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

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2015

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.)

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

19087
(Zip Code)

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

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

Brandywine Realty Trust

Yes No

Brandywine Operating Partnership, L.P.

Yes No

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

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

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

Brandywine Realty Trust:

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

Brandywine Operating Partnership, L.P.:

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

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

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

A total of 175,196,703 Common Shares of Beneficial Interest, par value \$0.01 per share of Brandywine Realty Trust, were outstanding as of October 23, 2015.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended September 30, 2015 of Brandywine Realty Trust (the “Parent Company”) and Brandywine Operating Partnership L.P. (the “Operating Partnership”). The Parent Company is a Maryland real estate investment trust, or REIT, that owns its assets and conducts its operations through the Operating Partnership, a Delaware limited partnership, and subsidiaries of the Operating Partnership. The Parent Company, the Operating Partnership and their consolidated subsidiaries are collectively referred to in this report as the “Company”. In addition, as used in this report, terms such as “we”, “us”, and “our” may refer to the Company, the Parent Company, or the Operating Partnership.

The Parent Company is the sole general partner of the Operating Partnership and, as of September 30, 2015, owned a 99.1% interest in the Operating Partnership. The remaining 0.9% interest consists of common units of limited partnership interest issued by the Operating Partnership to third parties in exchange for contributions of properties to the Operating Partnership. As the sole general partner of the Operating Partnership, the Parent Company has full and complete authority over the Operating Partnership’s day-to-day operations and management.

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

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

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

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

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

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

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

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

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

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

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PART I - FINANCIAL INFORMATION

Item 1. — Financial Statements

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

| | September 30, 2015 | December 31, 2014 |
|--|-----------------------|----------------------|
| | (unaudited) | |
| ASSETS | | |
| Real estate investments: | | |
| Operating properties | \$ 4,629,223 | \$ 4,603,692 |
| Accumulated depreciation | (1,064,804) | (1,067,829) |
| Operating real estate investments, net | 3,564,419 | 3,535,863 |
| Construction-in-progress | 242,246 | 201,360 |
| Land inventory | 135,917 | 90,603 |
| Total real estate investments, net | 3,942,582 | 3,827,826 |
| Cash and cash equivalents | 50,632 | 257,502 |
| Accounts receivable, net | 19,221 | 18,757 |
| Accrued rent receivable, net | 139,738 | 134,051 |
| Assets held for sale, net | 53,042 | 18,295 |
| Investment in Real Estate Ventures, at equity | 211,771 | 225,004 |
| Deferred costs, net | 124,472 | 125,224 |
| Intangible assets, net | 127,088 | 99,403 |
| Mortgage note receivable | — | 88,000 |
| Other assets | 73,075 | 65,111 |
| Total assets | \$ 4,741,621 | \$ 4,859,173 |
| LIABILITIES AND BENEFICIARIES' EQUITY | | |
| Mortgage notes payable | \$ 642,396 | \$ 654,590 |
| Unsecured term loans | 200,000 | 200,000 |
| Unsecured senior notes, net of discounts | 1,597,541 | 1,596,718 |
| Accounts payable and accrued expenses | 115,636 | 96,046 |
| Distributions payable | 28,318 | 28,871 |
| Deferred income, gains and rent | 41,133 | 59,452 |
| Acquired lease intangibles, net | 28,541 | 26,010 |
| Other liabilities | 41,630 | 37,558 |
| Liabilities related to assets held for sale | 1,269 | 602 |
| Total liabilities | 2,696,464 | 2,699,847 |
| Commitments and contingencies (Note 12) | | |
| Brandywine Realty Trust's equity: | | |
| Preferred Shares (shares authorized-20,000,000): | | |
| 6.90% Series E Preferred Shares, \$0.01 par value; issued and outstanding- 4,000,000 in 2015 and 2014 | 40 | 40 |
| Common Shares of Brandywine Realty Trust's beneficial interest, \$0.01 par value; shares authorized 400,000,000; 175,196,703 and 179,293,160 issued and outstanding in 2015 and 2014, respectively | 1,752 | 1,793 |
| Additional paid-in capital | 3,258,075 | 3,314,693 |
| Deferred compensation payable in common shares | 11,918 | 6,219 |
| Common shares in grantor trust, 745,686 in 2015 and 384,536 in 2014 | (11,918) | (6,219) |
| Cumulative earnings | 561,227 | 529,487 |
| Accumulated other comprehensive loss | (8,490) | (4,607) |
| Cumulative distributions | (1,786,374) | (1,700,579) |
| Total Brandywine Realty Trust's equity | 2,026,230 | 2,140,827 |
| Non-controlling interests | 18,927 | 18,499 |
| Total beneficiaries' equity | 2,045,157 | 2,159,326 |
| Total liabilities and beneficiaries' equity | \$ 4,741,621 | \$ 4,859,173 |

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

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

| | Three-month periods ended | | Nine-month periods ended | |
|---|---------------------------|-------------|--------------------------|-------------|
| | September 30, | | September 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Revenue: | | | | |
| Rents | \$ 124,263 | \$ 120,288 | \$ 363,800 | \$ 363,581 |
| Tenant reimbursements | 21,553 | 20,095 | 64,006 | 64,057 |
| Termination fees | 1,097 | 1,418 | 2,561 | 6,970 |
| Third party management fees, labor reimbursement and leasing | 4,274 | 3,932 | 12,805 | 12,269 |
| Other | 1,398 | 825 | 5,467 | 2,295 |
| Total revenue | 152,585 | 146,558 | 448,639 | 449,172 |
| Operating expenses: | | | | |
| Property operating expenses | 43,894 | 42,675 | 133,175 | 132,612 |
| Real estate taxes | 13,119 | 12,869 | 37,632 | 39,167 |
| Third party management expenses | 1,605 | 1,687 | 4,858 | 5,133 |
| Depreciation and amortization | 58,314 | 52,616 | 160,355 | 157,773 |
| General and administrative expenses | 6,127 | 5,900 | 21,554 | 20,086 |
| Total operating expenses | 123,059 | 115,747 | 357,574 | 354,771 |
| Operating income | 29,526 | 30,811 | 91,065 | 94,401 |
| Other income (expense): | | | | |
| Interest income | 126 | 528 | 1,189 | 1,298 |
| Tax credit transaction income | 11,853 | 11,853 | 11,853 | 11,853 |
| Interest expense | (27,900) | (31,481) | (83,971) | (94,837) |
| Interest expense — amortization of deferred financing costs | (1,010) | (1,566) | (3,377) | (3,952) |
| Interest expense — financing obligation | (296) | (273) | (906) | (861) |
| Recognized hedge activity | — | (828) | — | (828) |
| Equity in loss of Real Estate Ventures | (1,093) | (486) | (1,835) | (733) |
| Net gain on disposition of real estate | 6,083 | 4,698 | 16,673 | 4,698 |
| Net gain on sale of undepreciated real estate | 3,019 | — | 3,019 | 1,184 |
| Net gain from remeasurement of investment in real estate ventures | — | — | 758 | 458 |
| Loss on real estate venture transactions | — | — | — | (417) |
| Loss on early extinguishment of debt | — | (2,606) | — | (2,606) |
| Provision for impairment on assets held for sale/sold | — | (1,765) | (2,508) | (1,765) |
| Income from continuing operations | 20,308 | 8,885 | 31,960 | 7,893 |
| Discontinued operations: | | | | |
| Income from discontinued operations | — | — | — | 18 |
| Net gain (loss) on disposition of discontinued operations | — | (3) | — | 900 |
| Total discontinued operations | — | (3) | — | 918 |
| Net income | 20,308 | 8,882 | 31,960 | 8,811 |
| Net income from discontinued operations attributable to non-controlling interests | — | — | — | (10) |
| Net income from continuing operations attributable to non-controlling interests | (161) | (108) | (221) | (47) |
| Net income attributable to non-controlling interests | (161) | (108) | (221) | (57) |
| Net income attributable to Brandywine Realty Trust | 20,147 | 8,774 | 31,739 | 8,754 |
| Distribution to preferred shareholders | (1,725) | (1,725) | (5,175) | (5,175) |
| Nonforfeitable dividends allocated to unvested restricted shareholders | (76) | (82) | (253) | (268) |
| Net income attributable to Common Shareholders of Brandywine Realty Trust | \$ 18,346 | \$ 6,967 | \$ 26,311 | \$ 3,311 |
| Basic income per Common Share: | | | | |
| Continuing operations | \$ 0.10 | \$ 0.04 | \$ 0.15 | \$ 0.01 |
| Discontinued operations | — | — | — | 0.01 |
| | \$ 0.10 | \$ 0.04 | \$ 0.15 | \$ 0.02 |
| Diluted income per Common Share: | | | | |
| Continuing operations | \$ 0.10 | \$ 0.04 | \$ 0.15 | \$ 0.01 |
| Discontinued operations | — | — | — | 0.01 |
| | \$ 0.10 | \$ 0.04 | \$ 0.15 | \$ 0.02 |
| Basic weighted average shares outstanding | 178,188,037 | 171,606,722 | 179,198,714 | 161,866,955 |
| Diluted weighted average shares outstanding | 178,776,684 | 173,193,870 | 179,988,492 | 163,353,970 |
| Net income attributable to Brandywine Realty Trust | | | | |

| | | | | | | | | |
|---|----|---------------|----|--------------|----|---------------|----|--------------|
| Total continuing operations | \$ | 20,147 | \$ | 8,777 | \$ | 31,739 | \$ | 7,846 |
| Total discontinued operations | | — | | (3) | | — | | 908 |
| Net income | \$ | <u>20,147</u> | \$ | <u>8,774</u> | \$ | <u>31,739</u> | \$ | <u>8,754</u> |
| Distributions declared per Common Share | \$ | 0.15 | \$ | 0.15 | \$ | 0.45 | \$ | 0.45 |

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

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

| | Three-month periods ended | | Nine-month periods ended | |
|--|---------------------------|-----------|--------------------------|----------|
| | September 30, | | September 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Net income | \$ 20,308 | \$ 8,882 | \$ 31,960 | \$ 8,811 |
| Other comprehensive income (loss): | | | | |
| Unrealized gain (loss) on derivative financial instruments | (2,922) | 4,232 | (4,091) | 967 |
| Loss on settlement of interest rate swaps | — | (828) | — | (828) |
| Reclassification of realized losses on derivative financial instruments to operations, net (1) | 58 | 76 | 174 | 196 |
| Total other comprehensive gain (loss) | (2,864) | 3,480 | (3,917) | 335 |
| Comprehensive income | 17,444 | 12,362 | 28,043 | 9,146 |
| Comprehensive income attributable to non-controlling interest | (136) | (141) | (187) | (55) |
| Comprehensive income attributable to Brandywine Realty Trust | \$ 17,308 | \$ 12,221 | \$ 27,856 | \$ 9,091 |

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

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

BRANDYWINE REALTY TRUST
CONSOLIDATED STATEMENTS OF BENEFICIARIES' EQUITY
For the nine-month period ended September 30, 2015
(unaudited, in thousands, except number of shares)

| | Number of Preferred Shares | Par Value of Preferred Shares | Number of Common Shares | Number of Rabbi Trust/Deferred Compensation Shares | Common Shares of Brandywine Realty Trust's beneficial interest | Additional Paid-in Capital | Deferred Compensation Payable in Common Shares | Common Shares in Grantor Trust | Cumulative Earnings | Accumulated Other Comprehensive Loss | Cumulative Distributions | Non-Controlling Interests | Total |
|---|----------------------------|-------------------------------|-------------------------|--|--|----------------------------|--|--------------------------------|---------------------|--------------------------------------|--------------------------|---------------------------|---------------------|
| BALANCE, December 31, 2014 | 4,000,000 | \$ 40 | 179,293,160 | 384,536 | \$ 1,793 | \$ 3,314,693 | \$ 6,219 | \$ (6,219) | \$ 529,487 | \$ (4,607) | \$ (1,700,579) | \$ 18,499 | \$ 2,159,326 |
| Net income | | | | | | | | | 31,739 | | | 221 | 31,960 |
| Other comprehensive loss | | | | | | | | | | (3,883) | | (34) | (3,917) |
| Repurchase and retirement of Common Shares of Beneficial Interest | | | (4,701,302) | | (47) | (60,770) | | | | | | | (60,817) |
| Issuance of partnership interest in joint venture | | | | | | | | | | | | 1,025 | 1,025 |
| Bonus share issuance | | | 8,447 | | | 125 | | | | | | | 125 |
| Equity issuance costs | | | | | | (100) | | | | | | | (100) |
| Share-based compensation activity | | | 509,675 | 280,011 | 6 | 4,036 | | | 1 | | | | 4,043 |
| Share issuance from/to Deferred Compensation Plan | | | 86,723 | 81,139 | | (2) | 5,699 | (5,699) | | | | | (2) |
| Adjustment to non-controlling interest | | | | | | 93 | | | | | | (93) | — |
| Preferred Share distributions | | | | | | | | | | | (5,175) | | (5,175) |
| Distributions declared (\$0.45 per share) | | | | | | | | | | | (80,620) | (691) | (81,311) |
| BALANCE, September 30, 2015 | 4,000,000 | \$ 40 | 175,196,703 | 745,686 | \$ 1,752 | \$ 3,258,075 | \$ 11,918 | \$ (11,918) | \$ 561,227 | \$ (8,490) | \$ (1,786,374) | \$ 18,927 | \$ 2,045,157 |

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

BRANDYWINE REALTY TRUST
CONSOLIDATED STATEMENT OF BENEFICIARIES' EQUITY
For the nine-month period ended September 30, 2014
(unaudited, in thousands, except number of shares)

| | Number of Preferred Shares | Par Value of Preferred Shares | Number of Common Shares | Number of Rabbi Trust/Deferred Compensation Shares | Common Shares of Brandywine Realty Trust's beneficial interest | Additional Paid-in Capital | Deferred Compensation Payable in Common Shares | Common Shares in Grantor Trust | Cumulative Earnings | Accumulated Other Comprehensive Loss | Cumulative Distributions | Non-Controlling Interests | Total |
|---|----------------------------|-------------------------------|-------------------------|--|--|----------------------------|--|--------------------------------|---------------------|--------------------------------------|--------------------------|---------------------------|---------------------|
| BALANCE, December 31, 2013 | 4,000,000 | \$ 40 | 156,731,993 | 312,280 | \$ 1,566 | \$ 2,971,596 | \$ 5,407 | \$ (5,407) | \$ 522,528 | \$ (2,995) | \$ (1,592,515) | \$ 21,215 | \$ 1,921,435 |
| Net loss | | | | | | | | | 8,754 | | | 57 | 8,811 |
| Other comprehensive loss | | | | | | | | | | 337 | | (2) | 335 |
| Issuance of Common Shares of Beneficial Interest | | | 21,850,000 | | 219 | 335,179 | | | | | | | 335,398 |
| Conversion of LP Units to Common Shares | | | 41,734 | | | 655 | | | | | | (655) | — |
| Equity issuance costs | | | | | | (452) | | | | | | | (452) |
| Share-based compensation activity | | | 279,913 | | 5 | 4,597 | | | 12 | | | | 4,614 |
| Share issuance from/to Deferred Compensation Plan | | | 78,729 | 72,256 | | (90) | 812 | (812) | | | | | (90) |
| Adjustment to non-controlling interest | | | | | | (1,172) | | | | | | 1,172 | — |
| Preferred Share distributions | | | | | | | | | | | (5,175) | | (5,175) |
| Distributions declared (\$0.45 per share) | | | | | | | | | | | (74,198) | (788) | (74,986) |
| BALANCE, September 30, 2014 | 4,000,000 | \$ 40 | 178,982,369 | 384,536 | \$ 1,790 | \$ 3,310,313 | \$ 6,219 | \$ (6,219) | \$ 531,294 | \$ (2,658) | \$ (1,671,888) | \$ 20,999 | \$ 2,189,890 |

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

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

| | Nine-month periods ended | |
|---|--------------------------|-----------|
| | September 30, | |
| | 2015 | 2014 |
| Cash flows from operating activities: | | |
| Net income | \$ 31,960 | \$ 8,811 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization | 160,355 | 157,773 |
| Amortization of deferred financing costs | 3,377 | 3,952 |
| Amortization of debt discount/(premium), net | (507) | (455) |
| Amortization of stock compensation costs | 4,312 | 3,622 |
| Shares used for employee taxes upon vesting of share awards | (2,056) | (1,263) |
| Recognized hedge activity | — | 828 |
| Straight-line rent income | (17,579) | (11,416) |
| Amortization of acquired above (below) market leases, net | (5,473) | (5,206) |
| Straight-line ground rent expense | 66 | 66 |
| Provision for doubtful accounts | 1,276 | 1,687 |
| Loss on real estate venture transactions | — | 417 |
| Net gain on sale of interests in real estate | (19,692) | (5,882) |
| Net gain from remeasurement of investment in a real estate venture | (758) | (458) |
| Loss on early extinguishment of debt | — | 2,606 |
| Provision for impairment on assets held for sale/sold | 2,508 | 1,765 |
| Tax credit transaction income | (11,853) | (11,853) |
| Real Estate Venture loss in excess of distributions | 2,579 | 659 |
| Deferred financing obligation | (906) | (864) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (1,008) | (4,586) |
| Other assets | (9,511) | (10,317) |
| Accounts payable and accrued expenses | 13,819 | 9,304 |
| Deferred income, gains and rent | (3,491) | (4,430) |
| Other liabilities | (2,458) | (1,760) |
| Net cash provided by operating activities | 144,960 | 133,000 |
| Cash flows from investing activities: | | |
| Acquisition of properties | (141,303) | (12,405) |
| Acquisition of property - 1031 exchange funds applied | (62,812) | — |
| Proceeds from the sale of properties | 152,243 | 81,625 |
| Sale of property - 1031 exchange funds held in escrow | 62,800 | — |
| Proceeds from repayment of mortgage notes receivable | 88,000 | 5,125 |
| Capital expenditures for tenant improvements | (56,095) | (85,698) |
| Capital expenditures for redevelopments | (38,925) | (10,195) |
| Capital expenditures for developments | (122,380) | (48,057) |
| Advances for purchase of tenant assets, net of repayments | 290 | (212) |
| Investment in unconsolidated Real Estate Ventures | (62,868) | (16,330) |
| Deposits for real estate | (451) | — |
| Escrowed cash | 1,004 | 1,076 |
| Cash distributions from unconsolidated Real Estate Ventures in excess of cumulative equity income | 7,401 | 7,341 |
| Leasing costs paid | (18,295) | (17,018) |
| Net cash used in investing activities | (191,391) | (94,748) |
| Cash flows from financing activities: | | |
| Repayments of mortgage notes payable | (10,598) | (9,994) |
| Repayments of unsecured term loans | — | (250,828) |
| Proceeds from unsecured notes | — | 496,459 |
| Net proceeds from issuance of common shares | — | 335,016 |
| Repayments of unsecured notes | — | (120,361) |
| Debt financing costs paid | (3,229) | (3,630) |
| Proceeds from the exercise of stock options | 127 | 709 |
| Partner contribution to consolidated real estate venture | 1,025 | — |
| Repurchase and retirement of common shares | (60,817) | — |

| | | |
|--|-----------|------------|
| Distributions to noncontrolling interest | (692) | (806) |
| Net cash used in financing activities | (160,439) | 370,484 |
| Decrease in cash and cash equivalents | (206,870) | 408,736 |
| Cash and cash equivalents at beginning of period | 257,502 | 263,207 |
| Cash and cash equivalents at end of period | \$ 50,632 | \$ 671,943 |

Supplemental disclosure:

Cash paid for interest, net of capitalized interest during the nine months ended September 30, 2015 and 2014 of \$8,764 and \$4,466, respectively \$ 80,720 \$ 92,196

Supplemental disclosure of non-cash activity:

| | | |
|---|----------|---------|
| Change in investments in joint venture related to non-cash disposition of property | — | (5,897) |
| Change in real estate investments related to non-cash property acquisition | (67,261) | — |
| Change in investments in joint venture related to non-cash acquisition of property | 67,261 | — |
| Change in receivable from settlement of acquisitions | — | 619 |
| Change in other liabilities from contingent consideration related to a business combination | 1,585 | — |
| Change in operating real estate from contingent consideration related to a business combination | (1,585) | — |
| Change in other liabilities from a deferred payment related to an asset acquisition | 2,000 | — |
| Change in operating real estate from a deferred payment related to an asset acquisition | (2,000) | — |
| Change in capital expenditures financed through accounts payable at period end | (2,472) | 4,415 |
| Change in capital expenditures financed through retention payable at period end | 6,873 | 3,479 |
| Change in unfunded tenant allowance | — | (327) |

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)

| | September 30, 2015 | December 31, 2014 |
|--|-----------------------|----------------------|
| | (unaudited) | |
| ASSETS | | |
| Real estate investments: | | |
| Operating properties | \$ 4,629,223 | \$ 4,603,692 |
| Accumulated depreciation | (1,064,804) | (1,067,829) |
| Operating real estate investments, net | 3,564,419 | 3,535,863 |
| Construction-in-progress | 242,246 | 201,360 |
| Land inventory | 135,917 | 90,603 |
| Total real estate investments, net | 3,942,582 | 3,827,826 |
| Cash and cash equivalents | 50,632 | 257,502 |
| Accounts receivable, net | 19,221 | 18,757 |
| Accrued rent receivable, net | 139,738 | 134,051 |
| Assets held for sale, net | 53,042 | 18,295 |
| Investment in Real Estate Ventures, at equity | 211,771 | 225,004 |
| Deferred costs, net | 124,472 | 125,224 |
| Intangible assets, net | 127,088 | 99,403 |
| Mortgage note receivable | — | 88,000 |
| Other assets | 73,075 | 65,111 |
| Total assets | \$ 4,741,621 | \$ 4,859,173 |
| LIABILITIES AND PARTNERS' EQUITY | | |
| Mortgage notes payable | \$ 642,396 | \$ 654,590 |
| Unsecured term loans | 200,000 | 200,000 |
| Unsecured senior notes, net of discounts | 1,597,541 | 1,596,718 |
| Accounts payable and accrued expenses | 115,636 | 96,046 |
| Distributions payable | 28,318 | 28,871 |
| Deferred income, gains and rent | 41,133 | 59,452 |
| Acquired lease intangibles, net | 28,541 | 26,010 |
| Other liabilities | 41,630 | 37,558 |
| Liabilities related to assets held for sale | 1,269 | 602 |
| Total liabilities | 2,696,464 | 2,699,847 |
| Commitments and contingencies (Note 12) | | |
| Redeemable limited partnership units at redemption value; 1,535,102 issued and outstanding in 2015 and 2014 | 22,247 | 24,571 |
| Brandywine Operating Partnership, L.P.'s equity: | | |
| 6.90% Series E-Linked Preferred Mirror Units; issued and outstanding- 4,000,000 in 2015 and 2014 | 96,850 | 96,850 |
| General Partnership Capital, 175,196,703 and 179,293,160 units issued and outstanding in 2015 and 2014, respectively | 1,932,953 | 2,041,902 |
| Accumulated other comprehensive loss | (8,924) | (5,007) |
| Total Brandywine Operating Partnership, L.P.'s equity | 2,020,879 | 2,133,745 |
| Non-controlling interest - consolidated real estate ventures | 2,031 | 1,010 |
| Total partners' equity | 2,022,910 | 2,134,755 |
| Total liabilities and partners' equity | \$ 4,741,621 | \$ 4,859,173 |

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

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

| | Three-month periods ended | | Nine-month periods ended | |
|--|---------------------------|--------------------|--------------------------|--------------------|
| | September 30, | | September 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Revenue: | | | | |
| Rents | \$ 124,263 | \$ 120,288 | \$ 363,800 | \$ 363,581 |
| Tenant reimbursements | 21,553 | 20,095 | 64,006 | 64,057 |
| Termination fees | 1,097 | 1,418 | 2,561 | 6,970 |
| Third party management fees, labor reimbursement and leasing | 4,274 | 3,932 | 12,805 | 12,269 |
| Other | 1,398 | 825 | 5,467 | 2,295 |
| Total revenue | 152,585 | 146,558 | 448,639 | 449,172 |
| Operating expenses: | | | | |
| Property operating expenses | 43,894 | 42,675 | 133,175 | 132,612 |
| Real estate taxes | 13,119 | 12,869 | 37,632 | 39,167 |
| Third party management expenses | 1,605 | 1,687 | 4,858 | 5,133 |
| Depreciation and amortization | 58,314 | 52,616 | 160,355 | 157,773 |
| General & administrative expenses | 6,127 | 5,900 | 21,554 | 20,086 |
| Total operating expenses | 123,059 | 115,747 | 357,574 | 354,771 |
| Operating income | 29,526 | 30,811 | 91,065 | 94,401 |
| Other income (expense): | | | | |
| Interest income | 126 | 528 | 1,189 | 1,298 |
| Tax credit transaction income | 11,853 | 11,853 | 11,853 | 11,853 |
| Interest expense | (27,900) | (31,481) | (83,971) | (94,837) |
| Interest expense — amortization of deferred financing costs | (1,010) | (1,566) | (3,377) | (3,952) |
| Interest expense — financing obligation | (296) | (273) | (906) | (861) |
| Recognized hedge activity | — | (828) | — | (828) |
| Equity in loss of Real Estate Ventures | (1,093) | (486) | (1,835) | (733) |
| Net gain on disposition of real estate | 6,083 | 4,698 | 16,673 | 4,698 |
| Net gain on sale of undepreciated real estate | 3,019 | — | 3,019 | 1,184 |
| Net gain from remeasurement of investment in real estate ventures | — | — | 758 | 458 |
| Loss on real estate venture transactions | — | — | — | (417) |
| Loss on early extinguishment of debt | — | (2,606) | — | (2,606) |
| Provision for impairment on assets held for sale/sold | — | (1,765) | (2,508) | (1,765) |
| Income from continuing operations | 20,308 | 8,885 | 31,960 | 7,893 |
| Discontinued operations: | | | | |
| Income from discontinued operations | — | — | — | 18 |
| Net gain (loss) on disposition of discontinued operations | — | (3) | — | 900 |
| Total discontinued operations | — | (3) | — | 918 |
| Net income | 20,308 | 8,882 | 31,960 | 8,811 |
| Net (income) loss attributable to non-controlling interests | (1) | (24) | 4 | (12) |
| Net income attributable to Brandywine Operating Partnership | 20,307 | 8,858 | 31,964 | 8,799 |
| Distribution to preferred unitholders | (1,725) | (1,725) | (5,175) | (5,175) |
| Amount allocated to unvested restricted unitholders | (76) | (82) | (253) | (268) |
| Net income attributable to Common Partnership Unitholders of Brandywine Operating Partnership, L.P. | \$ 18,506 | \$ 7,051 | \$ 26,536 | \$ 3,356 |
| Basic income (loss) per Common Partnership Unit: | | | | |
| Continuing operations | \$ 0.10 | \$ 0.04 | \$ 0.15 | \$ 0.01 |
| Discontinued operations | — | — | — | 0.01 |
| | <u>\$ 0.10</u> | <u>\$ 0.04</u> | <u>\$ 0.15</u> | <u>\$ 0.02</u> |
| Diluted income per Common Partnership Unit: | | | | |
| Continuing operations | \$ 0.10 | \$ 0.04 | \$ 0.15 | \$ 0.01 |
| Discontinued operations | — | — | — | 0.01 |
| | <u>\$ 0.10</u> | <u>\$ 0.04</u> | <u>\$ 0.15</u> | <u>\$ 0.02</u> |
| Basic weighted average common partnership units outstanding | 179,723,139 | 173,341,782 | 180,733,816 | 163,620,963 |
| Diluted weighted average common partnership units outstanding | 180,311,786 | 174,928,930 | 181,523,594 | 165,107,978 |
| Net income (loss) attributable to Brandywine Operating Partnership, L.P. | | | | |
| Total continuing operations | \$ 20,307 | \$ 8,861 | \$ 31,964 | \$ 7,881 |
| Total discontinued operations | — | (3) | — | 918 |
| Net income | \$ 20,307 | \$ 8,858 | \$ 31,964 | \$ 8,799 |

| | | | | |
|--|------|------|------|------|
| Distributions declared per Common Partnership Unit | 0.15 | 0.15 | 0.45 | 0.45 |
|--|------|------|------|------|

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

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

| | Three-month periods ended | | Nine-month periods ended | |
|--|---------------------------|------------------|--------------------------|-----------------|
| | September 30, | | September 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Net income | \$ 20,308 | \$ 8,882 | \$ 31,960 | \$ 8,811 |
| Other comprehensive income (loss): | | | | |
| Unrealized gain (loss) on derivative financial instruments | (2,922) | 4,232 | (4,091) | 967 |
| Loss on settlement of interest rate swaps | — | (828) | — | (828) |
| Reclassification of realized losses on derivative financial instruments to operations, net (1) | 58 | 76 | 174 | 196 |
| Total other comprehensive income (loss) | (2,864) | 3,480 | (3,917) | 335 |
| Comprehensive income attributable to Brandywine Operating Partnership, L.P. | <u>\$ 17,444</u> | <u>\$ 12,362</u> | <u>\$ 28,043</u> | <u>\$ 9,146</u> |

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

| | Nine-month periods ended | |
|---|--------------------------|-----------|
| | September 30, | |
| | 2015 | 2014 |
| Cash flows from operating activities: | | |
| Net income | \$ 31,960 | \$ 8,811 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization | 160,355 | 157,773 |
| Amortization of deferred financing costs | 3,377 | 3,952 |
| Amortization of debt discount/(premium), net | (507) | (455) |
| Amortization of stock compensation costs | 4,312 | 3,622 |
| Shares used for employee taxes upon vesting of share awards | (2,056) | (1,263) |
| Recognized hedge activity | — | 828 |
| Straight-line rent income | (17,579) | (11,416) |
| Amortization of acquired above (below) market leases, net | (5,473) | (5,206) |
| Straight-line ground rent expense | 66 | 66 |
| Provision for doubtful accounts | 1,276 | 1,687 |
| Loss on real estate venture transactions | — | 417 |
| Net gain on sale of interests in real estate | (19,692) | (5,882) |
| Net gain on remeasurement of investment in a real estate venture | (758) | (458) |
| Tax credit transaction income | (11,853) | (11,853) |
| Loss on early extinguishment of debt | — | 2,606 |
| Provision for impairment on assets held for sale | 2,508 | 1,765 |
| Real Estate Venture loss in excess of distributions | 2,579 | 659 |
| Deferred financing obligation | (906) | (864) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (1,008) | (4,586) |
| Other assets | (9,511) | (10,317) |
| Accounts payable and accrued expenses | 13,819 | 9,304 |
| Deferred income, gains and rent | (3,491) | (4,430) |
| Other liabilities | (2,458) | (1,760) |
| Net cash provided by operating activities | 144,960 | 133,000 |
| Cash flows from investing activities: | | |
| Acquisition of properties | (141,303) | (12,405) |
| Acquisition of property - 1031 exchange funds applied | (62,812) | — |
| Proceeds from the sale of properties | 152,243 | 81,625 |
| Sale of property - 1031 exchange funds held in escrow | 62,800 | — |
| Proceeds from repayment of mortgage notes receivable | 88,000 | 5,125 |
| Capital expenditures for tenant improvements | (56,095) | (85,698) |
| Capital expenditures for redevelopments | (38,925) | (10,195) |
| Capital expenditures for developments | (122,380) | (48,057) |
| Advances for purchase of tenant assets, net of repayments | 290 | (212) |
| Investment in unconsolidated Real Estate Ventures | (62,868) | (16,330) |
| Deposits for real estate | (451) | — |
| Escrowed cash | 1,004 | 1,076 |
| Cash distributions from unconsolidated Real Estate Ventures in excess of cumulative equity income | 7,401 | 7,341 |
| Leasing costs paid | (18,295) | (17,018) |
| Net cash used in investing activities | (191,391) | (94,748) |
| Cash flows from financing activities: | | |
| Repayments of mortgage notes payable | (10,598) | (9,994) |
| Repayments of unsecured term loans | — | (250,828) |
| Proceeds from unsecured notes | — | 496,459 |
| Net proceeds from issuance of common units | — | 335,016 |
| Repayments of unsecured notes | — | (120,361) |
| Debt financing costs paid | (3,229) | (3,630) |
| Proceeds from the exercise of stock options | 127 | 709 |
| Partner contribution to consolidated real estate venture | 1,025 | — |
| Repurchase and retirement of common partnership units | (60,817) | — |

| | | |
|--|-----------|------------|
| Distributions paid to preferred and common partnership unitholders | (86,947) | (76,887) |
| Net cash used in financing activities | (160,439) | 370,484 |
| Decrease in cash and cash equivalents | (206,870) | 408,736 |
| Cash and cash equivalents at beginning of period | 257,502 | 263,207 |
| Cash and cash equivalents at end of period | \$ 50,632 | \$ 671,943 |

Supplemental disclosure:

| | | |
|---|-----------|-----------|
| Cash paid for interest, net of capitalized interest during the nine months ended September 30, 2015 and 2014 of \$8,764 and \$4,466, respectively | \$ 80,720 | \$ 92,196 |
|---|-----------|-----------|

Supplemental disclosure of non-cash activity:

| | | |
|---|----------|---------|
| Change in investments in joint venture related non-cash disposition of property | — | (5,897) |
| Change in real estate investments related to non-cash property acquisition | (67,261) | — |
| Change in investments in joint venture related to non-cash acquisition of property | 67,261 | — |
| Change in receivable from settlement of acquisitions | — | 619 |
| Change in other liabilities from contingent consideration related to a business combination | 1,585 | — |
| Change in operating real estate from contingent consideration related to a business combination | (1,585) | — |
| Change in other liabilities from a deferred payment related to an asset acquisition | 2,000 | — |
| Change in operating real estate from a deferred payment related to an asset acquisition | (2,000) | — |
| Change in capital expenditures financed through accounts payable at period end | (2,472) | 4,415 |
| Change in capital expenditures financed through retention payable at period end | 6,873 | 3,479 |
| Change in unfunded tenant allowance | — | (327) |

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

BRANDYWINE REALTY TRUST AND BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, industrial, retail and mixed-use properties. The Parent Company owns its assets and conducts its operations through the Operating Partnership and subsidiaries of the Operating Partnership. The Parent Company is the sole general partner of the Operating Partnership and, as of September 30, 2015, owned a 99.1% interest in the Operating Partnership. The Parent Company's common shares of beneficial interest are publicly traded on the New York Stock Exchange under the ticker symbol "BDN".

As of September 30, 2015, the Company owned 192 properties, consisting of 155 office properties, 20 industrial facilities, four mixed-use properties, one retail property (180 core properties), six properties classified as held for sale, four development properties, one redevelopment property and one re-entitlement property (collectively, the "Properties") containing an aggregate of approximately 24.8 million net rentable square feet. In addition, as of September 30, 2015, the Company owned economic interests in 17 unconsolidated real estate ventures that own properties containing an aggregate of approximately 4.0 million net rentable square feet, 4.4 acres of undeveloped parcels of land and 22.5 acres of land under development (collectively, the "Real Estate Ventures"). As of September 30, 2015, the Company also owned 413 acres of undeveloped land, and held options to purchase approximately 63 additional acres of undeveloped land. As of September 30, 2015, the total potential development that these land parcels could support, under current zoning, entitlements or combination thereof, amounted to an estimated 7.8 million square feet of development, inclusive of the options to purchase approximately 63 additional acres of undeveloped land. The Properties and the properties owned by the Real Estate Ventures are located in or near Philadelphia, Pennsylvania; Metropolitan Washington, D.C.; Southern New Jersey; Richmond, Virginia; Wilmington, Delaware; Austin, Texas; and Oakland, Concord and Carlsbad, California.

The Company conducts its third-party real estate management services business primarily through wholly-owned management company subsidiaries. As of September 30, 2015, the management company subsidiaries were managing properties containing an aggregate of approximately 30.9 million net rentable square feet, of which approximately 24.7 million net rentable square feet related to Properties owned by the Company and approximately 6.2 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-Q to square feet represent net rentable area.

2. BASIS OF PRESENTATION

Basis of Presentation

The consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for interim financial statements. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments (consisting solely of normal recurring matters) for a fair statement of the financial position of the Company as of September 30, 2015, the results of its operations for the three and nine-month periods ended September 30, 2015 and 2014 and its cash flows for the nine-month periods ended September 30, 2015 and 2014 have been included. The results of operations for such interim periods are not necessarily indicative of the results for a full year. These consolidated financial statements should be read in conjunction with the Parent Company's and the Operating Partnership's consolidated financial statements and footnotes included in their combined 2014 Annual Report on Form 10-K filed with the SEC on February 19, 2015.

The Company's Annual Report on Form 10-K for the year ended December 31, 2014 contains a discussion of our significant accounting policies under Note 2, "*Summary of Significant Accounting Policies*". There have been no significant changes in our significant accounting policies since December 31, 2014. Management discusses our significant accounting policies and management's judgments and estimates with the Company's Audit Committee.

Recent Accounting Pronouncements

In September 2015, the Financial Accounting Standards Board ("FASB") issued guidance pertaining to entities that have reported provisional amounts for items in a business combination for which the accounting is incomplete by the end of the reporting period in which the combination occurs and during the measurement period have an adjustment to provisional amounts recognized. The

guidance requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. Any adjustments should be calculated as if the accounting had been completed at the acquisition date. The guidance is effective for public companies for fiscal years beginning after December 15, 2016, with early adoption permitted. Application of the guidance is prospective. The Company has not determined when it will adopt this guidance, nor what impact the adoption may have on its consolidated financial statements.

On July 9, 2015, the FASB elected to defer the effective date of the revenue recognition standard issued in May 2014 by one year. Reporting entities may choose to adopt the standard as of the original effective date or for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Calendar year-end public entities are therefore required to apply the new revenue guidance beginning in their 2018 interim and annual financial statements. The Company has not yet determined the impact, if any, that the adoption of this guidance will have on its consolidated financial statements. See Note 2, "*Summary of Significant Accounting Policies*," included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 for the Company's initial disclosure of this standard.

In April 2015, the FASB issued guidance requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this update. Debt issuance costs related to revolving lines of credit are not within the scope of this new guidance. Additionally, in August 2015 the FASB issued guidance expanding the April 2015 update. It states that, given the absence of authoritative guidance within the update, the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset for revolving lines of credit and subsequently amortizing the deferred debt issuance costs ratably over the term of the arrangement, regardless of whether there are any outstanding borrowings on the line of credit. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption permitted for financial statements that have not been previously issued. Full retrospective application is required. Early adoption is permitted. The adoption of this guidance will not have a material impact on its consolidated financial position or results of operations as the update relates only to changes in financial statement presentation.

In February 2015, the FASB issued guidance modifying the analysis a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The guidance does not change the general order in which the consolidation models are applied. A reporting entity that holds an economic interest in, or is otherwise involved with, another legal entity must first determine if the variable interest entity model applies, and if so, whether it holds a controlling financial interest under that model. If the entity being evaluated for consolidation is not a variable interest entity, then the voting interest model should be applied to determine whether the entity should be consolidated by the reporting entity. Key changes to the guidance include, but are not limited to: (i.) limiting the extent to which related party interests are included to determine the decision maker's effective financial interest in the entity, (ii.) requiring that the limited partners in the limited partnership (or the members of a limited liability company that is similar to a limited partnership) have either substantive kick-out rights or substantive participating rights over the general partner to demonstrate that the limited partnership is a voting interest entity, (iii.) changing the evaluation of whether the equity holders at risk lack decision making rights when decision making is outsourced and (iv.) changing how the economics test is performed. The guidance does not amend the existing disclosure requirements for variable interest entities or voting interest model entities. The guidance is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. A reporting entity may elect to either apply the amendments using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption or apply the amendments retrospectively. The Company has not yet determined the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

3. REAL ESTATE INVESTMENTS

As of September 30, 2015 and December 31, 2014, the gross carrying value of the Company's Properties was as follows (in thousands):

| | September 30, 2015 | December 31, 2014 |
|--|-----------------------|----------------------|
| Land | \$ 658,280 | \$ 669,635 |
| Building and improvements | 3,438,563 | 3,409,303 |
| Tenant improvements | 532,380 | 524,754 |
| | 4,629,223 | 4,603,692 |
| Assets held for sale - real estate investments (a) | 74,706 | 27,436 |
| Total | \$ 4,703,929 | \$ 4,631,128 |

(a) Real estate investments related to assets held for sale above represents gross real estate assets and does not include accumulated depreciation or other assets on the balance sheets of the properties held for sale.

Acquisitions

On August 11, 2015, the Company acquired a 2.7 acre parcel of land containing a vacant office building, located at 9 Presidential Boulevard, Bala Cynwyd, Pennsylvania, for \$4.1 million with available corporate funds. The Company intends to demolish the vacant building and develop the property but has not yet determined the timing and cost of construction for the project as of September 30, 2015. The Company accounted for this transaction as an asset acquisition.

On July 7, 2015, the Company acquired a 0.8 acre parcel of land located at 2100 Market Street in Philadelphia, Pennsylvania for \$18.8 million. The Company funded \$16.8 million of the purchase price with available corporate funds and the remaining \$2.0 million of the purchase price was deferred until the earlier of the commencement of development or 24 months from settlement. The Company accounted for this transaction as an asset acquisition and capitalized a nominal amount of acquisition related costs and other costs as part of land inventory on its consolidated balance sheet. In connection with the purchase agreement, if certain land parcels adjacent to 2100 Market Street are acquired from unaffiliated third parties, the Company may be required to pay additional consideration to the seller of 2100 Market Street. The unaffiliated third parties are not party to this transaction and any land parcels acquired will be acquired in arms length transactions. The amount of additional consideration, if any, is contingent on the purchase price of the adjacent land parcels and cannot be determined at this time. The Company has not yet determined the timing and cost of construction for the project as of September 30, 2015.

On June 22, 2015, through a series of transactions with International Business Machines ("IBM"), the Company acquired the remaining 50.0% interest in Broadmoor Austin Associates, consisting of seven office buildings and the 66.0 acre underlying land parcel located in Austin, Texas, for an aggregate purchase price of \$211.4 million. The office buildings contain 1,112,236 net rentable square feet of office space and were 100.0% occupied as of June 30, 2015. The Company funded the cost of the acquisition with an aggregate cash payment of \$143.8 million, consisting of \$81.0 million from available corporate funds and \$62.8 million previously held in escrow related to a Section 1031 like-kind exchange. Part of the cash payment was used at closing to repay, at no repayment penalty, the remaining \$51.2 million of secured debt. The Company incurred \$0.2 million of acquisition related costs that are classified within general and administrative expenses.

The Company previously accounted for its 50.0% non-controlling interest in Broadmoor Austin Associates under the equity method of accounting. As a result of acquiring IBM's remaining 50.0% common interest in Broadmoor Austin Associates, the Company obtained control of Broadmoor Austin Associates and the Company's existing investment balance was remeasured based on fair value of the underlying properties acquired and the existing distribution provisions under the relevant partnership agreement. As a result, the Company recorded a \$0.8 million gain on remeasurement.

The Company has treated its acquisition of the 50.0% ownership interest in Broadmoor Austin Associates as a business combination and allocated the purchase price to the tangible and intangible assets and liabilities. The Company utilized a number of sources in making estimates of fair values for purposes of allocating the purchase price to tangible and intangibles assets acquired and intangible liabilities assumed. The purchase price has been allocated as follows (in thousands):

| | June 22, 2015 |
|---|-------------------|
| Building, land and improvements | \$ 163,271 |
| Land inventory | 6,045 |
| Intangible assets acquired (a) | 50,637 |
| Below market lease liabilities assumed (b) | (8,600) |
| | <u>\$ 211,353</u> |
| Return of existing equity method investment | (67,261) |
| Net working capital assumed | (271) |
| Total cash payment at settlement | <u>\$ 143,821</u> |

(a) Weighted average amortization period of 4.0 years.

(b) Weighted average amortization period of 1.5 years.

The unaudited pro forma information below summarizes the Company's combined results of operations for the three and nine-month periods ended September 30, 2015 and 2014, respectively, as though the acquisition of Broadmoor Austin Associates was completed on January 1, 2014. 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).

| | Three-month periods ended | | Nine-month periods ended | |
|---|---------------------------|----------------|--------------------------|----------------|
| | September 30, | | September 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Pro forma revenue | \$ 152,585 | \$ 149,951 | \$ 455,141 | \$ 459,722 |
| Pro forma income from continuing operations | 20,308 | 11,525 | 35,954 | 15,914 |
| Pro forma net income available to common shareholders | 18,346 | 9,607 | 30,305 | 11,332 |
| Earnings per common share from continuing operations: | | | | |
| Basic -- as reported | \$ 0.11 | \$ 0.05 | \$ 0.18 | \$ 0.05 |
| Basic -- as pro forma | <u>\$ 0.11</u> | <u>\$ 0.07</u> | <u>\$ 0.20</u> | <u>\$ 0.10</u> |
| Diluted -- as reported | \$ 0.11 | \$ 0.05 | \$ 0.18 | \$ 0.05 |
| Diluted -- as pro forma | <u>\$ 0.11</u> | <u>\$ 0.07</u> | <u>\$ 0.20</u> | <u>\$ 0.10</u> |
| Earnings per common share: | | | | |
| Basic -- as reported | \$ 0.10 | \$ 0.04 | \$ 0.15 | \$ 0.02 |
| Basic -- as pro forma | <u>\$ 0.10</u> | <u>\$ 0.06</u> | <u>\$ 0.17</u> | <u>\$ 0.07</u> |
| Diluted -- as reported | \$ 0.10 | \$ 0.04 | \$ 0.15 | \$ 0.02 |
| Diluted -- as pro forma | <u>\$ 0.10</u> | <u>\$ 0.06</u> | <u>\$ 0.17</u> | <u>\$ 0.07</u> |

The Company wholly owned the Broadmoor Austin properties at September 30, 2015, and as such, no pro forma adjustments were necessary during three-month period ended September 30, 2015. For the three-month periods ended September 30, 2015 and 2014, there were no acquisition related costs related to the transaction. For the nine-month period ended September 30, 2014, \$0.2 million of acquisition related costs are included as if the transaction occurred January 1, 2014.

On April 9, 2015, the Company acquired the leasehold interest in a 0.4 acre land parcel at 405 Colorado Street located in the central business district of Austin, Texas for \$2.6 million. The property is currently being operated as a surface parking lot with the intent to develop the site into an office property. The Company has not yet determined the timing and cost of construction for the project as of September 30, 2015. The Company accounted for this transaction as an asset acquisition.

On April 6, 2015, the Company acquired a 0.8 acre parcel of land, located at 25 M Street Southeast, Washington, D.C. for \$20.3 million. The Company funded the cost of this acquisition with available corporate funds. The Company capitalized \$0.3 million of acquisition related costs and these costs are included as part of land inventory on the Company's consolidated balance sheet. On May 12, 2015, the Company subsequently contributed the land parcel into a newly formed real estate venture known as 25 M Street Holdings, LLC ("25 M Street"), a joint venture between the Company and Jaco 25 M Investors, LLC ("Akridge"), an unaffiliated third party, with the intent to construct a 271,000 square foot Class A office property. The Company holds a 95.0% ownership interest in 25 M Street and Akridge contributed \$1.0 million in cash for its 5.0% ownership interest in 25 M Street. The \$1.0 million contribution from Akridge was distributed to the Company. 25 M Street is consolidated within the Company's financial statements. See Note 4, "*Investment in Unconsolidated Real Estate Ventures*," for further information. The partners of the venture have not determined the timing and cost of construction for the project as of September 30, 2015.

On April 2, 2015, the Company acquired, from an unaffiliated third party, a property comprised of a parking garage with 330 parking spaces and mixed-use space totaling 14,404 rentable square feet located at 618 Market Street in Philadelphia, Pennsylvania for an aggregate fair value of \$19.4 million. The property is currently fully operational. The purchase price includes contingent consideration, recorded at fair value and payable to the seller upon commencement of development, totaling \$1.6 million, and cash of \$17.8 million.

The Company has treated the acquisition of 618 Market Street as a business combination and allocated the purchase price to the tangible and intangible assets. The Company utilized a number of sources in making estimates of fair values for purposes of allocating the purchase price to tangible and intangibles assets acquired. The Company allocated \$19.2 million to building, land and improvements and \$0.2 million to intangible assets.

The fair value of contingent consideration was determined using a probability weighted discounted cash flow model. The significant inputs to the discounted cash flow model was the discount rate and weighted probability scenarios. As the inputs are unobservable, the Company determined the inputs used to value this liability falls within Level 3 for fair value reporting. As of September 30, 2015, there was no significant changes to the inputs and the liability remains within Level 3 for fair value reporting.

Dispositions

The Company sold the following office properties during the nine-month period ended September 30, 2015 (dollars in thousands).

| Disposition Date | Property/Portfolio Name | Location | Number of Properties | Rentable Square Feet | Sale Price | Gain/(Loss) On Sale (a) |
|---------------------------|--|----------------------------------|----------------------|----------------------|-------------------|-------------------------|
| September 29, 2015 | 1000 Howard Boulevard | Mt. Laurel, NJ | 1 | 105,312 | \$ 16,500 | \$ 4,823 |
| August 13, 2015 | Bay Colony | Wayne, PA | 4 | 247,294 | 37,500 | 288 |
| August 11, 2015 | 741 First Avenue | King of Prussia, PA | 1 | 77,184 | 4,900 | 372 |
| June 10, 2015 | 100 Gateway Centre Parkway | Richmond, VA | 1 | 74,991 | 4,100 | — (b) |
| April 24, 2015 | Christina / Delaware Corporate Centers | Newark, DE / Wilmington, DE | 5 | 485,182 | 50,125 | 1,797 |
| April 9, 2015 | Lake Merritt Tower | Oakland, CA | 1 | 204,336 | 65,000 | — (c) |
| January 8, 2015 | Atrium I / Libertyview | Mt. Laurel, NJ / Cherry Hill, NJ | 2 | 221,405 | 28,300 | 9,040 |
| Total Dispositions | | | 15 | 1,415,704 | \$ 206,425 | \$ 16,320 (d) |

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

(b) The Company recorded an impairment loss of \$0.8 million for 100 Gateway Centre Parkway during the second quarter of 2015. As such, there was no gain/(loss) at disposition for this property.

(c) The Company recorded an impairment loss of \$1.7 million for Lake Merritt Tower at March 31, 2015. As such, there was no gain/(loss) at disposition for this property. Sales proceeds were deposited in escrow under Section 1031 of the Internal Revenue Code and applied to purchase the Broadmoor Austin portfolio. Refer to Broadmoor Austin Associates acquisition summary, above, for further details.

(d) Total gain/(loss) on sale does not include a deferred gain of \$0.5 million related to a prior sale and \$0.1 million in losses associated with prior sales.

The Company sold the following land parcels during the nine-month period ended September 30, 2015 (dollars in thousands).

| Disposition Date | Property/Portfolio Name | Location | Number of Parcels | Acres | Sale Price | Gain/(Loss) on Sale |
|---------------------------|-------------------------|----------------|-------------------|-------------|------------------|---------------------|
| September 1, 2015 | 7000 Midlantic | Mt. Laurel, NJ | 1 | 3.5 | \$ 2,200 | \$ (169) |
| August 31, 2015 | Four Points | Austin, TX | 1 | 8.6 | 2,500 | 71 |
| August 25, 2015 | Two Kaiser Plaza | Oakland, CA | 1 | 1.0 | 11,100 | 3,117 |
| Total Dispositions | | | 3 | 13.1 | \$ 15,800 | \$ 3,019 |

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

As a result of selling \$206.4 million of real estate as of September 30, 2015, the Company increased its current year business plan disposition target to \$400.0 million. The Company is exploring the disposition of several properties, individually or as a portfolio,

during the remainder of 2015 in alignment with its business plan. As of September 30, 2015, the Company has not entered into agreements, other than the six properties categorized as held for sale, to sell additional properties nor can we provide assurance as to any/or which properties for which a sale might be realized. Accordingly, the Company has prepared undiscounted cash flow analyses for the relevant properties based upon several reasonably possible scenarios and the estimated likelihood of each scenario occurring. These estimated probability weighted undiscounted cash flows exceed the carrying values for the properties, and, therefore, no impairment charge has been recorded at September 30, 2015. Significant estimates were made in the determination of the future undiscounted cash flows, including expected future rents and operating expenses, holding periods, cash proceeds at the end of the estimated holding period and the probability of the various reasonably possible scenarios. Changes to estimates made by management for certain properties, including those related to holding periods, may result in the recognition of impairment losses, and such amounts could be material to the Company's results of operations.

Impairments Measured at Fair Value on a Non-recurring Basis

During the nine-month period ended September 30, 2015, the Company recognized \$2.5 million in impairment charges on properties sold to reduce the carrying value of the properties to their sales price in connection with the anticipated disposition. The fair value measurement related to these impairment charges was determined by the respective sales agreement. As the sales price is unobservable, the Company determined that the significant input used to value these real estate investments falls within Level 3 for fair value reporting.

Held for Sale

As of September 30, 2015, the Company entered into an agreement of sale for six suburban New Jersey properties containing 560,147 rentable square feet for an anticipated sales price of \$56.5 million. The properties have been designated as held for sale in accordance with applicable accounting standards for long lived assets. At such date, the fair value less the costs of sale exceed carrying value of the property and, as a result, no impairment loss was recognized. The fair value measurement was based on the sales agreement. As the sales price is unobservable, the Company determined that the significant inputs used to value these real estate investments falls within Level 3 for fair value reporting.

The disposal of the properties 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.

4. INVESTMENT IN UNCONSOLIDATED VENTURES

As of September 30, 2015, the Company held ownership interests in 17 unconsolidated Real Estate Ventures for an aggregate investment balance of \$210.7 million, of which \$211.8 million is included in assets and \$1.1 million is included in other liabilities relating to the negative investment balance of one real estate venture. The Company formed or acquired interests in these ventures with unaffiliated third parties to develop or manage office, residential, and/or mixed-use properties or to acquire land in anticipation of possible development of office, residential and/or mixed-use properties. As of September 30, 2015, nine of the real estate ventures owned 29 office buildings that contain an aggregate of approximately 4.0 million net rentable square feet; three real estate ventures owned 4.4 acres of undeveloped parcels of land; three real estate ventures owned 22.5 acres of land under development; one real estate venture owned a residential tower that contains 345 apartment units and one real estate venture owned a hotel property that contains 137 rooms in Conshohocken, PA.

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

The amounts reflected in the following tables (except for the Company's share of equity and income) are based on the historical financial information of the individual Real Estate Ventures. The Company does not record operating losses of a Real Estate Venture in excess of its investment balance unless the Company is liable for the obligations of the Real Estate Venture or is otherwise committed to provide financial support to the Real Estate Venture.

The following is a summary of the financial position of the Real Estate Ventures as of September 30, 2015 and December 31, 2014 (in thousands):

| | September 30, 2015 | December 31, 2014 |
|---|-----------------------|----------------------|
| Net property | \$ 1,165,941 | \$ 1,281,282 |
| Other assets | 144,415 | 195,121 |
| Other liabilities | 65,290 | 68,481 |
| Debt | 761,067 | 965,077 |
| Equity | 484,000 | 442,845 |
| Company's share of equity (Company's basis) (a) (b) | \$ 211,771 | \$ 225,004 |

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

(b) Does not include the negative investment balance of one real estate venture totaling \$1.1 million as of September 30, 2015 and \$1.2 million as of December 31, 2014, which is included in other liabilities.

The Company held interests in 17 Real Estate Ventures containing an aggregate of approximately 4.0 million net rentable square feet as of the three and nine-month periods ended September 30, 2015 and 17 Real Estate Ventures containing an aggregate of approximately 5.9 million net rentable square feet as of the three and nine-month periods ended September 30, 2014. The following is a summary of results of operations of the Real Estate Ventures in which the Company had interests during these periods (in thousands):

| | Three-month periods ended September 30, | | Nine-month periods ended September 30, | |
|---|---|-----------|--|------------|
| | 2015 | 2014 | 2015 | 2014 |
| Revenue | \$ 37,076 | \$ 37,446 | \$ 126,424 | \$ 106,905 |
| Operating expenses | (16,917) | (15,433) | (54,581) | (44,257) |
| Interest expense, net | (7,936) | (9,245) | (27,918) | (26,234) |
| Depreciation and amortization | (15,681) | (13,552) | (52,218) | (40,423) |
| Net loss | \$ (3,458) | \$ (784) | \$ (8,293) | \$ (4,009) |
| Company's share of loss (Company's basis) | \$ (1,093) | \$ (486) | \$ (1,835) | \$ (733) |

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 upon the facts and circumstances at 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.

Broadmoor Austin Associates

On June 22, 2015, the Company became the sole owner of Broadmoor Austin Associates upon the Company's acquisition from an unaffiliated third party of the remaining 50.0% ownership interest in Broadmoor Austin Associates. Broadmoor Austin Associates owns seven office buildings in Austin, Texas. See Note 3, "*Real Estate Investments*," for further information.

25 M Street (Akridge)

On May 12, 2015, the Company contributed the parcel of land purchased on April 9, 2015 into a newly formed real estate venture known as 25 M Street, a joint venture between the Company and Akridge, an unaffiliated third party. See Note 3, "*Real Estate Investments*," for further information.

Based on the facts and circumstances at formation of 25 M Street, the Company determined that 25 M Street is a variable interest entity (VIE) in accordance with the accounting standard for consolidation of VIEs. Accordingly, the Company used the variable interest model under the accounting standard for consolidation in order to determine whether to consolidate 25 M Street. Under the operating and related agreements the Company has the power to control substantially all of the activities which most significantly impact the economics of 25 M Street, and accordingly, 25 M Street is consolidated within the Company's financial statements. As of September 30, 2015, the carrying value of the assets of 25 M Street was \$20.5 million.

DRA - PA Venture

On December 19, 2007, the Company formed G&I Interchange Office LLC, a real estate venture (the "Interchange Venture"), with an unaffiliated third party, G&I VI Investment Interchange Office LLC ("G&I VI"), an investment vehicle advised by DRA Advisors LLC. The Interchange Venture owns 29 office properties containing an aggregate of 1,611,961 net rentable square feet located in Montgomery, Lehigh and Bucks counties, Pennsylvania. The Company contributed these 29 properties to the Interchange Venture upon the Interchange Venture's formation and in exchange for the contribution received a cash distribution from the Venture and a 20.0% ownership interest in the Interchange Venture.

On February 27, 2015, the Interchange Venture entered into a forbearance agreement with an unaffiliated lender that holds a nonrecourse mortgage on the Venture's assets. The loan matured on January 1, 2015. On August 12, 2015, the lender sold the properties to an unaffiliated third-party purchaser under the forbearance agreement and assumed the proceeds. Commensurate with the sale, the Interchange Venture was dissolved.

The Company has no obligation to fund any amounts to the lender under the loan or mortgage. The Company has not had any investment basis in the Interchange Venture since formation of the Interchange Venture in 2007. The Company is not obligated to fund any of the losses incurred by the Interchange Venture and, as a result, has not recognized losses in excess of its invested capital balance.

Austin Venture

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. For further information regarding this acquisition, see Note 4, "*Investment In Unconsolidated Ventures*," included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Guarantees

As of September 30, 2015, the Company had provided guarantees on behalf of certain real estate ventures, consisting of (i) a \$24.7 million payment guarantee on the construction loan for the project being undertaken by evo at Cira; (ii) a \$3.2 million payment guarantee on the construction loan for the development project being undertaken by TB-BDN Plymouth Apartments; (iii) a several cost overrun guaranty on the \$88.9 million construction loan for the development project being undertaken by 1919 Market Street LP; and (iv) a \$0.5 million payment guarantee on a loan provided to PJP VII. In addition, during construction undertaken by real estate ventures, the Company has provided and expects to continue to provide cost overrun and completion guarantees, with rights of contribution among partners in the real estate ventures, as well as customary environmental indemnities and guarantees of customary exceptions to nonrecourse provisions in loan agreements. For additional information regarding these real estate ventures, see Note 4, "*Investments in Unconsolidated Ventures*," in notes to the audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

5. INTANGIBLE ASSETS AND LIABILITIES

As of September 30, 2015 and December 31, 2014, the Company's intangible assets/liabilities were comprised of the following (in thousands):

| | September 30, 2015 | | |
|----------------------------------|--------------------|--------------------------|------------------------------------|
| | Total Cost | Accumulated Amortization | Intangible assets/liabilities, net |
| Intangible assets, net: | | | |
| In-place lease value | \$ 170,925 | \$ (52,638) | \$ 118,287 |
| Tenant relationship value | 23,772 | (18,608) | 5,164 |
| Above market leases acquired | 5,444 | (1,807) | 3,637 |
| Total intangible assets, net | \$ 200,141 | \$ (73,053) | \$ 127,088 |
| Acquired lease intangibles, net: | | | |
| Below market leases acquired | \$ 53,531 | \$ (24,990) | \$ 28,541 |
| December 31, 2014 | | | |
| | Total Cost | Accumulated Amortization | Intangible assets/liabilities, net |
| Intangible assets, net: | | | |
| In-place lease value | \$ 129,411 | \$ (42,068) | \$ 87,343 |
| Tenant relationship value | 34,172 | (26,344) | 7,828 |
| Above market leases acquired | 5,641 | (1,409) | 4,232 |
| Total intangible assets, net | \$ 169,224 | \$ (69,821) | \$ 99,403 |
| Acquired lease intangibles, net: | | | |
| Below market leases acquired | \$ 53,049 | \$ (27,039) | \$ 26,010 |

As of September 30, 2015, the Company's annual amortization for its intangible assets/liabilities were as follows (in thousands, and assuming no prospective early lease terminations):

| | Assets | Liabilities |
|-------------------------------|------------|-------------|
| 2015 (three months remaining) | \$ 12,262 | \$ 2,669 |
| 2016 | 36,901 | 7,595 |
| 2017 | 20,080 | 3,461 |
| 2018 | 12,852 | 2,217 |
| 2019 | 11,553 | 1,885 |
| Thereafter | 33,440 | 10,714 |
| Total | \$ 127,088 | \$ 28,541 |

6. DEBT OBLIGATIONS

During the three and nine-month periods ended September 30, 2015, the Company repaid \$3.7 million and \$10.9 million, respectively, of principal on its mortgage debt in the ordinary course of business. Except as indicated below with respect to the Company's revolving credit facility and unsecured Term Loan C, during these periods there were no changes to the outstanding balances of the Company's unsecured debt.

On August 19, 2015, the Company entered into a forbearance agreement to extend the maturity date of the mortgage note payable collateralized by two of its properties located at 8260 Greensboro Drive and 1676 International Drive in Mclean, Virginia (referred to as "Tysons Corner" in Note 7 "Debt Obligations" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014) until October 9, 2015. At September 30, 2015, the outstanding balance was \$88.0 million. See Note 14, "Subsequent Events," for further information regarding the repayment of the note.

On May 15, 2015, the Company closed on a new four-year unsecured revolving credit facility (the "New Credit Facility") that provides for borrowings of up to \$600.0 million. The Company expects to use advances under the New Credit Facility for general business purposes, including to fund costs of acquisitions, developments and redevelopments of properties, fund share repurchases and to repay from time to time other debt. On terms and conditions specified in the credit agreement, the Company may enter into unsecured term loans and/or increase the initial amount of the credit facility by up to, in the aggregate for all such term loans and increases, an additional \$400.0 million. The New Credit Facility includes a \$65.0 million sub-limit for the issuance of letters of credit and a \$60.0 million sub-limit for swing-loans. The New Credit Facility has a scheduled maturity date of May 15, 2019, and is subject to two six-month extensions on terms and conditions specified in the credit agreement.

At the Company's option, loans outstanding under the New Credit Facility will bear interest at a rate per annum equal to (1) LIBOR plus between 0.875% and 1.55% 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 0.55% based on the Company's credit rating. The New 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 1.20% and the facility fee is 0.25%. The Company had no borrowings under the New Credit Facility as of September 30, 2015.

The terms of the New 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 minimum net worth; (iii) a leverage ratio less than or equal to 0.60 to 1.00, subject to specified exceptions; (iv) a ratio of unsecured indebtedness to unencumbered asset value less than or equal to 0.60 to 1.00, subject to specified exceptions; (v) a ratio of secured indebtedness to total asset value less than or equal to 0.40 to 1.00; and (vi) a ratio of unencumbered cash flow to interest expense on unsecured debt greater than 1.75 to 1.00. In addition, the New 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. At September 30, 2015, the Company was in compliance with all covenants in the New Credit Facility.

Concurrently with its entry into the New Credit Facility, the Company terminated its then existing unsecured revolving credit facility, which had a scheduled maturity date of February 1, 2016.

On June 1, 2015, the Company amended its Term Loan C Agreement dated December 15, 2011 to align the above aforementioned financial and operating covenants and restrictions of the New Credit Facility with that of Term Loan C. The amendment was filed as part of the Quarterly Report on Form 10-Q for the period ended June 30, 2015. See Item 6., "Exhibits."

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company determined the fair values disclosed below using available market information and discounted cash flow analyses as of September 30, 2015 and December 31, 2014, respectively. The discount rate used in calculating fair value is the sum of the current risk free rate and the risk premium on the date of measurement of the instruments or obligations. Considerable judgment is necessary to interpret market data and to develop the related estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Company could realize upon disposition. The use of different estimates and valuation methodologies may have a material effect on the fair value amounts shown. The Company believes that the carrying amounts reflected in the consolidated balance sheets at September 30, 2015 and December 31, 2014 approximate the fair values for cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued expenses. The following are financial instruments for which the Company's estimates of fair value differ from the carrying amounts (in thousands):

| | September 30, 2015 | | December 31, 2014 | |
|------------------------------|--------------------|--------------|-------------------|--------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Unsecured notes payable | \$ 1,518,931 | \$ 1,552,682 | \$ 1,518,108 | \$ 1,593,212 |
| Variable rate debt | \$ 278,610 | \$ 254,405 | \$ 278,610 | \$ 257,188 |
| Mortgage notes payable | \$ 642,396 | \$ 673,959 | \$ 654,590 | \$ 707,241 |
| Mortgage note receivable (a) | \$ — | \$ — | \$ 88,000 | \$ 87,692 |

(a) On January 30, 2015 the mortgage note was repaid. For further information regarding the mortgage note, see Note 2, "Summary of Significant Accounting Policies," included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

The fair value of the Company's unsecured notes payable are categorized as Level 2 (as provided by the accounting standard for Fair Value Measurements and Disclosures). This is because the Company valued these instruments using quoted market prices as of September 30, 2015 and December 31, 2014. For the fair value of the Company's variable rate debt, the Company uses a discount rate based on the indicative new issue pricing provided by lenders.

The fair value of the Company's mortgage notes payable, variable rate debt and mortgage note receivable are all categorized at a Level 3 basis (as provided by the accounting standard for Fair Value Measurements and Disclosures). 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. The fair value of the mortgage note receivable was determined by using the expected cash flows of the notes receivable, and discounting those cash flows using the market rate of interest for mortgage notes with a comparable level of risk. These financial instruments have been categorized as Level 3 because the Company considers the rates used in the valuation techniques to be unobservable inputs.

For the Company's mortgage loans, the Company uses an estimate based on its knowledge of the mortgage market. The weighted average discount rate for the combined variable rate debt and mortgage loans used to calculate fair value as of September 30, 2015 was 4.5%. An increase in the discount rate used in the discounted cash flow model would result in a decrease to the fair value of the Company's long-term debt. Conversely, a decrease in the discount rate used in the discounted cash flow model would result in an increase to the fair value of the Company's long-term debt.

Disclosure about the fair value of financial instruments is based upon pertinent information available to management as of September 30, 2015 and December 31, 2014. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since September 30, 2015, and current estimates of fair value may differ from the amounts presented herein.

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

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

Operating Partnership

The aggregate book value of the non-controlling interests associated with the redeemable common limited partnership interests in the accompanying consolidated balance sheet of the Parent Company as of September 30, 2015 and December 31, 2014 was \$16.9 million and \$17.5 million, respectively. Under the applicable accounting guidance, the redemption value of limited partnership units are carried at, on a limited partner basis, the greater of historical cost adjusted for the allocation of income and distributions or fair value. The Parent Company believes that the aggregate settlement value of these interests (based on the number of units outstanding and the closing price of the common shares on the balance sheet dates as of September 30, 2015 and December 31, 2014, respectively, was approximately \$18.9 million and \$24.5 million.

9. BENEFICIARIES' EQUITY OF THE PARENT COMPANY

Earnings per Share (EPS)

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

| | Three-month periods ended September 30, | | | |
|---|---|-------------|-------------|-------------|
| | 2015 | | 2014 | |
| | Basic | Diluted | Basic | Diluted |
| Numerator | | | | |
| Income from continuing operations | \$ 20,308 | \$ 20,308 | \$ 8,885 | \$ 8,885 |
| Net income from continuing operations attributable to non-controlling interests | (161) | (161) | (108) | (108) |
| Nonforfeitable dividends allocated to unvested restricted shareholders | (76) | (76) | (82) | (82) |
| Preferred share dividends | (1,725) | (1,725) | (1,725) | (1,725) |
| Income from continuing operations available to common shareholders | 18,346 | 18,346 | 6,970 | 6,970 |
| Loss from discontinued operations | — | — | (3) | (3) |
| Net income attributable to common shareholders | \$ 18,346 | \$ 18,346 | \$ 6,967 | \$ 6,967 |
| Denominator | | | | |
| Weighted-average shares outstanding | 178,188,037 | 178,188,037 | 171,606,722 | 171,606,722 |
| Contingent securities/Share based compensation | — | 588,647 | — | 1,587,148 |
| Weighted-average shares outstanding | 178,188,037 | 178,776,684 | 171,606,722 | 173,193,870 |
| Earnings per Common Share: | | | | |
| Income from continuing operations attributable to common shareholders | \$ 0.10 | \$ 0.10 | \$ 0.04 | \$ 0.04 |
| Discontinued operations attributable to common shareholders | — | — | — | — |
| Net income attributable to common shareholders | \$ 0.10 | \$ 0.10 | \$ 0.04 | \$ 0.04 |

Nine-month periods ended September 30,

| | 2015 | | 2014 | |
|---|-------------|-------------|-------------|-------------|
| | Basic | Diluted | Basic | Diluted |
| Numerator | | | | |
| Income from continuing operations | \$ 31,960 | \$ 31,960 | \$ 7,893 | \$ 7,893 |
| Net income from continuing operations attributable to non-controlling interests | (221) | (221) | (47) | (47) |
| Nonforfeitable dividends allocated to unvested restricted shareholders | (253) | (253) | (268) | (268) |
| Preferred share dividends | (5,175) | (5,175) | (5,175) | (5,175) |
| Income from continuing operations available to common shareholders | 26,311 | 26,311 | 2,403 | 2,403 |
| Income from discontinued operations | — | — | 918 | 918 |
| Discontinued operations attributable to non-controlling interests | — | — | (10) | (10) |
| Discontinued operations attributable to common shareholders | — | — | 908 | 908 |
| Net income attributable to common shareholders | \$ 26,311 | \$ 26,311 | \$ 3,311 | \$ 3,311 |
| Denominator | | | | |
| Weighted-average shares outstanding | 179,198,714 | 179,198,714 | 161,866,955 | 161,866,955 |
| Contingent securities/Share based compensation | — | 789,778 | — | 1,487,015 |
| Weighted-average shares outstanding | 179,198,714 | 179,988,492 | 161,866,955 | 163,353,970 |
| Earnings per Common Share: | | | | |
| Income from continuing operations attributable to common shareholders | \$ 0.15 | \$ 0.15 | \$ 0.01 | \$ 0.01 |
| Discontinued operations attributable to common shareholders | — | — | 0.01 | 0.01 |
| Net income attributable to common shareholders | \$ 0.15 | \$ 0.15 | \$ 0.02 | \$ 0.02 |

Redeemable common limited partnership units totaling 1,535,102 and 1,721,905 as of September 30, 2015 and 2014, respectively, were excluded from the diluted earnings per share computations because they are not dilutive.

Unvested restricted shares are considered participating securities which require the use of the two-class method for the computation of basic and diluted earnings per share. For the three and nine-month periods ended September 30, 2015 and 2014, earnings representing nonforfeitable dividends as noted in the table above were allocated to the unvested restricted shares issued to the Company's executives and other employees under the Company's shareholder-approved long-term incentive plan.

Common and Preferred Shares

On September 15, 2015, the Parent Company declared a distribution of \$0.15 per common share, totaling \$26.6 million, payable on October 19, 2015 to shareholders of record as of October 5, 2015. In addition, the Parent Company declared distributions on its Series E Preferred Shares to holders of record as of September 30, 2015. These shares are entitled to a preferential return of 6.90% per annum on the \$25.00 per share liquidation preference. Distributions to be paid on October 15, 2015 to holders of Series E Preferred Shares will total \$1.7 million.

On July 22, 2015, the Company's Board of Trustees authorized share repurchases of up to \$100.0 million of its common shares with no expiration date. Prior to the authorization 539,200 common shares were available for repurchase under the preexisting share repurchase program. The Company expects to fund the share repurchases with a combination of available cash balances and availability under its line of credit. As of September 30, 2015, 4,701,302 common shares have been repurchased and retired by the Company at an average purchase price of \$12.92 per share and totaling \$60.8 million. The timing and amounts of any purchases will depend on a variety of factors, including market conditions, regulatory requirements, share prices, capital availability and other factors as determined by 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.

On November 5, 2013, the Parent Company commenced a continuous equity offering program (the “Offering Program”), under which it may sell, in at-the-market offerings, up to an aggregate amount of 16,000,000 common shares until November 5, 2016. The Parent Company may sell common shares in amounts and at times to be determined by the Parent Company. Actual sales will depend on a variety of factors to be determined by the Parent Company, including, among others, market conditions, the trading price of the Company’s common shares and determinations by the Parent Company of the appropriate sources of funding. Sales agents engaged by the Parent Company under the Offering Program are entitled to receive, as compensation and in aggregate, up to 2% of the gross sales price per share sold under the Offering Program. From inception of the Offering Program through September 30, 2015, the Parent Company had not sold any shares under the program, leaving 16,000,000 remaining shares available for sale.

10. PARTNERS’ EQUITY OF THE OPERATING PARTNERSHIP

Earnings per Common Partnership Unit

The following tables detail the number of units and net income used to calculate basic and diluted earnings per common partnership unit (in thousands, except unit and per unit amounts; results may not add due to rounding):

| | Three-month periods ended September 30, | | | |
|---|---|-------------|-------------|-------------|
| | 2015 | | 2014 | |
| | Basic | Diluted | Basic | Diluted |
| Numerator | | | | |
| Income from continuing operations | \$ 20,308 | \$ 20,308 | \$ 8,885 | \$ 8,885 |
| Nonforfeitable dividends allocated to unvested restricted unitholders | (76) | (76) | (82) | (82) |
| Preferred unit dividends | (1,725) | (1,725) | (1,725) | (1,725) |
| Net loss attributable to non-controlling interests | (1) | (1) | (24) | (24) |
| Net income from continuing operations available to common unitholders | 18,506 | 18,506 | 7,054 | 7,054 |
| Discontinued operations attributable to common unitholders | — | — | (3) | (3) |
| Net income attributable to common unitholders | \$ 18,506 | \$ 18,506 | \$ 7,051 | \$ 7,051 |
| Denominator | | | | |
| Weighted-average units outstanding | 179,723,139 | 179,723,139 | 173,341,782 | 173,341,782 |
| Contingent securities/Share based compensation | — | 588,647 | — | 1,587,148 |
| Total weighted-average units outstanding | 179,723,139 | 180,311,786 | 173,341,782 | 174,928,930 |
| Earnings per Common Partnership Unit: | | | | |
| Income from continuing operations attributable to common unitholders | \$ 0.10 | \$ 0.10 | \$ 0.04 | \$ 0.04 |
| Discontinued operations attributable to common unitholders | — | — | — | — |
| Net income attributable to common unitholders | \$ 0.10 | \$ 0.10 | \$ 0.04 | \$ 0.04 |

Nine-month periods ended September 30,

| | 2015 | | 2014 | |
|--|-------------|-------------|-------------|-------------|
| | Basic | Diluted | Basic | Diluted |
| Numerator | | | | |
| Income from continuing operations | \$ 31,960 | \$ 31,960 | \$ 7,893 | \$ 7,893 |
| Amount allocable to unvested restricted unitholders | (253) | (253) | (268) | (268) |
| Preferred unit dividends | (5,175) | (5,175) | (5,175) | (5,175) |
| Net income attributable to non-controlling interests | 4 | 4 | (12) | (12) |
| Income from continuing operations available to common unitholders | 26,536 | 26,536 | 2,438 | 2,438 |
| Discontinued operations attributable to common unitholders | — | — | 918 | 918 |
| Net income attributable to common unitholders | \$ 26,536 | \$ 26,536 | \$ 3,356 | \$ 3,356 |
| Denominator | | | | |
| Weighted-average units outstanding | 180,733,816 | 180,733,816 | 163,620,963 | 163,620,963 |
| Contingent securities/Share based compensation | — | 789,778 | — | 1,487,015 |
| Total weighted-average units outstanding | 180,733,816 | 181,523,594 | 163,620,963 | 165,107,978 |
| Earnings per Common Partnership Unit: | | | | |
| Income from continuing operations attributable to common unitholders | \$ 0.15 | \$ 0.15 | \$ 0.01 | \$ 0.01 |
| Discontinued operations attributable to common unitholders | — | — | 0.01 | 0.01 |
| Net income attributable to common unitholders | \$ 0.15 | \$ 0.15 | \$ 0.02 | \$ 0.02 |

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 share. For the three and nine-month periods ended September 30, 2015 and 2014, earnings representing nonforfeitable dividends as noted in the table above 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

On September 15, 2015, the Operating Partnership declared a distribution of \$0.15 per common partnership unit, totaling \$26.6 million, payable on October 19, 2015 to unitholders of record as of October 5, 2015. In addition, the Operating Partnership declared distributions on its Series E-Linked Preferred Mirror Units to holders of record as of October 5, 2015. These units are entitled to a preferential return of 6.90% per annum on the \$25.00 per unit liquidation preference. Distributions to be paid on October 15, 2015 to holders of Series E-Linked Preferred Mirror Units will total \$1.7 million.

11. SEGMENT INFORMATION

During the quarter ended September 30, 2015, the Company was managing its portfolio within seven segments: (1) Pennsylvania Suburbs, (2) Philadelphia Central Business District (CBD), (3) Metropolitan Washington, D.C., (4) New Jersey/Delaware, (5) Richmond, Virginia, (6) Austin, Texas and (7) California. The Pennsylvania Suburbs segment includes properties in Chester, Delaware, and Montgomery counties in the Philadelphia suburbs. The Philadelphia CBD segment includes properties located in the City of Philadelphia in Pennsylvania. The Metropolitan Washington, D.C. segment includes properties in Northern Virginia, Washington, D.C. and southern Maryland. The New Jersey/Delaware segment includes properties in Burlington and Camden counties in New Jersey and in New Castle county in the state of Delaware. The Richmond, Virginia segment includes properties primarily in Albemarle, Chesterfield, Goochland and Henrico counties and one property in Durham, North Carolina. The Austin, Texas segment includes properties in the City of Austin, Texas. The California segment includes properties in Oakland, Concord and Carlsbad. 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.

The following tables provide selected asset information and results of operations of the Company's reportable segments (in thousands):

Real estate investments, at cost:

| | September 30, 2015 | December 31, 2014 |
|------------------------------------|--------------------|-------------------|
| Philadelphia CBD | \$ 1,394,267 | \$ 1,338,655 |
| Pennsylvania Suburbs | 1,126,611 | 1,178,470 |
| Metropolitan Washington, D.C. | 1,216,161 | 1,183,652 |
| New Jersey/Delaware (a) | 239,235 | 392,581 |
| Richmond, Virginia | 311,642 | 317,076 |
| California | 111,587 | 193,258 |
| Austin, Texas (c) | 229,720 | — |
| | \$ 4,629,223 | \$ 4,603,692 |
| Less: Assets held for sale (a) (b) | 74,706 | 27,436 |
| Operating Properties | \$ 4,703,929 | \$ 4,631,128 |
| Corporate | | |
| Construction-in-progress | \$ 242,246 | \$ 201,360 |
| Land inventory | \$ 135,917 | \$ 90,603 |

- (a) As of September 30, 2015, the Company categorized six properties in the New Jersey/Delaware segment as held for sale in accordance with applicable accounting standards for long lived assets. The sale is not classified as a significant disposition under the accounting guidance for discontinued operations.
- (b) On December 31, 2014, the Company was actively marketing for sale its Atrium I and Libertyview properties, comprised of two office properties located in the New Jersey/Delaware segment. As of December 31, 2014 the properties were classified as held for sale on the consolidated balance sheet. The properties were sold on January 8, 2015. See Note 3, "Real Estate Investments," for further information. The sale is not classified as a significant disposition under the accounting guidance for discontinued operations.
- (c) On June 22, 2015 the Company acquired the remaining 50.0% of the common interest in Broadmoor Austin Associates. As such, the Company has seven wholly owned properties in its Austin, Texas business segment at September 30, 2015. See Note 3, "Real Estate Investments," for further information regarding this transaction.

Net operating income:

Three-month periods ended

September 30,

| | 2015 | | | 2014 | | |
|-------------------------------|---------------|------------------------|----------------------|---------------|------------------------|-----------------------------|
| | Total revenue | Operating expenses (a) | Net operating income | Total revenue | Operating expenses (a) | Net operating income (loss) |
| Philadelphia CBD | \$ 52,203 | \$ (18,750) | \$ 33,453 | \$ 49,469 | \$ (18,168) | \$ 31,301 |
| Pennsylvania Suburbs | 39,507 | (14,004) | 25,503 | 39,996 | (13,409) | 26,587 |
| Metropolitan Washington, D.C. | 27,587 | (10,792) | 16,795 | 27,764 | (10,672) | 17,092 |
| New Jersey/Delaware | 11,922 | (6,594) | 5,328 | 14,975 | (7,506) | 7,469 |
| Richmond, Virginia | 9,130 | (3,700) | 5,430 | 8,354 | (3,724) | 4,630 |
| Austin, Texas (b) | 8,533 | (2,625) | 5,908 | 843 | (569) | 274 |
| California | 3,223 | (1,767) | 1,456 | 4,902 | (2,711) | 2,191 |
| Corporate | 480 | (386) | 94 | 255 | (472) | (217) |
| Operating Properties | \$ 152,585 | \$ (58,618) | \$ 93,967 | \$ 146,558 | \$ (57,231) | \$ 89,327 |

Nine-month periods ended

September 30,

| | 2015 | | | 2014 | | |
|-------------------------------|---------------|------------------------|----------------------|---------------|------------------------|-----------------------------|
| | Total revenue | Operating expenses (a) | Net operating income | Total revenue | Operating expenses (a) | Net operating income (loss) |
| Philadelphia CBD | \$ 157,595 | \$ (56,587) | \$ 101,008 | \$ 150,303 | \$ (55,399) | \$ 94,904 |
| Pennsylvania Suburbs | 118,407 | (41,286) | 77,121 | 121,313 | (41,542) | 79,771 |
| Metropolitan Washington, D.C. | 81,947 | (33,197) | 48,750 | 87,403 | (33,134) | 54,269 |
| New Jersey/Delaware | 37,149 | (20,857) | 16,292 | 45,440 | (23,728) | 21,712 |
| Richmond, Virginia | 27,381 | (11,603) | 15,778 | 25,543 | (11,629) | 13,914 |
| Austin, Texas (b) | 11,999 | (4,993) | 7,006 | 3,900 | (2,362) | 1,538 |
| California | 11,599 | (5,778) | 5,821 | 14,399 | (7,634) | 6,765 |
| Corporate | 2,562 | (1,364) | 1,198 | 871 | (1,484) | (613) |
| Operating Properties | \$ 448,639 | \$ (175,665) | \$ 272,974 | \$ 449,172 | \$ (176,912) | \$ 272,260 |

(a) Includes property operating expense, real estate taxes and third party management expense.

(b) On June 22, 2015 the Company acquired the remaining 50.0% of the common interest in Broadmoor Austin Associates. See Note 3, "Real Estate Investments," for further information regarding this transaction. On April 3, 2014, the Company contributed Four Points Centre to an unconsolidated real estate venture. See Note 3, "Real Estate Investments," in notes to the audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Unconsolidated real estate ventures (in thousands):

| | Investment in real estate ventures, at equity | | Equity in income (loss) of real estate ventures | | | |
|-----------------------------------|---|-------------------|---|----------|--------------------------|----------|
| | As of | | Three-month periods ended | | Nine-month periods ended | |
| | September 30, 2015 | December 31, 2014 | September 30, | | September 30, | |
| | | | 2015 | 2014 | 2015 | 2014 |
| Philadelphia CBD (a) | \$ 43,236 | \$ 27,137 | \$ (186) | \$ 32 | \$ (636) | \$ 13 |
| Pennsylvania Suburbs | 16,796 | 17,385 | (120) | (578) | (142) | (937) |
| Metropolitan Washington, D.C. (b) | 113,222 | 73,127 | (343) | (142) | (572) | (117) |
| New Jersey/Delaware | — | — | 67 | 82 | 231 | 204 |
| Richmond, Virginia | 1,512 | 1,574 | 106 | 184 | 438 | 253 |
| Austin, Texas (c) (d) | 37,005 | 105,781 | (617) | (64) | (1,154) | (149) |
| Total | \$ 211,771 | \$ 225,004 | \$ (1,093) | \$ (486) | \$ (1,835) | \$ (733) |

(a) evo at Cira was placed into service during the third quarter ended September 30, 2014.

(b) Investment in real estate ventures as of September 30, 2015 includes the JBG Ventures, which were formed on May 29, 2015.

(c) Investment in real estate ventures does not include the \$1.1 million and \$1.2 million negative investment balance in one real estate venture as of September 30, 2015 and December 31, 2014, respectively, which is included in other liabilities.

(d) On June 22, 2015 the Company acquired the remaining 50.0% of the common interest in Broadmoor Austin Associates. As such, equity method investment at June 30, 2015 related to the Austin Venture only. See Note 3, "Real Estate Investments," for further information regarding the purchase of Broadmoor Austin Associates.

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. Segment NOI includes revenue, real estate taxes and property operating expenses directly related to operation and management of the properties owned and managed within the respective geographical region. Segment NOI excludes property level depreciation and amortization, revenue and expenses directly associated with third party real estate management services, expenses associated with corporate administrative support services, and inter-company eliminations. NOI also does not reflect general and administrative expenses, interest expenses, real estate impairment losses, depreciation and amortization costs, capital expenditures and leasing costs. Trends in development and construction activities that could materially impact the Company's results from operations are also not reflected in NOI. 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 also believes that NOI provides useful information to investors regarding its financial condition and results of operations because it reflects only those income and expenses recorded at the property level. The Company believes that net income, as defined by GAAP, is the most appropriate earnings measure. The following is a reconciliation of consolidated NOI to consolidated net income (loss), as defined by GAAP:

| | Three-month periods ended September 30, | | Nine-month periods ended September 30, | |
|--|---|-----------|--|------------|
| | 2015 | 2014 | 2015 | 2014 |
| | (amounts in thousands) | | | |
| Consolidated net operating income | \$ 93,967 | \$ 89,327 | \$ 272,974 | \$ 272,260 |
| Other income (expense): | | | | |
| Depreciation and amortization | (58,314) | (52,616) | (160,355) | (157,773) |
| General and administrative expenses | (6,127) | (5,900) | (21,554) | (20,086) |
| Interest income | 126 | 528 | 1,189 | 1,298 |
| Interest expense | (27,900) | (31,481) | (83,971) | (94,837) |
| Recognized hedge activity | — | (828) | — | (828) |
| Interest expense - amortization of deferred financing costs | (1,010) | (1,566) | (3,377) | (3,952) |
| Interest expense - financing obligation | (296) | (273) | (906) | (861) |
| Equity in loss of Real Estate Ventures | (1,093) | (486) | (1,835) | (733) |
| Net gain on disposition of real estate | 6,083 | 4,698 | 16,673 | 4,698 |
| Net gain on sale of undepreciated real estate | 3,019 | — | 3,019 | 1,184 |
| Net gain from remeasurement of investment in a real estate venture | — | — | 758 | 458 |
| Loss on real estate venture transactions | — | — | — | (417) |
| Loss on early extinguishment of debt | — | (2,606) | — | (2,606) |
| Provision for impairment on assets held for sale/sold | — | (1,765) | (2,508) | (1,765) |
| Tax credit transaction income | 11,853 | 11,853 | 11,853 | 11,853 |
| Income from continuing operations | 20,308 | 8,885 | 31,960 | 7,893 |
| Income from discontinued operations | — | (3) | — | 918 |
| Net income | \$ 20,308 | \$ 8,882 | \$ 31,960 | \$ 8,811 |

12. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

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

Environmental

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

Ground Rent

Future minimum rental payments under the terms of all non-cancelable ground leases under which the Company is the lessee are expensed on a straight-line basis regardless of when payments are due. The Company's ground leases have remaining lease terms ranging from 6 to 74 years. Minimum future rental payments on non-cancelable leases at September 30, 2015 are as follows (in thousands):

| | | |
|-------------------------------|----|--------|
| 2015 (three months remaining) | \$ | 461 |
| 2016 | | 1,385 |
| 2017 | | 1,385 |
| 2018 | | 1,385 |
| 2019 | | 1,385 |
| Thereafter | | 68,499 |
| Total | \$ | 74,500 |

The Company obtained ground tenancy rights related to certain 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. Reference is made in our Annual Report on Form 10-K for the year ended December 31, 2014 for further detail regarding commitments and contingencies.

Put Option

On May 4, 2015, the Company entered into a put agreement in the ordinary course of business that grants an unaffiliated third party the unilateral option to require the Company to purchase a property, at a predetermined price, until May 4, 2018. In addition to the \$35.0 million purchase price, the Company would be responsible for transaction and closing costs. There can be no assurance that the counterparty will exercise the option.

13. HISTORIC TAX CREDIT

On November 17, 2008, the Company closed a transaction with US Bancorp ("USB") related to the historic rehabilitation of the IRS Philadelphia Campus, a 862,692 square foot office building that is 100% leased to the IRS. On August 27, 2010, the Company completed the development of the IRS Philadelphia Campus and the IRS lease commenced. In connection with this completed development project, USB contributed to the Company \$64.1 million of total project costs.

In exchange for its contributions to the development of the IRS Philadelphia Campus, USB is entitled to substantially all of the benefits derived from the tax rehabilitation credits available under section 47 of the Internal Revenue Code. USB does not have a material interest in the underlying economics of the property. This transaction includes a put/call provision whereby the Company may be obligated or entitled to repurchase USB's interest in the IRS Philadelphia Campus. The put option was exercised on September 30, 2015 and USB's interest in the IRS Philadelphia Campus was assigned to the Company. A purchase price of \$3.2 million was attributed to that puttable non-controlling interest obligation, which was funded with available corporate funds. Upon exercise of the put option, the Company funded USB's final 2% preferred return of \$1.0 million. Amounts included in interest expense related to the accretion of the non-controlling interest liability and the 2% return expected to be paid to USB on its non-controlling interest aggregates to \$1.1 million for the nine-month periods ended September 30, 2015 and 2014, respectively.

Based on the contractual arrangements that obligate the Company to deliver tax benefits and provide other guarantees to USB and that entitle the Company through fee arrangements to receive substantially all available cash flow from the IRS Philadelphia Campus, the Company concluded that the IRS Philadelphia Campus should be consolidated. The Company also concluded that capital contributions received from USB, in substance, are consideration that the Company receives in exchange for its obligation to deliver tax credits and other tax benefits to USB. These receipts other than the amounts allocated to the put obligation will be recognized as revenue in the consolidated financial statements beginning when the obligation to USB is relieved which occurs upon delivery of the expected tax benefits net of any associated costs. The tax credit is subject to 20% recapture per year beginning one year after the completion of the IRS Philadelphia Campus. Beginning September 2011 to September 2015, the Company recognized the cash received as revenue net of allocated expenses over the five year credit recapture period as defined in the Internal Revenue Code within other income (expense) in its consolidated statement of operations. The fifth and final recapture period ended September 30, 2015 and the Company recognized \$11.9 million of cash received as revenue, net of \$0.5 million of allocated expenses within other income (expense) in its consolidated statement of operations. The total USB contributions presented in the Company's balance sheet were \$0.0 million and \$15.1 million as of September 30, 2015 and December 31, 2014. The

contributions were recorded net of the amounts allocated to non-controlling interest for 2014, as described above of \$3.0 million at year end December 31, 2014, with the remaining balance presented within deferred income.

Direct and incremental costs incurred in structuring the transaction are deferred and will be recognized as expense in the consolidated financial statements upon the recognition of the related revenue as discussed above. The deferred costs at September 30, 2015 and December 31, 2014 are \$0.0 million and \$0.5 million, respectively, and are included in other assets in the Company's consolidated balance sheet.

14. SUBSEQUENT EVENTS

Repayment of Mortgage Note Payable - Tysons Corner

On October 9, 2015, the Company funded \$88.4 million, including \$0.4 million of accrued interest, in repayment of the Tysons Corner mortgage note with funds from the additional borrowings under the seven-year term loan referenced below.

Additional Borrowings under Seven-Year Term Loan

On October 8, 2015, the Company amended its \$200.0 million seven-year term loan maturing February 1, 2019. Pursuant to the terms of the amendment, the Company increased the term loan by an additional \$50.0 million, lengthened the maturity date to October 8, 2022, and exercised the option to increase the aggregate amount by up to \$150.0 million. The loan will bear interest at LIBOR plus 1.80%. Through a series of interest rate swaps, the \$250.0 million outstanding balance of the term loan will have a fixed interest rate of 3.72%.

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

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

- the continuing impact of modest global economic growth, which is having and may have a negative effect on the following, among other things:
 - 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
 - a decline in real estate asset valuations, which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing secured by our properties or on an unsecured basis.
- changes in local real estate conditions (including changes in rental rates and the number of properties that compete with our properties);
- 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 to perform as expected;
- unanticipated costs associated with the acquisition, integration and operation of our acquisitions;
- unanticipated costs to complete, lease-up and operate our developments and redevelopments;
- 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;
- 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 under environmental or other laws;
- failure or bankruptcy of real estate venture partners;
- inability of real estate venture partners to fund venture obligations or perform under our real estate venture development agreements;
- failure to manage effectively our growth into new product types within our real estate venture arrangements;
- failure of dispositions to close in a timely manner;
- failure of buyers of our properties to comply with terms of their financing agreements to us;
- earthquakes and other natural disasters;
- the unforeseen 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 REIT and the adverse consequences of our failure to qualify as a REIT; and

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

Given these uncertainties, and the other risks identified in the “*Risk Factors*” section of our Annual Report on Form 10-K for the year ended December 31, 2014, we caution readers not to place undue reliance on forward-looking statements. We assume no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

The discussion that follows is based primarily on our consolidated financial statements as of September 30, 2015 and December 31, 2014 and for the three and nine-month periods ended September 30, 2015 and 2014 and should be read along with the consolidated financial statements and related notes appearing elsewhere in this report. The ability to compare one period to another may be significantly affected by acquisitions completed, development properties placed in service and dispositions made during those periods.

OVERVIEW

As of September 30, 2015, we owned 192 properties that contain an aggregate of approximately 24.8 million net rentable square feet and consist of 155 office properties, 20 industrial facilities, four mixed-use properties, one retail property (180 core properties), six properties classified as held for sale, four development properties, one redevelopment property and one re-entitlement property (collectively, the “Properties”). In addition, as of September 30, 2015, we owned economic interests in 17 unconsolidated Real Estate Ventures that contain approximately 4.0 million net rentable square feet, 4.4 acres of undeveloped parcels of land and 22.5 acres of land under development (collectively, the “Real Estate Ventures”). In addition to managing properties that we own, as of September 30, 2015, we were managing approximately 6.2 million net rentable square feet of office and industrial properties for third parties and the Real Estate Ventures.

During the nine-month period ended September 30, 2015, we were managing our portfolio within seven segments: (1) Pennsylvania Suburbs, (2) Philadelphia CBD, (3) Metropolitan Washington, D.C., (4) New Jersey/Delaware, (5) Richmond, Virginia, (6) Austin, Texas and (7) California. The Pennsylvania Suburbs segment includes properties in Chester, Delaware and Montgomery counties in the Philadelphia suburbs. The Philadelphia CBD segment includes properties located in the City of Philadelphia in Pennsylvania. The Metropolitan Washington, D.C. segment includes properties in Northern Virginia, Washington, D.C. and southern Maryland. The New Jersey/Delaware segment includes properties in Burlington and Camden counties in New Jersey and in New Castle county in the state of Delaware. The Richmond, Virginia segment includes properties primarily in Albemarle, Goochland, Chesterfield, and Henrico counties and one property in Durham, North Carolina. The Austin, Texas segment includes properties in the City of Austin, Texas. The California segment includes properties in Oakland, Concord and Carlsbad. 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 core to our portfolio, either because of location or expected growth potential, and assets that are commanding premium prices from third party investors.

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

Adverse changes in economic conditions could reduce the availability of financing and potentially increase borrowing costs. Vacancy rates may increase, and rental rates may decline, through 2015 and possibly beyond as the economic climate contains demand for commercial space and negatively impact tenants.

Overall economic conditions, including but not limited to 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 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 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.

We continue to seek revenue growth throughout our portfolio by increasing occupancy and rental rates. Occupancy at our core properties at September 30, 2015 was 92.5% compared to 91.4% at December 31, 2014

The table below summarizes selected operating and leasing statistics of our core properties for the three and nine-month periods ended September 30, 2015:

| | Three-month period ended September 30, 2015 | Nine-month period ended September 30, 2015 |
|--|--|---|
| Leasing Activity: | | |
| Core portfolio net rentable square feet owned (end of period) (1) | 22,641,707 | 22,641,707 |
| Occupancy percentage (end of period) | 92.5% | 92.5% |
| Average occupancy percentage | 92.3% | 91.4% |
| New leases and expansions commenced (square feet) | 428,215 | 992,734 |
| Leases renewed (square feet) | 510,686 | 1,330,275 |
| Net absorption (square feet) (2) | 145,225 | 90,061 |
| Percentage change in rental rates per square feet (3): | | |
| New and expansion rental rates | 14.6% | 9.0% |
| Renewal rental rates | 9.7% | 5.9% |
| Combined rental rates | 11.2% | 6.7% |
| Capital Costs Committed (4): | | |
| Leasing commissions (per square foot) | \$ 4.15 | \$ 2.99 |
| Tenant Improvements (per square foot) | \$ 15.68 | \$ 10.12 |
| Weighted average lease term for leases commenced in the current period | 8.5 | 7.5 |
| Total capital per square foot per lease year | \$ 2.63 | \$ 1.93 |

(1) Includes all properties in the core portfolio (i.e. not under development, redevelopment, sold or classified as held for sale).

(2) Includes leasing related to completed developments and redevelopments.

(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 0.6% of our aggregate final annualized base rents as of September 30, 2015 (representing approximately 0.9% of the net rentable square feet of the Properties) are scheduled to expire without penalty in 2015. We maintain an active dialogue with our tenants in an effort to maximize lease renewals. In our core portfolio the retention rate for the nine-month period ended September 30, 2015 was 76.4% compared to a retention rate of 71.4% for the year ended December 31, 2014. Rental rates on leases expiring during 2015 did not deviate significantly from market renewal rates in the regions in which we operate. If we are unable to renew leases or relet space under expiring leases, at anticipated rental rates, or if tenants terminate their leases early, our cash flow would be adversely impacted.

Tenant Credit Risk:

In the event of a tenant default, we may experience delays in enforcing our rights as a landlord and may incur substantial costs in protecting our investment. Our management regularly evaluates our accounts receivable reserve policy in light of our tenant base and general and local economic conditions. Our accounts receivable allowance was \$15.3 million or 8.7% of total receivables (including accrued rent receivables) as of September 30, 2015 compared to \$15.3 million or 9.1% of total receivables (including accrued rent receivables) as of December 31, 2014.

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

Development Risk:

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 September 30, 2015, the following development properties and joint venture development projects remain under construction (in thousands, except square footage/acreage and number of buildings):

Wholly Owned Developments:

| Construction Commencement Date | Expected Completion | Activity Type | Property/Portfolio Name | Location | Number of Buildings | Square Footage | Estimated Costs | Amount Funded |
|--------------------------------|---------------------|---------------|--|------------------|---------------------|----------------|-------------------|-------------------|
| Q2 2014 | Q3 2016 | Development | 30th & Walnut Streets (FMC Tower at Cira Centre South) | Philadelphia, PA | 1 | 870,000 | \$ 385,000 | \$ 155,600 |
| Total | | | | | 1 | 870,000 | \$ 385,000 | \$ 155,600 |

Real Estate Venture Developments:

| Construction Commencement Date | Expected Completion | Percent owned | Property/Portfolio Name | Location | Number of Buildings | Square Footage/Units | Our Share of Estimated Costs | Our Share of Amount Funded |
|--------------------------------|---------------------|---------------|---|----------------------|---------------------|----------------------|------------------------------|----------------------------|
| Q4 2014 | Q2 2016 | 50% | 1919 Market Street (1919 Ventures) | Philadelphia, PA | 1 | 321 units | \$ 29,600 | \$ 29,600 |
| Q2 2013 | Q3 2015 | 50% | 134 Plymouth Road (The Parc at Plymouth Meeting Apartments) | Plymouth Meeting, PA | 7 | 398 units | 12,200 | 12,200 |
| Q2 2014 (a) | TBD | 50% | 4040 Wilson (4040 Wilson LLC Venture) | Arlington, VA | 1 | 426,900 | 36,000 | 35,500 |
| Total | | | | | 9 | | \$ 77,800 | \$ 77,300 |

(a) Relates to construction of garage only; building construction to commence upon reaching certain pre-leasing levels.

Reference is made to our Annual Report on Form 10-K for the year ended December 31, 2014 for project overviews, as well as risks associated with these development projects. See Item 2., "Liquidity and Capital Resources - Commitments and Contingencies" for contractual commitments relating to our ongoing development projects.

Land Holdings

As of September 30, 2015, we owned approximately 413 acres of undeveloped land, and held options to purchase approximately 63 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 rates and rental rates. As of September 30, 2015, the total potential development that these land parcels could support, under current zoning, entitlements or combination thereof, amounted to 7.8 million square feet of development, inclusive of the options to purchase approximately 63 additional acres of undeveloped land.

Impairments and Disposal of Long-Lived Assets

We review our long-lived assets for impairment each quarter and when there is an event or change in circumstances that indicates an impairment in value. An impairment loss is recognized if the carrying amount of an asset is not recoverable and exceeds its fair value. 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. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. The cash flow analysis is based on reasonably possible alternative courses of action and the estimated likelihood of each scenario occurring. Since cash flows on properties considered to be "long-lived assets to be held and used" are considered on an undiscounted basis to determine whether an asset has been impaired, our established strategy of holding properties over the long term directly decreases the likelihood of recording an impairment loss. If our holding strategy were to change or if market conditions were to otherwise dictate an earlier sale date, then an impairment loss may be recognized and such loss could be material.

As a result of selling \$206.4 million of real estate as of September 30, 2015, we have increased our current year business plan disposition target to \$400.0 million. We are exploring the disposition of several properties, individually or as a portfolio, during the remainder of 2015 in alignment with our business plan. As of September 30, 2015, we have not entered into agreements, other than the six properties categorized as held for sale, to sell additional properties nor can we provide assurance as to any/or which properties for which a sale might be realized. Accordingly, we have prepared undiscounted cash flow analyses for the relevant properties based upon several reasonably possible scenarios and the estimated likelihood of each scenario occurring. These estimated probability weighted undiscounted cash flows exceed the carrying values for the properties, and, therefore, no impairment charge has been recorded at September 30, 2015. Significant estimates were made in the determination of the future undiscounted cash flows, including expected future rents and operating expenses, holding periods, cash proceeds at the end of the estimated holding period and the probability of the various reasonably possible scenarios. Changes made by management for certain properties, including those related to holding periods, may result in the recognition of impairment losses, and such amounts could be material to the our results of operations.

Equity Method Investment Valuation

We report our equity method investments on the balance sheet at cost. As required under accounting rules, we periodically evaluate and assess our equity method investments for other than temporary impairment. We generally use a combination of comparable market sales, internal appraisals, cash flow analysis and independent broker quotes of the properties in valuing our underlying equity method investments. To the extent we are unable to lease our development projects as planned, incur greater construction costs than planned, or if real estate market conditions deteriorate, it could result in a decline in the fair value of our equity method investments that are other-than-temporary and we might incur impairment charges that are material. Significant estimates were made in the valuation of our equity method investments including tenant lease up, discount rates, capitalization rates, determination of the future discounted cash flows, including expected future rents and operating expenses.

RECENT PROPERTY TRANSACTIONS

Acquisitions

On August 11, 2015, we acquired a 2.7 acre parcel of land containing a vacant office building, located at 9 Presidential Boulevard, Bala Cynwyd, Pennsylvania, for \$4.1 million with available corporate funds. We intend to demolish the vacant building and develop the property but we have not yet determined the timing and cost of construction for the project as of September 30, 2015. We accounted for this transaction as an asset acquisition.

On July 7, 2015, we acquired a 0.8 acre parcel of land located at 2100 Market Street in Philadelphia, Pennsylvania for \$18.8 million. We funded \$16.8 million of the purchase price with available corporate funds and the remaining \$2.0 million of the purchase price was deferred until the earlier of the commencement of development or 24 months from settlement. We accounted for this transaction as an asset acquisition and capitalized a nominal amount of acquisition related costs and other costs as part of land inventory on our consolidated balance sheet. In connection with the purchase agreement, if certain land parcels adjacent to 2100 Market Street are acquired from unaffiliated third parties, we may be required to pay additional consideration to the seller of 2100 Market Street. The unaffiliated third parties are not party to this transaction and any land parcels acquired will be acquired in arms length transactions. The amount of additional consideration, if any, is contingent on the purchase price of the adjacent

land parcels and cannot be determined at this time. We have not yet determined the timing and cost of construction for the project as of September 30, 2015.

On June 22, 2015, through a series of transactions with International Business Machines ("IBM"), we acquired the remaining 50.0% interest in Broadmoor Austin Associates, consisting of seven office buildings and the 66.0 acre underlying land parcel located in Austin, Texas, for an aggregate purchase price of \$211.4 million. The office buildings contain 1,112,236 net rentable square feet of office space and were 100.0% occupied as of June 30, 2015. We funded the cost of the acquisition with an aggregate cash payment of \$143.8 million, consisting of \$81.0 million from available corporate funds and \$62.8 million previously held in escrow related to a Section 1031 like-kind exchange. Part of the cash payment was used at closing to repay, at no repayment penalty, the remaining \$51.2 million of secured debt. We incurred \$0.2 million of acquisition related costs that are classified within general and administrative expenses.

We previously accounted for our 50.0% non-controlling interest in Broadmoor Austin Associates under the equity method of accounting. As a result of acquiring IBM's remaining 50.0% common interest in Broadmoor Austin Associates, we obtained control of Broadmoor Austin Associates and our existing investment balance was remeasured based on fair value of the underlying properties acquired and the existing distribution provisions under the relevant partnership agreement. As a result, we recorded a \$0.8 million gain on remeasurement.

On April 9, 2015, we acquired the leasehold interest in an approximately 0.4 acre land parcel at 405 Colorado Street located in the central business district of Austin, Texas for \$2.6 million. The property is currently operated as a surface parking lot. We intend to develop this site into mixed-use property. We have not yet determined the timing and cost of construction for the project as of September 30, 2015. We accounted for this transaction as an asset acquisition.

On April 6, 2015, we acquired a 0.8 acre parcel of land, located at 25 M Street Southeast, Washington, D.C. for \$20.3 million. We funded the cost of this acquisition with available corporate funds. We capitalized \$0.3 million of acquisition related costs and these costs are included as part of land inventory on our consolidated balance sheet. On May 12, 2015, we contributed the land parcel into a newly formed real estate venture known as 25 M Street Holdings, LLC ("25 M Street"), a joint venture between us and Jaco 25M Investors, LLC ("Akridge"), an unaffiliated third party, with the intent to construct a 271,000 square foot Class A office property. We hold a 95.0% ownership interest in 25 M Street and Akridge contributed \$1.0 million in cash for its 5.0% ownership interest in 25 M Street. The \$1.0 million contribution from Akridge was distributed to us. 25 M Street is consolidated within our financial statements. See Note 4, "*Investment in Unconsolidated Real Estate Ventures*," for further information. The partners of the venture have not determined the timing and cost of construction for the project as of September 30, 2015.

On April 2, 2015, we acquired, from an unaffiliated third party, a property comprised of a parking garage with 330 parking spaces and mixed-use space totaling 14,404 rentable square feet located at 618 Market Street in Philadelphia, Pennsylvania for an aggregate fair value of \$19.4 million. The property is currently fully operational. The purchase price includes contingent consideration, recorded at fair value and payable to the seller upon commencement of development, totaling \$1.6 million and cash of \$17.8 million.

We have treated the acquisition of 618 Market Street as a business combination and allocated the purchase price to the tangible and intangible assets. We utilized a number of sources in making estimates of fair values for purposes of allocating the purchase price to tangible and intangibles assets acquired. We allocated \$19.2 million to building, land and improvements and \$0.2 million to intangible assets.

Dispositions

We sold the following office properties during the nine-month period ended September 30, 2015 (dollars in thousands).

| <u>Date of Sale</u> | <u>Property/Portfolio Name</u> | <u>Location</u> | <u>Number of Properties</u> | <u>Rentable Square Feet</u> | <u>Property/Portfolio Occupancy % at Date of Sale</u> | <u>Sale Price</u> | <u>Net gain (loss) on Sale (a)</u> |
|---------------------------|---|--------------------------------|-----------------------------|-----------------------------|---|-------------------|------------------------------------|
| September 29, 2015 | 1000 Howard | Mt. Laurel, NJ | 1 | 105,312 | 100.0% | \$ 16,500 | \$ 4,823 |
| August 13, 2015 | Bay Colony | Wayne, PA | 4 | 247,294 | 86.5% | 37,500 | 288 |
| August 11, 2015 | 741 First Avenue | King of Prussia, PA | 1 | 77,184 | 100.0% | 4,900 | 372 |
| June 10, 2015 | 100 Gateway Centre Parkway | Richmond, VA | 1 | 74,991 | 58.3% | 4,100 | — (b) |
| April 24, 2015 | Delaware Corporate Center I & II/Christian Corporate Center | Wilmington, DE/Newark, DE | 5 | 485,182 | 66.5% | 50,125 | 1,797 |
| April 9, 2015 | Lake Merritt Tower | Oakland, CA | 1 | 204,336 | 86.4% | 65,000 | — (c) |
| January 8, 2015 | Atrium I/Libertyview | Mt. Laurel, NJ/Cherry Hill, NJ | 2 | 221,405 | 93.4% | 28,300 | 9,040 |
| Total Dispositions | | | <u>15</u> | <u>1,415,704</u> | | <u>\$ 206,425</u> | <u>\$ 16,320 (d)</u> |

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

(b) We recorded an impairment loss of \$0.8 million for 100 Gateway Centre Parkway during the second quarter of 2015. As such, there was no gain/(loss) at disposition for this property.

(c) We recorded an impairment loss of \$1.7 million for Lake Merritt Tower at March 31, 2015. As such, there was no gain/(loss) at disposition for this property. Sales proceeds were deposited in escrow under Section 1031 of the Internal Revenue Code and applied to purchase the Broadmoor Austin portfolio. Refer to Broadmoor Austin Associates acquisition summary, above, for further details.

(d) Total gain/(loss) on sale does not include a deferred gain of \$0.5 million related to a prior sale and \$0.1 million in losses associated with prior sales.

We sold the following land parcels during the nine-month period ended September 30, 2015 (dollars in thousands).

| <u>Date of Sale</u> | <u>Property/Portfolio Name</u> | <u>Location</u> | <u>Number of Parcels</u> | <u>Acres</u> | <u>Property/Portfolio Occupancy % at Date of Sale</u> | <u>Sale Price</u> | <u>Net gain (loss) on Sale</u> |
|---------------------------|--------------------------------|-----------------|--------------------------|--------------|---|-------------------|--------------------------------|
| September 1, 2015 | 7000 Midlantic | Mt. Laurel, NJ | 1 | 3.5 | N/A | \$ 2,200 | \$ (169) |
| August 31, 2015 | Four Points | Austin, TX | 1 | 8.6 | N/A | 2,500 | 71 |
| August 25, 2015 | Two Kaiser Plaza | Oakland, CA | 1 | 1.0 | N/A | 11,100 | 3,117 |
| Total Dispositions | | | <u>3</u> | <u>13.1</u> | | <u>\$ 15,800</u> | <u>\$ 3,019</u> |

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

Held for Sale

As of September 30, 2015, we entered into an agreement of sale for six suburban New Jersey properties containing 560,147 rentable square feet for an anticipated sales price of \$56.5 million. The properties have been designated as held for sale in accordance with applicable accounting standards for long lived assets.

The disposal of the properties 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.

JBG - Venture

On May 29, 2015, we 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 us owning a 70.0% interest and JBG owning a 30.0% interest in each of the two ventures. At formation, we 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, we 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.

51 N Street expects to construct two mixed-use buildings, which will include approximately 278,000 square feet of loft office, residential, ground floor retail, movie theater and on-grade public plaza space in Washington, D.C. 51 N Street expects to develop the office buildings on parcels contributed by us and JBG to the venture at an agreed upon value of \$21.7 million. As of September 30, 2015, the venture has not finalized development plans or received committed debt financing. The venture plans to fund the remaining amount, which has not yet been determined.

1250 First Street expects to construct an eleven-story, mixed-use building, which will include approximately 232,100 square feet of office, 15,300 square feet of retail and 145 below-grade parking spaces in Washington, D.C. 1250 First Street expects to develop the office building on a parcel contributed by us and JBG to the venture at an agreed upon value of \$18.9 million. As of September 30, 2015, the venture has not finalized development plans or received committed debt financing. The venture plans to fund the remaining amount, which has not yet been determined.

DRA - PA Venture

On December 19, 2007, we formed G&I Interchange Office LLC, a real estate venture (the "Interchange Venture"), with an unaffiliated third party, G&I VI Investment Interchange Office LLC ("G&I VI"), an investment vehicle advised by DRA Advisors LLC. The Interchange Venture owns 29 office properties containing an aggregate of 1,611,961 net rentable square feet located in Montgomery, Lehigh and Bucks counties, Pennsylvania. We contributed these 29 properties to the Interchange Venture upon the Interchange Venture's formation and in exchange for the contribution received a cash distribution from the Interchange Venture and a 20.0% ownership interest in the Interchange Venture.

On February 27, 2015, the Interchange Venture entered into a forbearance agreement with an unaffiliated lender that holds a nonrecourse mortgage on the Interchange Venture's assets. The loan matured on January 1, 2015. On August 12, 2015, the lender sold the properties to an unaffiliated third-party purchaser under the forbearance agreement and assumed the proceeds. Commensurate with the sale, the Interchange Venture was dissolved.

We have no obligation to fund any amounts to the lender under the loan or mortgage. We have not had any investment basis in the Interchange Venture since its formation in 2007. We are not obligated to fund any of the losses incurred by the Venture and, as a result, have not recognized losses in excess of our invested capital balance.

Austin Venture

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 us to fund costs of the Austin Venture's acquisition of River Place. For further information regarding this acquisition, see Note 4, "Investment In Unconsolidated Ventures," included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations discuss our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Certain accounting policies are considered to be critical accounting policies, as they require management to make assumptions about matters that are highly uncertain at the time the estimate is made and changes in accounting estimate are reasonably likely to occur from period to period. Management bases its estimates and assumptions on historical experience and current economic conditions. On an on-going basis, management evaluates its estimates and assumptions including those related to revenue, impairment of long-lived assets and the allowance for doubtful accounts. Actual results may differ from those estimates and assumptions.

Our Annual Report on Form 10-K for the year ended December 31, 2014 contains a discussion of our critical accounting policies. There have been no significant changes in our critical accounting policies since December 31, 2014. See also Note 2, "*Basis of Presentation*," in our unaudited consolidated financial statements for the three and nine-month periods ended September 30, 2015 set forth herein. Management discusses our critical accounting policies and management's judgments and estimates with our Audit Committee.

RESULTS OF OPERATIONS

The following discussion is based on our Consolidated Financial Statements for the three and nine-month periods ended September 30, 2015 and 2014. 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 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 11, "*Segment Information*," to the 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 11, "*Segment Information*," to the Consolidated Financial Statements for a reconciliation of NOI to our consolidated net income (loss).

Comparison of the Three-Month Periods Ended September 30, 2015 and September 30, 2014

The table below shows selected operating information for the "Same Store Property Portfolio" and the "Total Portfolio." The Same Store Property Portfolio consists of 173 properties containing an aggregate of approximately 21.5 million net rentable square feet, and represents properties that we owned for the entire three-month periods ended September 30, 2015 and 2014. The Same Store Property Portfolio includes properties acquired or placed in service on or prior to July 1, 2014 and owned and held for sale through September 30, 2015. The Total Portfolio includes the effects of other properties that were either placed into service, acquired or redeveloped after January 1, 2014, disposed of prior to September 30, 2015 or classified as held for sale as of September 30, 2015. A property is excluded from our Same Store Property Portfolio and moved into the redevelopment column in the period that we determine that a redevelopment would be the best use of the asset, and when said asset is taken out of service or is undergoing re-entitlement 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 three-month periods ended September 30, 2015 and 2014) by providing information for the properties which were acquired, placed into service, under development or redevelopment and administrative/elimination information for the three-month periods ended September 30, 2015 and 2014 (in thousands).

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

Comparison of three-months ended September 30, 2015 to the three-months ended September 30, 2014

| (dollars in thousands) | Same Store Property Portfolio | | | Recently Completed/Acquired Properties (a) | | Development/Redevelopment Properties (b) | | Other (Eliminations) (c) | | Total Portfolio | | |
|--|-------------------------------|------------|---------------------|--|------|--|----------|--------------------------|----------|-----------------|------------|---------------------|
| | 2015 | 2014 | Increase/(Decrease) | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | Increase/(Decrease) |
| Revenue: | | | | | | | | | | | | |
| Cash rents | \$ 108,161 | \$ 103,468 | \$ 4,693 | \$ 2,746 | \$ — | \$ 2,651 | \$ 2,103 | \$ 1,768 | \$ 8,976 | \$ 115,326 | \$ 114,547 | \$ 779 |
| Straight-line rents | 4,680 | 4,217 | 463 | 989 | — | 176 | 4 | 251 | 12 | 6,096 | 4,233 | 1,863 |
| Above/below market rent amortization | 917 | 1,237 | (320) | 1,573 | — | 351 | 271 | — | — | 2,841 | 1,508 | 1,333 |
| Total rents | 113,758 | 108,922 | 4,836 | 5,308 | — | 3,178 | 2,378 | 2,019 | 8,988 | 124,263 | 120,288 | 3,975 |
| Tenant reimbursements | 18,592 | 16,802 | 1,790 | 910 | — | 443 | 413 | 1,608 | 2,880 | 21,553 | 20,095 | 1,458 |
| Termination fees | 1,097 | 1,363 | (266) | — | — | — | — | — | 55 | 1,097 | 1,418 | (321) |
| Third party management fees, labor reimbursement and leasing | — | — | — | — | — | — | — | 4,274 | 3,932 | 4,274 | 3,932 | 342 |
| Other | 927 | 630 | 297 | — | — | 140 | 43 | 331 | 152 | 1,398 | 825 | 573 |
| Total revenue | 134,374 | 127,717 | 6,657 | 6,218 | — | 3,761 | 2,834 | 8,232 | 16,007 | 152,585 | 146,558 | 6,027 |
| Property operating expenses | 40,698 | 38,695 | (2,003) | 257 | — | 1,570 | 1,534 | 1,369 | 2,446 | 43,894 | 42,675 | (1,219) |
| Real estate taxes | 11,129 | 11,283 | 154 | 898 | — | 365 | 241 | 727 | 1,345 | 13,119 | 12,869 | (250) |
| Third party management expenses | — | — | — | — | — | — | — | 1,605 | 1,687 | 1,605 | 1,687 | 82 |
| Net operating income | 82,547 | 77,739 | 4,808 | 5,063 | — | 1,826 | 1,059 | 4,531 | 10,529 | 93,967 | 89,327 | 4,640 |
| General & administrative expenses | — | — | — | 22 | — | 7 | 5 | 6,098 | 5,895 | 6,127 | 5,900 | (227) |
| Depreciation and amortization | 47,144 | 46,561 | (583) | 8,199 | — | 1,565 | 1,822 | 1,406 | 4,233 | 58,314 | 52,616 | (5,698) |
| Operating income (loss) | \$ 35,403 | \$ 31,178 | \$ 4,225 | \$ (3,158) | \$ — | \$ 254 | \$ (768) | \$ (2,973) | \$ 401 | \$ 29,526 | \$ 30,811 | \$ (1,285) |
| Number of properties | 173 | 173 | | 7 | | 6 | | 6 | | 192 | | |
| Square feet | 21,529 | 21,529 | | 1,113 | | 1,592 | | 560 | | 24,794 | | |
| Core Occupancy % (d) | 92.1% | 89.2% | | 100.0% | | | | | | | | |
| Other income (expense): | | | | | | | | | | | | |
| Interest income | | | | | | | | | | 126 | 528 | (402) |
| Tax credit transaction income | | | | | | | | | | 11,853 | 11,853 | — |
| Interest expense | | | | | | | | | | (27,900) | (31,481) | 3,581 |
| Amortization of deferred financing costs | | | | | | | | | | (1,010) | (1,566) | 556 |
| Interest expense — financing obligation | | | | | | | | | | (296) | (273) | (23) |
| Recognized hedge activity | | | | | | | | | | — | (828) | 828 |
| Equity in loss of real estate ventures | | | | | | | | | | (1,093) | (486) | (607) |
| Net gain on disposition of real estate | | | | | | | | | | 6,083 | 4,698 | 1,385 |
| Net gain on sale of undepreciated real estate | | | | | | | | | | 3,019 | — | 3,019 |
| Loss on early extinguishment of debt | | | | | | | | | | — | (2,606) | 2,606 |
| Provision for impairment on assets held for sale/sold | | | | | | | | | | — | (1,765) | 1,765 |
| Income from continuing operations | | | | | | | | | | 20,308 | 8,885 | 11,423 |
| Loss from discontinued operations | | | | | | | | | | — | (3) | 3 |
| Net income | | | | | | | | | | \$ 20,308 | \$ 8,882 | \$ 11,426 |
| Income attributable to common shareholders per common share | | | | | | | | | | \$ 0.10 | \$ 0.04 | \$ 0.06 |

EXPLANATORY NOTES

- (a) Results include: seven properties completed/acquired and placed in service.
(b) Results include: four developments, one redevelopment and one re-entitlement property.

- (c) Represents certain revenues and expenses at the corporate level as well as various intercompany costs that are eliminated in consolidation and third-party management fees. It also includes properties sold that do not qualify as discontinued operations and properties classified as held for sale.
- (d) Pertains to properties that are part of our core portfolio (i.e. not under development, redevelopment, or re-entitlement).

Total Revenue

Cash rents from the Total Portfolio increased by \$0.8 million during the third quarter of 2015 compared to the third quarter of 2014, primarily attributable to a:

- \$7.2 million decrease due to 21 properties sold subsequent to the third quarter of 2014;
- \$4.7 million increase in the Same Store Property Portfolio due to a 2.9% increase in occupancy for the third quarter of 2015 compared to the third quarter of 2014;
- \$2.7 million increase from Recently Completed/Acquired Properties for the third quarter of 2015 compared to the third quarter of 2014; and
- \$0.5 million increase from Development/Redevelopment Properties for the third quarter of 2015 compared to the third quarter of 2014.

Straight-line rents increased by \$1.9 million on a consolidated basis due to increased leasing activity and the timing of revenue recognition under the straight-line method of accounting.

Tenant reimbursements from the Total Portfolio increased by \$1.5 million during the third quarter of 2015 compared to the third quarter of 2014 primarily attributable to a \$1.8 million increase at the Same Store Portfolio, which trended along with the increase in operating expenses over the same period. Expense recoveries at the Same Store Portfolio increased modestly with a reimbursement percentage of 35.9% during the third quarter of 2015 compared to 33.6% in the third quarter of 2014. In addition, \$0.9 million related to the Recently Completed/Acquired Properties. These increases were offset by a decrease of \$1.2 million due to 21 properties sold subsequent to the third quarter of 2014.

Other income increased \$0.6 million during the third quarter of 2015 when compared to the third quarter of 2014, which is primarily attributable to; (i) \$0.2 from the receipt of escheat funds, (ii) \$0.2 in tax settlements and (iii) \$0.2 million related to other income across our portfolio.

Above/below Market Rent Amortization

Above/below market rent amortization increased by \$1.3 million as a result of acquiring 7 properties subsequent to the third quarter of 2014.

Real Estate Taxes

Real estate taxes across our Total Portfolio increased by \$0.3 million for the third quarter of 2015 compared to the third quarter of 2014, primarily attributable to a \$0.9 million increase from Recently Completed/Acquired Properties. This increase was offset by a \$0.8 million decrease from the 21 properties sold subsequent to the third quarter of 2014.

Property Operating Expenses

Property operating expenses across our Total Portfolio increased \$1.2 million for the third quarter of 2015 compared to the third quarter of 2014, primarily attributable to the following: (i) \$1.7 million in payroll and office expenses, (ii) \$1.0 million increase in utilities, (iii) \$0.7 million increase in repairs and maintenance expense due to the timing of tenant needs, (iv) \$0.3 million related to properties acquired subsequent to the third quarter of 2014 and (v) \$0.3 million increase in management fees. These increases were offset by a \$2.8 million decrease from the 21 properties sold subsequent to the second quarter of 2014.

Depreciation and Amortization

Depreciation and amortization expense across our Total Portfolio increased by \$5.7 million for the third quarter of 2015 compared to the third quarter of 2014, primarily attributable to the following: (i) \$8.2 million increase from Recently Completed/Acquired Properties and (ii) \$0.6 million increase to the Same Store Property Portfolio in additional depreciation expense from increased tenant improvements and accelerations related to early lease terminations. These increases were offset by \$2.8 million decrease from the 21 properties sold subsequent to the second quarter of 2014 and \$0.3 million decrease to Development/Redevelopment Properties related to accelerated depreciation of the re-entitlement property in the third quarter of 2014.

Interest Income

Interest income decreased \$0.4 million for the third quarter of 2015 compared to the third quarter of 2014, due to lower average cash and cash equivalents.

Interest Expense

The decrease in interest expense of \$3.6 million for the third quarter of 2015 from the third quarter of 2014 is primarily due to the following decreases:

- \$1.5 million related to an increase in capitalized interest which is directly attributable to increased development activity compared to the third quarter of 2014;
- \$0.6 million due to the repayment of our \$150.0 million three-year term loan due February 2015 during the third quarter of 2014;
- \$0.3 million due to the repayment of our \$100.0 million four-year term loan due February 2016 during the third quarter of 2014;
- \$0.3 million due to the termination of interest rate swap contracts associated with our \$100.0 million four-year term loan due February 2016;
- \$2.9 million due to repurchases of \$75.1 million and \$143.5 million, in the third and fourth quarters of 2014, respectively, of our 5.400% Guaranteed Notes due 2014; and
- \$3.0 million due to repurchases of \$42.7 million and \$114.9 million, in the third and fourth quarters, respectively, of our 7.500% Guaranteed Notes due 2015.

These decreases were partially offset by an increase of \$4.6 million related to the September 2014 issuance of \$250.0 million in principal amount of 4.10% Guaranteed Notes due 2024 and \$250.0 million in principal amount of 4.55% Guaranteed Notes due 2029.

Recognized Hedge Activity

The \$0.8 million of recognized hedge activity during the third quarter of 2014 relates to terminating interest rate swap contracts upon repayment of the \$150 million three-year term loan due February 2015.

Equity in Loss of Real Estate Ventures

The decrease in equity in income of Real Estate Ventures of \$0.6 million during the third quarter of 2015 compared to the third quarter of 2014 is primarily attributable to net operating losses of \$0.8 million at the Austin Venture, offset by \$0.2 million in increases related to the acquisition of Broadmoor Austin Associates.

Net Gain on Disposition of Real Estate

The \$6.1 million net gain on disposition of real estate resulted from the sale of six office properties located in Mt. Laurel, New Jersey, Wayne, Pennsylvania and King of Prussia, Pennsylvania during the third quarter of 2015. See Item 2., "*Recent Property Transactions*" for further information. The \$4.7 million net gain on disposition of real estate resulted from the sale of an office property during the third quarter of 2014.

Net Gain on Sale of Undepreciated Real Estate

The \$3.0 million net gain on sale of undepreciated real estate recognized during the third quarter of 2015 resulted from the sale of three land parcels located in Mount Laurel, New Jersey, Oakland, California and Austin, Texas. There were no land sales during the third quarter of 2014.

Loss on Early Extinguishment of Debt

During the third quarter of 2014, we funded; (i) \$88.7 million repurchase of our 5.400% Guaranteed Notes due 2014, (ii) \$46.5 million repurchase of our 7.500% Guaranteed Notes due 2015, (iii) repayment of the entire \$150.0 million three-year loan due February 2015 and (iv) repayment of the entire \$100.0 million four-year loan due February 2016, which resulted in a net loss on early extinguishment of debt of \$2.6 million.

Provision for Impairment on Assets Held for Sale/Sold

As of September 30, 2014, the carrying value of the Valleybrooke office portfolio exceeded the fair value less the costs of sale and, as a result, we recognized an impairment loss totaling approximately \$1.8 million during the third quarter of 2014.

Net Income

Net income increased by \$11.4 million during the third quarter of 2015 compared to the third quarter of 2014 as a result of the factors described above. Net income is significantly impacted by depreciation of operating properties and amortization of acquired intangibles. These non-cash charges do not directly affect our ability to pay dividends. Amortization of acquired intangibles will continue over the related lease terms or estimated duration of the tenant relationships.

Comparison of the Nine-Month Periods Ended September 30, 2015 and September 30, 2014

The table below shows selected operating information for the “Same Store Property Portfolio” and the “Total Portfolio.” The Same Store Property Portfolio consists of 171 properties containing an aggregate of approximately 21.4 million net rentable square feet, and represents properties that we owned for the entire nine-month periods ended September 30, 2015 and 2014. The Same Store Property Portfolio includes properties acquired or placed in service on or prior to January 1, 2014 and owned and held for sale through September 30, 2015. The Total Portfolio includes the effects of other properties that were either placed into service, acquired or redeveloped after January 1, 2014, disposed prior to September 30, 2015 or classified as held for sale as of September 30, 2015. A property is excluded from our Same Store Property Portfolio and moved into the redevelopment column in the period that we determine that a redevelopment would be the best use of the asset, and when said asset is taken out of service or is undergoing re-entitlement 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 nine-month periods ended September 30, 2015 and 2014) by providing information for the properties which were acquired, placed into service, under development or redevelopment and administrative/elimination information for the nine-month periods ended September 30, 2015 and 2014 (in thousands).

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

Comparison of nine-months ended September 30, 2015 to the nine-months ended September 30, 2014

| | Same Store Property Portfolio | | | Recently Completed/Acquired Properties (a) | | Development/Redevelopment Properties (b) | | Other (Eliminations) (c) | | Total Portfolio | | |
|---|-------------------------------|------------------|---------------------|--|-----------------|--|-------------------|--------------------------|-------------------|------------------|------------------|---------------------|
| (dollars in thousands) | 2015 | 2014 | Increase/(Decrease) | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | Increase/(Decrease) |
| Revenue: | | | | | | | | | | | | |
| Cash rents | \$ 316,731 | \$ 309,545 | \$ 7,186 | \$ 6,476 | \$ 2,746 | \$ 7,140 | \$ 6,345 | \$ 10,400 | \$ 28,323 | \$ 340,747 | \$ 346,959 | \$ (6,212) |
| Straight-line rents | 15,181 | 10,710 | 4,471 | 1,821 | 616 | 108 | 18 | 471 | 72 | 17,581 | 11,416 | 6,165 |
| Above/below market rent amortization | 2,782 | 4,367 | (1,585) | 1,707 | — | 982 | 780 | 1 | 59 | 5,472 | 5,206 | 266 |
| Total rents | 334,694 | 324,622 | 10,072 | 10,004 | 3,362 | 8,230 | 7,143 | 10,872 | 28,454 | 363,800 | 363,581 | 219 |
| Tenant reimbursements | 55,859 | 52,749 | 3,110 | 1,590 | 339 | 1,264 | 1,280 | 5,293 | 9,689 | 64,006 | 64,057 | (51) |
| Termination fees | 2,561 | 6,484 | (3,923) | — | — | — | — | — | 486 | 2,561 | 6,970 | (4,409) |
| Third party management fees, labor reimbursement and leasing | — | — | — | — | — | — | — | 12,805 | 12,269 | 12,805 | 12,269 | 536 |
| Other | 2,942 | 1,559 | 1,383 | 250 | 10 | 193 | 149 | 2,082 | 577 | 5,467 | 2,295 | 3,172 |
| Total revenue | 396,056 | 385,414 | 10,642 | 11,844 | 3,711 | 9,687 | 8,572 | 31,052 | 51,475 | 448,639 | 449,172 | (533) |
| Property operating expenses | 123,261 | 118,724 | (4,537) | 1,481 | 801 | 5,066 | 4,230 | 3,367 | 8,857 | 133,175 | 132,612 | (563) |
| Real estate taxes | 32,672 | 33,242 | 570 | 1,270 | 268 | 888 | 751 | 2,802 | 4,906 | 37,632 | 39,167 | 1,535 |
| Third party management expenses | — | — | — | — | — | — | — | 4,858 | 5,133 | 4,858 | 5,133 | 275 |
| Net Operating Income | 240,123 | 233,448 | 6,675 | 9,093 | 2,642 | 3,733 | 3,591 | 20,025 | 32,579 | 272,974 | 272,260 | 714 |
| General & administrative expenses | — | — | — | 249 | — | 132 | 83 | 21,173 | 20,003 | 21,554 | 20,086 | (1,468) |
| Depreciation and amortization | 140,092 | 137,989 | (2,103) | 9,901 | 701 | 4,386 | 5,376 | 5,976 | 13,707 | 160,355 | 157,773 | (2,582) |
| Operating Income (loss) | \$ 100,031 | \$ 95,459 | \$ 4,572 | \$ (1,057) | \$ 1,941 | \$ (785) | \$ (1,868) | \$ (7,124) | \$ (1,131) | \$ 91,065 | \$ 94,401 | \$ (3,336) |
| Number of properties | 171 | 171 | | 9 | | 6 | | 6 | | 192 | | |
| Square feet | 21,350 | 21,350 | | 1,292 | | 1,592 | | 560 | | 24,794 | | |
| Occupancy % (d) | 92.1% | 89.2% | | 100.0% | | | | | | | | |
| Other Income (Expense): | | | | | | | | | | | | |
| Interest income | | | | | | | | | | 1,189 | 1,298 | (109) |
| Tax credit transaction income | | | | | | | | | | 11,853 | 11,853 | — |
| Interest expense | | | | | | | | | | (83,971) | (94,837) | 10,866 |
| Amortization of deferred financing costs | | | | | | | | | | (3,377) | (3,952) | 575 |
| Interest expense — financing obligation | | | | | | | | | | (906) | (861) | (45) |
| Recognized hedge activity | | | | | | | | | | — | (828) | 828 |
| Equity in loss of real estate ventures | | | | | | | | | | (1,835) | (733) | (1,102) |
| Net gain on disposition of real estate | | | | | | | | | | 16,673 | 4,698 | 11,975 |
| Net gain on sale of undepreciated real estate | | | | | | | | | | 3,019 | 1,184 | 1,835 |
| Net gain from remeasurement of investment in real estate ventures | | | | | | | | | | 758 | 458 | 300 |
| Net loss on real estate venture transactions | | | | | | | | | | — | (417) | 417 |
| Loss on early extinguishment of debt | | | | | | | | | | — | (2,606) | 2,606 |
| Provision for impairment on assets held for sale/sold | | | | | | | | | | (2,508) | (1,765) | (743) |
| Income from continuing operations | | | | | | | | | | 31,960 | 7,893 | 24,067 |
| Income from discontinued operations | | | | | | | | | | — | 918 | (918) |
| Net income | | | | | | | | | | \$ 31,960 | \$ 8,811 | \$ 23,149 |
| Income attributable to commons shareholders per common share | | | | | | | | | | \$ 0.15 | \$ 0.02 | \$ 0.13 |

EXPLANATORY NOTES

- (a) Results include: nine properties completed/acquired and placed in service.
- (b) Results include: four developments, one redevelopment and one re-entitlement property
- (c) Represents certain revenues and expenses at the corporate level as well as various intercompany costs that are eliminated in consolidation and third-party management fees. It also includes properties sold that do not qualify as discontinued operations and properties classified as held for sale.
- (d) Pertains to properties that are part of our core portfolio (i.e. not under development, redevelopment, or re-entitlement).

Total Revenue

Cash rents from the Total Portfolio decreased by \$6.2 million during the nine-month period ended September 30, 2015 compared to the nine-month period ended September 30, 2014, primarily attributable to a:

- \$17.9 million decrease due to the 22 properties sold subsequent to January 1, 2014;
- \$7.2 million increase in the Same Store Property Portfolio due to a 2.9% increase in occupancy for the nine-month period ended September 30, 2015 compared to the nine-month period ended September 30, 2014;
- \$3.7 million increase from Recently Completed/Acquired Properties for the nine-month period ended September 30, 2015 compared to the nine-month period ended September 30, 2014; and
- \$0.8 million increase from Development/Redevelopment Properties for the nine-month period ended September 30, 2015 compared to the nine-month period ended September 30, 2014.

Straight-line rents increased by \$6.2 million on a consolidated basis due to increased leasing activity and the timing of revenue recognition under the straight-line method of accounting.

Tenant reimbursements from the Total Portfolio decreased by \$0.1 million, of which \$4.5 million of the decrease is due to the 22 properties sold subsequent to January 1, 2014. This decrease was offset by an increase of \$3.1 million at the Same Store Portfolio, which trended along with the increase in operating expenses over the same period. Expense recoveries at the Same Store Portfolio remained consistent with a reimbursement percentage of 35.8% during the nine-month period ended September 30, 2015 compared to 34.7% in the nine-month period ended September 30, 2014. An additional \$1.3 million increase resulted from Recently Completed/Acquired Properties.

Termination fees at our Total Portfolio decreased by \$4.4 million due to timing and volume of tenant early terminations during the nine-month period ended September 30, 2015 compared to the nine-month period ended September 30, 2014.

Other income increased \$3.2 million during the nine-month period ended September 30, 2015 compared to the nine-month period ended September 30, 2014, which is primarily attributable to; (i) \$1.1 million of recognized real estate tax assessment adjustments, (ii) \$0.8 million related to other income across our portfolio, (iii) \$0.6 million in liquidating distributions from an unconsolidated partnership was accounted for using the cost method for investments, (iv) \$0.5 million from the receipt of escheat funds and (v) \$0.2 million in tax settlements.

Property Operating Expenses

Property operating expenses across our Total Portfolio increased \$0.6 million for the nine-month period ended September 30, 2015 compared to the nine-month period ended September 30, 2014, primarily attributable to a: (i) \$2.6 million increase in repairs and maintenance expense due to the timing of tenant needs, (ii) \$2.5 million increase in payroll related costs, (iii) \$0.8 million increase in office expenses (iv) \$0.6 million in management fees and (v) \$1.2 million increase in utilities. These increases were offset by a \$7.1 million decrease from the 22 properties sold subsequent to January 1, 2014.

Real Estate Taxes

Real estate taxes across our Total Portfolio decreased by \$1.5 million for the nine-month period ended September 30, 2015 compared to the nine-month period ended September 30, 2014, primarily attributable to a \$2.3 million decrease from the 22 properties sold subsequent to the second quarter of 2014 and \$0.2 million decrease from property tax assessments. These decreases were offset by \$1.0 million from Recently Completed/Acquired Properties.

General and Administrative Expenses

General and administrative expenses across our Total Portfolio increased \$1.5 million for the nine-month period ended September 30, 2015 compared to the nine-month period ended September 30, 2014, primarily attributable to; (i) \$0.9 million increase in share-based compensation costs, (ii) \$0.3 million increase in acquisition deal costs and (iii) \$0.3 increase in charitable contributions.

Depreciation and Amortization

Depreciation and amortization expense across our Total Portfolio increased by \$2.6 million for the nine-month period ended September 30, 2015 compared to the nine-month period ended September 30, 2014, primarily attributable to a \$9.2 million increase from Recently Completed/Acquired Properties and \$2.1 million increase to the Same Store Property Portfolio in additional depreciation expense from increased tenant improvements and accelerations related to early lease terminations. These increases were offset by a \$7.7 million decrease from the 22 properties sold subsequent to January 1, 2014 and \$1.0 million decrease to Development/Redevelopment Properties related to accelerated depreciation of the re-entitlement property in the second quarter of 2014.

Interest Expense

The decrease in interest expense of \$10.9 million for the nine-month period ended September 30, 2015 compared to the nine-month period ended September 30, 2014 is primarily due to the following decreases;

- \$9.1 million due to repurchases of \$42.7 million and \$114.9 million, in the third and fourth quarters, respectively, of our 7.500% Guaranteed Notes due 2015;
- \$8.9 million due to repurchases of \$75.1 million and \$143.5 million, in the third and fourth quarters of 2014, respectively, of our 5.400% Guaranteed Notes due 2014;
- \$4.3 million related to an increase in capitalized interest which is directly attributable to increased development activity compared to the nine-month period ended September 30, 2014;
- \$1.9 million due to the repayment of our \$150.0 million three-year term loan due February 2015 during the third quarter of 2014;
- \$1.3 million due to the repayment of our \$100.0 million four-year term loan due February 2016 during the third quarter of 2014;
- \$0.8 million due to the termination of interest rate swap contracts associated with our \$100.0 million four-year term loan due February 2016; and
- \$0.4 million related to mortgage interest expense.

These decreases were partially offset by an increase of \$15.8 million related to the September 2014 issuance of \$250.0 million in principal amount of 4.10% Guaranteed Notes due 2024 and \$250.0 million in principal amount of 4.55% Guaranteed Notes due 2029.

Recognized Hedge Activity

The \$0.8 million of recognized hedge activity during the nine-month period ended September 30, 2014 relates to terminating interest rate swap contracts upon repayment of the \$150 million three-year term loan due February 2015.

Equity in Loss of Real Estate Ventures

The decrease in equity in income of Real Estate Ventures of \$1.1 million during the nine-month period ended September 30, 2015 compared to the nine-month period ended September 30, 2014 is primarily attributable to net operating losses of \$1.0 million at the Austin Venture and \$0.7 million at the evo at Cira Centre South. These decreases were offset by \$0.6 million in increases related to the sale of the DRA - PA Venture.

Net Gain on Disposition of Real Estate

The \$16.7 million net gain on disposition of real estate venture resulted from the sale of 15 office properties located in Mt. Laurel, New Jersey, Wayne, Pennsylvania, King of Prussia, Pennsylvania, Richmond, Virginia, Newark/Wilmington, Delaware, Oakland, California and Cherry Hill, New Jersey during the nine-month period ended September 30, 2015. See Item 2., "Recent Property Transactions for further information. The \$4.7 million net gain on disposition of real estate resulted from the sale of an office property during the nine-month period ended September 30, 2014.

Gain on Sale of Undepreciated Real Estate

The \$3.0 million net gain on sale of undepreciated real estate during the nine-month period ended September 30, 2015 resulted from the sale of three land parcels located in Mount Laurel, New Jersey, Oakland, California and Austin, Texas. During the nine-month period ended September 30, 2014 we sold two land parcels located in Dallas, Texas and Austin, Texas for a \$1.2 million net gain.

Gain from Remeasurement of Investment in a Real Estate Venture

The gain on remeasurement of investment in a real estate venture increased \$0.3 million. The \$0.8 million gain recognized during the nine-month period ended September 30, 2015 resulted from the acquisition of the remaining interest in Broadmoor Austin Associates. The \$0.5 million gain recognized during the nine-month period ended September 30, 2014 resulted from the final settlement of the increase in ownership interest of the One and Two Commerce partnerships.

Provision for Impairment on Assets Held for Sale/Sold

During the quarter ended March 31, 2015, we determined to dispose of the Lake Merritt office property, and as the carrying value exceeded the fair value of the property exceeded the fair value less the costs of sale, we recognized an impairment loss totaling approximately \$1.7 million, which approximates the cost of sale.

During the quarter ended June 30, 2015, we determined to dispose of the 100 Gateway Centre Parkway office property, and as the carrying value exceeded the fair value less the costs of sale, we recognized an impairment loss totaling approximately \$0.8 million, which approximates the loss on sale.

During the quarter ended September 30, 2014, we determined to dispose of the Valleybrooke office portfolio, and as the carrying value exceeded the fair value less the costs of sale, we recognized an impairment loss totaling approximately \$1.8 million, which approximates the loss on sale.

See Note 3, "Real Estate Investments," for further information related to the impairments.

Discontinued Operations

During the nine-month period ended September 30, 2014 there were no property sales classified as discontinued operations. The gain of \$0.9 million during the nine-month period ended September 30, 2014 relates to the settlement of the sale of a portfolio of eight office properties located in Lawrenceville, New Jersey during the first quarter of 2013. There were no properties classified as discontinued operations during the nine-month period ended September 30, 2015.

Net Income

Net income increased by \$23.1 million during the nine-month period ended September 30, 2015 compared to the nine-month period ended September 30, 2014 as a result of the factors described above. Net income is significantly impacted by depreciation of operating properties and amortization of acquired intangibles. These non-cash charges do not directly affect our ability to pay dividends. Amortization of acquired intangibles will continue over the related lease terms or estimated duration of the tenant relationships.

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 real estate ventures,
- fund distributions to shareholders to maintain REIT status, and
- fund share repurchases.

As of September 30, 2015, the Parent Company owned a 99.1% interest in the Operating Partnership. The remaining interest of approximately 0.9% 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, and 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 2015 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 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 credit facility, including our unsecured term loans, and under our unsecured notes. As of September 30, 2015, we were in compliance with all of our debt covenants and requirement obligations.

We use multiple sources to finance our long-term capital needs. When needed, we use borrowings under our unsecured 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 from time to time as necessary. In light of the continuing 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 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 credit facility and unsecured term loans would increase.

The Parent Company unconditionally guarantees the Operating Partnership's secured and unsecured obligations, which, as of September 30, 2015, amounted to \$645.1 million and \$1,803.5 million, respectively.

We maintain 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. We also

maintain a continuous offering program under which we may sell up to 16,000,000 common shares until November 5, 2016 in at-the-market offerings.

The Parent Company, other than acting as the sole general partner of the Operating Partnership, 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 share repurchase program under which the Board of Trustees has authorized the Parent Company to repurchase shares of its preferred and common stock with no expiration date. On July 22, 2015, the Parent Company's Board of Trustees authorized additional share repurchases of up to \$100.0 million. Prior to the authorization 539,200 common shares were available for repurchase under the preexisting share repurchase program. We expect to fund the share repurchases with a combination of available cash balances and availability under our line of credit. As of September 30, 2015, 4,701,302 common shares have been repurchased and retired at an average purchase price of \$12.92 per share and totaling \$60.8 million. The timing and amounts of any purchases will depend on a variety of factors, including market conditions, regulatory requirements, share prices, capital availability and other factors as determined by our management team. The repurchase program does not require the purchase of any minimum number of shares and may be suspended or discontinued at any time without notice.

We also consider sales of selected properties as another source of managing our liquidity. We use proceeds from asset sales, as appropriate, to repay existing indebtedness, provide capital for our development activities and to strengthen our financial condition. See Item 2. "*Recent Property Transactions*" for disclosure of current year dispositions.

Cash Flows

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

As of September 30, 2015 and December 31, 2014, we maintained cash and cash equivalents of \$50.6 million and \$257.5 million, respectively. The following are the changes in cash flow from our activities for the nine-month periods ended September 30, 2015 and 2014 (in thousands):

| Activity | 2015 | 2014 |
|-----------------|--------------|-------------|
| Operating | \$ 144,960 | \$ 133,000 |
| Investing | (191,391) | (94,748) |
| Financing | (160,439) | 370,484 |
| Net cash flows | \$ (206,870) | \$ 408,736 |

Our principal source of cash flows is from the operation of our properties. Our properties provide a relatively consistent stream of cash flows that provides us with the resources to fund operating expenses, debt service and quarterly dividends. We do not restate our cash flows for discontinued operations.

The net increase of \$12.0 million in cash from operating activities for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 is primarily attributable to the timing of cash receipts and cash expenditures in the normal course of operations.

The net increase of \$96.6 million in cash used in investing activities during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 is primarily attributable to the following:

- an decrease of \$191.7 million in funds used for acquisitions, driven by the purchases of the remaining 50% common interest in the Broadmoor Austin Associates real estate venture, 405 Colorado Drive, 25 M Street, 618 Market Street, 2100 Market Street and 9 Presidential Boulevard (See Item 2., "*Recent Property Transactions*" above for disclosure of current year acquisitions) during the nine months ended September 30, 2015 compared to the purchase of a development project in Austin, Texas known as Encino Trace during the nine months ended September 30, 2014;

- an increase of \$74.7 million in capital expenditures for tenant improvements, developments/redevelopments and leasing commissions during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 primarily attributed to the development of the FMC Tower at Cira Centre South and Encino Trace (For further information on development projects see Item 1., "Developments," included in the our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and Item 2., "Development Risk," above);
- an increase of \$46.5 million of investments in unconsolidated Real Estate Ventures primarily due to contributions for the nine months ended September 30, 2015 of \$28.4 million to form the JBG real estate ventures (See Item 2. "Recent Property Transactions" above for further disclosure), \$8.8 million in contributions to the 4040 Wilson real estate venture, \$16.2 million to Brandywine 1919 Ventures, \$3.4 million to the DRA Austin real estate venture and \$6.0 million in contributions to other real estate ventures compared to \$7.6 million in contributions to the 4040 Wilson real estate venture, \$6.4 million to the DRA Austin real estate venture and \$2.3 million in contributions to other real estate ventures during the nine months ended September 30, 2014; and
- an increase of \$0.5 million in deposits for real estate during the nine months ended September 30, 2015, when compared to the nine months ended September 30, 2014.

The decrease in cash used in investing activities was offset by the following transactions:

- an increase of \$133.4 million of net proceeds from the sale of 15 properties and three land parcels during the nine months ended September 30, 2015 compared to the sale of one office building, the contribution of an office building to an unconsolidated real estate venture and the sale of two land parcels during the nine months ended September 30, 2014 (See Item 2., "Recent Property Transactions") above;
- an increase of \$82.9 million in payments on the mortgage note receivable during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014, primarily due to the repayment of the short term loan to the Austin Venture (See Note 4, "Investment in Unconsolidated Ventures," to our consolidated financial statements);
- a decrease in advances made for purchase of tenant assets, net of repayments, of \$0.5 million during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.
- a decrease of \$0.1 million in escrow cash due to timing of payments; and
- an increase of \$0.1 million in cash distributions in excess of cumulative equity in income from Real Estate Ventures during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.

The net increase of \$530.9 million in cash used in financing activities during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 is primarily attributable to the following:

- a decrease of \$496.5 million in net proceeds from the issuance of \$250.0 million 4.100% Guaranteed Notes due 2024 and \$250.0 million 4.550% Guaranteed Notes due 2029 during the nine months ended September 30, 2014, with no such activity in the current year;
- a decrease of \$335.0 million in net proceeds from to the issuance of 21,850,000 common shares during the nine months ended September 30, 2014, with no such activity in the current year;
- an increase of \$0.6 million in repayments of mortgage notes payable during nine months ended September 30, 2015 compared to the nine months ended September 30, 2014;
- a decrease of \$0.6 million in proceeds from the exercise of stock options;
- an increase of \$60.8 million in repurchases of common stock, with no such repurchases in the prior year, and;
- an increase in distributions paid to shareholders and on non-controlling interests to \$86.9 million during the nine months ended September 30, 2015 from \$76.9 million during the nine months ended September 30, 2014 resulting from the Parent Company issuance of 21,850,000 common shares during the third quarter of 2014.

The increase in cash used in financing activities was offset by the following transactions:

- a decrease in the repayment of unsecured term loans from the repayment of the \$150.0 million three-year term loan, \$100.0 million four-year term loan and settlement of associated interest rate swap contracts during the third quarter of 2014, with no such repayments during the current year;
- a decrease in repayments of unsecured notes of \$120.4 million during the nine months ended September 30, 2015, primarily relating to redemption of a portion of the 5.40% Guaranteed Notes due November 1, 2014 and the 7.50% Guaranteed Notes due May 15, 2015 during the nine months ended September 30, 2014, with no such activity in the current year;
- a decrease of \$0.4 million in debt financing costs, primarily due to the new revolving credit facility (See Item 2. "Capitalization") below; and
- an increase of \$1.0 million from a partner contribution to a consolidated joint venture, with no such contribution in the prior year.

Capitalization

Indebtedness

The table below summarizes indebtedness under our mortgage notes payable and our unsecured notes at September 30, 2015 and December 31, 2014:

| | September 30, 2015 | December 31, 2014 |
|--|------------------------|---------------------|
| | (dollars in thousands) | |
| Balance: | | |
| Mortgage notes payable | \$ 645,069 | \$ 655,934 |
| Unsecured debt | 1,803,529 | 1,803,529 |
| Total | <u>\$ 2,448,598</u> | <u>\$ 2,459,463</u> |
| Percent of Total Debt: | | |
| Mortgage notes payable | 26.3% | 26.7% |
| Unsecured debt | 73.7% | 73.3% |
| Total | <u>100.0%</u> | <u>100.0%</u> |
| Weighted-average interest rate at period end: | | |
| Mortgage notes payable | 5.7% | 5.7% |
| Unsecured debt | 4.7% | 4.7% |
| Total | 5.0% | 5.0% |
| Weighted-average maturity in years: | | |
| Mortgage notes payable | 6.5 | 7.3 |
| Unsecured debt | 6.3 | 7.0 |
| Total | 6.3 | 7.1 |

All debt shown above is fixed rate, which includes a \$200.0 million term loan swapped to fixed. Scheduled principal payments and related weighted average annual effective interest rates for our debt as of September 30, 2015 are as follows (in thousands):

| Period | Scheduled Amortization | Principal Maturities | Total | Weighted Average Interest Rate of Maturing Debt |
|------------|---------------------------|----------------------|---------------------|--|
| 2015 | \$ 3,090 | \$ 88,042 (a) | \$ 91,132 | 5.41% |
| 2016 | 9,957 | 357,779 | 367,736 | 5.61% |
| 2017 | 9,906 | 320,417 | 330,323 | 5.63% |
| 2018 | 11,954 | 325,000 | 336,954 | 5.19% |
| 2019 | 13,155 | 200,000 | 213,155 | 3.81% |
| 2020 | 13,915 | — | 13,915 | 6.64% |
| 2021 | 14,719 | — | 14,719 | 6.64% |
| 2022 | 15,571 | — | 15,571 | 6.65% |
| 2023 | 14,666 | 351,236 | 365,902 | 4.27% |
| 2024 | 14,933 | 250,000 | 264,933 | 4.39% |
| Thereafter | 105,648 | 328,610 | 434,258 | 4.96% |
| Totals | <u>\$ 227,514</u> | <u>\$ 2,221,084</u> | <u>\$ 2,448,598</u> | 4.96% |

(a) On August 19, 2015, we entered into a forbearance agreement to extend the maturity date of the mortgage note payable collateralized by two of our properties located at 8260 Greensboro Drive and 1676 International Drive in Mclean, Virginia (referred to as "Tysons Corner" in Note 7 "Debt Obligations" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014) until October 9, 2015. At September 30, 2015, the outstanding balance was \$88.0 million. See Note 14, "Subsequent Events," for further information regarding the repayment of the note.

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 is in compliance with all covenants as of September 30, 2015.

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.

On October 8, 2015, we amended our \$200.0 million seven-year term loan maturing February 1, 2019. Pursuant to the terms of the amendment, we increased the term loan by an additional \$50.0 million, lengthened the maturity date to October 8, 2022, and exercised the option to increase the aggregate amount by up to \$150.0 million. The loan will bear interest at LIBOR plus 1.80%. Through a series of interest rate swaps, the \$250.0 million outstanding balance of the term loan will have a fixed interest rate of 3.72%.

On May 15, 2015, we closed on a new four-year unsecured revolving credit facility (the "New Credit Facility") that provides for borrowings of up to \$600.0 million. We expect to use advances under the New Credit Facility for general business purposes, including to fund costs of acquisitions, developments and redevelopments of properties and to repay from time to time other debt. On terms and conditions specified in the credit agreement, we may enter into unsecured term loans and/or increase the initial amount of the credit facility by up to, in the aggregate for all such term loans and increases, an additional \$400.0 million. The New Credit Facility includes a \$65.0 million sub-limit for the issuance of letters of credit and a \$60.0 million sub-limit for swing-loans. The New Credit Facility has a scheduled maturity date of May 15, 2019, and is subject to two six-month extensions on terms and conditions specified in the credit agreement.

At our option, loans outstanding under the New Credit Facility will bear interest at a rate per annum equal to (1) LIBOR plus between 0.875% and 1.55% based on 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 0.55% based on our credit rating. The New 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 1.20% and the facility fee is 0.25%. We had no borrowings under the New Credit Facility as of September 30, 2015.

The terms of the New Credit Facility require that 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 minimum net worth; (iii) a leverage ratio less than or equal to 0.60 to 1.00, subject to specified exceptions; (iv) a ratio of unsecured indebtedness to unencumbered asset value less than or equal to 0.60 to 1.00, subject to specified exceptions; (v) a ratio of secured indebtedness to total asset value less than or equal to 0.40 to 1.00; and (vi) a ratio of unencumbered cash flow to interest expense on unsecured debt greater than 1.75 to 1.00. In addition, the New 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. At September 30, 2015, we were in compliance with all covenants in the New Credit Facility.

Concurrently with our entry into the New Credit Facility, we terminated our then existing unsecured revolving credit facility, which had a scheduled maturity date of February 1, 2016.

On June 1, 2015, we amended our Term Loan C Agreement dated December 15, 2011 to align the above aforementioned financial and operating covenants and restrictions of the New Credit Facility with that of Term Loan C. The amendment was filed as part of the Quarterly Report on Form 10-Q for the period ended June 30, 2015. See Item 6, "Exhibits."

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 September 15, 2015, the Parent Company declared a distribution of \$0.15 per common share, totaling \$26.6 million, payable on October 19, 2015 to its shareholders of record as of October 5, 2015. In addition, the Parent Company declared a distribution on its Series E Preferred Shares to holders of record as of September 30, 2015. These shares are entitled to a preferential return of 6.90% per annum on the \$25.00 per share liquidation preference. Distributions paid on October 15, 2015 to holders of Series E Preferred Shares totaled \$1.7 million. To fund this distribution, on September 15, 2015, the Operating Partnership declared distributions on its Series E-Linked Preferred Mirror Units to holders of record as of September 30, 2015. These units are entitled to a preferential return of 6.90% per annum on the \$25.00 per unit liquidation preference. Distributions to be paid on October 15, 2015 to holders of Series E-Linked Preferred Mirror Units will total \$1.7 million. 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.

The Parent Company also maintains a continuous offering program (the "Offering Program"), under which we may sell up to an aggregate amount of 16,000,000 common shares until November 5, 2016 in at the market offerings. This program was put in place on November 5, 2013. During the nine months ended September 30, 2015, we did not sell any shares under the Offering Program and 16,000,000 remained available.

The Parent Company maintains a share repurchase program under which the Board of Trustees has authorized the Parent Company to repurchase up to \$100.0 million of its common shares with no expiration date. Prior to the authorization 539,200 common shares were available for repurchase under our share repurchase program. We expect to fund the share repurchases with a combination of available cash balances and availability under its line of credit. As of September 30, 2015, 4,701,302 common shares have been repurchased and retired at an average purchase price of \$12.92 per share for total cash consideration of \$60.8 million. The timing and amounts of any purchases will depend on a variety of factors, including market conditions, regulatory requirements, share prices, capital availability and other factors as determined by our management team. The repurchase program does not require the purchase of any minimum number of shares and may be suspended or discontinued at any time without notice.

Inflation

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

Contractual Obligations

The following table outlines the timing of payment requirements related to our contractual obligations as of September 30, 2015:

| | Payments by Period (in thousands) | | | | |
|--------------------------------|-----------------------------------|---------------------|-------------------|-------------------|----------------------|
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
| Mortgage notes payable (a) | \$ 645,069 | \$ 306,465 | \$ 41,586 | \$ 26,694 | \$ 270,324 |
| Unsecured term loan (b) | 200,000 | — | — | 200,000 | — |
| Unsecured guaranteed notes (a) | 1,603,529 | 149,919 | 625,000 | — | 828,610 |
| Ground leases (c) | 74,500 | 1,385 | 2,770 | 2,770 | 67,575 |
| Development contracts (d) | 297,490 | 286,983 | 10,507 | — | — |
| Interest expense (e) | 622,290 | 102,915 | 149,597 | 100,352 | 269,426 |
| Other liabilities (f) | 24,391 | 361 | 4,483 | 7,108 | 12,439 |
| | <u>\$ 3,467,269</u> | <u>\$ 848,028</u> | <u>\$ 833,943</u> | <u>\$ 336,924</u> | <u>\$ 1,448,374</u> |

- (a) Amounts do not include unamortized discounts and/or premiums.
- (b) On October 8, 2015, the Company amended its \$200.0 million seven-year term loan maturing February 1, 2019. Pursuant to the terms of the amendment, the Company increased the term loan by an additional \$50.0 million and lengthened the maturity date to October 8, 2022.
- (c) 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. The table does not include the future minimum rental payments related to two ground leases in Philadelphia, Pennsylvania, as these leases provide for contingent participation by the lessor and are not estimable at September 30, 2015. The two ground leases in Philadelphia, Pennsylvania are discussed in Note 12, "Commitments and Contingencies," to our consolidated financial statements.
- (d) Represents contractual obligations for development projects and does not contemplate all costs expected to be incurred for such developments. See Item 2., "Overview - Development Risk" above for total expected costs related to developments.
- (e) Variable rate debt future interest expense commitments are calculated using September 30, 2015 interest rates.
- (f) Other liabilities consists of (i) our deferred compensation liability, (ii) the liability investment balance related to Coppell Associates real estate venture located in Austin, Texas (iii) the interest accretion on the existing transfer tax liability on Two Logan Square in Philadelphia, Pennsylvania (iv) the contingent consideration associated with the purchase of 618 Market Street in Philadelphia, Pennsylvania and the deferred payment associated with the purchase of 2100 Market Street in Philadelphia, Pennsylvania (See Item 2., "Recent Property Transactions") above.

See Note 4, "Investment in Unconsolidated Ventures," to our consolidated financial statements for further details on payment guarantees provided on the behalf of real estate ventures.

As of September 30, 2015, we were obligated to pay a maximum of \$85.0 million for tenant improvements not yet completed, which is not included in the above table. We expect that most of the obligations will be paid within one year.

On May 4, 2015, we entered into a put agreement in the ordinary course of business that grants an independent third party the unilateral option to require us to purchase a property, at a predetermined price, until May 4, 2018. In addition to the \$35.0 million purchase price, we would be responsible for transaction and closing costs. There can be no assurance that the counterparty will exercise the option.

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 U.S. 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 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 unit holders to FFO for the three and nine-month periods ended September 30, 2015 and 2014:

| | Three-month periods ended | | Nine-month periods ended | |
|---|---|--------------------|--------------------------|--------------------|
| | September 30, | | September 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| | (unaudited, in thousands, except share information) | | | |
| Net income attributable to common unitholders | \$ 18,506 | \$ 7,051 | \$ 26,536 | \$ 3,356 |
| Add (deduct): | | | | |
| Nonforfeitable dividends allocated to unvested restricted shareholders | 76 | 82 | 253 | 268 |
| Loss on real estate venture transactions | — | — | — | 417 |
| Net gain on disposition of real estate | (6,083) | (4,698) | (16,673) | (4,698) |
| Net (gain) loss on disposition of discontinued operations | — | 3 | — | (900) |
| Gain from remeasurement of investment in a real estate ventures | — | — | (758) | (458) |
| Provision for impairment on assets held for sale/sold | — | 1,765 | 2,508 | 1,765 |
| Depreciation and amortization: | | | | |
| Real property — continuing operations | 40,459 | 41,579 | 120,249 | 123,220 |
| Leasing costs including acquired intangibles — continuing operations | 17,755 | 10,990 | 38,829 | 34,427 |
| Real property — discontinued operations | — | — | — | — |
| Company's share of unconsolidated real estate ventures | 6,514 | 6,226 | 21,596 | 17,020 |
| Partners' share of consolidated real estate ventures | (55) | (87) | (168) | (188) |
| NAREIT Funds from operations | \$ 77,172 | \$ 62,911 | \$ 192,372 | \$ 174,229 |
| Funds from operations allocable to unvested restricted shareholders | (223) | (192) | (603) | (628) |
| NAREIT Funds from operations available to common unitholders (FFO) | \$ 76,949 | \$ 62,719 | \$ 191,769 | \$ 173,601 |
| Weighted-average shares/units outstanding — fully diluted | 180,311,786 | 174,928,930 | 181,523,594 | 165,107,978 |

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Interest Rate Risk and Sensitivity Analysis

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

Our financial instruments consist of both fixed and variable rate debt. As of September 30, 2015, our consolidated debt consisted of \$645.1 million of mortgage loans and \$1,524.9 million of unsecured notes, all of which are fixed rate borrowings. As of September 30, 2015, we also have variable rate debt consisting of \$78.6 million in trust preferred securities and \$200.0 million of unsecured term loans all of which have been swapped to fixed. 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 \$23.3 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 \$25.4 million.

As of September 30, 2015, based on prevailing interest rates and credit spreads, the fair value, net of \$6.0 million of discounts, of our \$1,518.9 million of unsecured notes was \$1,552.7 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 \$15.2 million at September 30, 2015.

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 carrying value of our variable rate debt (including variable swapped to fixed) was approximately \$278.6 million at September 30, 2015. The total fair value of our debt was approximately \$254.4 million at September 30, 2015. 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 \$14.5 million at September 30, 2015. If market rates of interest decrease by 100 basis points the fair value of our outstanding variable rate debt would increase by approximately \$16.4 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 we may undertake to minimize possible effects of market interest rate increases, this analysis assumes no changes in our financial structure.

Item 4. Controls and Procedures

Controls and Procedures (Parent Company)

- (a) *Evaluation of disclosure controls and procedures.* Under the supervision and with the participation of its management, including its principal executive officer and principal financial officer, the Parent Company 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), as of the end of the period covered by this quarterly report. Based on this evaluation, the Parent Company's principal executive officer and principal financial officer have concluded that the Parent Company's disclosure controls and procedures are effective as of the end of the period covered by this quarterly report.
- (b) *Changes in internal control over financial reporting.* There was no change in the Parent Company's internal control over financial reporting that occurred during the period covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, the Parent Company's internal control over financial reporting.

Controls and Procedures (Operating Partnership)

- (a) *Evaluation of disclosure controls and procedures.* Under the supervision and with the participation of its management, including its principal executive officer and principal financial officer, the Operating Partnership conducted an evaluation of its disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act as of the end of the period covered by this quarterly report. Based on this evaluation, the Operating Partnership's principal executive officer and principal financial officer have concluded that the Operating Partnership's disclosure controls and procedures are effective as of the end of the period covered by this quarterly report.
- (b) *Changes in internal control over financial reporting.* There was no change in the Operating Partnership's internal control over financial reporting that occurred during the period covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

Risk factors that affect our business and financial results are discussed in Part I, Item 1A “Risk Factors,” in our Annual Report on Form 10-K for our fiscal year ended December 31, 2014. There have been no material changes in our risk factors from those previously disclosed in our Annual Report. You should carefully consider the risks described in our Annual Report, which could materially affect our business, financial condition or future results and are incorporated herein by reference. The risks described in our Annual Report 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 adversely affect our business, financial condition, and/or operating results. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

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

- (a) None.
- (b) Not applicable.
- (c) Issuer Purchases of Equity Securities.

The following table summarizes repurchases of our common stock during the three months ended September 30, 2015 pursuant to publicly announced repurchase plans:

| Period | Total number of shares (or units) purchased | Average price paid per share (or unit) | Total number of shares (or units) purchased as part of publicly announced plans or programs | Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (i) |
|--|---|--|---|---|
| July 1, 2015 - July 31, 2015 | | | | |
| Open Market Purchases | 210,000 | \$ 13.57 | 210,000 | |
| August 1, 2015 - August 31, 2015 | | | | |
| Open Market Purchases | 2,469,302 | \$ 13.55 | 2,469,302 | |
| September 1, 2015 - September 30, 2015 | | | | |
| Open Market Purchases | 2,022,000 | \$ 12.08 | 2,022,000 | |
| Total | <u>4,701,302</u> | \$ 12.92 | <u>4,701,302</u> | <u>\$39.2 million</u> |

- (i) On July 22, 2015, the Company's Board of Trustees authorized share repurchases of up to \$100.0 million of its preferred and common stock with no expiration date. Prior to the authorization 539,200 common shares were available for repurchase under the share repurchase program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

- 10.1 Letter dated August 10, 2015 to Cohen & Steers Capital Management, Inc. relating to waiver of share ownership limit, including Representations, Warranties and Agreements of Cohen & Steers Capital Management, Inc. (incorporated by reference to Exhibit 10.1 to Brandywine Realty Trust's Current Report on Form 8-K filed on August 13, 2015)
- 10.2 Amended and Restated Term Loan C Agreement dated as of October 8, 2015
- 31.1 Certification of the Chief Executive Officer of Brandywine Realty Trust pursuant to 13a-14 under the Securities Exchange Act of 1934
- 31.2 Certification of the Chief Financial Officer of Brandywine Realty Trust pursuant to 13a-14 under the Securities Exchange Act of 1934
- 31.3 Certification of the Chief Executive Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., pursuant to 13a-14 under the Securities Exchange Act of 1934
- 31.4 Certification of the Chief Financial Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., pursuant to 13a-14 under the Securities Exchange Act of 1934
- 32.1 Certification of the Chief Executive Officer of Brandywine Realty Trust pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of the Chief Financial Officer of Brandywine Realty Trust pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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- 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
- 101.1 The following materials from the Quarterly Reports on Form 10-Q of Brandywine Realty Trust and Brandywine Operating Partnership, L.P. for the quarter ended September 30, 2015 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.

SIGNATURES OF REGISTRANT

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

BRANDYWINE REALTY TRUST
(Registrant)

Date: October 26, 2015

By: /s/ Gerard H. Sweeney
**Gerard H. Sweeney, President and
Chief Executive Officer
(Principal Executive Officer)**

Date: October 26, 2015

By: /s/ Thomas E. Wirth
**Thomas E. Wirth, Executive Vice President
and Chief Financial Officer
(Principal Financial Officer)**

Date: October 26, 2015

By: /s/ Daniel Palazzo
**Daniel Palazzo, Vice President and
Chief Accounting Officer
(Principal Accounting Officer)**

SIGNATURES OF REGISTRANT

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.
(Registrant)
BRANDYWINE REALTY TRUST,
as general partner

Date: October 26, 2015

By: /s/ Gerard H. Sweeney
**Gerard H. Sweeney, President and
Chief Executive Officer
(Principal Executive Officer)**

Date: October 26, 2015

By: /s/ Thomas E. Wirth
**Thomas E. Wirth, Executive Vice President
and Chief Financial Officer
(Principal Financial Officer)**

Date: October 26, 2015

By: /s/ Daniel Palazzo
**Daniel Palazzo, Vice President and
Chief Accounting Officer
(Principal Accounting Officer)**

Index to Exhibits

- 10.1 Letter dated August 10, 2015 to Cohen & Steers Capital Management, Inc. relating to waiver of share ownership limit, including Representations, Warranties and Agreements of Cohen & Steers Capital Management, Inc. (incorporated by reference to Exhibit 10.1 to Brandywine Realty Trust's Current Report on Form 8-K filed on August 13, 2015)
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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

PNC CAPITAL MARKETS LLC

and

CAPITAL ONE, NATIONAL ASSOCIATION

as Joint Lead Arrangers and Joint Bookrunners

DATED AS OF OCTOBER 8, 2015

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| Exhibit 2.1(f) | Form of Notice of Continuation/Conversion |
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| Exhibit 3.13-2 | Form of U.S. Tax Compliance Certificate |
| Exhibit 3.13-3 | Form of U.S. Tax Compliance Certificate |
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| Exhibit 7.1(c) | Form of Officer's Certificate |
| Exhibit 7.12(a) | Form of Guaranty |
| Exhibit 7.12(b) | Form of Additional Guaranty |
| Exhibit 11.3(b) | Form of Assignment Agreement |

AMENDED AND RESTATED TERM LOAN C AGREEMENT

THIS 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 October 8, 2015 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 a Term Loan C Agreement dated as of December 15, 2011 (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 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 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 | 1.40% | 0.40% |
| II | BBB+ / Baa1 | 1.45% | 0.45% |
| III | BBB / Baa2 | 1.55% | 0.55% |
| IV | BBB- / Baa3 | 1.80% | 0.80% |
| V | < BBB- / Baa3 or NR | 2.35% | 1.35% |

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.

“**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) assuming that on such date a Eurodollar Loan was being made, the then applicable 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 any successor or substitute for such page) 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.

“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 or should be accounted for as a capital lease on a 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 timely notifies the Administrative Agent in writing that such failure is the result of such Lender’s good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has timely notified the Borrowers or any Lender Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Credit Agreement (unless such writing or public statement indicates that such position is based on such Lender’s good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a loan under this Credit Agreement cannot be satisfied), (c) has failed, within three Business Days after request by a Lender Party, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations to fund prospective Loans under this Credit Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to

this clause (c) upon such Lender Party's receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (d) has, or has a direct or indirect parent company that has, become the subject of a Bankruptcy Event. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender upon receipt of written notice of such determination by the Borrowers and each Lender.

"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.

"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. Neither a Borrower nor any Affiliate of the Borrowers 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 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.

“Equity Issuance” means any issuance by a Borrower or one of its Subsidiaries to any Person (other than another Borrower or Subsidiary) of shares of its capital stock, preferred stock, common or preferred shares of beneficial interest, partnership or membership interests or other equity interests, including pursuant to the exercise of options or warrants or pursuant to the conversion of any debt securities to equity; provided that the definition of Equity Issuance as used herein shall not include (a) issuances of equity to employees or trustees of a Borrower or

one of its Subsidiaries to the extent such issuances either (i) arise from the Borrowers' Employee Stock Purchase Plan or Long-Term Incentive Plan approved by BRT's shareholders or (ii) do not exceed \$2,000,000 in any one instance or \$10,000,000, in the aggregate from and after the date hereof, during the term of this Credit Agreement, or (b) issuances of common stock or common or preferred shares of beneficial interests the proceeds of which are used for the sole purpose of conversion or redemption of convertible preferred stock or perpetual preferred stock or preferred shares of beneficial interests.

"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.

"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 Adjusted 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 (rounded upward, at the discretion of the Administrative Agent, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, 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 and (b) if no such rate is so published on such next preceding Business Day, the Federal Funds Rate for such day shall be the average rate charged to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

"Fee Letter" means that certain letter agreement, dated as of September 9, 2015 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.

“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 Cash Proceeds” means, with respect to an Equity Issuance, the gross cash proceeds received from such Equity Issuance minus actual transaction costs and discounts of issuance payable to third parties in connection therewith.

“Net Income” means, for any period, the net income for such period of the Combined Parties, as determined in accordance with GAAP.

“Net Worth” means, as of any date, the net worth of the Borrowers and their Subsidiaries on a consolidated basis, 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.

"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.

"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 May 15, 2015 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), which credit will be limited to 25% of Total Asset Value in the aggregate, 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, which credit will be limited to 5% of Total Asset Value, plus (viii) all investments in (based on the actual cash investment in), directly or indirectly, unconsolidated entities holding real estate assets, which credit will be limited to 15% of Total Asset Value, 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) and clause (x) above will be limited to 40% 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.

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.

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, (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 and (iii) prepayments made during the first two years after the Effective Date shall be accompanied by a prepayment fee equal to the principal amount of such prepayment multiplied by the specified percentages during the following periods: (x) from the Effective Date to the first anniversary of the Effective Date, two percent (2%), and (y) from the first anniversary of the Effective Date to the second anniversary of the Effective Date, one percent (1%). 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 in connection with an assignment pursuant to Section 3.15 or Section 11.3), in excess of its pro rata share of such payment as provided for in this Credit Agreement, such Lender shall promptly 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.

If prior to the first day of any Interest Period, the Administrative Agent shall have determined in good faith (which determination shall be conclusive and binding upon the Borrowers) that, by reason of circumstances affecting the relevant market, (i) adequate and reasonable means do not exist for ascertaining the Adjusted Eurodollar Rate or the Eurodollar

Rate for such Interest Period or (ii) the Eurodollar Rate for any requested Interest Period does not adequately and fairly reflect the cost to such Lenders of funding such Eurodollar Loan, the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrowers and the Lenders as soon as practicable thereafter, and will also give prompt written notice to the Borrowers and the Lenders when such conditions no longer exist. If such notice is given (a) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as Base Rate Loans and (b) any Loans that were to have been converted on the first day of such Interest Period to or continued as Eurodollar Loans shall be converted to or continued as Base Rate Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans shall be made or continued as such, nor shall the Borrowers have the right to convert Base Rate Loans to Eurodollar Loans.

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) shall subject such Lender to any tax of any kind whatsoever with respect to any Eurodollar Loans made by it, its obligation to make Eurodollar Loans, or change the basis of taxation of payments to such Lender in respect thereof (except for Excluded Taxes);

(b) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan 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 any other condition (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 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 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 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.

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.

Each Lender shall use reasonable efforts to avoid or mitigate any increased cost or suspension of the availability of an interest rate under Sections 3.9 through 3.14 inclusive to the greatest extent practicable (including transferring the Loans to another lending office or one of its Affiliates) unless, in the opinion of such Lender, such efforts would be likely to have an adverse effect upon it. 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, 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, 2014 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, 2014 and the Form 10-Q Report for the quarter ended June 30, 2015 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, 2015, 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) Intentionally Omitted.

(p) Intentionally Omitted.

(q) 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, 2015, 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 of 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.

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 be 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) Other Information. 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) [Intentionally Omitted.]

(b) Fixed Charge Coverage Ratio. 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) Net Worth. At the end of each fiscal quarter of the Combined Parties, Net Worth shall be greater than or equal to the sum of (i) \$1,497,003,200 plus (ii) 75% of the Net Cash Proceeds from all Equity Issuances after March 31, 2015 plus (iii) 75% of the actual increase in Net Worth resulting from Equity Issuances after March 31, 2015 made in connection with an Employee Stock Purchase Plan or Long-Term Incentive Plan approved by BRT's shareholders.

(d) Leverage Ratio. 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; 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.

(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), 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 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, or the issuance, extension, renewal or increase of a Letter of Credit, 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 while the retiring or removed Administrative Agent was acting as 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 Agreement or any of the other Credit Documents, except in its capacity, as applicable, as the Administrative Agent or a Lender hereunder.

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.”

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.

(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 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), (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.

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); 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.

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 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.

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 (other than as a result of waiving the applicability of any post-default increase in interest rates) thereon or fees 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.

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.

11.7 Counterparts/Telecopy.

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 in electronic format 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 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 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 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 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 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) 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); 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 and all representations and warranties made herein shall survive the execution and delivery of this Credit Agreement, the making of the Loans, the repayment of the Loans and other Obligations and the termination of the Commitments hereunder.

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, 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.

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 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 11.23. 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.

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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.

BORROWERS: **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-Henofe

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]

FIRST NIAGARA BANK, N.A.,
as a Lender

By:
Name:
Title:

[Signature pages continue on following page]

THE HUNTINGTON NATIONAL BANK, a national banking association, 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:

**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 quarterly report on Form 10-Q 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: October 26, 2015

/s/ Gerard H. Sweeney

Gerard H. Sweeney
President and Chief Executive Officer

**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 quarterly report on Form 10-Q 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: October 26, 2015

/s/ Thomas E. Wirth

Thomas E. Wirth
Executive Vice President and Chief Financial Officer

**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 quarterly report on Form 10-Q 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: October 26, 2015

/s/ Gerard H. Sweeney

Gerard H. Sweeney
President and Chief Executive Officer

**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 quarterly report on Form 10-Q 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: October 26, 2015

/s/ Thomas E. Wirth

Thomas E. Wirth

Executive Vice President and Chief Financial Officer

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 Quarterly Report of Brandywine Realty Trust (the "Company") on Form 10-Q for the quarter ended September 30, 2015 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: October 26, 2015

* 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.

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 Quarterly Report of Brandywine Realty Trust (the "Company") on Form 10-Q for the quarter ended September 30, 2015 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: October 26, 2015

* 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.

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 Quarterly Report of Brandywine Operating Partnership, L.P. (the "Partnership") on Form 10-Q for the quarter ended September 30, 2015 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: October 26, 2015

* 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.

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 Quarterly Report of Brandywine Operating Partnership, L.P. (the "Partnership") on Form 10-Q for the quarter ended September 30, 2015 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: October 26, 2015

* 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.