designed to promote and achieve compliance with such laws.

7.14 Construction.

With respect to any construction and development engaged in by the Combined Parties, the Borrowers shall or shall cause another Person to: (a) comply with all applicable regulations and codes and (b) complete all such construction and development in accordance with approved plans and specifications.

7.15 Changes to Financial Covenants.

The Borrowers shall notify the Administrative Agent in writing prior to entering into any amendment or modification of the Revolving Credit Agreement pursuant to which amendment the Borrowers agree to changes to the financial covenants, including changes to any of the related defined terms used in connection therewith, contained therein which notice (each a ***"Covenant Change Notice"***) shall set forth the financial covenants as proposed to be so changed. The Administrative Agent shall provide to the Lenders a copy of any such Covenant Change Notice and the Required Lenders shall have the option at any time within 45 days following the Administrative Agent's receipt of a Covenant Change Notice to require that the financial covenants contained in this Agreement be correspondingly amended and modified so as to conform in whole to the changed covenants as described in such Covenant Change Notice. If the Administrative Agent notifies the Borrowers that the Required Lenders have elected to require such conforming changes, each of the Borrowers hereby agrees promptly to execute and deliver any and all amendments hereto and to take all such further action as the Administrative Agent may reasonably deem necessary or appropriate to effectuate the provisions of this Section 7.15.

SECTION 8.

NEGATIVE COVENANTS

Each Borrower hereby covenants and agrees that so long as this Credit Agreement is in effect and until the Obligations have been paid in full and the Commitments hereunder shall have terminated:

8.1 Indebtedness.

No Borrower will, nor will it permit any of its Subsidiaries to, contract, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness arising under this Credit Agreement and the other Credit Documents, and Indebtedness under the Revolving Credit Agreement;

(b) Indebtedness in respect of current accounts payable and accrued expenses incurred in the ordinary course of business; and

(c) Other Indebtedness as long as, prior to and after giving effect thereto, the Borrowers are otherwise in compliance with the terms of this Credit Agreement.

provided that the Borrowers shall not permit any Subsidiary of a Borrower that is the owner (or ground-lessee) of a Property that is treated as an Unencumbered Property, an Unencumbered Construction-in-Process or Unencumbered Eligible Land under this Credit Agreement to contract, create, incur, assume or permit to exist ("***Incur***") any Recourse Indebtedness unless such Subsidiary becomes a Guarantor as required pursuant to Section 7.12(a), and if such Subsidiary does Incur such Recourse Indebtedness, but does not become a Guarantor, all Property owned or ground-leased by such Subsidiary shall cease to qualify as an Unencumbered Property, an Unencumbered Construction-in-Process or Unencumbered Eligible Land.

8.2 Liens.

No Borrower will, nor will it permit any of its Material Subsidiaries to, contract, create, incur, assume or permit to exist any Lien with respect to any of its Properties or any other assets of any kind (whether real or personal, tangible or intangible), whether now owned or after acquired, except for Permitted Liens.

8.3 Nature of Business.

No Borrower will, nor will it permit any of its Subsidiaries to, alter the character of its business from that conducted as of the Closing Date or engage in any business other than the business conducted as of the Closing Date.

8.4 Consolidation and Merger.

No Borrower will, nor will it permit any of its Material Subsidiaries to, enter into any transaction of merger or consolidation or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); provided that notwithstanding the foregoing provisions of this Section 8.4, (a) (i) any Person may merge into a Borrower in a transaction in which such Borrower is the surviving Person; (ii) any Person may merge into any Material Subsidiary in a transaction in which the surviving entity is a Material Subsidiary; and (iii) any Material Subsidiary may sell, transfer, lease or otherwise dispose of its assets to a Borrower or to another Material Subsidiary; provided that in each case the Borrowers execute and deliver such documents, instruments and certificates as the Administrative Agent may reasonably request and after giving effect thereto no Default or Event of Default exists; (b) upon prior written notification to the Administrative Agent, any Material Subsidiary of a Borrower may be dissolved or liquidated so long as (1) after giving effect thereto no Default or Event of Default exists, and (2) the Borrowers shall execute and deliver such documents, instruments and certificates as the Administrative Agent may reasonably request; and (c) upon prior written notification to the Administrative Agent, as long as no Default or Event of Default exists, a Material Subsidiary of a Borrower that has no assets and no revenues may be dissolved or liquidated.

8.5 Sale or Lease of Assets.

(a) No Property may be conveyed, sold, leased, transferred or otherwise disposed of unless, after giving effect thereto, no Default or Event of Default exists.

(b) No equity interest in any Guarantor or Eligible Unencumbered Property Subsidiary may be conveyed, sold, transferred or otherwise disposed of unless, after giving effect thereto, no Default or Event of Default exists. Upon the disposition of an equity interest in a Guarantor in conformance with the terms hereof, if after the disposition of such equity interest such Guarantor no longer qualifies as the owner of any Unencumbered Properties, the Lenders agree to release such Guarantor from its obligations hereunder, and the Lenders hereby consent to the Administrative Agent executing and delivering such releases as necessary to give effect to such agreement.

8.6 [Intentionally Omitted.]

8.7 Restricted Payments.

BOP will not, directly or indirectly, declare or pay any dividends or make any other distribution upon any of its shares of beneficial interests or any shares of its capital stock of any class or with respect to any of its membership or partnership interests; provided that BOP may pay dividends or make distributions attributable to any period of four (4) consecutive fiscal quarters in an amount not to exceed, in the aggregate, the greater of (i) 95% of Funds From Operations attributable to such period or (ii) the minimum amount necessary for BRT to maintain its status as a REIT. Neither the Borrowers nor their Subsidiaries will repurchase any capital stock or shares of beneficial interest (including the repurchase of stock or shares of beneficial interest that is retired, cancelled or terminated) or other ownership interests (including options, warrants and stock appreciation rights) if a Default or Event of Default exists or would occur after giving effect thereto.

8.8 Transactions with Affiliates.

No Borrower will, nor will it permit any of its Subsidiaries to, enter into any transaction or series of transactions, whether or not in the ordinary course of business, with any officer, director, trustee, shareholder, Subsidiary or Affiliate other than on terms and conditions substantially as favorable as would be obtainable in a comparable arm's-length transaction with a Person other than an officer, director, trustee, shareholder, Subsidiary or Affiliate.

8.9 Fiscal Year; Organizational Documents.

No Borrower will, nor will it permit any of its Subsidiaries to, (a) change its fiscal year or (b) change its articles or certificate of incorporation, its bylaws, its declaration of trust, its limited liability company agreement, its articles or certificate of partnership or partnership agreement or any other organization or formation documents in any manner that would have an adverse effect of the rights of the Lenders under the Credit Documents; provided that (i) BRT may take such action, with prior written notice to the Administrative Agent, as is necessary to maintain its status as a REIT and (ii) the Borrowers will provide prompt written notice to the Administrative Agent of any change to be made in compliance with the terms of this Section 8.9.

8.10 Limitations.

No Borrower will, nor will it permit any of its Subsidiaries to, directly or indirectly, create or otherwise cause, incur, assume, suffer or permit to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any such Person to pay any Indebtedness owed to the Borrowers; provided that a Subsidiary of a Borrower (which is not itself a Credit Party) that obtains financing may agree with the provider of such financing to restrict repayments of intercompany Indebtedness owing to the Borrowers.

8.11 Other Negative Pledges.

The Borrowers will not, and will not permit any of their Material Subsidiaries to, enter into, assume or become subject to any agreement prohibiting or otherwise restricting the creation or assumption of any Lien (a "***Negative Pledge***") upon its properties or assets, whether now owned or hereafter acquired, or requiring the grant of any security for such obligation if security is given for some other obligation, other than (i) as provided under the Credit Documents or under the Revolving Credit Agreement, (ii) restrictions on Secured Indebtedness and Unsecured Indebtedness set forth in the Indenture (iii) an agreement by a Borrower or one of its Subsidiaries with a joint venture partner not to pledge its equity interest in such joint venture, (iv) an agreement by a Borrower or one of its Subsidiaries in a mortgage or joint venture agreement to restrict Liens on a particular property which is not an Unencumbered Property or on the equity interests in any particular entity which is not a Borrower or a Material Subsidiary, (v) customary restrictions in leases, subleases, licenses and asset sale or acquisition agreements relating to the assets subject thereto, and (vi) covenants contained in agreements relating to Unsecured Indebtedness permitted by Section 8.1 to the extent that such restrictions are not materially more restrictive to the Borrowers than the covenants contained in this Credit Agreement and so long as such Unsecured Indebtedness is not guaranteed by any Persons that do not guarantee the Obligations; provided, however, that an agreement that conditions a Person's ability to grant a Lien upon the maintenance of one or more specified ratios that limit such Person's ability to encumber its assets but that do not generally prohibit the encumbrance of its assets, or the encumbrance of specific assets, shall not constitute a Negative Pledge.

8.12 Sanctions.

The Borrowers will not, directly or indirectly, use the proceeds of any Extension of Credit, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other individual or entity, to fund any activities of or business with any individual or entity, or in any Designated Jurisdiction, that, at the time of such funding, is the subject of Sanctions, or in any manner that will result in a violation by any individual or entity (including any individual or entity participating in the transaction, whether as Lender, Arranger, Administrative Agent, or otherwise) of Sanctions.

8.13 Anti-Corruption Laws.

The Borrowers will not, directly or indirectly, use the proceeds of any Extension of Credit for any purpose which would breach the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar anti-corruption legislation in other jurisdictions.

SECTION 9.

EVENTS OF DEFAULT

9.1 Events of Default.

An Event of Default shall exist upon the occurrence of any of the following specified events (each an "***Event of Default***"):

(a) Payment. The Borrowers shall default in the payment (i) when due of any principal amount of any Loans or (ii) within three days of when due of any interest on the Loans or any fees or other amounts owing hereunder, under any of the other Credit Documents or in connection herewith.

(b) Representations. Any representation, warranty or statement made or deemed to be made by any Borrower or any of its Subsidiaries herein, in any of the other Credit Documents, or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove untrue in any material respect on the date as of which it was made or deemed to have been made or delivered.

(c) Covenants. Any Borrower or any of its Subsidiaries shall:

(i) default in the due performance or observance of any term, covenant or agreement contained in Sections 7.2, 7.3, 7.10, 7.11, 7.12, 7.14, 7.15 or 8.1 through 8.13 inclusive; or

(ii) default in the due performance or observance by it of any term, covenant or agreement contained in Section 7.1 and such default shall continue unremedied for a period of five Business Days after the earlier of a Borrower becoming aware of such default or notice thereof given by the Administrative Agent; or

(iii) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in subsections (a), (b) or (c)(i) or (ii) of this Section 9.1) contained in this Credit Agreement and such default shall continue unremedied for a period of at least 30 days after the earlier of a Borrower becoming aware of such default or notice thereof given by the Administrative Agent.

(d) Other Credit Documents. (i) Any Credit Party shall default in the due performance or observance of any term, covenant or agreement in any of the other Credit Documents and such default shall continue unremedied for a period of at least 30 days after the earlier of a Borrower becoming aware of such default or notice thereof given by the Administrative Agent or (ii) any Credit Document (or any provision of any Credit Document) shall fail to be in full force and effect or any Borrower or any of its Subsidiaries shall so assert or any Credit Document shall fail to give the Administrative Agent and/or the Lenders the security interests, liens, rights, powers and privileges purported to be created thereby.

(e) Bankruptcy, etc. The occurrence of any of the following with respect to any Borrower or any of its Significant Subsidiaries: (i) a court or Governmental Authority having jurisdiction in the premises shall enter a decree or order for relief in respect of any Borrower or any of its Significant Subsidiaries in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoint a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of any Borrower or any of its Significant Subsidiaries or for any substantial part of its property or ordering the winding up or liquidation of its affairs; or (ii) an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect is commenced against any Borrower or any of its Significant Subsidiaries and such petition remains unstayed and in effect for a period of 60 consecutive days; or (iii) any Borrower or any of its Significant Subsidiaries shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of such Person or any substantial part of its property or make any general assignment for the benefit of creditors; or (iv) any Borrower or any of its Significant Subsidiaries shall be generally unable or shall admit in writing its inability to pay its debts generally as they become due or any action shall be taken by such Person in furtherance of any of the aforesaid purposes.

(f) Defaults under Other Agreements. With respect to any Recourse Indebtedness (other than Indebtedness outstanding under this Credit Agreement) of any Borrower or any of its Subsidiaries in an aggregate principal amount equal to or in excess of $50,000,000, (i) a Borrower or one of its Subsidiaries shall (A) default in any payment (beyond the applicable grace period with respect thereto, if any) with respect to any such Recourse Indebtedness, or (B) default (after giving effect to any applicable grace period) in the observance or performance of any term, covenant or agreement relating to such Recourse Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event or condition shall occur or condition exist, the effect of which default or other event or condition is to cause, or permit, the holder or holders of such Recourse Indebtedness (or a trustee or agent on behalf of such holders) to cause (determined without regard to whether any notice or lapse of time is required) any such Recourse Indebtedness to become due prior to its stated maturity; or (ii) any such Recourse Indebtedness shall be declared due and payable, or required to be prepaid, repurchased or redeemed other than by a regularly scheduled required prepayment, repurchase or redemption prior to the stated maturity thereof; or (iii) any such Indebtedness shall mature and remain unpaid.

(g) Judgments. One or more judgments, orders, or decrees shall be entered against any one or more of any Borrower or any of its Subsidiaries involving a liability of $25,000,000 or more, in the aggregate (to the extent not paid or covered by insurance provided by a carrier who has acknowledged coverage), and such judgments, orders or decrees (i) are the subject of any enforcement proceeding commenced by any creditor or (ii) shall continue unsatisfied, undischarged and unstayed for a period ending on the first to occur of (A) the last day on which such judgment, order or decree becomes final and unappealable or (B) 20 days.

(h) ERISA Events. The occurrence of any of the following events or conditions, unless such event or occurrence would not have or be reasonably expected to have a Material Adverse Effect: (1) any “accumulated funding deficiency,” as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, shall exist with respect to any Plan, or any lien shall arise on the assets of a Borrower, any Subsidiary of a Borrower or any ERISA Affiliate in favor of the PBGC or a Plan; (2) an ERISA Event shall occur with respect to a Single Employer Plan, which is, in the reasonable opinion of the Administrative Agent, likely to result in the termination of such Plan for purposes of Title IV of ERISA; (3) an ERISA Event shall occur with respect to a Multiemployer Plan or Multiple Employer Plan, which is, in the reasonable opinion of the Administrative Agent, likely to result in (i) the termination of such Plan for purposes of Title IV of ERISA, or (ii) a Borrower, any Subsidiary of a Borrower or any ERISA Affiliate incurring any liability in connection with a withdrawal from, reorganization of (within the meaning of Section 4241 of ERISA), or insolvency (within the meaning of Section 4245 of ERISA) of such Plan; or (4) any prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility shall occur which may subject a Borrower, any Subsidiary of a Borrower or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which a Borrower, any Subsidiary of a Borrower or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability.

(i) REIT Status. BRT does not maintain its REIT status or is no longer deemed to be a REIT.

(j) Invalidity of Credit Documents. Any material provision of any Credit Document, at any time after its execution and delivery and for any reason other than in accordance with the terms hereof or thereof, or satisfaction in full of all the Obligations, is revoked, terminated, cancelled or rescinded, without the prior written approval of the requisite Lenders as specified in Section 11.6; or any Credit Party commences any legal proceeding at law or in equity to contest, or make unenforceable, cancel, revoke or rescind any of the Credit Documents, or any court or any other Governmental Authority of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Credit Documents is illegal, invalid or unenforceable as to any material terms thereof.

(k) Revolving Credit Agreement. An “Event of Default” as defined in the Revolving Credit Agreement shall occur and be continuing.

9.2 Acceleration; Remedies.

Upon the occurrence of an Event of Default, and at any time thereafter unless and until such Event of Default has been waived in writing by the Required Lenders (or the Lenders as may be required hereunder), the Administrative Agent shall, upon the request and direction of the Required Lenders, by written notice to the Borrowers, take any of the following actions without prejudice to the rights of the Administrative Agent or any Lender to enforce its claims against the Borrowers, except as otherwise specifically provided for herein:

(a) Termination of Commitments. Declare the Commitments terminated whereupon the Commitments shall be immediately terminated.

(b) Acceleration of Loans. Declare the unpaid principal of and any accrued interest in respect of all Loans and any and all other indebtedness or obligations of any and every kind owing by a Borrower to any of the Lenders hereunder to be due whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers.

(c) Enforcement of Rights. Enforce any and all rights and interests created and existing under the Credit Documents, including, without limitation, all rights and remedies against a Guarantor and all rights of set-off.

Notwithstanding the foregoing, if an Event of Default specified in Section 9.1(e) shall occur, then the Commitments shall automatically terminate and all Loans, all accrued interest in respect thereof, all accrued and unpaid fees, and all other indebtedness or Obligations owing to the Lenders hereunder shall automatically and immediately become due and payable without presentment, demand, protest or the giving of any notice or other action by the Administrative Agent or the Lenders, which notice or other action is expressly waived by the Borrowers.

Notwithstanding the fact that enforcement powers reside primarily with the Administrative Agent, each Lender has, to the extent permitted by law, a separate right of payment and shall be considered a separate "creditor" holding a separate "claim" within the meaning of Section 101(5) of the Bankruptcy Code or any other insolvency statute.

9.3 Allocation of Payments After Event of Default.

Notwithstanding any other provisions of this Credit Agreement, after the occurrence and during the continuance of an Event of Default, all amounts collected or received by the Administrative Agent or any Lender on account of amounts outstanding under any of the Credit Documents shall be paid over or delivered as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation reasonable attorneys' fees) of the Administrative Agent in connection with enforcing the rights of the Lenders under the Credit Documents;

SECOND, to payment of any fees owed to the Administrative Agent;

THIRD, to the payment of all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' fees) of each of the Lenders in connection with enforcing its rights under the Credit Documents;

FOURTH, to the payment of all accrued fees and interest payable to the Lenders hereunder;

FIFTH, to the payment of the outstanding principal amount of the Loans;

SIXTH, to all other Obligations which shall have become due and payable under the Credit Documents and not repaid pursuant to clauses "FIRST" through "FIFTH" above; and

SEVENTH, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (a) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category; and (b) each of the Lenders shall receive an amount equal to its pro rata share (based on the proportion that the then outstanding

Loans held by such Lender bear to the aggregate then outstanding Loans) of amounts available to be applied pursuant to clauses “THIRD”, “FOURTH,” “FIFTH,” and “SIXTH” above.

SECTION 10.

AGENCY PROVISIONS

10.1 Appointment and Authority.

Each of the Lenders hereby irrevocably appoints PNC Bank, National Association to act on its behalf as the Administrative Agent hereunder and under the other Credit Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Section 10 are solely for the benefit of the Administrative Agent and the Lenders, and neither the Borrowers nor any other Credit Party shall have rights as a third party beneficiary of any of such provisions. It is understood and agreed that the use of the term “agent” herein or in any other Credit Documents (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

10.2 Rights as a Lender.

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrowers or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

10.3 Exculpatory Provisions.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Credit Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Credit Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Credit Documents), provided that the Administrative

Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Credit Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law; and

(c) shall not, except as expressly set forth herein and in the other Credit Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrowers or any of their Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 11.6) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment. The Administrative Agent shall not be deemed to have knowledge of any Default (other than a Default under Section 9.1(a) (with respect to principal, interest and fees)) unless and until notice describing such Default is given in writing to the Administrative Agent by the Borrower or a Lender.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with Credit Agreement or any other Credit Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Credit Agreement, any other Credit Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Section 5 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

10.4 Reliance by Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrowers), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

10.5 Delegation of Duties.

The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Credit Document by or through any one or more sub agents appointed by the Administrative Agent. The Administrative Agent and any such sub agent may perform any and all of its duties and exercise its rights and powers by or through their respective Agent-Related Persons. The exculpatory provisions of this Section 10 shall apply to any such sub agent and to the Agent-Related Persons of the Administrative Agent and any such sub agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

10.6 Resignation of Administrative Agent.

(a) The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrowers. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrowers, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the "***Resignation Effective Date***"), then the retiring Administrative Agent may (but shall not be obligated to) on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above, provided that in no event shall any such successor Administrative Agent be a Defaulting Lender. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) If the Person serving as Administrative Agent (i) is a Defaulting Lender pursuant to clause (d) of the definition thereof or (ii) engages in gross negligence or willful misconduct in the performance of its duties under the Credit Documents, as determined by a court of competent jurisdiction by a final and non-appealable judgment, the Required Lenders may, to the extent permitted by applicable law, by notice in writing to the Borrower and such Person remove such Person as Administrative Agent and, in consultation with the Borrowers, appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the Required Lenders) (the "***Removal Effective Date***"), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) With effect from the Resignation Effective Date or the Removal Effective Date (as applicable) (1) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Credit Documents and (2) except for any indemnity payments or other amounts then owed to the retiring or removed Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or removed) Administrative Agent (other than as provided in Section 3.13(i) and other than any rights to indemnity payments or other amounts owed to the retiring or removed Administrative Agent as of the Resignation Effective Date or the Removal Effective Date, as applicable), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Credit Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrowers and such successor. After the retiring or removed Administrative Agent's resignation or removal hereunder and under the other Credit Documents, the provisions of this Section 10 and Section 11.5 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them (i) while the retiring or removed Administrative Agent was acting as Administrative Agent and (ii) after such resignation or removal for as long as any of them continues to act in any capacity hereunder or under the other Credit Documents, including (x) acting as collateral agent or otherwise holding any collateral security on behalf of any of the Lenders and (y) in respect of any actions taken in connection with transferring the agency to any successor Administrative Agent.

10.7 Non-Reliance on Administrative Agent and Other Lenders.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Agent-Related Persons and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Credit Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Agent-Related Persons and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Credit Agreement, any other Credit Document or any related agreement or any document furnished hereunder or thereunder.

10.8 No Other Duties, Etc.

Anything herein to the contrary notwithstanding, none of the Arrangers or other agents listed on the cover page hereof shall have any powers, duties or responsibilities under this Credit Agreement or any of the other Credit Documents, except in its capacity, as applicable, as the Administrative Agent or a Lender hereunder.

10.9 Certain ERISA Matters.

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Arrangers and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrowers or any other Credit Party, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of one or more Benefit Plans in connection with the Loans or Commitments,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers). PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts). PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts). PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in. administration of and performance of the Loans, the Commitments and this Credit Agreement,

(iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Commitments and this Credit Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Credit Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in. administration of and performance of the Loans, the Commitments and this Credit Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) ln addition, unless sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Arrangers and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Credit Party, that:

(i) none of the Administrative Agent or the Arrangers or any of their respective Affiliates is a fiduciary with respect to the assets of such Lender (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Credit Agreement, any Credit Document or any documents related to hereto or thereto).

(ii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in. administration of and performance of the Loans, the Commitments and this Credit Agreement is independent (within the meaning of 29 CFR § 2510.3-21) and is a bank, an insurance carrier, an investment adviser, a broker-dealer or other person that holds, or has under management or control, total assets of at least $50 million, in each case as described in 29 CFR § 2510.3-21 (c)(l)(i)(A)-(E).

(iii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Credit Agreement is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies (including in respect of the Obligations).

(iv) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in. administration of and performance of the Loans, the Commitments and this Credit Agreement is a fiduciary under ERISA or the Code, or both, with respect to the Loans, the Commitments and this Credit Agreement and is responsible for exercising independent judgment in evaluating the transactions hereunder, and

(v) no fee or other compensation is being paid directly to the Administrative Agent or the Arrangers or any of their respective Affiliates for investment advice (as opposed to other services) in connection with the Loans, the Commitments or this Credit Agreement.

(c) The Administrative Agent and the Arrangers hereby inform the Lenders that each such Person is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Loans, the Commitments and this Credit Agreement, (ii) may recognize a gain if it extended the Loans, or the Commitments for an amount less than the amount being paid for an interest in the Loans, or the Commitments by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Credit Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, upfront fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing.

SECTION 11.

MISCELLANEOUS

11.1 Notices.

(a) Generally. Except as otherwise expressly provided herein, all notices and other communications shall have been duly given and shall be effective (i) when delivered, (ii) when transmitted via telecopy (or other facsimile device), (iii) the Business Day following the day on which the same has been delivered prepaid or on an invoice arrangement to a reputable national overnight air courier service, or (iv) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address or telecopy numbers set forth on Schedule 11.1 or as otherwise provided.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient), provided that such notice is confirmed by delivery via overnight courier or postal service as required above. Notices delivered through electronic communications, to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Section 2 if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Section by electronic communication. The Administrative Agent or a Borrower may, in its discretion, agree in writing to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent (or a Borrower, in the case of notice to it) otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient, at its e-mail address as described in the foregoing clause (i), of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii) above, if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient.

(c) Change of Address, etc. Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto.

(d) Platform.

(i) The Borrowers agree that the Administrative Agent may, but shall not be obligated to, make the Communications (as defined below) available to the other Lenders by posting the Communications on Debt Domain, Intralinks, Syndtrak or a substantially similar electronic transmission system (the "***Platform***") in accordance with its obligations under Section 11.17.

(ii) The Platform is provided "as is" and "as available." The Agent-Related Persons do not warrant the adequacy of the Platform and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent-Related Person in connection with the Communications or the Platform. Except as provided in Section 11.11, in no event shall the Administrative Agent or any of the Agent-Related Persons have any liability to the Borrowers, any Lender or any other Person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of any Borrower's or the Administrative Agent's transmission of Communications through the Platform. "***Communications***" means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of a Borrower pursuant to any Credit Document or the transactions contemplated therein which is distributed to the Administrative Agent or any Lender by means of electronic communications pursuant to this Section, including through the Platform.

(iii) Each Borrower hereby acknowledges that (a) the Administrative Agent and/or the Arrangers may, but shall not be obligated to, make available to the Lenders materials and/or information provided by or on behalf of the Borrowers hereunder (collectively, "***Borrower Materials***") by posting the Borrower Materials to the Platform and (b) certain of the Lenders (each, a "***Public Lender***") may have personnel who do not wish to receive material non-public information with respect to the Borrowers or their Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons' securities. Each Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," each Borrower shall be deemed to have authorized the Administrative Agent, the Arrangers and the Lenders to treat such Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 11.17); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Side Information;" and (z) the Administrative Agent and the Arrangers shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Side Information."

(e) Reliance by Administrative Agent and Lenders. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic notices, Notices of Borrowing and Notices of Continuation/Conversion) purportedly given by or on behalf of the Borrowers even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrowers shall indemnify the Administrative Agent, each Lender and the officers, directors, employees, agents and Affiliates of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrowers. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

11.2 Right of Set-Off.

In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence of an Event of Default and the commencement of remedies described in Section 9.2, each Lender is authorized at any time and from time to time, without presentment, demand, protest or other notice of any kind (all of which rights being hereby expressly waived), to set off and to appropriate and apply any and all deposits (general or special) and any other indebtedness at any time held or owing by such Lender (including, without limitation, branches, agencies or Affiliates of such Lender wherever located) to or for the credit or the account of any Borrower or its Subsidiaries against obligations and liabilities of such Borrower to the Lenders hereunder, under the Notes, the other Credit Documents or otherwise, irrespective of whether the Administrative Agent or the Lenders shall have made any demand hereunder and although such obligations, liabilities or claims, or any of them, may be contingent or unmatured, and any such set-off shall be deemed to have been made immediately upon the occurrence of an Event of Default even though such charge is made or entered on the books of such Lender subsequent thereto. The Borrowers hereby agree that any Person purchasing a participation in the Loans and Commitments hereunder pursuant to Section 11.3(c) or 3.8 may exercise all rights of set-off with respect to its participation interest as fully as if such Person were a Lender hereunder.

11.3 Benefit of Agreement.

(a) Generally. This Credit Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided that none of the Borrowers may assign and transfer any of its interests, rights or obligations under any Credit Document (except as permitted by Sections 8.4 or 8.5) without the prior written consent of the Administrative Agent and all of the Lenders (and any attempt at such assignment or transfer without such consent shall be null and void); and provided further that the rights of each Lender to transfer, assign or grant participations in its rights and/or obligations hereunder shall be limited as set forth in subsections (b) and (c) of this Section 11.3. Notwithstanding the above (including anything set forth in subsections (b) and (c) of this Section 11.3), nothing herein shall restrict, prevent or prohibit any Lender from (A) pledging or assigning a security interest in its rights hereunder or under its Notes, if any, to secure obligations of such Lender, including any pledge or assignment to a Federal Reserve Bank in support of borrowings made by such Lender from such Federal Reserve Bank; provided that no such pledge or assignment shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto, or (B) granting assignments or participations in such Lender's Loans and/or Commitments hereunder to its parent company and/or to any Affiliate of such Lender or to any existing Lender or Affiliate thereof. Nothing in this Credit Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (c) of this Section and, to the extent expressly contemplated hereby, the officers, directors, employees, agents and Affiliates of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Credit Agreement.

(b) Assignments. In addition to the assignments permitted by Section 11.3(a), each Lender may, with the prior written consent of the Borrowers and the Administrative Agent (provided that no consent of the Borrowers shall be required for an assignment to a Lender, an Affiliate of a Lender or an Approved Fund or during the existence and continuation of an Event of Default), which consent shall not be unreasonably withheld or delayed, assign all or a portion of its rights and obligations hereunder pursuant to an assignment agreement substantially in the form of Exhibit 11.3 to one or more Eligible Assignees; provided that the Borrowers shall be deemed to have consented to any such assignment unless the Borrowers shall object thereto by written notice to the Administrative Agent within 10 Business Days after having received notice thereof; and provided further that (i) any such assignment shall be in a minimum aggregate amount of $5,000,000 of the Loans and Commitments and in integral multiples of $5,000,000 above such amount (or the remaining amount of Loans and Commitments held by such Lender) unless the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrowers otherwise consent, (ii) each such assignment shall be of a constant, not varying, percentage of all of the assigning Lender's rights and obligations under the Loans and Commitments being assigned and (iii) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire in which the assignee designates one or more Persons to whom all syndicate-level information (which may contain material non-public information about the Borrowers and their related parties or their respective securities) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable laws, including Federal and state securities laws. Any assignment hereunder shall be effective upon satisfaction of the conditions set forth above and delivery to the Administrative Agent of a duly executed assignment agreement together with a transfer fee of $3,500 payable to the Administrative Agent for its own account. Upon the effectiveness of any such assignment, the assignee shall become a "Lender" for all purposes of this Credit Agreement and the other Credit Documents and, to the extent of such assignment, the assigning Lender shall be relieved of its obligations hereunder to the extent of the Loans and Commitment components being assigned. The Borrowers agree that upon notice of any assignment to an assignee that was not theretofore a Lender, they will promptly provide to such assignee a new Note. Each Lender agrees that, in the event it assigns all of its Commitment hereunder, it shall promptly return the Note or Note(s) executed by the Borrowers in its favor.

By executing and delivering an assignment agreement in accordance with this Section 11.3(b), the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and the assignee warrants that it is an Eligible Assignee; (ii) except as set forth in clause (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Credit Agreement, any of the other Credit Documents or any other instrument or document furnished pursuant hereto or thereto, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Credit Agreement, any of the other Credit Documents or any other instrument or document furnished pursuant hereto or thereto or the financial condition of any Borrower or its Subsidiaries or the performance or observance by any Credit Party of any of its obligations under this Credit Agreement, any of the other Credit Documents or any other instrument or document furnished pursuant hereto or thereto; (iii) such assigning Lender and such assignee each represents and warrants that it is legally authorized to enter into such assignment agreement; (iv) such assignee confirms that it has received a copy of this Credit Agreement, the other Credit Documents and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such assignment agreement; (v) such assignee will independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Credit Agreement and the other Credit Documents; (vi) such assignee appoints and authorizes the Administrative Agent to take such action on its behalf and to exercise such powers under this Credit Agreement or any other Credit Document as are delegated to the Administrative Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Credit Agreement and the other Credit Documents are required to be performed by it as a Lender.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (d) below, from and after the effective date specified in each assignment agreement, the assignee thereunder shall be a party to this Credit Agreement and, to the extent of the interest assigned by such assignment agreement, have the rights and obligations of a Lender under this Credit Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such assignment agreement, be released from its obligations under this Credit Agreement (and, in the case of an assignment agreement covering all of the assigning Lender's rights and obligations under this Credit Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.9, 3.12, 3.13 and 3.14 with respect to facts and circumstances occurring prior to the effective date of such assignment; provided, that except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(c) Participations. Each Lender may, without the consent of, or notice to, the Borrowers or the Administrative Agent, sell, transfer or grant participations in all or any part of such Lender's interests and obligations hereunder to one or more banks or other entities (other than the Borrowers, their Affiliates and Subsidiaries, or a Defaulting Lender)(a "***Participant***"); provided that (i) such selling Lender shall remain a "Lender" for all purposes under this Credit Agreement (such selling Lender's obligations under the Credit Documents remaining unchanged) and the Participant shall not constitute a Lender hereunder, and the Borrowers, the Administrative Agent and the other Lenders shall continue to deal exclusively with such selling Lender, and (ii) no such Participant shall have, or be granted, rights to approve any amendment or waiver relating to this Credit Agreement or the other Credit Documents except to the extent any such amendment or waiver would (A) reduce the principal of or rate of interest on or fees in respect of any Loans in which the Participant is participating or increase any Commitments with respect thereto, or (B) postpone the date fixed for any payment of principal (including the extension of the final maturity of any Loan or the date of any mandatory prepayment, other than pursuant to Section 3.5), interest or fees in which the Participant is participating. In the case of any such participation, the Participant shall not have any rights under this Credit Agreement or the other Credit Documents (the Participant's rights against the selling Lender in respect of such participation to be those set forth in the participation agreement with such Lender creating such participation) and all amounts payable by the Borrowers hereunder shall be determined as if such Lender had not sold such participation; provided, however, that such Participant shall be entitled to receive additional amounts under Sections 3.9, 3.12, 3.13 and 3.14 to the same extent that the Lender from which such Participant acquired its participation would be entitled to the benefit of such cost protection provisions (it being understood that the Participant shall be required to provide the documentation required under Section 3.13(g) as if it were a Lender and that the Participant shall be subject to the provisions of Section 3.15 regarding mitigation as if it were a Lender).

Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrowers, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each

Participant's interest in the Loans or other obligations under the Credit Documents (the "***Participant Register***"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Credit Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Credit Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(d) The Administrative Agent, acting solely for this purpose as agent of the Borrowers, shall maintain at the Administrative Agent's office at the Agency Services Address a copy of each assignment agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "***Register***"). The entries in the Register shall be conclusive absent manifest error, and the Borrowers, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Credit Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

11.4 No Waiver; Remedies Cumulative.

No failure or delay on the part of the Administrative Agent or any Lender in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Borrowers and the Administrative Agent or any Lender shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies provided herein are cumulative and not exclusive of any rights or remedies which the Administrative Agent or any Lender would otherwise have. No notice to or demand on any Credit Party in any case shall entitle any Credit Party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Administrative Agent or the Lenders to any other or further action in any circumstances without notice or demand. Any waiver of any provision of this Credit Agreement or consent to any departure by the Borrowers therefrom shall be effective only in the specific instance and for the purpose for which given.

Notwithstanding anything to the contrary contained herein or in any other Credit Document, the authority to enforce rights and remedies hereunder and under the other Credit Documents against the Credit Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 9.2 for the benefit of all the

Lenders; provided, however, that the foregoing shall not prohibit (a) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Credit Documents, (b) any Lender from exercising setoff rights in accordance with Section 11.2 (subject to the terms of Section 3.8), or (c) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to any Credit Party under any Debtor Relief Law; and provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Credit Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 9.2 and (ii) in addition to the matters set forth in clauses (b) and (c) of the preceding proviso and subject to Section 3.8. any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

11.5 Payment of Expenses; Indemnification.

The Borrowers jointly and severally agree to: (a) pay all reasonable out-of-pocket costs and expenses of (i) each Agent-Related Person in connection with (A) the negotiation, preparation, execution and delivery, syndication and administration of this Credit Agreement and the other Credit Documents and the documents and instruments referred to therein (including, without limitation, the reasonable fees and expenses of counsel to the Administrative Agent) and (B) any amendment, waiver or consent relating hereto and thereto including, but not limited to, any such amendments, waivers or consents resulting from or related to any work-out, renegotiation or restructure relating to the performance by the Borrowers under this Credit Agreement, and (ii) the Agent-Related Persons and the Lenders in connection with (A) enforcement or protection of rights under the Credit Documents and the documents and instruments referred to herein and therein (including any workouts or restructurings), including, without limitation, in connection with any such enforcement, the reasonable fees and disbursements of counsel for the Agent-Related Persons and each of the Lenders, and (B) any bankruptcy or insolvency proceeding of a Borrower or any of its Subsidiaries, and (b) indemnify the Agent-Related Persons, each Lender and its officers, directors, employees, representatives, Affiliates and agents from and hold each of them harmless against any and all losses, liabilities, claims, damages or expenses incurred by any of them as a result of, or arising out of, or in any way related to, or by reason of, any investigation, litigation or other proceeding (whether or not any Agent-Related Person or any Lender is a party thereto) related to (i) the entering into and/or performance of any Credit Document or any Loan or the use of proceeds of any Extensions of Credit or the consummation of any other transactions contemplated in any Credit Document, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding (but excluding any such losses, liabilities, claims, damages or expenses to the extent incurred by reason of the gross negligence or willful misconduct on the part of the Person to be indemnified, as determined by a court of competent jurisdiction by a final and non-appealable judgment), (ii) any Environmental Claim and (iii) any claims for Non-Excluded Taxes. To the extent that the Borrowers for any reason fail to indefeasibly pay any amount required above to be paid by it to the Administrative Agent (or any sub-agent thereof), or any Agent-Related Person, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent) or such Agent-Related Person, as the case may be, such Lender's Commitment Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender), such payment to be made severally among them based on such Lenders' Commitment Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought), provided, further that, the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent), or against any Agent-Related Person acting for the Administrative Agent (or any such sub-agent), in connection with such capacity.

11.6 Amendments, Waivers and Consents.

Subject to Section 3.10(b) and the last paragraph of this Section 11.6, neither this Credit Agreement nor any other Credit Document nor any of the terms hereof or thereof may be amended, changed, waived, discharged or terminated unless such amendment, change, waiver, discharge or termination is in writing and signed by the Required Lenders and the Borrowers and acknowledged by the Administrative Agent; provided that no such amendment, change, waiver, discharge or termination shall without the written consent of each Lender affected thereby:

(a) extend the final maturity of any Loan or any portion thereof or postpone any other date fixed for any payment of principal;

(b) reduce the rate or extend the time of payment of interest thereon or fees hereunder (provided that only the consent of the Required Lenders shall be necessary (x) to amend the default rate of interest in Section 3.1(b) or to waive the obligation of the Borrowers to pay interest at such default rate or (y) to amend any financial covenant (or any defined term directly or indirectly used therein), even if the effect of such amendment would be to reduce the rate of interest on any Loan or other Obligation or to reduce any fee payable hereunder;

(c) reduce or waive the principal amount of any Loan;

(d) change the Commitment of a Lender from the amount thereof in effect, other than pursuant to an assignment permitted under Sections 3.5 or 11.3(b) or any reduction of the Commitments by the Borrowers pursuant to Section 2.1(e) (it being understood that the making of incremental Commitments described in Section 2.7 shall require only the consent of those Lenders making such incremental Commitments);

(e) release either Borrower from its obligations, or release all or substantially all of the Guarantors from their obligations, under the Credit Documents; provided that the Administrative Agent may release a Guarantor in accordance with Section 8.5 or in accordance with Section 11.19 and the Administrative Agent may release an Additional Guarantor in accordance with Section 7.12(b);

(f) amend, modify or waive any provision of this Section 11.6 or Section 3.7, 3.8, or 9.1(a), or any provision of any Credit Document which, by its express terms, requires the consent, approval, agreement or satisfaction of all of the Lenders;

(g) reduce any percentage specified in, or otherwise modify, the definition of Required Lenders; or

(h) consent to the assignment or transfer by any Credit Party of any of its rights and obligations under (or in respect of) the Credit Documents other than any assignment or transfer by a Guarantor permitted under this Credit Agreement.

If any amendment, waiver or consent with respect to the Credit Documents has been delivered in writing to a Lender by the Administrative Agent, and such amendment, waiver or consent requires only the approval of the Required Lenders to become effective, then such Lender shall have ten Business Days from the date of receipt of such amendment, waiver or consent to respond thereto. Failure of a Lender to timely respond to such amendment, waiver or consent shall be deemed an approval by such Lender of such amendment, waiver or consent.

No provision of Section 10 or any other provision that affects the rights and duties of the Administrative Agent may be amended or modified without the consent of the Administrative Agent.

The right of any Defaulting Lender to approve or disapprove any amendment, waiver or consent hereunder shall be limited as set forth in Section 11.9(c).

Any increase in the Committed Amount pursuant to Section 2.7 hereof, shall be effective only after obtaining the consent of each of the Lenders electing to increase its respective Commitment and no other consent by any Lender not electing to increase its Commitment shall be required for any such increase in the Committed Amount.

Notwithstanding the fact that the consent of all the Lenders is required in certain circumstances as set forth above, (x) each Lender is entitled to vote as such Lender sees fit on any reorganization plan that affects the Loans, and each Lender acknowledges that the provisions of Section 1126(c) of the Bankruptcy Code supersedes the unanimous consent provisions set forth herein and (y) the Required Lenders may consent to allow a Credit Party to use cash collateral in the context of a bankruptcy or insolvency proceeding.

If, in connection with any proposed amendment, change, waiver, discharge or termination of this Credit Agreement as contemplated by this Section 11.6, the consent of the Required Lenders is obtained, but the consent of one or more of such other Lenders whose consent is required is not obtained, then the Borrowers shall have the right to replace all, but not less than all, of such non-consenting Lender or Lenders (so long as all non-consenting Lenders are so replaced) with one or more Eligible Assignees identified by the Borrowers pursuant to Section 3.15 (as if each such non-consenting Lender had made a request referred to in Section 3.15) and Section 11.3 so long as at the time of such replacement each such new Lender consents to the proposed amendment, change, waiver, discharge or termination.

In addition, notwithstanding anything in this Section 11.6 to the contrary, if the Administrative Agent and the Borrowers shall have jointly identified an obvious error or any error or omission of a technical nature, in each case, in any provision of the Credit Documents, then the Administrative Agent and the Borrowers shall be permitted to amend such provision, and, in each case, such amendment shall become effective without any further action or consent of any other party to any Credit Document if the same is not objected to in writing by the Required Lenders to the Administrative Agent within ten Business Days following receipt of notice thereof.

11.7 Counterparts/Electronic Execution.

This Credit Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of executed counterparts by telecopy or other electronic imaging means (e.g, “pdf” or “tif”) shall be as effective as an original and shall constitute a representation that an original will be delivered. The words “execute,” “execution,” “signed,” “signature,” and words of like import in or related to any document to be signed in connection with this Credit Agreement and the transactions contemplated hereby (including without limitation assignment and assumptions, amendments or other modifications, Notices of Borrower, waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that notwithstanding anything contained herein to the contrary the Administrative Agent is under no obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it.

11.8 Headings.

The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Credit Agreement.

11.9 Defaulting Lender.

Notwithstanding any provision of this Credit Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) [**Intentionally Omitted**];

(b) any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 9 or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 11.2 shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; *second*, as the Borrowers may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Credit Agreement, as determined by the Administrative Agent; *third*, if so determined by the Administrative Agent and the Borrowers, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender’s potential future funding obligations with respect to Loans under this

Credit Agreement; *fourth*, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Credit Agreement; *fifth*, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrowers as a result of any judgment of a court of competent jurisdiction obtained by the Borrowers against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Credit Agreement; and *sixth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in Section 5.2 were satisfied or waived, such payment shall be applied solely to pay the Loans of all non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Lender until such time as all Loans are held by the Lenders pro rata in accordance with the Commitments hereunder; any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender pursuant to this Section 11.9(b) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto;

(c) notwithstanding anything to the contrary set forth herein, the Commitment of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 11.6) and no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders); provided that any waiver, amendment or modification that increases the Commitment of a Defaulting Lender, forgives all or any portion of the principal amount of any Loan or interest thereon owing to a Defaulting Lender, reduces the Applicable Percentage on the underlying interest rate owing to a Defaulting Lender or extends the Maturity Date shall require the consent of such Defaulting Lender.

11.10 Survival of Indemnification and Representations and Warranties.

All indemnities set forth herein (including Section 11.5) and all representations and warranties made herein shall survive the execution and delivery of this Credit Agreement, the making of the Loans, the resignation of the Administrative Agent, the replacement of any Lender and the repayment of the Loans and other Obligations and the termination of the Commitments hereunder. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Loan and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied.

11.11 Governing Law; Jurisdiction.

(a) THIS CREDIT AGREEMENT AND THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. Any legal action or proceeding with respect to this Credit Agreement or any other Credit Document may be brought in the courts of the State of New York in New York County, or of the United States for the Southern District of New York and any appellate court from any thereof, and, by execution and delivery of this Credit Agreement, each Borrower hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the exclusive jurisdiction of such courts. Each Borrower further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to it at the address for notices pursuant to Section 11.1, such service to become effective 15 days after such mailing. Nothing herein shall affect the right of a Lender to serve process in any other manner permitted by law or to commence legal proceedings or to otherwise proceed against a Borrower in any other jurisdiction. Each Borrower agrees that a final judgment in any action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law; provided that nothing in this Section 11.11(a) is intended to impair a Borrower’s right under applicable law to appeal or seek a stay of any judgment.

(b) Each Borrower hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Credit Agreement or any other Credit Document in the courts referred to in subsection (a) hereof and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

11.12 Waiver of Jury Trial.

EACH OF THE PARTIES TO THIS CREDIT AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS CREDIT AGREEMENT, ANY OF THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS CREDIT AGREEMENT AND THE OTHER CREDIT DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

11.13 Times of Day; Rates.

All references to time herein shall be references to Eastern Standard Time or Eastern Daylight Time, as the case may be, unless specified otherwise. The Administrative Agent does not warrant, nor accept responsibility, nor shall the Administrative Agent have any liability with respect to the administration, submission or any other matter related to the rates in the definition of “Eurodollar Rate” or with respect to any comparable or successor rate thereto.

11.14 Severability.

If any provision of any of the Credit Documents is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

11.15 Entirety.

This Credit Agreement together with the other Credit Documents represent the entire agreement of the parties hereto and thereto, and supersede all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to the Credit Documents or the transactions contemplated herein and therein.

11.16 Binding Effect.

(a) This Credit Agreement shall become effective at such time as all of the conditions set forth in Section 5.1 have been satisfied or waived by the Lenders and it shall have been executed by the Borrowers and the Administrative Agent, and the Administrative Agent shall have received copies hereof (telefaxed or otherwise) which, when taken together, bear the signatures of each Lender, and thereafter this Credit Agreement shall be binding upon and inure to the benefit of the Borrowers, the Administrative Agent and each Lender and their respective successors and assigns.

(b) This Credit Agreement shall be a continuing agreement and shall remain in full force and effect until all Loans, interest, fees and other Obligations have been paid in full and all Commitments have been terminated. Upon termination, the Borrowers shall have no further obligations (other than the indemnification provisions that survive) under the Credit Documents; provided that should any payment, in whole or in part, of the Obligations be rescinded or otherwise required to be restored or returned by the Administrative Agent or any Lender, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, then the Credit Documents shall automatically be reinstated and all amounts required to be restored or returned and all costs and expenses incurred by the Administrative Agent or any Lender in connection therewith shall be deemed included as part of the Obligations.

11.17 Confidentiality.

(a) Each Lender agrees that it will use its reasonable best efforts to keep confidential and to cause any representative designated under Section 7.11 to keep confidential any non-public Information (as defined below) from time to time supplied to it under any Credit Document; provided, however, that nothing herein shall prevent the disclosure of any such Information to (a) the extent a Lender in good faith believes such disclosure is required by Requirement of Law or by any subpoena or similar legal process, (b) counsel for a Lender or to its accountants and other advisors, (c) bank examiners, auditors or comparable Persons or any regulatory body having jurisdiction over a Lender or its Affiliates (including any self-regulating authority), (d) any Affiliate of a Lender (it being understood that the persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (e) any other Lender, or any assignee, transferee or participant, or, (i) any potential assignee, transferee or participant, of all or any portion of any Lender's rights under this Credit Agreement who is notified of the confidential nature of the Information or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrowers and their obligations; provided, such assignees, transferees, participants, counterparties and advisors are advised of and agree to be bound by either the provisions of this Section 11.3 or other provisions at least as restrictive as this Section 11, (f) any other Person in connection with any litigation to which any one or more of the Lenders is a party (g) any other Person to whom disclosure of such Information a Lender believes is necessary or appropriate in its reasonable judgment in connection with the exercise of remedies or enforcement of rights hereunder; and provided further that no Lender shall have any obligation under this Section 11.17 to the extent any such Information becomes available on a non-confidential basis from a source other than a Borrower or its Subsidiaries or that any Information becomes publicly available other than by a breach of this Section 11.17, (h) to any rating agency when required by it, provided that, prior to any disclosure, such rating agency shall undertake in writing to preserve the confidentiality of any confidential information relating to Credit Parties received by it from any Agent-Related Person or any Lender, (i) disclosure on a confidential basis to the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to the Loans, (j) in connection with the exercise of any remedies hereunder or under any other Credit Document or any action or proceeding relating to this Credit Agreement or any other Credit Document or the enforcement of rights hereunder or thereunder, (k) with the consent of a Borrower or (l) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the a Lender Party or any of their respective Affiliates on a nonconfidential basis from a source other than a Borrower. "***Information***" means all information received from the Borrowers or their Subsidiaries relating to the Borrowers, any such Subsidiary or their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrowers or such Subsidiary and other than information pertaining to this Credit Agreement routinely provided by arrangers to data service providers, including league table providers, that serve the lending industry; provided that, in the case of information received from the Borrowers or such Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

(b) Each Lender acknowledges that Information as defined in Section 11.17(a) furnished to it pursuant to this Credit Agreement may include material non-public information concerning the Borrowers and their related parties and their respective securities, and confirms that it has developed compliance procedures regarding the use of material non-public information and that it will handle such material non-public information in accordance with those procedures and Applicable Law, including Federal and state securities laws.

(c) All Information, including requests for waivers and amendments, furnished by the Borrowers or the Administrative Agent pursuant to, or in the course of administering this Credit Agreement will be syndicate-level information, which may contain material non-public information about the Borrowers and their related parties or their respective securities. Accordingly, each Lender represents to the Borrowers and the Administrative Agent that it has identified in its Administrative Questionnaire a credit contact who may receive Information that may contain material non-public information in accordance with its compliance procedures and Applicable Law.

(d) The provisions of this Section 11.17 shall survive the full repayment of amounts due and the termination of this Credit Agreement for a period of one (1) year.

11.18 Further Assurances.

The Borrowers agree, upon the request of the Administrative Agent, to promptly take such actions as are necessary to carry out the intent of this Credit Agreement and the other Credit Documents.

11.19 Release of Guarantors.

If a Guarantor no longer qualifies as the owner of Unencumbered Properties or becomes an Eligible Subsidiary, then, as long as no Default or Event of Default exists after giving effect to such event, the Lenders agree to release such Guarantor from its obligations hereunder. The Lenders irrevocably authorize the Administrative Agent, upon receipt of a certificate from a Responsible Officer and a legal opinion of counsel regarding the requirements set forth in the first sentence of this Section 11.19, to release any Guarantor from its obligations under the Guaranty. Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release any Guarantor from its obligations under the Guaranty pursuant to this Section 11.19.

11.20 USA PATRIOT Act.

Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrowers that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "***Act***"), it is required to obtain, verify and record information that identifies each Borrower, which information includes the name and address of each Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify each Borrower in accordance with the Act. Each Borrower shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Act.

11.21 Limitation on Liability.

Each Borrower waives any right to assert or make any claim against any Lender or the Administrative Agent for (or to sue any Lender or the Administrative Agent upon any claim for) any special, indirect, incidental, punitive or consequential damages in respect of any breach or wrongful conduct (whether the claim is based on contract, tort or duty imposed by law) in connection with, arising out of or in any way related to this Credit Agreement, any other Credit Document or the transactions contemplated hereby or thereby, or any act, omission or event in connection therewith. No indemnitee referred to in Section 11.5 above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Credit Agreement or the other Credit Documents or the transactions contemplated hereby or thereby, except to the extent arising from such indemnitee's gross negligence or willful misconduct as determined by a court of competent jurisdiction by a final and non-appealable judgment.

11.22 No Fiduciary Duty.

In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Credit Document), each Borrower and each other Credit Party acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent, the Arrangers, and the Lenders are arm's-length commercial transactions between the Borrowers, each other Credit Party and their respective Affiliates, on the one hand, and the Administrative Agent, the Arrangers and the Lenders, on the other hand, (B) each Borrower and the other Credit Parties have consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Borrowers and each other Credit Party are capable of evaluating, and understand and accept, the terms, risks and conditions of the transactions contemplated hereby and by the other Credit Documents; (ii) (A) the Administrative Agent, the Arrangers and each Lender is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrowers, any other Credit Party or any of their respective Affiliates, or any other Person and (B) neither the Administrative Agent, the Arrangers nor any Lender has any obligation to the Borrowers, any other Credit Party or any of their respective Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Credit Documents; and (iii) the Administrative Agent, the Arrangers and the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrowers, the other Credit Parties and their respective Affiliates, and neither the Administrative Agent, the Arrangers nor any Lender has any obligation to disclose any of such interests to the

Borrowers, any other Credit Party or any of their respective Affiliates. To the fullest extent permitted by law, the Borrowers and each other Credit Party hereby waive and release any claims that they may have against the Administrative Agent, the Arrangers or any Lender with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

11.23 Acknowledgement and Consent to Bail-In of EEA Financial Institutions

.

Solely to the extent any Lender or Issuing Lender that is an EEA Financial Institution is a party to this Credit Agreement and notwithstanding anything to the contrary in any Credit Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Lender that is an EEA Financial Institution arising under any Credit Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any Lender that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Credit Agreement, or any other Credit Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

11.24 Transitional Arrangements

.

(a) Existing Credit Agreement Superseded. This Credit Agreement shall supersede the Existing Credit Agreement in its entirety, except as provided in this Section 11.24. On the Effective Date, the rights and obligations of the parties under each of the Existing Credit Agreement and the “Notes” defined therein shall be subsumed within and be governed by this Credit Agreement and the Notes issued hereunder; provided however, that any of the “Obligations” (as defined in the Existing Credit Agreement) outstanding under the Existing Credit Agreement shall, for purposes of this Credit Agreement, be Obligations hereunder. Each outstanding Loan (as defined in the Existing Credit Agreement) of a Lender shall be deemed to be a Loan hereunder and credited against such Lender’s obligation to make a Loan under Section 2.01 on the Effective Date all as determined by the Administrative Agent such that the Loans of each Lender on the Effective Date shall be in accordance with each Lender's applicable Commitment Percentage hereunder.

(b) Return and Cancellation of Notes. Upon its receipt of the Notes to be delivered hereunder on the Effective Date, each Lender which is a party to the Existing Credit Agreement will promptly return to the Borrowers, marked "Cancelled" or "Replaced", the note of the Borrowers held by such Lender pursuant to the Existing Credit Agreement.

(c) Interest and Fees Under Existing Credit Agreement. All interest and all commitment, facility and other fees and expenses owing or accruing under or in respect of the Existing Credit Agreement shall be calculated as of the Effective Date (prorated in the case of any fractional periods), and shall be paid on the Effective Date in accordance with the method specified in the Existing Credit Agreement as if the Existing Credit Agreement were still in effect.

{REMAINDER OF PAGE INTENTIONALLY LEFT BLANK}

Each of the parties hereto has caused a counterpart of this Credit Agreement to be duly executed and delivered as of the date first above written.

<u>**BORROWERS**</u>: **BRANDYWINE REALTY TRUST**,
a Maryland real estate investment trust

By:
Name:
Title:

BRANDYWINE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

By: Brandywine Realty Trust, a Maryland real estate investment trust, its general partner

By:
Name:
Title:

[Signature pages continue on following page]

PNC BANK, NATIONAL ASSOCIATION,
as Administrative Agent and as a Lender

By:
Name: Shari L. Reams-Henofer
Title: Senior Vice President

[Signature pages continue on following page]

CAPITAL ONE, NATIONAL ASSOCIATION,
as a Lender

By:
Name:
Title:

[Signature pages continue on following page]

KEY BANK, N.A.,
as a Lender

By:
Name:
Title:

[Signature pages continue on following page]

BANK OF MONTREAL, as a Lender

By:
Name:
Title:

[Signature pages continue on following page]

ASSOCIATED BANK, NATIONAL ASSOCIATION, as a Lender

By:
Name:
Title:

[Signature pages continue on following page]

THE BANK OF NEW YORK MELLON,
as a Lender

By:
Name:
Title:

[Signature pages continue on following page]

U.S. BANK NATIONAL ASSOCIATION,
as a Lender

By:
Name:
Title:

[Signature pages continue on following page]

BRANCH BANKING AND TRUST COMPANY, as a Lender

By:
Name:
Title:

Exhibit 21

List of Subsidiaries

AAPOP 2, L.P., a Delaware limited partnership

B Chestnut LP, a Delaware limited partnership

BDN Four Points LP, a Delaware limited partnership

BDN Four Points Land LP, a Delaware limited partnership

BDN Four Points Preserve LP, a Delaware limited partnership

BDN Millennium LP, a Delaware limited partnership

BDNNOVA Momentum LP, a Delaware limited partnership

BDN Old Eagle School I, LP, a Delaware limited partnership

BDN Old Eagle School II, LP, a Delaware limited partnership

BDN Old Eagle School III, LP, a Delaware limited partnership

BDN Old Eagle School IV, LP, a Delaware limited partnership

BDN Old Eagle School V, LP, a Delaware limited partnership

BDN Old Eagle School VI, LP, a Delaware limited partnership

BDN Old Eagle School VII, LP, a Delaware limited partnership

BDN Quarry Lake II, LP, a Delaware limited partnership

BDN Radnor Hospitality Property I, LP, a Delaware limited partnership

BDN Radnor Hospitality Property II, LP, a Delaware limited partnership

BDN Radnor Property I, LP, a Delaware limited partnership

BDN Radnor Property II, LP, a Delaware limited partnership

BDN Real Estate Fund I LP, a Delaware limited partnership

Brandywine Acquisition Partners LP, a Delaware limited partnership

Brandywine Austin Properties I LP, a Texas limited partnership

Brandywine Byberry LP, a Delaware limited partnership

Brandywine Central, L.P., a Pennsylvania limited partnership

Brandywine Cira Chestnut I LP. a Delaware limited partnership

Brandywine Cira Garage I LP, a Delaware limited partnership

Brandywine Cira, L.P., a Pennsylvania limited partnership

Brandywine Cira South LP, a Delaware limited partnership

Brandywine Cira Walnut I LP, a Delaware limited partnership

Brandywine Commerce I LP, a Delaware limited partnership

Brandywine Commerce II LP, a Delaware limited partnership

Brandywine Croton, L.P., a Pennsylvania limited partnership

Brandywine Dominion, L.P., a Pennsylvania limited partnership

Brandywine F.C., L.P., a Pennsylvania limited partnership

Brandywine Garza Office I, LP, a Delaware limited partnership

Brandywine Garza Office II, LP, a Delaware limited partnership

Brandywine Garza Office III, LP, a Delaware limited partnership

Brandywine Grande B, L.P., a Delaware limited partnership

Brandywine Grande C, L.P., a Delaware limited partnership

Brandywine Greensboro Drive LP, a Delaware limited partnership

Brandywine International Drive LP, a Delaware limited partnership

Brandywine Industrial Partnership, L.P., a Delaware limited partnership

Brandywine Metroplex, L.P., a Pennsylvania limited partnership

Brandywine Midatlantic, LP, a Delaware limited partnership

Brandywine Office Investors LP, a Delaware limited partnership

Brandywine Operating Partnership, L.P., a Delaware limited partnership

Brandywine Opportunity Fund, LP, a Delaware limited partnership

Brandywine P.M., L.P., a Pennsylvania limited partnership

Brandywine Properties Management LP, a Texas limited partnership

Brandywine TB Florig, L.P., a Pennsylvania limited partnership

Brandywine TB Inn, L.P., a Pennsylvania limited partnership

Brandywine TB I, L.P., a Pennsylvania limited partnership

Brandywine TB II, L.P., a Pennsylvania limited partnership

Brandywine TB V, L.P., a Pennsylvania limited partnership

Brandywine TB VI, L.P., a Pennsylvania limited partnership

Brandywine TB VII, L.P., a Pennsylvania limited partnership

Brandywine TB VIII, L.P., a Pennsylvania limited partnership

Brandywine Wood Oak LP, a Delaware limited partnership

Brandywine 145 King of Prussia, LP, a Pennsylvania limited partnership

Brandywine 1177 Beltline Associates, L.P., a Texas limited partnership

Brandywine 3001-3003 JFK, LP, a Delaware limited partnership

Brandywine 3001-3003 JFK II, LP, a Delaware limited partnership

Brandywine 3025 JFK, LP, a Delaware limited partnership

Brandywine 3025 JFK II, LP, a Delaware limited partnership

Brandywine 3025 Market, LP, a Pennsylvania limited partnership

BT Plymouth LP, a Delaware limited partnership

C/N Leedom Limited Partnership II, a Pennsylvania limited partnership

Commerce Square Partners – Philadelphia Plaza, L.P., a Delaware limited partnership

Concord Airport Plaza Associates, LP, a California limited partnership

Eight/Oliver Brandywine Partner, L.P., a Pennsylvania limited partnership

e-Tenants.com Holding, L.P., a Pennsylvania limited partnership

Five/Oliver Brandywine Partner, L.P., a Pennsylvania limited partnership

Four Tower Bridge Associates, a Pennsylvania limited partnership

G&I VII Barton Creek LP, a Delaware limited partnership

G&I VII Barton Skyway LP, a Delaware limited partnership

G&I VII Cielo, LP a Delaware limited partnership

G&I VII Encino Trace I LP, a Delaware limited partnership

G&I VII Encino Trace II LP, a Delaware limited partnership

G&I VII Four Points LP, a Delaware limited partnership

G&I VII Lantana, LP a Delaware limited partnership

G&I VII River Place LP, a Delaware limited partnership

Iron Run Limited Partnership V, a Pennsylvania Limited Partnership

LC/N Horsham Limited Partnership, a Pennsylvania limited partnership

LC/N Keith Valley Limited Partnership I, a Pennsylvania limited partnership

Newtech IV Limited Partnership, a Pennsylvania limited partnership

New Two Logan, LP, a Pennsylvania limited partnership

OLS Office Partners, L.P., a Delaware limited partnership

One Rockledge Associates Limited Partnership, a Massachusetts limited partnership

Philadelphia Plaza – Phase II LP, a Pennsylvania limited partnership

Radnor Center Associates, a Pennsylvania limited partnership

Radnor Properties Associates-II, L.P., a Pennsylvania limited partnership

Radnor Properties-SDC, L.P., a Delaware limited partnership

Radnor Properties-200 RC Holdings, L.P., a Delaware limited partnership

Radnor Properties-200 RC, L.P., a Delaware limited partnership

Radnor Properties-201 KOP, L.P., a Delaware limited partnership

Radnor Properties-555 LA, L.P., a Delaware limited partnership

TB-BDN Plymouth Apartments, LP, a Delaware limited partnership

TB-BDN Plymouth Apartments Holdings, LP, a Delaware limited partnership

Two Logan Holdings LP, a Pennsylvania limited partnership

Two Logan Square Associates, a Pennsylvania limited partnership

Tower Bridge Inn Associates, a Pennsylvania limited partnership

Witmer Operating Partnership I, L.P., a Delaware limited partnership

405 Colorado Holdings LP, a Delaware limited partnership

618 Market Street LP, a Delaware limited partnership

1919 Market Street LP, a Delaware limited partnership

2100 Market Street LP, a Delaware limited partnership

2928 Walton Road LP, a Pennsylvania limited partnership

3000 Market LP, a Delaware limited partnership

3020 Market Holding LP, a Delaware limited partnership

3020 Market Operating LP, a Delaware limited partnership

Interstate Center Associates, a Virginia general partnership

Plymouth TFC, General Partnership, a Pennsylvania general partnership

Campus Crest at Philadelphia, GP, a Delaware general partnership

1919 Market Street Ventures, a Delaware general partnership

BDN Management Inc., a Delaware corporation

Brandywine Holdings, I, Inc., a Pennsylvania corporation

Brandywine Properties I Limited Inc., a Delaware corporation

Brandywine Realty Services Corporation, a Pennsylvania corporation

Brandywine Resources I Inc., a Delaware corporation

Southpoint Land Holdings, Inc., a Pennsylvania corporation

Valleybrooke Land Holdings, Inc., a Pennsylvania corporation

B Chestnut GP LLC, a Delaware limited liability company

BCC 1010 Wayne Avenue LLC, a Delaware limited liability company

BCC 1100 Wayne Avenue LLC, a Delaware limited liability company

BCC 8484 Georgia Avenue LLC, a Delaware limited liability company

BDN Austin Properties LLC, a Delaware limited liability company

BDN Austin Properties II LLC, a Delaware limited liability company

BDN Brokerage LLC, a Pennsylvania limited liability company

BDN Four Points GP LLC, a Delaware limited liability company

BDN Four Points Land GP LLC, a Delaware limited liability company

BDN Four Points Preserve GP LLC, a Delaware limited liability company

BDN GC Services LLC, a Delaware limited liability company

BDN GP Real Estate Fund I LLC, a Delaware limited liability company

BDN Management Holdings, LLC, a Delaware limited liability company

BDN Millennium GP, LLC, a Delaware limited liability company

BDN Millennium Holding Company, LLC, a Delaware limited liability company

BDN NoMA LLC, a Delaware limited liability company

BDN Old Eagle School I GP, LLC, a Delaware limited liability company

BDN Old Eagle School II GP, LLC, a Delaware limited liability company

BDN Old Eagle School III GP, LLC, a Delaware limited liability company

BDN Old Eagle School IV GP, LLC, a Delaware limited liability company

BDN Old Eagle School V GP, LLC, a Delaware limited liability company

BDN Old Eagle School VI GP, LLC, a Delaware limited liability company

BDN Old Eagle School VII GP, LLC, a Delaware limited liability company

BDN Properties I LLC, a Delaware limited liability company

BDN Quarry Lake II GP, LLC, a Delaware limited liability company

BDN Radnor Holding Company, LLC, a Delaware limited liability company

BDN Radnor Hospitality Holding Company, LLC, a Delaware limited liability company

BDN Radnor Hospitality Property II GP, LLC, a Delaware limited liability company

BDN Radnor Property II GP, LLC, a Delaware limited liability company

BDN Venture LLC, a Delaware limited liability company

BDN-West Elm Holding LLC, a Pennsylvania limited liability company

BOI Pacific Ridge LLC, a Delaware limited liability company

BRE/Logan I, L.L.C., a Delaware limited liability company

BRE/Logan II, L.L.C., a Delaware limited liability company

Brandywine Austin LLC, a Delaware limited liability company

Brandywine Austin Properties LLC, a Delaware limited liability company

Brandywine Boulders, LLC, a Delaware limited liability company

Brandywine Brokerage Services, LLC, A New Jersey limited liability company

Brandywine Byberry LLC, a Delaware limited liability company

Brandywine Calverton LLC, a Delaware limited liability company

Brandywine Charlottesville LLC, a Virginia limited liability company

Brandywine Cira Brokerage LLC, d Delaware limited liability company

Brandywine Cira Chestnut LLC, a Delaware limited liability company

Brandywine Cira Garage LLC, a Delaware limited liability company

Brandywine Cira Garage Holding LLC, a Delaware limited liability company

Brandywine Cira Garage Holding MM LLC, a Delaware limited liability company

Brandywine Cira, LLC, a Pennsylvania limited liability company

Brandywine Cira PO Developer LLC, a Delaware limited liability company

Brandywine Cira South GP LLC, a Delaware limited liability company

Brandywine Cira Walnut LLC, a Delaware limited liability company

Brandywine Commerce I GP LLC, a Delaware limited liability company

Brandywine Commerce II GP LLC, a Delaware limited liability company

Brandywine Commerce Sub I LLC, a Delaware limited liability company

Brandywine Commerce Sub II LLC, a Delaware limited liability company

Brandywine Continental LLC, a Delaware limited liability company

Brandywine Croton, LLC, a Pennsylvania limited liability company

Brandywine Dabney, L.L.C., a Delaware limited liability company

Brandywine Dominion, L.L.C., a Pennsylvania limited liability company

Brandywine F.C., L.L.C., a Pennsylvania limited liability company

Brandywine Garza, LLC., a Delaware limited liability company

Brandywine Garza Office I GP, LLC, a Delaware limited liability company

Brandywine Garza Office II GP, LLC, a Delaware limited liability company

Brandywine Garza Office III GP, LLC, a Delaware limited liability company

Brandywine Gateway LLC, a NJ limited liability company

Brandywine Grande B, L.L.C., a Delaware limited liability company

Brandywine Grande C LLC, a Delaware limited liability company

Brandywine Greentree V, LLC, a Delaware limited liability company

Brandywine Interstate 50, L.L.C., a Delaware limited liability company

Brandywine Lake Merritt LLC, a Delaware limited liability company

Brandywine - Main Street, LLC, a Delaware limited liability company

Brandywine Metroplex LLC., a Pennsylvania limited liability company

Brandywine Midatlantic, LLC, a Delaware limited liability company

Brandywine One Logan LLC, a Pennsylvania limited liability company

---

Brandywine One Rodney Square, L.L.C., a Delaware limited liability company

Brandywine P.M., L.L.C., a Pennsylvania limited liability company

Brandywine Piazza, L.L.C., a New Jersey limited liability company

Brandywine Plaza Ridge I, LLC, a Delaware limited liability company

Brandywine Plaza 1000, L.L.C., a New Jersey limited liability company

Brandywine Promenade, L.L.C., a New Jersey limited liability company

Brandywine Radnor 200 Holdings LLC, a Delaware limited liability company

Brandywine Radnor Center LLC, a Pennsylvania limited liability company

Brandywine Research LLC, a Delaware limited liability company

Brandywine TB Florig, LLC, a Pennsylvania limited liability company

Brandywine TB Inn, L.L.C., a Pennsylvania limited liability company

Brandywine TB I, L.L.C., a Pennsylvania limited liability company

Brandywine TB I, GP L.L.C., a Pennsylvania limited liability company

Brandywine TB V, L.L.C., a Pennsylvania limited liability company

Brandywine TB VI, L.L.C., a Pennsylvania limited liability company

Brandywine TB VII, L.L.C., a Pennsylvania limited liability company

Brandywine Tysons LLC, a Delaware limited liability company

Brandywine Wisconsin Avenue Financing LLC, a Delaware limited liability company

Brandywine Witmer, L.L.C., a Pennsylvania limited liability company

Brandywine 55 US Avenue LLC, a New Jersey limited liability company

Brandywine 145 King of Prussia, LLC, a Pennsylvania limited liability company

Brandywine 300 Delaware, LLC, a Delaware limited liability company

Brandywine 1177 Beltline Associates GP, LLC, a Delaware limited liability company

Brandywine 2201 Co-Way LLC a Delaware limited liability company

Brandywine 2201 Co-Way II LLC, a Delaware limited liability company

Brandywine 3001 Market, LLC, a Delaware limited liability company

Brandywine 3001-3003 HoldCo, LLC, a Delaware limited liability company

Brandywine 3001-3003 JFK II, LLC, a Delaware limited liability company

Brandywine 3025 JFK II, LLC, a Delaware limited liability company

Brandywine 3025 Market Holdings, LLC, a Delaware limited liability company

BT Plymouth GP, LLC, a Delaware limited liability company

Chestnut Venture LLC, a Delaware limited liability company

Christiana Center Operating Company I LLC, a Delaware limited liability company

Christiana Center Operating Company II LLC, a Delaware limited liability company

Christiana Center Operating Company III LLC, a Delaware limited liability company

e-Tenants LLC, a Delaware limited liability company

G&I VI 7150 Windsor MZ LLC, a Delaware limited liability company

G&I VI 7310 Tilghman MZ LLC, a Delaware limited liability company

G&I VI 7310 Tilghman FE LLC, a Delaware limited liability company

G&I VI 7248 Tilghman GP LLC, a Delaware limited liability company

G&I VI 7248 Tilghman LP LLC, a Delaware limited liability company

G&I VI 6575 Snowdrift GP LLC, a Delaware limited liability company

G&I VI 6575 Snowdrift LP LLC, a Delaware limited liability company

G&I VI 7350 Tilghman MZ LLC, a Delaware limited liability company

G&I VI 655/755 Business Center MZ LLC, a Delaware limited liability company

G&I VI 655/755 Business Center FE LLC, a Delaware limited liability company

G&I VI 1155 Business Center MZ LLC, a Delaware limited liability company

G&I VI 1155 Business Center FE LLC, a Delaware limited liability company

G&I VI 700/800 Business Center MZ LLC, a Delaware limited liability company

G&I VI 700/800 Business Center FE LLC, a Delaware limited liability company

G&I VI 630 Dresher MZ LLC, a Delaware limited liability company

G&I VI 630 Dresher FE LLC, a Delaware limited liability company

G&I VI 650 Dresher MZ LLC, a Delaware limited liability company

G&I VI 650 Dresher FE LLC, a Delaware limited liability company

G&I VI 300 Welsh 1/2 MZ LLC, a Delaware limited liability company

G&I VI 300 Welsh 1/2 FE LLC, a Delaware limited liability company

G&I VI One Greenwood MZ LLC, a Delaware limited liability company

G&I VI One Greenwood FE LLC, a Delaware limited liability company

G&I VI Two Greenwood MZ LLC, a Delaware limited liability company

G&I VI Two Greenwood FE LLC, a Delaware limited liability company

G&I VI Three Greenwood MZ LLC, a Delaware limited liability company

G&I VI Three Greenwood FE LLC, a Delaware limited liability company

G&I VI 500 Office Center MZ LLC, a Delaware limited liability company

G&I VI 500 Office Center FE LLC, a Delaware limited liability company

G&I VI 501 Office Center MZ LLC, a Delaware limited liability company

G&I VI 501 Office Center FE LLC, a Delaware limited liability company

G&I VI 321/323 Norristown MZ LLC, a Delaware limited liability company

G&I VI 321/323 Norristown FE LLC, a Delaware limited liability company

G&I VI 220 Commerce MZ LLC, a Delaware limited liability company

G&I VI 220 Commerce FE LLC, a Delaware limited liability company

G&I VI 520 Virginia MZ LLC, a Delaware limited liability company

G&I VI 520 Virginia FE LLC, a Delaware limited liability company

G&I VI Interchange Office LLC, a Delaware limited liability company

G&I VII Austin Office LLC, a Delaware limited liability company

G&I VII Barton Creek GP LLC, a Delaware limited liability company

G&I VII Barton Skyway GP LLC, a Delaware limited liability company

G&I VII Cielo GP LLC, a Delaware limited liability company

G&I VII Encino Trace I GP LLC, a Delaware limited liability company

G&I VII Encino Trace II GP LLC, a Delaware limited liability company

G&I VII Four Points GP LLC, a Delaware limited liability company

G&I VII Lantana GP LLC, a Delaware limited liability company

G&I VII River Place GP LLC, a Delaware limited liability company

Gateway EH, LLC, a New Jersey limited liability company

Gateway EH 4/5, LLC, a New Jersey limited liability company

HSRE-Campus Crest IX, LLC, a Delaware limited liability company

MAP Ground Lease Venture LLC, a Delaware limited liability company

MAP Mezzanine Borrower LLC, a Delaware limited liability company

MAP Ground Lease Owner LLC, a Delaware limited liability company

Mid-Atlantic Property Holdings LLC, a Delaware limited liability company

New Two Logan GP, LLC, a Pennsylvania limited liability company

Radnor GP, L.L.C., a Delaware limited liability company

Radnor GP-SDC, L.L.C., a Delaware limited liability company

Radnor GP-200 RC, L.L.C., a Delaware limited liability company

Radnor GP-201 KOP, L.L.C., a Delaware limited liability company

Radnor GP-555 LA, L.L.C., a Delaware limited liability company

PJP Building Two, L.C., a Virginia limited liability company

PJP Building Five, L.C., a Virginia limited liability company

PJP Building Six, L.C., a Virginia limited liability company

PJP Building Seven, L.C., a Virginia limited liability company

TB-BDN Plymouth Apartments Holdings GP, LLC, a Delaware limited liability company

Walnut Street Hospitality LLC, a Delaware limited liability company

25 M Street Holdings LLC, a Delaware limited liability company

405 Colorado Holdings GP LLC a Delaware limited liability company

618 Market Holdco General Partner LLC, a Delaware limited liability company

618 Market Mezz Holdco LLC, a Delaware limited liability company

720 Blair Mill Road LLC, a Delaware limited liability company

1919 Market Holdco General LLC, a Delaware limited liability company

2100 Market Holdco General Partner LLC, a Delaware limited liability company

2100 Market Mezz Holdco LLC, a Delaware limited liability company

2928 Walton LLC, a Delaware limited liability company

3000 Market Mezz LLC, a Delaware limited liability company

3000 Market Mezz Holdco LLC, a Delaware limited liability company

3000 Market Holdco General Partner, LLC, a Delaware limited liability company

3020 Market Holding GP LLC, a Delaware limited liability company

3130 Fairview LLC, a Delaware limited liability company

3141 Fairview LLC, a Delaware limited liability company

4040 LLC, a Virginia limited liability company

1000 Chesterbrook Boulevard Partnership, a Pennsylvania general partnership

Atlantic American Properties Trust, a Maryland real estate investment trust

BOI Herndon Trust, a Maryland real estate investment trust

BOI President's Plaza Trust, a Maryland real estate investment trust

BOI Rancho Bernardo Bluffs Trust, a Maryland real estate investment trust

Brandywine Capital Trust I, a Delaware statutory trust

Brandywine Capital Trust II, a Delaware statutory trust

Broadmoor Austin Associates, a Texas joint venture

Coppel Associates, a Texas joint venture

Seven Tower Bridge Associates, a Pennsylvania limited partnership

Seven Tower Bridge Real Estate Investment Trust, a Maryland real estate investment trust

Brandywine – AI Venture LLC, a Delaware limited liability company

G&I VI Interchange Office LLC, a Delaware limited liability company

G&I VII Austin Office LLC, a Delaware limited liability company

Iron Run Venture II LLC, a Delaware limited liability company

One Rockledge Associates Limited Partnership, a Massachusetts limited partnership

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-216822, 333- 158590, 333-52952) and on form S-8 (Nos. 333-14243, 333-28427, 333-52957, 333-123446, 333-125311, 333-131171, 333-141906, 333-142752, 333-142754, 333-167266, 333-218117) of Brandywine Realty Trust of our report dated February 22, 2019 relating to the financial statements and financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 22, 2019

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-216822-01) of Brandywine Operating Partnership, L.P. of our report dated February 22, 2019 relating to the financial statements and financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 22, 2019

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS AMENDED

I, Gerard H. Sweeney, certify that:

1. I have reviewed this annual report on Form 10-K of Brandywine Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2019

/s/ Gerard H. Sweeney
Gerard H. Sweeney
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS AMENDED

I, Thomas E. Wirth, certify that:

1. I have reviewed this annual report on Form 10-K of Brandywine Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2019

/s/ Thomas E. Wirth
Thomas E. Wirth
Executive Vice President and Chief Financial Officer

Exhibit 31.3

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS AMENDED

I, Gerard H. Sweeney, certify that:

1. I have reviewed this annual report on Form 10-K of Brandywine Operating Partnership, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2019

/s/ Gerard H. Sweeney
Gerard H. Sweeney
President and Chief Executive Officer

Exhibit 31.4

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS AMENDED

I, Thomas E. Wirth, certify that:

1. I have reviewed this annual report on Form 10-K of Brandywine Operating Partnership, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2019

/s/ Thomas E. Wirth
Thomas E. Wirth
Executive Vice President and Chief Financial Officer

Exhibit 32.1

RULE 13(a)-14(b) CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002*

In connection with the Annual Report of Brandywine Realty Trust (the “Company”) on Form 10-K for the fiscal year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gerard H. Sweeney, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gerard H. Sweeney
Gerard H. Sweeney
President and Chief Executive Officer
Date: February 22, 2019

* A signed original of this written statement required by Section 906 has been provided to Brandywine Realty Trust and will be retained by Brandywine Realty Trust and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

RULE 13(a)-14(b) CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002*

In connection with the Annual Report of Brandywine Realty Trust (the “Company”) on Form 10-K for the fiscal year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas E. Wirth, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas E. Wirth
Thomas E. Wirth
Executive Vice President and Chief Financial Officer
Date: February 22, 2019

* A signed original of this written statement required by Section 906 has been provided to Brandywine Realty Trust and will be retained by Brandywine Realty Trust and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.3

RULE 13(a)-14(b) CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002*

In connection with the Annual Report of Brandywine Operating Partnership, L.P. (the “Partnership”) on Form 10-K for the fiscal year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gerard H. Sweeney, President and Chief Executive Officer of Brandywine Realty Trust, the Partnership's sole general partner, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gerard H. Sweeney
Gerard H. Sweeney
President and Chief Executive Officer
Date: February 22, 2019

* A signed original of this written statement required by Section 906 has been provided to Brandywine Realty Trust and will be retained by Brandywine Realty Trust and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.4

RULE 13(a)-14(b) CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002*

In connection with the Annual Report of Brandywine Operating Partnership, L.P. (the “Partnership”) on Form 10-K for the fiscal year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas E. Wirth, Executive Vice President and Chief Financial Officer of Brandywine Realty Trust, the Partnership's sole general partner, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas E. Wirth
Thomas E. Wirth
Executive Vice President and Chief Financial Officer
Date: February 22, 2019

* A signed original of this written statement required by Section 906 has been provided to Brandywine Realty Trust and will be retained by Brandywine Realty Trust and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.1

MATERIAL FEDERAL INCOME TAX CONSIDERATIONS

The following discussion describes the material U.S. federal income tax considerations relating to the purchase, ownership and disposition of Brandywine Realty Trust's ("**Brandywine**") common shares, preferred shares and debt securities and debt securities of the Operating Partnership, and the qualification and taxation of Brandywine as a REIT under the Internal Revenue Code of 1986, as amended (the "**Code**"). This discussion reflects changes to the U.S. federal income tax laws made by legislation commonly referred to as the Tax Cuts and Jobs Act (the "**TCJA**"), which was signed into law on December 22, 2017. The TCJA is a far-reaching and complex revision to the U.S. federal income tax laws with disparate and, in some cases, countervailing impacts on different categories of taxpayers and industries, and it is anticipated that it will require subsequent rulemaking in a number of areas.

Because this is a summary that is intended to address only material U.S. federal income tax considerations relating to the ownership and disposition of Brandywine's common shares, preferred shares or debt securities and debt securities of the Operating Partnership that will apply to all holders, this summary may not contain all the information that may be important to you. As you review this discussion, you should keep in mind that:

- the tax consequences to you may vary depending on your particular tax situation;
- special rules that are not discussed below may apply to you if, for example, you are a tax-exempt organization, a broker-dealer, a non-U.S. person, a trust, an estate, a regulated investment company, a REIT, a financial institution, an insurance company, a holder of debt securities or shares through a partnership or other pass-through entity, an entity treated as a U.S. corporation by virtue of the inversion rules, or otherwise subject to special tax treatment under the Code;
- this summary does not address state, local or non-U.S. tax considerations;
- this summary deals only with our shareholders and debt holders that hold common shares, preferred shares or debt securities as "capital assets" within the meaning of Section 1221 of the Code;
- tax rules are subject to change, potentially with retroactive effect; and
- this discussion is not intended to be, and should not be construed as, tax advice.

You are urged both to review the following discussion and to consult with your own tax advisor to determine the effect of ownership and disposition of our common shares, preferred shares or debt securities and debt securities of the Operating Partnership on your individual tax situation, including any state, local or non-U.S. tax consequences.

The information in this summary is based on the Code, current, temporary and proposed Treasury regulations, the legislative history of the Code, current administrative interpretations and practices of the Internal Revenue Service (the "**IRS**"), including its practices and policies as endorsed in private letter rulings, which are not binding on the IRS, and existing court decisions. Future legislation, regulations, administrative interpretations and court decisions could change current law or adversely affect existing interpretations of current law. Any change could apply retroactively. We have not obtained any rulings from the IRS concerning the status of Brandywine as a REIT or of the Operating Partnership as a partnership. Therefore, it is possible that the IRS could challenge the statements in this summary, which do not bind the IRS or the courts, and that a court could agree with the IRS.

Taxation of the Company

Qualification of Brandywine as a REIT

Brandywine first elected to be taxed as a REIT for the taxable year ended December 31, 1986. A REIT generally is not subject to federal income tax on the income that it distributes to its shareholders if it meets the applicable REIT distribution requirements and other requirements for qualification.

We believe that we are organized and have operated in such a manner so as to qualify as a REIT, but there can be no assurance that we have qualified or will remain qualified as a REIT.

Qualification and taxation as a REIT depends on our ability to meet, on a continuing basis, through actual operating results, distribution levels, and diversity of stock ownership, various qualification requirements imposed upon REITs by the Code. Our ability to qualify as a REIT also requires that we satisfy certain asset tests, some of which depend upon the fair market values of assets directly or indirectly owned by us. Such values may not be susceptible to a precise determination. While we intend to continue to operate in a manner that will allow us to qualify as a REIT, no assurance can be given that the actual results of our operations for any taxable year will satisfy such requirements for qualification and taxation as a REIT.

Taxation of Brandywine as a REIT

If we qualify for taxation as a REIT, we generally will not be subject to federal corporate income taxes on that portion of our ordinary income or capital gain that we distribute currently to our shareholders, because the REIT provisions of the Code generally allow a REIT a deduction for distributions paid to its shareholders. This deduction substantially eliminates the "double taxation" on earnings (taxation at both the corporate level and shareholder level) that generally results from investment in a corporation. However, even if we qualify for taxation as a REIT, we will be subject to federal income tax as follows:

- We will be taxed at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains;
- Under certain circumstances, for tax years beginning before January 1, 2018, we may be subject to the "alternative minimum tax" on our items of tax preference, if any;
- If we have net income from prohibited transactions (which are, in general, certain sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business) such income will be subject to a 100% tax (See "-Sale of Partnership Property)";
- If we elect to treat property that we acquire in connection with a foreclosure of a mortgage loan or leasehold as "foreclosure property," we may thereby avoid the 100% tax on gain from a resale of that property (if the sale would otherwise constitute a prohibited transaction), but the income from the sale or operation of the property (and any other non-qualifying income from foreclosure property) may be subject to corporate income tax at the highest applicable rate (35% for tax years beginning on or before December 31, 2017 and 21% for tax years beginning after that date);
- If we should fail to satisfy the 75% gross income test or the 95% gross income test (each as discussed below), and nonetheless have maintained our qualification as a REIT because certain other requirements have been met, we will be subject to a 100% tax on the net income attributable to the greater of the amount by which we fail the 75% or 95% test, multiplied by a fraction intended to reflect our profitability;
- If we fail to satisfy any of the REIT asset tests, as discussed below, by more than a *de minimis* amount, but our failure is due to reasonable cause and not due to willful negligence and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to the greater of $50,000 or the highest applicable rate for corporate taxpayers (35% for tax years beginning on or before December 31, 2017 and 21% for tax years beginning after that date) of the net income generated by the non-qualifying assets during the period in which we failed to satisfy the asset tests;
- If we fail to satisfy any provision of the Code that would result in our failure to qualify as a REIT (other than a gross income or asset test requirement) and that violation is due to reasonable cause and not due to willful negligence, we may retain our REIT qualification, but we will be required to pay a penalty of $50,000 for each such failure;
- We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet record-keeping requirements intended to monitor our compliance with rules relating to the composition of our shareholders, as described below in "-Requirements for Qualification as a REIT";
- If we should fail to distribute during each calendar year at least the sum of (a) 85% of our REIT ordinary income for such year, (b) 95% of our REIT capital gain net income for such year and (c) any undistributed taxable income from prior years, we would be subject to a 4% excise tax on the excess of such required distribution over the sum of (i) the amounts actually distributed plus (ii) retained amounts on which corporate level tax is paid by us;
- We may elect to retain and pay income tax on our net long-term capital gain, and in that case, a shareholder would include its proportionate share of our undistributed long-term capital gain in its income and would be allowed a credit for its proportionate share of the tax we paid;
- A 100% excise tax may be imposed on some items of income and expense that are directly or constructively paid between us, our tenants and/or our taxable REIT subsidiaries if and to the extent that the Internal Revenue Service successfully adjusts the reported amounts of these items;
- If we acquire appreciated assets from a C corporation (a corporation generally subject to corporate level tax) in a transaction in which the adjusted tax basis of the assets in our hands is determined by reference to the adjusted tax basis of the assets in the hands of the C corporation, we may be subject to tax on such appreciation at the highest corporate income tax rate then applicable if we subsequently recognize gain on a disposition of such assets during the five-year period following their acquisition from the C corporation, unless the C corporation elects to treat the assets as if they were sold for their fair market value at the time of our acquisition; and
- Income earned by any of our taxable REIT subsidiaries will be subject to tax at regular corporate rates.

Requirements for Qualification as a REIT

We elected to be taxable as a REIT for U.S. federal income tax purposes for our taxable year ended December 31, 1986. In order to have so qualified, we must have met and continue to meet the requirements discussed below, relating to our organization, sources of income, nature of assets and distributions of income to shareholders.

The Code defines a REIT as a corporation, trust or association:

1. that is managed by one or more trustees or directors;
2. the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest;
3. that would be taxable as a domestic corporation but for the special Code provisions applicable to REITs;
4. that is neither a financial institution nor an insurance company subject to certain provisions of the Code;
5. the beneficial ownership of which is held by 100 or more persons;
6. in which, during the last half of each taxable year, not more than 50% in value of the outstanding shares is owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include specified entities), after applying certain attribution rules;
7. that makes an election to be taxable as a REIT, or has made this election for a previous taxable year which has not been revoked or terminated, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status;
8. that uses a calendar year for federal income tax purposes and complies with the record keeping requirements of the Code and the Treasury Regulations; and
9. that meets other applicable tests, described below, regarding the nature of its income and assets and the amount of its distributions.

Conditions (1) through (4) must be satisfied during the entire taxable year, and condition (5) must be satisfied during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months.

We have previously issued common shares in sufficient proportions to allow us to satisfy requirements (5) and (6) (the “100 Shareholder” and “five-or-fewer” requirements). In addition, our Declaration of Trust provides restrictions regarding the transfer of our shares that are intended to assist us in continuing to satisfy the requirements described in conditions (5) and (6) above. However, these restrictions may not ensure that we will, in all cases, be able to satisfy the requirements described in conditions (5) and (6) above. In addition, we have not obtained a ruling from the Internal Revenue Service as to whether the provisions of our Declaration of Trust concerning restrictions on transfer and conversion of common shares to “Excess Shares” will allow us to satisfy conditions (5) and (6). If we fail to satisfy such share ownership requirements, our status as a REIT will terminate. However, if the failure to meet the share ownership requirements is due to reasonable cause and not due to willful neglect, we may avoid termination of our REIT status by paying a penalty of $50,000.

To monitor compliance with the share ownership requirements, we are required to maintain records regarding the actual ownership of our shares. To do so, we must demand written statements each year from the record holders of certain percentages of our shares in which the record holders are to disclose the actual owners of the shares (the persons required to include in gross income the dividends paid by us). A list of those persons failing or refusing to comply with this demand must be maintained as part of our records. Failure by us to comply with these record-keeping requirements could subject us to monetary penalties. If we satisfy these requirements and have no reason to know that condition (6) is not satisfied, we will be deemed to have satisfied such condition. A shareholder that fails or refuses to comply with the demand is required by Treasury Regulations to submit a statement with its tax return disclosing the actual ownership of the shares and other information.

Qualified REIT Subsidiaries

The Code provides that a corporation that is a “qualified REIT subsidiary” shall not be treated as a separate corporation, and all assets, liabilities and items of income, deduction and credit of a “qualified REIT subsidiary” shall be treated as assets, liabilities and items of income, deduction and credit of the REIT. A “qualified REIT subsidiary” is a corporation, all of the capital stock of which is owned by the REIT, that has not elected to be a “taxable REIT subsidiary” (discussed below). In applying the requirements described herein, all of our “qualified REIT subsidiaries” will be ignored, and all assets, liabilities and items of income, deduction and credit of such subsidiaries will be treated as our assets, liabilities and items of income, deduction and credit. These subsidiaries, therefore, will not be subject to federal corporate income taxation, although they may be subject to state and local taxation.

In the event that a qualified REIT subsidiary or another entity that is a disregarded subsidiary for U.S. federal income tax purposes ceases to be wholly owned by us (for example, if any equity interest in the subsidiary is acquired by a person other than us or another disregarded subsidiary of us), the subsidiary’s separate existence would no longer be disregarded for U.S. federal income tax purposes. Instead, it would have multiple owners and would be treated as either a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect our ability to satisfy the various asset and gross income tests applicable to REITs, including the requirement that REITs generally may not own, directly or indirectly, more than 10% of the value or voting power of the outstanding securities of another corporation. See “-Asset Tests” and “-Income Tests.”

Taxable REIT Subsidiaries

A REIT may generally jointly elect with a subsidiary corporation, whether or not wholly owned, to treat the subsidiary as a "taxable REIT subsidiary." In addition, if a taxable REIT subsidiary owns, directly or indirectly, securities representing 35% or more of the vote or value of a subsidiary corporation, that subsidiary will also be treated as a taxable REIT subsidiary. A taxable REIT subsidiary is a corporation subject to U.S. federal income tax, and state and local income tax where applicable, as a regular "C" corporation. We generally may not own more than 10%, as measured by voting power or value, of the securities of a corporation that is not a qualified REIT subsidiary unless we and such corporation elect to treat such corporation as a taxable REIT subsidiary. Overall, no more than 20% of the value of a REIT's assets (25% for taxable years beginning before January 1, 2018) may consist of stock or securities of one or more taxable REIT subsidiaries.

Income earned by a taxable REIT subsidiary is not attributable to us. Rather, the stock issued by a taxable REIT subsidiary to us is an asset in our hands, and we treat dividends paid to us from such taxable REIT subsidiary, if any, as income. This income can affect our income and asset tests calculations, as described below. As a result, income that might not be qualifying income for purposes of the income tests applicable to REITs could be earned by a taxable REIT subsidiary without affecting our status as a REIT. For example, a taxable REIT subsidiary of ours can perform some impermissible tenant services without causing us to receive impermissible tenant services income under the REIT income tests.

However, several provisions regarding the arrangements between a REIT and its taxable REIT subsidiaries ensure that a taxable REIT subsidiary will be subject to an appropriate level of United States federal income taxation. Further, the rules impose a 100% excise tax on certain transactions between a taxable REIT subsidiary and its parent REIT or the REIT's tenants that are not conducted on an arm's-length basis. The 100% tax also will apply to "redetermined services income," meanings non-arm's-length income of a taxable REIT subsidiary attributable to services provided to, or on behalf of, its parent REIT (other than services provided to the REIT's tenants, which are potentially taxed as "redetermined rents"). A taxable REIT subsidiary may also engage in other activities that, if conducted by us other than through a taxable REIT subsidiary, could result in the receipt of non-qualified income or the ownership of non-qualified assets.

For taxable years beginning after December 31, 2017, taxpayers are subject to a limitation on their ability to deduct net business interest generally equal to 30% of adjusted taxable income, subject to certain exceptions. This provision may limit the ability of our taxable REIT subsidiaries to deduct interest, which could increase their taxable income.

Ownership of Partnership Interests by a REIT

A REIT that is a partner in a partnership is deemed to own its proportionate share of the assets of the partnership and is deemed to receive the income of the partnership attributable to such share. In addition, the character of the assets and gross income of the partnership retains the same character in the hands of the REIT (except that for purposes of the 10% of value asset test, described below, our proportionate share of the partnership's assets is based on our proportionate interest in the equity and certain debt securities issued by the partnership, as described in the Code). Accordingly, our proportionate share of the assets, liabilities and items of income of the Operating Partnership are treated as assets, liabilities and items of income of ours for purposes of applying the requirements described herein. Brandywine has control over the Operating Partnership and most of the partnership and limited liability company subsidiaries of the Operating Partnership and intends to operate them in a manner that is consistent with the requirements for qualification of Brandywine as a REIT.

Income Tests

In order to qualify as a REIT, Brandywine must generally satisfy two gross income requirements on an annual basis. First, at least 75% of our gross income (excluding gross income from prohibited transactions) for each taxable year must be derived directly or indirectly from the following: investments relating to real property or mortgages on real property, including "rents from real property"; dividends received from other REITs; interest income derived from mortgage loans secured by real property (including certain types of mortgage-backed securities); interest on mortgage loans secured by both real and personal property if the fair market value of such personal property does not exceed 15% of the total fair market value of all property securing the loans; gains from the sale of real estate assets (except for gain from a nonqualified publicly offered REIT debt instrument (as defined below)); and income from certain kinds of temporary investments. Second, at least 95% of our gross income (excluding gross income from prohibited transactions) for each taxable year must be derived from the same items which qualify under the 75% gross income test, and from dividends, interest and gain from the sale or disposition of securities, which need not have any relation to real property.

Rents received by a REIT will qualify as "rents from real property" in satisfying the gross income requirements described above only if several conditions are met.

- The amount of rent must not be based in whole or in part on the income or profits of any person. However, an

  amount received or accrued generally will not be excluded from the term "rents from real property" solely by reason of being based on a fixed percentage or percentages of gross receipts or sales.
- Rents received from a tenant will not qualify as "rents from real property" in satisfying the gross income tests if the REIT, or a direct or indirect owner of 10% or more of the REIT, directly or constructively, owns 10% or more of such tenant (a "Related Party Tenant"). However, rental payments from a taxable REIT subsidiary will qualify as rents from real property even if we own more than 10% of the total value or combined voting power of the taxable REIT subsidiary if at least 90% of the property is leased to unrelated tenants and the rent paid by the taxable REIT subsidiary is substantially comparable to the rent paid by the unrelated tenants for comparable space.
- Rent attributable to personal property leased in connection with a lease of real property will not qualify as "rents from real property" if such rent exceeds 15% of the total rent received under the lease.
- For rents received to qualify as "rents from real property," we generally must not operate or manage the property or furnish or render services to tenants, except through an "independent contractor" who is adequately compensated and from whom the REIT derives no income, or through a taxable REIT subsidiary. The "independent contractor" requirement, however, does not apply to the extent the services provided by the REIT are "usually or customarily rendered" in connection with the rental of space for occupancy only, and are not otherwise considered "rendered to the occupant." In addition, a *de minimis* rule applies with respect to non-customary services. Specifically, if the value of the non-customary service income with respect to a property (valued at no less than 150% of the direct costs of performing such services) is 1% or less of the total income derived from the property, then all rental income except the non-customary service income will qualify as "rents from real property." A taxable REIT subsidiary may provide services (including non-customary services) to a REIT's tenants without "tainting" any of the rental income received by the REIT, and it will be able to manage or operate properties for third parties and generally engage in other activities unrelated to real estate.

We do not anticipate receiving rent that is based in whole or in part on the income or profits of any person (except by reason of being based on a fixed percentage or percentages of gross receipts or sales consistent with the rules described above). We also do not anticipate receiving more than a *de minimis* amount of rents from any Related Party Tenant or rents attributable to personal property leased in connection with real property that will exceed 15% of the total rents received with respect to such real property.

We provide services to our properties that we own through the Operating Partnership, and we believe that all of such services will be considered "usually or customarily rendered" in connection with the rental of space for occupancy only so that the provision of such services will not jeopardize the qualification of rent from the properties as "rents from real property." In the case of any services that are not "usual and customary" under the foregoing rules, we intend to employ an "independent contractor" or a taxable REIT subsidiary to provide such services.

The Operating Partnership may receive certain types of income that will not qualify under the 75% or 95% gross income tests. In particular, dividends received from a taxable REIT subsidiary will not qualify under the 75% test. We believe, however, that the aggregate amount of such items and other non-qualifying income in any taxable year will not cause Brandywine to exceed the limits on non-qualifying income under either the 75% or 95% gross income tests.

If Brandywine fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, Brandywine may nevertheless qualify as a REIT for such year if it is entitled to relief under certain provisions of the Code. These relief provisions will be generally available if (1) the failure to meet such tests was due to reasonable cause and not due to willful neglect, (2) we have attached a schedule of the sources of our income to our return and (3) any incorrect information on the schedule was not due to fraud with intent to evade tax. In addition, we must also file a disclosure schedule with the IRS after we determine that we have not satisfied one of the gross income tests. It is not possible, however, to state whether in all circumstances Brandywine would be entitled to the benefit of these relief provisions. As discussed above in "-Taxation of Brandywine as a REIT," even if these relief provisions apply, a tax would be imposed based on the non-qualifying income.

Asset Tests

At the close of each quarter of each taxable year, Brandywine must satisfy the following five tests relating to the nature of our assets:

First, at least 75% of the value of our total assets must be represented by some combination of "real estate assets," cash or cash items, U.S. government securities, and, under some circumstances, stock or debt instruments purchased with new capital. For this purpose, "real estate assets" include interests in real property, such as land, buildings, leasehold interests in real property, stock of other REITs, certain kinds of mortgage-backed securities and mortgage loans, and: (i) personal property leased in connection with real property to the extent that the rents from personal property are treated as "rent from real property" for purposes of the 75% income test, and (ii) debt instruments issued by publicly offered REITs. Assets that do not qualify for purposes of the 75% test are subject to the additional asset tests described below, while securities that do qualify for purposes of the 75% test are generally not subject to the additional asset tests.

Second, the value of any one issuer's securities we own may not exceed 5% of the value of our total assets.

Third, we may not own more than 10% of the vote or value of any one issuer's outstanding securities. The 5% and 10% tests do not apply to our interests in the Operating Partnership, non-corporate subsidiaries, taxable REIT subsidiaries and any qualified REIT subsidiaries, and the 10% value test does not apply with respect to certain "straight debt" securities.

The safe harbor under which certain types of securities are disregarded for purposes of the 10% value limitation includes (1) straight debt securities (including straight debt securities that provides for certain contingent payments); (2) any loan to an individual or an estate; (3) any rental agreement described in Section 467 of the Code, other than with a "related person"; (4) any obligation to pay rents from real property; (5) certain securities issued by a State or any political subdivision thereof, or the Commonwealth of Puerto Rico; (6) any security issued by a REIT; and (7) any other arrangement that, as determined by the Secretary of the Treasury, is excepted from the definition of a security. In addition, for purposes of applying the 10% value limitation, (a) a REIT's interest as a partner in a partnership is not considered a security; (b) any debt instrument issued by a partnership is not treated as a security if at least 75% of the partnership's gross income is from sources that would qualify for the 75% REIT gross income test and (c) any debt instrument issued by a partnership is not treated as a security to the extent of the REIT's interest as a partner in the partnership.

Fourth, not more than 20% (25% for taxable years beginning before January 1, 2018) of the value of our assets may be represented by securities of one or more taxable REIT subsidiaries.

Fifth, not more than 25% of the value of our total assets may be represented by "nonqualified publicly offered REIT debt instruments." "Nonqualified publicly offered REIT debt instruments" are debt instruments issued by publicly offered REITs that are not secured by a mortgage on real property.

We may own, directly or indirectly, common shares of certain entities that have elected or will elect to be treated as a real estate investment trusts ("Captive REITs"). Provided that each of the Captive REITs continues to qualify as a REIT (including satisfaction of the ownership, income, asset and distribution tests discussed herein) the common shares of the Captive REITs will qualify as real estate assets under the 75% test. However, if any Captive REIT fails to qualify as a REIT in any year, then the common shares of such Captive REIT will not qualify as real estate assets under the 75% test. In addition, if we own, directly or indirectly, more than 10% of the common shares of each Captive REIT, Brandywine would not satisfy the 10% test if any Captive REIT were to fail to qualify as a REIT. Accordingly, Brandywine's qualification as a REIT depends upon the ability of any more than 10% owned Captive REIT to continue to qualify as a REIT.

After initially meeting the asset tests at the close of any quarter, Brandywine will not lose its status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If the failure to satisfy the asset tests results from an acquisition of securities or other property during a quarter, the failure can be cured by disposition of sufficient non-qualifying assets within 30 days after the close of that quarter. We intend to maintain adequate records of the value of our assets to ensure compliance with the asset tests, and to take such other action within 30 days after the close of any quarter as may be required to cure any noncompliance. However, there can be no assurance that such other action will always be successful. If we fail to cure any noncompliance with the asset tests within such time period, our status as a REIT would be lost.

The Code provides relief from certain failures to satisfy the REIT asset tests. If the failure relates to the 5% test or 10% test, and if the failure is *de minimis* (does not exceed the lesser of $10 million or 1% of our assets as of the end of the quarter), we may avoid the loss of our REIT status by disposing of sufficient assets to cure the failure within 6 months after the end of the quarter in which the failure was identified. For failures to meet the asset tests that are more than a *de minimis* amount, we may avoid the loss of our REIT status if: (1) the failure was due to reasonable cause, (2) we file a disclosure schedule at the end of the quarter in which the failure was identified, (3) we dispose of sufficient assets to cure the failure within 6 months after the end of the quarter and (4) we pay a tax equal to the greater of $50,000 or the highest corporate tax rate multiplied by the net income generated by the non-qualifying assets.

Annual Distribution Requirements

In order to qualify as a REIT, Brandywine is required to distribute dividends (other than capital gain dividends) to our shareholders in an amount at least equal to (1) the sum of (a) 90% of its "REIT taxable income" (computed without regard to the dividends paid deduction and the REIT's net capital gain or loss) and (b) 90% of the net income (after tax), if any, from foreclosure property, minus (2) certain "excess" non-cash income as defined in the Code. These distributions must be paid in the taxable year to which they relate, or in the following taxable year if such distributions are declared in October, November or December of the taxable year, are payable to shareholders of record on a specified date in any such month, and are actually paid before the end of January of the following year.

Such distributions are treated as both paid by us and received by our shareholders on December 31 of the year in which they are declared.

For taxable years beginning after December 31, 2017, unless it elects otherwise, Brandywine's deduction for net business interest expense will generally be limited to 30% of its taxable income, as adjusted for certain items of income, gain, deduction or loss. Any business interest deduction that is disallowed due to this limitation may be carried forward to future taxable years. If Brandywine is subject to this interest expense limitation, its REIT taxable income for a taxable year may be increased. Taxpayers that conduct certain real estate businesses may elect not to have this interest expense limitation apply to them, provided that they use an alternative depreciation system to depreciate certain property. Brandywine may be eligible to make this election. If Brandywine makes this election, although it would not be subject to the interest expense limitation described above, its depreciation deductions may be reduced and, as a result, its REIT taxable income for a taxable year may be increased.

In addition, at our election, a distribution for a taxable year may be declared before we timely file our tax return for the year provided we pay such distribution with or before our first regular dividend payment after such declaration, and such payment is made during the 12-month period following the close of such taxable year. Such distributions are taxable to our shareholders in the year in which paid, even though the distributions relate to our prior taxable year for purposes of the 90% distribution requirement.

To the extent that we distribute at least 90%, but less than 100%, of our net taxable income, we will be subject to tax at ordinary corporate tax rates on the retained portion. In addition, we may elect to retain, rather than distribute our net long-term capital gains and pay tax on such gains. In this case, we would elect to have our shareholders include their proportionate share of such undistributed long-term capital gains in their income and receive a corresponding credit for their proportionate share of the tax paid by us. Our shareholders would then increase their adjusted basis in our shares by the difference between the amount included in their long-term capital gains and the tax deemed paid with respect to their shares.

If we should fail to distribute during each calendar year (or, in the case of distributions with declaration and record dates falling in the last three months of the calendar year, by the end of January following such calendar year) at least the sum of (1) 85% of our REIT ordinary income for such year, (2) 95% of our REIT net capital gain income for such year and (3) any undistributed taxable income from prior periods, we would be subject to a 4% excise tax on the excess of such required distribution over the sum of (a) the amounts actually distributed plus (b) retained amounts on which corporate level tax is paid by us.

Brandywine intends to make timely distributions sufficient to satisfy the annual distribution requirements. In this regard, the limited partnership agreement of the Operating Partnership authorizes Brandywine, as general partner, to operate the partnership in a manner that will enable it to satisfy the REIT requirements and avoid the imposition of any federal income or excise tax liability. It is possible that we, from time to time, may not have sufficient cash or other liquid assets to meet the 90% distribution requirement. This could arise, for example, when there is an expenditure of cash for nondeductible items such as principal amortization or capital expenditures. In addition, because we may deduct capital losses only to the extent of our capital gains, our REIT taxable income may exceed our economic income. In order to meet the 90% distribution requirement, we may borrow or may cause the Operating Partnership to arrange for short-term or possibly long-term borrowing to permit the payment of required distributions, or we may pay dividends in the form of taxable in-kind distributions of property, including potentially, our shares.

Under certain circumstances, Brandywine may be able to rectify a failure to meet the distribution requirement for a given year by paying "deficiency dividends" to shareholders in a later year that may be included in Brandywine's deduction for distributions paid for the earlier year. Thus, Brandywine may be able to avoid losing its REIT qualification or being taxed on amounts distributed as deficiency dividends. However, Brandywine will be required to pay to the IRS interest and a penalty based upon the amount of any deduction taken for deficiency dividends.

Failure to Qualify

The Code provides relief for many failures to satisfy the REIT requirements. In addition to the relief provisions for failures to satisfy the income and asset tests (discussed above), the Code provides additional relief for other failures to satisfy REIT requirements. If the failure is due to reasonable cause and not due to willful neglect, and we elect to pay a penalty of $50,000 for each failure, we can avoid the loss of our REIT status.

If Brandywine fails to qualify for taxation as a REIT in any taxable year and the relief provisions do not apply, it will be subject to tax (including, for tax years beginning before January 1, 2018, any applicable corporate alternative minimum tax) on its taxable income at regular corporate rates. Distributions to shareholders in any year in which Brandywine fails to qualify will not be deductible to us. In such event, to the extent of Brandywine's current and accumulated earnings and profits, all distributions to shareholders will be taxable to them as dividends, and, subject to certain limitations of the Code, corporate distributees may be eligible for the dividends received deduction. Under current law, such dividends will generally be taxable to individual domestic shareholders at the 20% rate for qualified dividends provided that applicable holding period requirements are met. Unless entitled to relief under specific statutory provisions, Brandywine also will be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances Brandywine would be entitled to such statutory relief.

Prohibited Transactions

Net income derived from a prohibited transaction is subject to a 100% tax. The term "prohibited transaction" generally includes a sale or other disposition of property (other than foreclosure property) that is held primarily for sale to customers in the ordinary course of a trade or business. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances of a particular transaction. We intend to hold properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing, owning and operating properties, and to make occasional sales of properties as are consistent with our investment objectives. No assurance can be given that any property that we sell will not be treated as property held for sale to customers, or that we can comply with certain safe-harbor provisions of the Code that would prevent the imposition of the 100% tax. The 100% tax does not apply to gains from the sale of property that is held through a taxable REIT subsidiary or other taxable corporation, although such income will be subject to tax in the hands of that corporation at regular corporate tax rates.

Foreclosure Property

Foreclosure property is real property (including interests in real property) and any personal property incident to such real property (1) that is acquired by a REIT as a result of the REIT having bid on the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after there was a default (or default was imminent) on a lease of the property or a mortgage loan held by the REIT and secured by the property, (2) for which the related loan or lease was made, entered into or acquired by the REIT at a time when default was not imminent or anticipated and (3) for which such REIT makes an election to treat the property as foreclosure property. REITs generally are subject to tax at the maximum corporate rate (35% for tax years beginning on or before December 31, 2017 and 21% for tax years beginning after that date) on any net income from foreclosure property, including any gain from the disposition of the foreclosure property, other than income that would otherwise be qualifying income for purposes of the 75% gross income test. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% tax on gains from prohibited transactions described above, even if the property is held primarily for sale to customers in the ordinary course of a trade or business.

Hedging

We may enter into hedging transactions with respect to one or more of our assets or liabilities. Hedging transactions could take a variety of forms, including interest rate swaps or cap agreements, options, futures contracts, forward rate agreements or similar financial instruments. Except to the extent provided by Treasury Regulations, any income from a hedging transaction (i) made in the normal course of our business primarily to manage risk of interest rate or price changes or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred by us to acquire or own real estate assets or (ii) entered into primarily to manage the risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75% or 95% gross income tests (or any property which generates such income or gain), which is clearly identified as such before the close of the day on which it was acquired, originated or entered into, including gain from the disposition of such a transaction, will not constitute gross income for purposes of the 95% gross income test and the 75% gross income test. To the extent we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both the 75% and 95% gross income tests. We intend to structure any hedging transactions in a manner that does not jeopardize our ability to qualify as a REIT.

If Brandywine has entered into a hedging transaction described in (i) or (ii), and a portion of the hedged indebtedness or property is extinguished or disposed of and, in connection with such extinguishment or disposition, Brandywine enters into a new clearly identified hedging transaction (a "New Hedge"), income from the applicable hedge and income from the New Hedge (including gain from the disposition of such New Hedge) will not be treated as gross income for purposes of the 95% and 75% gross income tests.

Tax Aspect of Investments in the Operating Partnership and Subsidiary Partnerships

The following discussion summarizes certain Federal income tax considerations applicable to Brandywine's investment in the Operating Partnership and the Operating Partnership's investments in subsidiary partnerships, limited liability companies, and joint ventures (referred to collectively as the "**Subsidiary Partnerships**").

General

We may hold investments through entities that are classified as partnerships for U.S. federal income tax purposes, including our interest in the Operating Partnership and the equity interests in Subsidiary Partnerships. In general, partnerships are “pass-through” entities that are not subject to U.S. federal income tax. Rather, partners are allocated their proportionate shares of the items of income, gain, loss, deduction and credit of a partnership, and are subject to tax on these items without regard to whether the partners receive a distribution from the partnership. We will include in our income our proportionate share of these partnership items of the Operating Partnership and Subsidiary Partnerships for purposes of the various REIT income tests and in the computation of our REIT taxable income. Moreover, for purposes of the REIT asset tests, we will include our proportionate share of assets held by the Operating Partnership and Subsidiary Partnerships. Consequently, to the extent that we hold, directly or indirectly through another “pass-through” entity, an equity interest in a partnership, the partnership’s assets and operations may affect our ability to qualify as a REIT.

Among the allocable share of deductions that Brandywine would receive are interest deductions of the Operating Partnership and its Subsidiary Partnerships. The TCJA limits a taxpayer’s net interest expense deduction to 30% of the sum of adjusted taxable income, business interest, and certain other amounts. Adjusted taxable income does not include items of income or expense not allocable to a trade or business, business interest or expense, the new deduction for qualified business income, NOLs, and for years prior to 2022, deductions for depreciation, amortization, or depletion. For partnerships, the interest deduction limitation is applied at the partnership level, subject to certain adjustments to the partners for unused deduction limitation at the partnership level. The interest deduction limitation applies to taxable years beginning after December 31, 2017.

The TCJA allows a real property trade or business to elect out of this interest limitation so long as it uses a 40-year recovery period for nonresidential real property, a 30-year recovery period for residential rental property, and a 20-year recovery period for related improvements described below. Disallowed interest expense is carried forward indefinitely (subject to special rules for partnerships).

For taxpayers that do not use the TCJA’s real property trade or business exception to the business interest deduction limitations, the TCJA maintains the current 39-year and 27.5-year straight line recovery periods for nonresidential real property and residential rental property, respectively, and provides that tenant improvements for such taxpayers are subject to a general 15-year recovery period. Also, the TCJA temporarily allows 100% expensing of certain new or used tangible property through 2022, phasing out at 20% for each following year (with an election available for 50% expensing of such property if placed in service during the first taxable year ending after September 27, 2017). The changes apply, generally, to property acquired after September 27, 2017 and placed in service after September 27, 2017.

Classification of the Operating Partnership and Subsidiary Partnerships as Partnerships

The investment by us in partnerships involves special tax considerations, including the possibility of a challenge by the IRS to the status of the Operating Partnership or any of our Subsidiary Partnerships as a partnership, as opposed to an association taxable as a corporation, for U.S. federal income tax purposes. If any of these entities were treated as an association for U.S. federal income tax purposes, it would be taxable as a corporation and, therefore, could be subject to an entity-level tax on its income. In such a situation, the character of our assets and items of our gross income would change and could preclude us from satisfying the REIT asset tests or the REIT income tests as discussed in “-Taxation of the Company-Asset Tests” and “-Taxation of the Company-Income Tests” above, and in turn could prevent us from qualifying as a REIT. See “-Taxation of the Company -Failure to Qualify” above, for a discussion of the effect of our failure to meet these tests for a taxable year. In addition, any change in the status of any of the Operating Partnership and Subsidiary Partnerships for tax purposes might be treated as a taxable event, in which case we could have taxable income that is subject to the REIT distribution requirements without receiving any cash.

Treasury Regulations provide that a domestic business entity not otherwise organized as a corporation (an “Eligible Entity”) may elect to be treated as a partnership or disregarded entity for federal income tax purposes. . Generally, an Eligible Entity will be classified as a partnership or disregarded entity (depending on its number of owners) for federal income tax purposes unless it elects otherwise. The Operating Partnership and the Subsidiary Partnerships (other than those Subsidiary Partnerships that have elected to be treated as taxable REIT subsidiaries) intend to claim classification as partnerships or disregarded entities under these Treasury Regulations. As a result, we believe that the Operating Partnership and such Subsidiary Partnerships (other than those Subsidiary Partnerships that have elected to be treated as taxable REIT subsidiaries) will be classified as partnerships or disregarded entities for U.S. federal income tax purposes. We have not requested and do not intend to request a ruling from the IRS that the Operating Partnership or Subsidiary Partnerships will be classified as partnerships for U.S. federal income tax purposes.

To be partnerships for United States federal income tax purposes, the Operating Partnership and our Subsidiary Partnerships generally must not be “publicly traded partnerships.” A publicly traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market (or a substantial equivalent). A publicly traded partnership is generally treated as a corporation for U.S. federal income tax purposes, but will not be so treated if, for each taxable year beginning after December 31, 1987 in which it was classified as a publicly traded partnership, at least 90% of the partnership’s gross income consisted of specified passive income, including real property rents (which includes rents that would be qualifying income for purposes of the

75% gross income test, with certain modifications that make it easier for the rents to qualify for the 90% passive income exception), gains from the sale or other disposition of real property, interest, and dividends (the “90% passive income exception”).

Treasury regulations provide limited safe harbors from treatment as a publicly traded partnership. We expect that the Operating Partnership and our Subsidiary Partnerships will fall within one of the “safe harbors” for the partnership to avoid being classified as a publicly traded partnership. However, the ability to satisfy the requirements of some of these safe harbors depends on the results of the actual operations of the relevant entities and accordingly no assurance can be given that any such partnership would not be treated as a publicly traded partnership. Even if a partnership failed to meet one of the safe harbors, it generally will not be treated as a corporation if it qualifies for the 90% passive income exception discussed immediately above.

Partnership Allocations

Although a partnership agreement generally will determine the allocation of income and losses among partners, such allocations will be disregarded for tax purposes if they do not comply with the provisions of Section 704(b) of the Code and the Treasury Regulations promulgated thereunder, which require that partnership allocations respect the economic arrangement of the partners. If an allocation is not recognized for U.S. federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners’ interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. The Operating Partnership’s allocations of taxable income and loss are intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations promulgated thereunder.

Tax Allocations With Respect to Contributed Properties

Pursuant to Section 704(c) of the Code, items of income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for U.S. federal income tax purposes in a manner such that the contributor is charged with or benefits from the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of such unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution. Such allocations are solely for federal income tax purposes and do not affect other economic or legal arrangements among the partners.

Our Operating Partnership has entered into transactions involving the contribution to the Operating Partnership of appreciated property, and the Operating Partnership may enter into such transactions in the future. The partnership agreement of the Operating Partnership requires allocations of income, gain, loss and deduction attributable to contributed property to be made in a manner that is consistent with Section 704(c) of the Code. Treasury Regulations issued under Section 704(c) give partnerships a choice of several methods of allocating taxable income with respect to contributed properties. Depending upon the method chosen, (1) our tax depreciation deductions attributable to those properties may be lower than they would have been if our Operating Partnership had acquired those properties for cash and (2) in the event of a sale of such properties, we could be allocated gain in excess of our corresponding economic or book gain. These allocations may cause us to recognize taxable income in excess of cash proceeds received by us, which might adversely affect our ability to comply with the REIT distribution requirements or result in our shareholders recognizing additional dividend income without an increase in distributions.

Depreciation

The Operating Partnership’s assets include a substantial amount of appreciated property contributed by its partners. Assets contributed to a partnership in a tax-free transaction generally retain the same depreciation method and recovery period as they had in the hands of the partner who contributed them to the partnership. Accordingly, a substantial amount of the Operating Partnership’s depreciation deductions for its real property are based on the historic tax depreciation schedules for the properties prior to their contribution to the Operating Partnership. The properties are being depreciated over a range of 15 to 40 years using various methods of depreciation which were determined at the time that each item of depreciable property was placed in service. In certain instances where a partnership interest rather than real property is contributed to the Partnership, the real property may not carry over its recovery period but rather may, similarly, be subject to the lengthier recovery period.

Basis in Operating Partnership Interest

Our adjusted tax basis in each of the partnerships in which we have an interest generally (1) will be equal to the amount of cash and the basis of any other property contributed to such partnership by us, (2) will be increased by (a) our allocable share of such partnership’s income and (b) our allocable share of any indebtedness of such partnership, and (3) will be reduced, but not below zero, by our allocable share of (a) such partnership’s loss and (b) the amount of cash and the tax basis of any property distributed to us and by constructive distributions resulting from a reduction in our share of indebtedness of such partnership.

If our allocable share of the loss (or portion thereof) of any partnership in which we have an interest would reduce the adjusted tax basis of our partnership interest in such partnership below zero, the recognition of such loss will be deferred until such time as the recognition of such loss (or portion thereof) would not reduce our adjusted tax basis below zero. To the extent that distributions to us from a partnership, or any decrease in our share of the nonrecourse indebtedness of a partnership (each such decrease being considered a constructive cash distribution to the partners), would reduce our adjusted tax basis below zero, such distributions (including such constructive distributions) would constitute taxable income to us. Such distributions and constructive distributions normally would be characterized as long-term capital gain if our interest in such partnership has been held for longer than the long-term capital gain holding period (currently 12 months).

Sale of Partnership Property

Generally, any gain realized by a partnership on the sale of property held by the partnership for more than 12 months will be long-term capital gain, except for any portion of such gain that is treated as depreciation or cost recovery recapture. However, under requirements applicable to REITs under the Code, our share as a partner of any gain realized by the Operating Partnership on the sale of any property held as inventory or other property held primarily for sale to customers in the ordinary course of a trade or business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. See -Taxation of the Company-Prohibited Transactions."

Partnership Audit Rules.

Congress recently revised the rules applicable to federal income tax audits of partnerships (such as the Operating Partnership) and the collection of any tax resulting from any such audits or other tax proceedings, generally for taxable years beginning after December 31, 2017. Under the new rules, a partnership itself may be liable for a tax computed by reference to the hypothetical increase in partner-level taxes (including interest and penalties) resulting from an adjustment of partnership tax items on audit, regardless of changes in the composition of the partners (or their relative ownership) between the year under audit and the year of the adjustment. The new rules also include an elective alternative method under which the additional taxes resulting from the adjustment are assessed against the affected partners, subject to a higher rate of interest than otherwise would apply. Questions remain as to how the new rules will apply, especially with respect to partners that are REITs (such as us), and it is not clear at this time what effect this new legislation will have on us. However, these changes could increase the U.S. federal income tax, interest, and/or penalties otherwise borne by us in the event of a federal income tax audit of the Operating Partnership or one of its subsidiary partnerships.

<u>Taxation of Shareholders</u>

As used herein, a "U.S. Shareholder" means a beneficial owner of our common shares or preferred shares, who is, for U.S. federal income tax purposes:

- a citizen or individual resident of the U.S. as defined in section 7701(b) of the Code;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (a) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

As used herein, a "non-U.S. Shareholder" means a beneficial owner of our common shares or preferred shares that is not a "U.S. Shareholder" and that is not a partnership (or other entity treated as a partnership for U.S. federal income tax purposes).

If a partnership holds common shares or preferred shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding common shares or preferred shares, you should consult your tax advisor with regard to the U.S. federal, state, local and non-U.S. tax consequences particular to your ownership of our common shares or preferred shares.

Taxation of Taxable U.S. Shareholders

Taxation of Ordinary Dividends on Shares

As long as Brandywine qualifies as a REIT, distributions made to Brandywine's taxable U.S. Shareholders out of current or accumulated earnings and profits (and not designated as capital gain dividends) ("**Ordinary Dividends**") will be dividends taxable to such U.S. Shareholders as ordinary income and will not be eligible for the dividends received deduction for corporations. However, for taxable years prior to 2026, individual shareholders generally are allowed to deduct 20% of the aggregate amount of Ordinary Dividends distributed by us, subject to certain limitations. Dividends received from REITs are generally not eligible for taxation at the preferential rates for qualified dividends received by individual shareholders. We may designate a distribution as qualified dividend income to the extent of (1) qualified dividend income we receive during the current year (for example, dividends received from our taxable REIT subsidiaries), plus (2) income on which we have been subject to corporate level tax during the prior year (for example, undistributed REIT taxable income), plus (3) any income attributable to the sale of a built in gain asset that was acquired from a C corporation in a carry-over basis transaction less the tax paid on that income. To the extent that we designate a dividend as qualified dividend income, an individual will be taxable at preferential rates (currently a 20% maximum federal rate, but see the discussion below “Taxation of Taxable U.S. Shareholders-Tax Rates Applicable to Individual Shareholders under the TCJA” below) on such qualified dividend income provided certain holding period requirements are met. However, we expect that ordinary dividends paid by Brandywine generally will not be eligible for treatment as qualified dividend income to any significant extent.

Capital Gain Distributions

Distributions that are designated as long-term capital gain dividends will be taxed as long-term capital gains (to the extent they do not exceed our actual net capital gain for the taxable year) without regard to the period for which the U.S. Shareholder has held its shares of beneficial interest. In general, U.S. Shareholders will be taxable on long-term capital gains, currently at a maximum rate of 20% (but see the discussion below “Taxation of Taxable U.S. Shareholders-Tax Rates Applicable to Individual Shareholders under the TCJA” below), except that the portion of such gain that is attributable to depreciation recapture will be taxable at the maximum rate of 25%. However, corporate shareholders may be required to treat up to 20% of certain capital gain dividends as ordinary income.

We may elect under the applicable provisions of the Code to retain and pay tax on our net capital gains. In such event U.S. Shareholders will be taxable on the U.S. Shareholders’ proportionate share of such undistributed capital gains. Each U.S. Shareholder would then receive a credit, for use on their return, in the amount of the U.S. Shareholders’ proportionate share of the capital gains tax paid by us. If the credit results in an amount owed to a U.S. Shareholder, such U.S. Shareholder would receive a refund. A U.S. Shareholder’s basis in our shares will be increased by the amount of the shareholder’s allocable share of any retained capital gains less the shareholder’s allocable share of the tax paid by us on such capital gains.

Dividends Generally

Effective for distributions paid and treated as being paid in taxable years beginning after December 31, 2015, the aggregate amount of dividends that Brandywine may designate as “capital gain dividends” or “qualified dividend income” with respect to any taxable year may not exceed the dividends paid by Brandywine with respect to such taxable year, including dividends that are paid in the following taxable year and treated as having been paid with respect to such taxable year by being (1) declared before Brandywine timely files its tax return for such taxable year and (2) paid with or before the first regular dividend payment after such declaration.

Non-Dividend Distributions

Distributions in excess of current and accumulated earnings and profits (“**Non-Dividend Distributions**”) will not be taxable to a U.S. Shareholder to the extent that they do not exceed the adjusted basis of the shareholder’s shares, but rather will reduce the adjusted basis of such shares. To the extent that Non-Dividend Distributions exceed the adjusted basis of a U.S. Shareholder’s shares, such distributions will be included in income as long-term capital gain (or short-term capital gain, generally, if the shares have been held for 12 months or less) assuming the shares are a capital asset in the hands of the shareholder. In determining the extent to which a distribution on our shares constitutes a dividend for tax purposes, the earnings and profits of Brandywine will be allocated first to distributions with respect to the preferred shares and second to distributions with respect to common shares. Therefore, depending on our earnings and profits, distributions with respect to the preferred shares (as compared to distributions with respect to our common shares) are more likely to be treated as dividends than as a return of capital or a distribution in excess of basis.

Dividends Paid in Common Shares

We are allowed to satisfy the REIT distribution requirements with respect to certain taxable years by distributing up to 90% of our dividends in the form of common shares rather than cash. In the event that we pay a portion of a dividend in common shares, taxable U.S. Shareholders would be required to pay tax on the full amount of the dividend (including the fair market value of any common shares received) and the amount of the tax may exceed the amount of cash received. For taxable years prior to 2026, individual shareholders generally are allowed to deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations.

Timing of Distributions

Any distribution declared by us in October, November or December of any year payable to a shareholder of record on a specified date in any such month shall be treated as both paid by Brandywine and received by the shareholder on December 31 of such year, provided that the distribution is actually paid by Brandywine not later than the end of January of the following calendar year. Shareholders may not include in their individual income tax returns any of Brandywine's losses.

Sale or Exchange of Common and Preferred Shares

In general, a U.S. Shareholder will recognize capital gain or loss on the disposition of common or preferred shares equal to the difference between the sales price for such shares and the adjusted tax basis for such shares. In general, a U.S. Shareholder's adjusted tax basis will equal the U.S. Shareholder's acquisition cost, increased by the U.S. Shareholder's allocable share of any retained capital gains, less the U.S. Shareholder's allocable share of the tax paid by us on such retained capital gains, and reduced by Non-Dividend Distributions.

In general, capital gains recognized by individuals and other non-corporate U.S. Shareholders upon the sale or disposition of shares of our shares currently will be subject to a maximum U.S. federal income tax rate of 20%, if our shares are held for more than 12 months, and will be taxed at ordinary income rates (of up to 39.6% for tax years beginning on or before December 31, 2017 and 37% for tax years beginning after that date (but see the discussion below "Taxation of Taxable U.S. Shareholders-Tax Rates Applicable to Individual Shareholders under the TCJA" regarding the sunset of the 37% rate) if our shares are held for 12 months or less. Gains recognized by U.S. Shareholders that are corporations are subject to U.S. federal income tax at a maximum rate of 21% (and 35% for tax years beginning on or before December 31, 2017), whether or not classified as long-term capital gains.

Capital losses recognized by a U.S. Shareholder upon the disposition of our shares held for more than one year at the time of disposition will be considered long-term capital losses, and are generally available only to offset capital gain income of the U.S. Shareholder but not ordinary income (except in the case of individuals, who may offset up to $3,000 of ordinary income each year). However, any loss upon a sale or exchange of shares by a U.S. Shareholder who has held such shares for six months or less (after applying certain holding period rules) will be treated as a long-term capital loss to the extent such shareholder has received distributions from us required to be treated as long-term capital gain.

If a U.S. Shareholder recognizes a loss upon a subsequent disposition of our shares in an amount that exceeds a prescribed threshold, it is possible that the provisions of Treasury Regulations involving "reportable transactions" could apply, with a resulting requirement to separately disclose the loss generating transactions to the IRS. While these regulations are directed towards "tax shelters," they are written broadly, and apply to transactions that would not typically be considered tax shelters. Significant penalties apply for failure to comply with these requirements. You should consult your tax advisor concerning any possible disclosure obligation with respect to the receipt or disposition of our shares, or transactions that might be undertaken directly or indirectly by us. Moreover, you should be aware that we and other participants in transactions involving us (including our advisors) might be subject to disclosure or other requirements pursuant to these regulations.

Medicare Tax on Investment Income

Certain U.S. Shareholders who are individuals, estates or trusts and whose income exceeds certain thresholds must pay a 3.8% Medicare tax on "net investment income" which includes, among other things, dividends on shares, interest on debt securities and capital gains from the sale or other disposition of shares or debt securities, subject to certain exceptions. Prospective investors should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of our common shares, preferred shares or debt securities.

Passive Activity Losses and Investment Interest Limitations

Distributions from us and gain from the disposition of shares will not be treated as passive activity income and, therefore, U.S. Shareholders will not be able to apply any "passive losses" against such income. Distributions from us (to the extent they do not constitute a return of capital or capital gain dividends) will generally be treated as investment income for purposes of the investment interest limitation. A shareholder may elect to treat capital gain dividends and capital gains from the disposition of shares as investment income for purposes of the investment interest limitation, but in such event a shareholder will be taxed at ordinary income rates on such amounts.

Redemption of Preferred Shares

Our preferred shares are redeemable by us under certain circumstances. A redemption of preferred shares will be treated under Section 302 of the Code as a distribution taxable as a dividend (to the extent of our current and accumulated earnings and profits) at ordinary income rates, unless the redemption satisfies one of the tests set forth in Section 302(b) of the Code and is therefore treated as a sale or exchange of the redeemed shares. The redemption will be treated as a sale or exchange if it (i) is "substantially disproportionate" with respect to the U.S. Shareholder, (ii) results in a "complete termination" of the U.S. Shareholder's share interest in our company or (iii) is "not essentially equivalent to a dividend" with respect to the U.S. Shareholder, all within the meaning of Section 302(b) of the Code.

In determining whether any of these tests has been met, there must be taken into account not only any preferred shares owned by the U.S. Shareholder, but also such U.S. Shareholder's ownership of our common shares, other series of preferred shares and any options to acquire any of the foregoing. The U.S. Shareholder also must take into account any such securities (including options) which are considered to be owned by such holder by reason of the constructive ownership rules set forth in Sections 318 and 302(c) of the Code. If a particular U.S. Shareholder owns (actually or constructively) no common shares or an insubstantial percentage of common shares or preferred shares, based upon current law, it is probable that the redemption of the preferred shares from such holder would be considered "not essentially equivalent to a dividend." However, because the determination as to whether any of the alternative tests of Section 302(b) of the Code will be satisfied with respect to any particular holder of preferred shares depends upon the facts and circumstances at the time the determination must be made, prospective holders of preferred shares are advised to consult their own tax advisors to determine such tax treatment.

If a redemption of preferred shares is not treated as a distribution taxable as a dividend to a particular U.S. Shareholder, it will be treated as a taxable sale or exchange by that holder. As a result, the U.S. Shareholder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (i) the amount of cash and the fair market value of any property received (less any portion thereof attributable to accumulated and declared but unpaid dividends, which will be taxable as a dividend to the extent of our current and accumulated earnings and profits) and (ii) the holder's adjusted tax basis in the shares. Such gain or loss will be capital gain or loss if the shares were held as a capital asset, and will be long-term gain or loss if such shares were held for more than one year.

If the redemption is treated as a distribution taxable as a dividend, the amount of the distribution will be measured by the amount of cash and the fair market value of any property received by the U.S. Shareholder. The U.S. Shareholder's adjusted tax basis in the preferred shares redeemed will be transferred to any other shareholdings of the holder in Brandywine. If the holder of the preferred shares owns no other shares, under certain circumstances, such basis may be transferred to a related person, or it may be lost entirely.

Information Reporting and Backup Withholding Applicable to U.S. Shareholders

In general, Brandywine will report to its U.S. Shareholders and the IRS the amount of distributions paid (unless the U.S. Shareholder is an exempt recipient) during each calendar year, and the amount of tax withheld, if any. Under the backup withholding rules, a U.S. Shareholder may be subject to backup withholding at the rate of 24% (and 28% for tax years beginning on or before December 31, 2017) with respect to distributions paid unless such U.S. Shareholder (a) comes within certain exempt categories and, when required, demonstrates this fact, or (b) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. A U.S. Shareholder that does not provide us with their correct taxpayer identification number may also be subject to penalties imposed by the IRS. In addition, we may be required to withhold a portion of capital gain distributions to any U.S. Shareholder who fail to certify their non-foreign status to Brandywine. See "-Taxation of Non-U.S. Shareholders." Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the shareholder's income tax liability, provided the required information is furnished to the IRS.

Tax Rates Applicable to Individual Shareholders under the TCJA

Long-term capital gains (i.e., generally capital gains with respect to assets held for more than one year) and "qualified dividends" received by an individual generally are subject to federal income tax at a maximum rate of 20%. Short-term capital gains (i.e., generally capital gains with respect to assets held for one year or less) generally are subject to federal income tax at ordinary income rates. Because we are not generally subject to federal income tax on the portion of our REIT taxable income or capital gains distributed to our shareholders, our dividends generally are not eligible for the 20% maximum tax rate on qualified dividends. Instead, our ordinary dividends generally are taxed at the higher tax rates applicable to ordinary income, the maximum rate of which is 37% for tax years beginning after December 31, 2017 (the rate was 39.6% for tax years beginning before that date) and before January 1, 2026. However, for taxable years beginning prior to January 1, 2026, individual shareholders are generally allowed to deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations, which would reduce the maximum marginal effective tax rate for individuals on the receipt of such ordinary dividends to 29.6%. The 20% maximum tax rate for long-term capital gains and qualified dividends generally applies to:

- your long-term capital gains, if any, recognized on the disposition of our shares;
- our distributions designated as long-term capital gain dividends (except to the extent attributable to real estate depreciation, in which case such distributions are subject to a 25% tax rate to such extent);

- our dividends attributable to dividends received by us from non-REIT corporations, such as taxable REIT subsidiaries; and
- our dividends to the extent attributable to income upon which we have paid corporate income tax (e.g., to the extent that we distribute less than 100% of our taxable income).

Taxation of Tax-Exempt Shareholders

U.S. tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, generally are exempt from U.S. federal income taxation. However, they are subject to taxation on their unrelated business taxable income ("**UBTI**"). Distributions by us to a shareholder that is a tax-exempt entity should generally not constitute UBTI, as defined in Section 512(a) of the Code provided that the tax-exempt entity has not financed the acquisition of its shares with "acquisition indebtedness" within the meaning of the Code and the shares are not otherwise used in an unrelated trade or business of the tax-exempt entity. Tax-exempt U.S. Shareholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans exempt from U.S. federal income taxation under sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Code, respectively, are subject to different UBTI rules, which generally will require them to characterize distributions from us as UBTI.

In certain circumstances, a pension trust (1) that is described in Section 401(a) of the Code, (2) is tax exempt under section 501(a) of the Code and (3) that owns more than 10% of our shares could be required to treat a percentage of the dividends from us as UBTI if we are a "pension-held REIT." We will not be a pension-held REIT unless (1) either (A) one pension trust owns more than 25% of the value of our shares or (B) a group of pension trusts, each individually holding more than 10% of the value of our shares, collectively owns more than 50% of such shares and (2) we would not have qualified as a REIT but for the fact that Section 856(h)(3) of the Code provides that shares owned by such trusts shall be treated, for purposes of the requirement that not more than 50% of the value of the outstanding shares of a REIT is owned, directly or indirectly, by five or fewer "individuals" (as defined in the Code to include certain entities). Certain restrictions on ownership and transfer of our shares should generally prevent a tax-exempt entity from owning more than 10% of the value of our shares, or us from becoming a pension-held REIT.

Tax-exempt U.S. Shareholders are urged to consult their tax advisors regarding the U.S. federal, state, local and foreign tax consequences of the acquisition, ownership and disposition of our shares.

Dividends paid by REITs do not qualify for the reduced tax rates provided under current law

Dividends paid by REITs are generally not eligible for the reduced 15% maximum tax rate for dividends paid to individuals (20% for those with taxable income above certain thresholds that are adjusted annually under current law). The more favorable rates applicable to regular corporate dividends could cause stockholders who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stock of non-REIT corporations that pay dividends to which more favorable rates apply, which could reduce the value of the stocks of REITs. However, under the TCJA regular dividends from REITs are treated as income from a pass-through entity and are eligible for a 20% deduction. As a result, our regular dividends will be taxed at 80% of an individual's marginal tax rate. The current maximum rate is 37% resulting in a maximum tax rate of 29.6% on our dividends. Dividends from REITs as well as regular corporate dividends will also be subject to a 3.8% Medicare surtax for taxpayers with modified adjusted gross income above $200,000 (if single) or $250,000 (if married and filing jointly).

Taxation of Non-U.S. Shareholders

The rules governing U.S. federal income taxation of non-U.S. Shareholders are complex and no attempt is made herein to provide more than a summary of such rules. Prospective non-U.S. Shareholders should consult with their own tax advisors to determine the impact of U.S. federal, state and local income and estate tax laws with regard to an investment in our shares, including any reporting requirements.

Ordinary Dividends

The portion of Ordinary Dividends received by non-U.S. Shareholders that are not attributable to gain from sales or exchanges by us of United States real property interests and which are not effectively connected with a U.S. trade or business of the non-U.S. Shareholder generally will be subject to a withholding tax equal to 30% of the gross amount of the distribution unless an applicable tax treaty reduces or eliminates that tax. Under some treaties, however, the lower rates generally applicable to dividends do not apply to dividends from REITs. We intend to withhold United States income tax at the rate of 30% on the gross amount of any such Ordinary Dividends paid to a non-U.S. Shareholder unless (1) a lower treaty rate applies and the non-U.S. Shareholder files with us a properly completed IRS Form W-8BEN or W-8BEN-E (or other applicable form) claiming the benefits of the lower treaty rate or (2) the non-U.S. Shareholder files with us an IRS Form W-8 claiming that the distribution is effectively connected with a U.S. trade or business.

In general, non-U.S. Shareholders will not be considered to be engaged in a U.S. trade or business solely as a result of their ownership of our shares. If income from the investment in our shares is treated as effectively connected with the non-U.S. Shareholder's conduct of a United States trade or business, the non-U.S. Shareholder generally will be subject to a tax at graduated rates, in the same manner as U.S. Shareholders are taxed with respect to such distributions (and may also be subject to the 30% branch profits tax in the case of a non-U.S. Shareholder that is a foreign corporation).

Non-Dividend Distributions

Unless our shares constitute a U.S. real property interest ("**USRPI**"), any Non-Dividend Distributions will not be taxable to a non-U.S. Shareholder to the extent that such distributions do not exceed the adjusted basis of the shareholder's shares, but rather will reduce the adjusted basis of the shareholder in such shares. To the extent that Non-Dividend Distributions exceed the adjusted basis of a non-U.S. Shareholder's shares, such distributions will give rise to tax liability if the non-U.S. Shareholder would otherwise be subject to tax on any gain from the sale or disposition of its shares, as described below (See "-Taxation of Non-U.S. Shareholders-Dispositions of our Shares"). If it cannot be determined at the time a distribution is made whether or not such distribution will be in excess of current and accumulated earnings and profits, the distributions will be subject to withholding at the same rate as Ordinary Dividends. Because we generally cannot determine at the time we make a distribution whether or not the distribution will exceed our current and accumulated earnings and profits, we normally will withhold tax on the entire amount of any distribution at the same rate as we would withhold on Ordinary Dividends. However, amounts thus withheld are refundable to the non-U.S. Shareholder if it is subsequently determined that such distribution was, in fact, in excess of our current and accumulated earnings and profits.

If our shares constitute a USRPI, as described below (See "-Taxation of Non-U.S. Shareholders-Dispositions of our Shares"), Non-Dividend Distributions by us in excess of the non-U.S. Shareholder's adjusted tax basis in our shares will be taxed under the Foreign Investment in Real Property Tax Act of 1980 ("**FIRPTA**") at the rate of tax, including any applicable capital gains rates, that would apply to a U.S. Shareholder of the same type (*e.g.*, an individual or a corporation, as the case may be), and the collection of the tax will be enforced by a refundable withholding at a rate of 15% (increased from 10% effective February 17, 2016) of the Non-Dividend Distribution.

Our shares will not be treated as a USRPI when held, directly or indirectly, by a qualified shareholder and, therefore, FIRPTA will not apply to such shares. However, certain investors in a qualified shareholder that owns more than 10% of our shares (directly or indirectly) that are not themselves qualified shareholders may be subject to FIRPTA withholding. A "qualified shareholder" is a foreign entity that (A)(i) is eligible for the benefits of a comprehensive income tax treaty with the United States that includes an exchange of information program and the principal class of interest of which is listed and regularly traded on one or more recognized stock exchanges (as defined in such comprehensive income tax treaty) or (ii) is a foreign partnership that is created or organized under foreign law as a limited partnership in a jurisdiction that has an agreement for the exchange of information with respect to taxes with the United States and has a class of limited partnership units which is regularly traded on the New York Stock Exchange or Nasdaq Stock Market and the value of such class of limited partnership units is greater than 50% of the value of all of the partnership units of the foreign partnership, (B) is a qualified collective investment vehicle and (C) maintains records on the identity of each person who, at any time during the foreign person's taxable year, holds directly 5% or more of the class of interest described in (A)(i) or (ii). A "qualified collective investment vehicle" is a foreign person that (x) under the comprehensive income tax treaty described in (A)(i) or (ii) of the prior sentence would be eligible for a reduced rate of withholding with respect to dividends paid by a REIT even if such person owned more than 10% of the REIT, (y) is a publicly traded partnership that is a withholding foreign partnership and would treated as a United States real property holding corporation if it were a United States corporation or (iii) which is designated as a qualified collective investment vehicle by the Secretary of the Treasury and is either (A) fiscally transparent or (B) required to include dividends in its gross income but is entitled to a deduction for distributions to its equity investors. Additionally, qualified foreign pension funds will not be subject to FIRPTA withholding. The rules concerning qualified shareholders and qualified foreign pension funds are complex and investors who believe they may be qualified shareholders or qualified foreign pension funds should consult with their own tax advisors to find out if these rules are applicable to them.

Capital Gain Distributions

Except as discussed below with respect to 10% or less holders of regularly traded classes of shares, distributions that are attributable to gain from sales or exchanges by us of United States real property interests will be taxed to a non-U.S. Shareholder under the provisions of FIRPTA. Under FIRPTA, distributions attributable to gain from sales of United States real property interests are taxed to a non-U.S. Shareholder as if such gain were effectively connected with a United States trade or business. Individuals who are non-U.S. Shareholders will be required to report such gain on a U.S. federal income tax return and such gain will be taxed at the normal capital gain rates applicable to U.S. individual shareholders (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). Also, distributions subject to FIRPTA may be subject to a 30% branch profits tax in the hands of a foreign corporate shareholder not entitled to treaty relief. Brandywine is required by applicable Treasury Regulations to withhold 21% of any distribution that could be designated by us as a capital gains dividend. The amount is creditable against the non-U.S. Shareholder's U.S. tax liability.

However, distributions attributable to gain from sales or exchanges by us of United States real property interests are treated as ordinary dividends (not subject to the 21% withholding tax under FIRPTA) if the distribution is made to a non-U.S. Shareholder with respect to any class of shares which is "regularly traded" on an established securities market located in the United States and if the non-U.S. Shareholder did not own more than 10% of such class of shares at any time during the taxable year. Such distributions will generally be subject to a 30% U.S. withholding tax (subject to reduction under applicable treaty) and a non-U.S. Shareholder will not be required to report the distribution on a U.S. tax return. In addition, the branch profits tax will not apply to such distributions. See "-Taxation of Non-U.S. Shareholders-Ordinary Dividends."

Although the law is not clear on the matter, it appears that amounts we designate as undistributed capital gains in respect of the stock held by U.S. Shareholders generally should be treated with respect to non-U.S. Shareholders in the same manner as actual distributions by us of capital gain dividends. Under that approach, the non-U.S. Shareholders would be able to offset as a credit against their U.S. federal income tax liability resulting therefrom their proportionate share of the tax paid by us on the undistributed capital gains, and to receive from the IRS a refund to the extent that their proportionate share of this tax paid by us were to exceed their actual U.S. federal income tax liability. If we were to designate a portion of our net capital gain as undistributed capital gain, a non-U.S. Shareholder is urged to consult its tax advisor regarding the taxation of such undistributed capital gain.

Dividends Paid in Common Shares

We are allowed to satisfy the REIT distribution requirements with respect to certain taxable years by distributing up to 90% of our dividends in the form of common shares rather than cash. In the event that we pay a portion of a dividend in common shares, we may be required to withhold U.S. tax with respect to such dividend, including in respect of all or a portion of such dividend that is payable in common shares.

Dispositions of Our Shares

Unless our shares constitutes a USRPI, gain recognized by a non-U.S. Shareholder upon a sale of shares generally will not be taxed under FIRPTA. Gain not subject to FIRPTA will nonetheless be taxable in the United States to a non-U.S. Shareholder if (1) investment in the shares is effectively connected with the non-U.S. Shareholder's United States trade or business, in which case the non-U.S. Shareholder will be subject to the same treatment as U.S. Shareholders with respect to such gain or (2) the non-U.S. Shareholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains.

Our shares will not be treated as a USRPI if Brandywine is a "domestically controlled REIT," defined generally as a REIT in which at all times during a specified testing period less than 50% in value of the shares of beneficial interest was held directly or indirectly by foreign persons. It is currently anticipated that we will be a "domestically controlled REIT," and therefore the sale of shares by a non-U.S. Shareholder will not be subject to taxation under FIRPTA. However, because the shares may be traded, we cannot be sure that we will continue to be a "domestically controlled REIT." Further, even if we are a domestically controlled REIT, pursuant to "wash sale" rules under FIRPTA, a non-U.S. Shareholder may incur tax under FIRPTA to the extent such non-U.S. Shareholder disposes of our shares within a certain period prior to a capital gain distribution and directly or indirectly (including through certain affiliates) reacquires our shares within certain prescribed periods.

However, a non-U.S. shareholder will not incur tax under FIRPTA on a sale of common or preferred shares if (1) our preferred shares or common shares are "regularly traded" on an established securities market within the meaning of applicable Treasury regulations and (2) the non-U.S. Shareholder did not actually, or constructively under specified attribution rules under the Code, own more than 10% of our preferred shares or common shares at any time during the shorter of the five-year period preceding the disposition or the holder's holding period.

If gain on the sale of our shares is subject to taxation under FIRPTA, the non-U.S. Shareholder will be subject to the same treatment as a U.S. Shareholder with respect to such gain, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals, and the purchaser of the shares could be required to withhold 15% (increased from 10% effective February 17, 2016) of the purchase price and remit such amount to the IRS.

Information Reporting and Backup Withholding Applicable to Non-U.S. Shareholders

We must report annually to the IRS and to each non-U.S. Shareholder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. Shareholder resides under the provisions of an applicable income tax treaty.

Payments of dividends or of proceeds from the disposition of stock made to a non-U.S. Shareholder may be subject to information reporting and backup withholding unless such holder establishes an exemption, for example, by properly certifying its non-United States status on an IRS Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that a non-U.S. Shareholder is a United States person.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the shareholder's income tax liability, provided the required information is furnished to the IRS.

Additional Withholding Requirements under "FATCA"

Under Sections 1471 through 1474 of the Code (such Sections commonly referred to as "FATCA"), payments of dividends to a non-U.S. holder will be subject to 30% withholding tax if the non-U.S. holder fails to provide the withholding agent with documentation sufficient to show that it is compliant with the FATCA or otherwise exempt from withholding under FATCA. Generally, such documentation is provided on an executed IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable. If a dividend payment is both subject to withholding under FATCA and subject to withholding tax discussed above, the withholding under FATCA may be credited against, and therefore reduce, such other withholding tax. Based upon proposed Treasury regulations, which may be relied upon by taxpayers until the final Treasury regulations are issued, the FATCA withholding that was to be effective on January 1, 2019 with respect to payments of the gross proceeds no longer applies. Non- U.S. holders should consult their tax advisors to determine the applicability of this legislation in light of their individual circumstances.

State, Local and Foreign Tax Consequences

Brandywine, the Operating Partnership, the Subsidiary Partnerships and Brandywine's shareholders may be subject to state, local and foreign taxation in various jurisdictions, including those in which it or they transact business or reside. The state, local and foreign tax treatment of Brandywine, the Operating Partnership, the Subsidiary Partnerships and Brandywine's shareholders may not conform to the U.S. federal income tax consequences discussed above. Any foreign taxes incurred by us would not pass through to shareholders as a credit against their U.S. federal income tax liability. Prospective shareholders should consult their own tax advisors regarding the effect of state, local and foreign tax laws on an investment in our shares.

Legislative or Other Actions Affecting REITs

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. No assurance can be given as to whether, when, or in what form, the U.S. federal income tax laws applicable to us and our shareholders may be enacted. Changes to the U.S. federal tax laws and interpretations of U.S. federal tax laws could adversely affect an investment in our shares.

Taxation of Holders of Debt Securities

This section describes the material United States federal income tax consequences of owning the debt securities that Brandywine Realty Trust or Brandywine Operating Partnership may offer. This summary is for general information only and is not tax advice. The tax consequences of owning any particular issue of debt securities will be discussed in the applicable prospectus.

As used herein, a "U.S. Holder" means a beneficial owner of our debt securities, who is, for U.S. federal income tax purposes:

- a citizen or individual resident of the U.S. as defined in section 7701(b) of the Code;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (a) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

As used herein, a "non-U.S. Holder" means a beneficial owner of our debt securities that is not a "U.S. Holder," and that is not a partnership (or other entity treated as a partnership for U.S. federal income tax purposes).

If a partnership holds debt securities, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding debt securities, you should consult your tax advisor.

Pursuant to the TCJA, for taxable years beginning after December 31, 2017 (and for taxable years beginning after December 31, 2018 for instruments issued with original issue discount ("**OID**")), an accrual method taxpayer that reports revenues on an applicable financial statement generally must recognize income for U.S. federal income tax purposes no later than the taxable year in which such income is taken into account as revenue in an applicable financial statement of the taxpayer. To the extent this rule is inconsistent with the rules described in the subsequent discussion, this rule supersedes such discussion. Thus, this rule could potentially require such a taxpayer to recognize income for U.S. federal income tax purposes with respect to the debt securities prior to the time such income would be recognized pursuant to the rules described in the subsequent discussion. Holders of debt securities should consult their tax advisors regarding the potential applicability of these rules to their investment in the debt securities. It is currently not clear how this rule would apply to debt instruments with OID and market discount. You should consult your tax advisors regarding the potential applicability of these rules to your investment in the debt securities.

Taxation of U.S. Holders

Interest

The stated interest on debt securities generally will be taxable to a U.S. Holder as ordinary income at the time that it is paid or accrued, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Original Issue Discount

If you own debt securities issued with OID, you will be subject to special tax accounting rules, as described in greater detail below. In that case, you should be aware that you generally must include OID in gross income in advance of the receipt of cash attributable to that income, regardless of the method of accounting for U.S. federal income tax purposes. However, you generally will not be required to include separately in income cash payments received on the debt securities, even if denominated as interest, to the extent those payments do not constitute "qualified stated interest," as defined below. If we determine that a particular debt security will be an OID debt security, we will disclose that determination in the prospectus relating to those debt securities.

A debt security with an "issue price" that is less than the "stated redemption price at maturity" (the sum of all payments to be made on the debt security other than "qualified stated interest") generally will be issued with OID if that difference is at least 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity of the debt security. The "issue price" of each debt security in a particular offering generally will be the first price at which a substantial amount of that particular offering is sold to the public. The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property, other than debt instruments of the issuer, and the interest to be paid meets all of the following conditions:

- it is payable at least once per year;
- it is payable over the entire term of the debt security; and
- it is payable at a single fixed rate or, subject to certain conditions, based on one or more interest indices.

If we determine that particular debt securities of a series will bear interest that is not qualified stated interest, we will disclose that determination in the prospectus relating to those debt securities.

If you own a debt security issued with "*de minimis*" OID, which is discount that is not OID because it is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity of the debt security, you generally must include the *de minimis* OID in income at the time principal payments on the debt securities are made in proportion to the amount paid. Any amount of *de minimis* OID that you have included in income will be treated as capital gain.

Certain of the debt securities may contain provisions permitting them to be redeemed prior to their stated maturity at our option and/or at your option. OID debt securities containing those features may be subject to rules that differ from the general rules discussed herein. If you are considering the purchase of OID debt securities with those features, you should carefully examine the applicable prospectus and should consult your own tax advisor with respect to those features because the tax consequences to you with respect to OID will depend, in part, on the particular terms and features of the debt securities.

If you own OID debt securities with a maturity upon issuance of more than one year you generally must include OID in income in advance of the receipt of some or all of the related cash payments using the "constant yield method" described in the following paragraphs. This method takes into account the compounding of interest. If you own OID debt securities with a maturity upon issuance of more than five years that are issued by Brandywine, certain rules that apply to applicable high yield discount obligations may apply to the debt securities, in which case you should carefully examine the applicable prospectus and should consult your own tax advisor regarding the United States federal income tax consequences to you of holding and disposing of those debt securities.

The amount of OID that you must include in income if you are the initial United States holder of an OID debt security is the sum of the "daily portions" of OID with respect to the debt security for each day during the taxable year or portion of the taxable year in which you held that debt security ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for an OID debt security may be of any length and may vary in length over the term of the debt security, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of:

- the debt security's "adjusted issue price" at the beginning of the accrual period multiplied by its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period, over
- the aggregate of all qualified stated interest allocable to the accrual period.

OID allocable to a final accrual period is the difference between the amount payable at maturity, other than a payment of qualified stated interest, and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a debt security at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period, determined without regard to the amortization of any acquisition or bond premium, as described below, and reduced by any payments made on the debt security (other than qualified stated interest) on or before the first day of the accrual period. Under these rules, you will generally have to include in income increasingly greater amounts of OID in successive accrual periods. We are required to provide information returns stating the amount of OID accrued on debt securities held of record by persons other than corporations and other exempt holders.

Floating rate debt securities are subject to special OID rules. In the case of an OID debt security that is a floating rate debt security, both the "yield to maturity" and "qualified stated interest" will be determined solely for purposes of calculating the accrual of OID as though the debt security will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the debt security on its date of issue or, in the case of certain floating rate debt securities, the rate that reflects the yield to maturity that is reasonably expected for the debt security. Additional rules may apply if either:

- the interest on a floating rate debt security is based on more than one interest index; or
- the principal amount of the debt security is indexed in any manner.

This discussion does not address the tax rules applicable to debt securities with an indexed principal amount. If you are considering the purchase of floating rate OID debt securities or securities with indexed principal amounts, you should carefully examine the prospectus relating to those debt securities, and should consult your own tax advisor regarding the United States federal income tax consequences to you of holding and disposing of those debt securities.

You may elect to treat all interest on any debt securities as OID and calculate the amount includible in gross income under the constant yield method described above. For purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. You must make this election for the taxable year in which you acquired the debt security, and you may not revoke the election without the consent of the IRS. You should consult with your own tax advisor about this election.

Market Discount

If you purchase debt securities, other than OID debt securities, for an amount that is less than their stated redemption price at maturity, or, in the case of OID debt securities, their adjusted issue price, the amount of the difference will be treated as "market discount" for United States federal income tax purposes, unless that difference is less than a specified *de minimis* amount. Under the market discount rules, you will be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, the debt securities as ordinary income to the extent of the market discount that you have not previously included in income and are treated as having accrued on the debt securities at the time of their payment or disposition. In addition, you may be required to defer, until the maturity of the debt securities or their earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness attributable to the debt securities. You may elect, on a debt security-by-debt security basis, to deduct the deferred interest expense in a tax year prior to the year of disposition. You should consult your own tax advisor before making this election. Any market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the debt securities, unless you elect to accrue on a constant interest method. You may elect to include market discount in income currently as it accrues, on either a ratable or constant interest method, in which case the rule described above regarding deferral of interest deductions will not apply. Your election to include market discount in income currently, once made, applies to all market discount obligations acquired by you on or after the first taxable year to which your election applies and may not be revoked without the consent of the IRS. You should consult your own tax advisor before making this election.

Acquisition Premium and Amortizable Bond Premium

If you purchase OID debt securities for an amount that is greater than their adjusted issue price but equal to or less than the sum of all amounts payable on the debt securities after the purchase date other than payments of qualified stated interest, you will be considered to have purchased those debt securities at an “acquisition premium.” Under the acquisition premium rules, the amount of OID that you must include in gross income with respect to those debt securities for any taxable year will be reduced by the portion of the acquisition premium properly allocable to that year.

If you purchase debt securities (including OID debt securities) for an amount in excess of the sum of all amounts payable on those debt securities after the purchase date other than qualified stated interest, you will be considered to have purchased those debt securities at a “premium” and, if they are OID debt securities, you will not be required to include any OID in income. You generally may elect to amortize the premium over the remaining term of those debt securities on a constant yield method as an offset to interest when includible in income under your regular accounting method. In the case of debt securities that provide for alternative payment schedules, bond premium is calculated by assuming that (a) you will exercise or not exercise options in a manner that maximizes your yield and (b) we will exercise or not exercise options in a manner that minimizes your yield (except that we will be assumed to exercise call options in a manner that maximizes your yield). If you do not elect to amortize bond premium, that premium will decrease the gain or increase the loss you would otherwise recognize on disposition of the debt security. Your election to amortize premium on a constant yield method will also apply to all debt obligations held or subsequently acquired by you on or after the first day of the first taxable year to which the election applies. You may not revoke the election without the consent of the IRS. You should consult your own tax advisor before making this election.

Sale, Exchange and Retirement of Debt Securities

A U.S. Holder of debt securities will recognize gain or loss upon the sale, exchange, retirement, redemption or other taxable disposition of such debt securities in an amount equal to the difference between:

- the amount of cash and the fair market value of other property received in exchange for such debt securities, other than amounts attributable to accrued but unpaid stated interest, which will be subject to tax as ordinary income to the extent not previously included in income; and
- the U.S. Holder’s adjusted tax basis in such debt securities.

A U.S. Holder’s adjusted tax basis in a debt security generally will equal the cost of the debt security to such holder (A) increased by the amount of OID or accrued market discount (if any) previously included in income by such holder and (B) decreased by the amount of any payments other than qualified stated interest payments and any amortizable bond premium taken by such holder.

Any gain or loss recognized will generally be capital gain or loss, and such capital gain or loss will generally be long-term capital gain or loss if the debt security has been held by the U.S. Holder for more than one year. Long-term capital gain for non-corporate taxpayers is subject to reduced rates of United States federal income taxation (currently, a 20% maximum federal rate but see the discussion above “Taxation of Shareholders-Taxation of Taxable U.S. Shareholders-Tax Rates Applicable to Individual Shareholders under the TCJA”). The deductibility of capital losses is subject to certain limitations.

If a U.S. Holder recognizes a loss upon a subsequent disposition of our debt securities in an amount that exceeds a prescribed threshold, it is possible that the provisions of Treasury Regulations involving “reportable transactions” could apply, with a resulting requirement to separately disclose the loss generating transactions to the IRS. While these regulations are directed towards “tax shelters,” they are written broadly, and apply to transactions that would not typically be considered tax shelters. Significant penalties apply for failure to comply with these requirements. You should consult your tax advisor concerning any possible disclosure obligation with respect to the receipt or disposition of our debt securities, or transactions that might be undertaken directly or indirectly by us. Moreover, you should be aware that we and other participants in transactions involving us (including our advisors) might be subject to disclosure or other requirements pursuant to these regulations.

Medicare Tax on Investment Income

Certain U.S. Holders who are individuals, estates or trusts and whose income exceeds certain thresholds must pay a 3.8% Medicare tax on "net investment income" which includes, among other things, dividends on shares, interest on debentures and capital gains from the sale or other disposition of shares or debentures, subject to certain exceptions. Prospective investors should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of our common shares, preferred shares and debt securities.

Taxation of Tax-Exempt Holders of Debt Securities

Assuming the debt security is debt for tax purposes, interest income accrued on the debt security should not constitute unrelated business taxable income to a tax-exempt holder. As a result, a tax-exempt holder generally should not be subject to U.S. federal income tax on the interest income accruing on our debt securities. Similarly, any gain recognized by the tax-exempt holder in connection with a sale of the debt security generally should not be unrelated business taxable income. However, if a tax-exempt holder were to finance its acquisition of the debt security with debt, a portion of the interest income and gain attributable to the debt security would constitute unrelated business taxable income pursuant to the "debt-financed property" rules. Tax-exempt holders should consult their own tax advisors to determine the potential tax consequences of an investment in our debt securities.

Taxation of Non-U.S. Holders of Debt Securities

The rules governing the U.S. federal income taxation of a Non-U.S. Holder are complex and no attempt will be made herein to provide more than a summary of such rules. Non-U.S. Holders should consult their tax advisors to determine the effect of U.S. federal, state, local and foreign tax laws, as well as tax treaties, with regard to an investment in the debt securities.

Interest

Interest (including OID) paid to a non-U.S. Holder of debt securities will not be subject to United States federal withholding tax under the "portfolio interest exception," provided that:

- interest paid on debt securities is not effectively connected with a non-U.S. Holder's conduct of a trade or business in the United States;
- the non-U.S. Holder does not actually or constructively own 10% or more of the capital or profits interest in the Operating Partnership (in the case of debt issued by the Operating Partnership), or 10% or more of the shares of Brandywine (in the case of debt issued by Brandywine);
- the non-U.S. Holder is not
    - a controlled foreign corporation that is related to the Operating Partnership or Brandywine, as applicable, or
    - a bank that receives such interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and
- the beneficial owner of debt securities provides a certification, which is generally made on an IRS Form W-8BEN or W-8BEN-E, as applicable, or a suitable substitute form and signed under penalties of perjury, that it is not a United States person.

A payment of interest (including OID) to a non-U.S. Holder that does not qualify for the portfolio interest exception and that is not effectively connected to a United States trade or business will be subject to United States federal withholding tax at a rate of 30%, unless a United States income tax treaty applies to reduce or eliminate withholding.

A non-U.S. Holder will generally be subject to tax in the same manner as a U.S. Holder with respect to payments of interest (including OID) if such payments are effectively connected with the conduct of a trade or business by the non-U.S. Holder in the United States and, if an applicable tax treaty provides, such gain is attributable to a United States permanent establishment maintained by the non-U.S. Holder. In some circumstances, such effectively connected income received by a non-U.S. Holder which is a corporation may be subject to an additional "branch profits tax" at a 30% base rate or, if applicable, a lower treaty rate.

To claim the benefit of a lower treaty rate or to claim exemption from withholding because the income is effectively connected with a United States trade or business, the non-U.S. Holder must provide a properly executed IRS Form W-8BEN, W-8BEN-E, IRS Form W-8ECI or a suitable substitute form, as applicable, prior to the payment of interest. Such certificate must contain, among other information, the name and address of the non-U.S. Holder.

Non-U.S. Holders are urged to consult their own tax advisors regarding applicable income tax treaties, which may provide different rules.

Sale or Retirement of Debt Securities

A non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding tax on gain realized on the sale, exchange or redemption of debt securities unless:

- the non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale, exchange or redemption and certain other conditions are met; or

- the gain is effectively connected with the conduct of a trade or business of the non-U.S. Holder in the United States and, if an applicable tax treaty so provides, such gain is attributable to a United States permanent establishment maintained by such holder.

Except to the extent that an applicable tax treaty provides otherwise, a non-U.S. Holder will generally be subject to tax in the same manner as a U.S. Holder with respect to gain realized on the sale, exchange or redemption of debt securities if such gain is effectively connected with the conduct of a trade or business by the non-U.S. Holder in the United States and, if an applicable tax treaty provides, such gain is attributable to a United States permanent establishment maintained by the non-U.S. Holder. In certain circumstances, a non-U.S. Holder that is a corporation will be subject to an additional "branch profits tax" at a 30% rate or, if applicable, a lower treaty rate on such income.

U.S. Federal Estate Tax

Your estate will not be subject to U.S. federal estate tax on the debt securities beneficially owned by you at the time of your death, provided that any payment to you on the debt securities, including OID, would be eligible for exemption from the 30% U.S. federal withholding tax under the "portfolio interest" rule described above, without regard to the certification requirement.

Information Reporting and Backup Withholding Applicable to Holders of Debt Securities

U.S. Holders

Certain U.S. Holders may be subject to information reporting requirements on payments of principal and interest (including OID) on debt securities and payments of the proceeds of the sale, exchange, or redemption of debt securities, and backup withholding, currently imposed at a rate of 24% (and 28% for tax years beginning on or before December 31, 2017), may apply to such payment if the U.S. Holder:

- fails to furnish an accurate taxpayer identification number, or TIN, to the payor in the manner required;
- is notified by the IRS that it has failed to properly report payments of interest or dividends; or
- under certain circumstances, fails to certify, under penalties of perjury, that it has furnished a correct TIN and that it has not been notified by the IRS that it is subject to backup withholding.

Non-U.S. Holders

A non-U.S. Holder is generally not subject to backup withholding with respect to payments of interest (including OID) on debt securities if it certifies as to its status as a non-U.S. Holder under penalties of perjury or if it otherwise establishes an exemption, provided that neither we nor our paying agent has actual knowledge or reason to know that the non-U.S. Holder is a United States person or that the conditions of any other exemptions are not, in fact, satisfied. Information reporting requirements, however, will apply to payments of interest (including OID) to non-U.S. Holders where such interest is subject to withholding or exempt from United States withholding tax pursuant to a tax treaty. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the non-U.S. Holder resides.

The payment of the proceeds from the disposition of debt securities to or through the United States office of any broker, United States or foreign, will be subject to information reporting and possible backup withholding unless the owner certifies as to its non-United States status under penalties of perjury or otherwise establishes an exemption, provided that the broker does not have actual knowledge or reason to know that the non-U.S. Holder is a United States person or that the conditions of any other exemption are not, in fact, satisfied.

The payment of the proceeds from the disposition of debt securities to or through a non-United States office of a non-United States broker that is not a "United States related person" generally will not be subject to information reporting or backup withholding. For this purpose, a "United States related person" includes:

- a controlled foreign corporation for U.S. federal income tax purposes;
- a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment, or for such part of the period that the broker has been in existence, is derived from activities that are effectively connected with the conduct of a United States trade or business; or
- a foreign partnership that at any time during the partnership's taxable year is either engaged in the conduct of a trade or business in the United States or of which 50% or more of its income or capital interests are held by United States persons.

In the case of the payment of proceeds from the disposition of debt securities to or through a non-United States office of a broker that is either a United States person or a United States related person, the payment may be subject to information reporting unless the broker has documentary evidence in its files that the owner is a non-U.S. Holder and the broker has no knowledge or reason to know to the contrary. Backup withholding will not apply to payments made through foreign offices of a broker that is a United States person or a United States related person, absent actual knowledge that the payee is a United States person.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a Holder will be allowed as a refund or a credit against such Holder's U.S. federal income tax liability, provided that the requisite procedures are followed.

Holders of debt securities are urged to consult their tax advisors regarding their qualification for exemption from backup withholding and the procedure for obtaining such an exemption, if applicable.

Additional Withholding Requirements under "FATCA"

Payments of interest to a non-U.S. holder will be subject to 30% withholding tax if the non-U.S. holder fails to provide the withholding agent with documentation sufficient to show that it is compliant with the FATCA. Generally, such documentation is provided on an executed IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable. If interest is subject to 30% tax under FATCA, it will not be subject to the 30% tax described above under "-Taxation of Non-U.S. Shareholder" and "-Taxation of Non-U.S. Holders of Debt Securities." Based upon proposed Treasury regulations, which may be relied upon by taxpayers until the final Treasury regulations are issued, the FATCA withholding that was to be effective on January 1, 2019 with respect to payments of the gross proceeds no longer applies.. Non- U.S. holders should consult their tax advisors to determine the applicability of this legislation in light of their individual circumstances.