

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2019
OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to

**Brandywine Realty Trust
Brandywine Operating Partnership, L.P.**

(Exact name of registrant as specified in its charter)

Maryland

(Brandywine Realty Trust)

001-9106

23-2413352

Delaware

(Brandywine Operating Partnership, L.P.)

000-24407

23-2862640

(State or Other Jurisdiction of Incorporation
or Organization)

(Commission file number)

(I.R.S. Employer Identification Number)

2929 Walnut Street

Suite 1700

Philadelphia, PA 19104

(Address of principal executive offices) (Zip Code)

(610) 325-5600

(Registrant's telephone number, including area code)

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

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Common Shares of Beneficial Interest

BDN

NYSE

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

Brandywine Realty Trust Yes No

Brandywine Operating Partnership, L.P. Yes No

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

Brandywine Realty Trust Yes No

Brandywine Operating Partnership, L.P. Yes No

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

Brandywine Realty Trust Yes No

Brandywine Operating Partnership, L.P. Yes No

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

Brandywine Realty Trust Yes No

Brandywine Operating Partnership, L.P. Yes No

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

Brandywine Realty Trust:

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

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

Brandywine Operating Partnership, L.P.:

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

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

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

Brandywine Realty Trust Yes No

Brandywine Operating Partnership, L.P. Yes No

As of June 30, 2019, the aggregate market value of the Common Shares of Beneficial Interest held by non-affiliates of Brandywine Realty Trust was \$2,466,793,544 based upon the last reported sale price of \$14.32 per share on the New York Stock Exchange on June 30, 2019. An aggregate of 176,602,359 Common Shares of Beneficial Interest was outstanding as of February 26, 2020.

As of June 30, 2019 the aggregate market value of the 981,626 common units of limited partnership ("Units") held by non-affiliates of Brandywine Operating Partnership, L.P. was \$14,056,884 based upon the last reported sale price of \$14.32 per share on the New York Stock Exchange on June 30, 2019 of the Common Shares of Beneficial Interest of Brandywine Realty Trust, the sole general partner of Brandywine Operating Partnership, L.P. (For this computation, the Registrant has excluded the market value of all Units beneficially owned by Brandywine Realty Trust.)

Documents Incorporated By Reference

Portions of the proxy statement for the 2020 Annual Meeting of Shareholders of Brandywine Realty Trust are incorporated by reference into Part III of this Form 10-K.

EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2019 of Brandywine Realty Trust (the “Parent Company”) and Brandywine Operating Partnership, L.P. (the “Operating Partnership”). The Parent Company is a Maryland real estate investment trust, or REIT, that owns its assets and conducts its operations through the Operating Partnership, a Delaware limited partnership, and subsidiaries of the Operating Partnership. The Parent Company, the Operating Partnership and their consolidated subsidiaries are collectively referred to in this report as the “Company.” In addition, terms such as “we”, “us”, or “our” used in this report may refer to the Company, the Parent Company, or the Operating Partnership.

The Parent Company is the sole general partner of the Operating Partnership and as of December 31, 2019, owned a 99.4% interest in the Operating Partnership. The remaining 0.6% interest consists of common units of limited partnership interest issued by the Operating Partnership to third parties in exchange for contributions of properties to the Operating Partnership. As the sole general partner of the Operating Partnership, the Parent Company has full and complete authority over the Operating Partnership’s day-to-day operations and management.

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

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

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

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

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

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

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

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

This report also includes separate Item 9A. (Controls and Procedures) disclosures and separate Exhibit 31 and 32 certifications for each of the Parent Company and the Operating Partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that the Parent Company and Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350.

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

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I</u>	
<u>Item 1. Business</u>	7
<u>Item 1A. Risk Factors</u>	10
<u>Item 1B. Unresolved Staff Comments</u>	24
<u>Item 2. Properties</u>	24
<u>Item 3. Legal Proceedings</u>	25
<u>Item 4. Mine Safety Disclosures</u>	25
<u>PART II</u>	
<u>Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities</u>	25
<u>Item 6. Selected Financial Data</u>	28
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	29
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	47
<u>Item 8. Financial Statements and Supplementary Data</u>	47
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	47
<u>Item 9A. Controls and Procedures</u>	47
<u>Item 9B. Other Information</u>	49
<u>PART III</u>	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	50
<u>Item 11. Executive Compensation</u>	50
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters</u>	50
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	50
<u>Item 14. Principal Accountant Fees and Services</u>	50
<u>PART IV</u>	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	50
<u>Item 16. Form 10-K Summary</u>	56
<u>SIGNATURES</u>	57

Filing Format

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

Forward-Looking Statements

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

- The continuing impact of modest global economic growth, which may have a negative effect on, among other things, the following:
 - the fundamentals of our business, including overall market occupancy, demand for office space and rental rates;
 - the financial condition of our tenants, many of which are financial, legal and other professional firms, our lenders, counterparties to our derivative financial instruments and institutions that hold our cash balances and short-term investments, which may expose us to increased risks of default by these parties;
 - the availability of financing on attractive terms or at all, which may adversely impact our future interest expense and our ability to pursue acquisition and development opportunities and refinance existing debt; and
 - real estate asset valuations, a decline in which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing secured by our properties or on an unsecured basis.
- changes in local real estate conditions (including changes in rental rates and the number of properties that compete with our properties);
- our failure to lease unoccupied space in accordance with our projections;
- our failure to re-lease occupied space upon expiration of leases;
- tenant defaults and the bankruptcy of major tenants;
- volatility in capital and credit markets, including changes that reduce availability, and increase costs, of capital;
- increasing interest rates, which could increase our borrowing costs and adversely affect the market price of our securities;
- failure of interest rate hedging contracts to perform as expected and the effectiveness of such arrangements;
- failure of acquisitions, developments and other investments, including projects undertaken through joint ventures, to perform as expected;
- unanticipated costs associated with the purchase, integration and operation of our acquisitions;
- unanticipated costs to complete, lease-up and operate our developments and redevelopments;
- unanticipated costs associated with land development, including building moratoriums and inability to obtain necessary zoning, land-use, building, occupancy and other required governmental approvals, construction cost increases or overruns and construction delays;
- lack of liquidity of real estate investments, which could make it difficult for us to respond to changing economic or financial conditions or changes in the operating performance of our properties;
- potential damage from natural disasters, including hurricanes and other weather-related events, which could result in substantial costs to us;
- impairment charges;
- uninsured losses due to insurance deductibles, self-insurance retention, uninsured claims or casualties, or losses in excess of applicable coverage;
- increased costs for, or lack of availability of, adequate insurance, including for terrorist acts or environmental liabilities;
- actual or threatened terrorist attacks;
- security breaches through cyber attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology (IT) networks and related systems, which support our operations and our properties;
- the impact on workplace and tenant space demands driven by technology, employee culture and commuting patterns;
- demand for tenant services beyond those traditionally provided by landlords;

- liability and clean-up costs incurred under environmental or other laws;
- risks associated with our investments in real estate ventures and unconsolidated entities, including our lack of sole decision-making authority and our reliance on our venture partners' financial condition;
- inability of real estate venture partners to fund venture obligations or perform under our real estate venture development agreements;
- failure to manage our growth effectively into new product types within our portfolio and real estate venture arrangements;
- failure of dispositions to close in a timely manner;
- the impact of climate change and compliance costs relating to laws and regulations governing climate change;
- risks associated with federal, state and local tax audits;
- complex regulations relating to our status as a real estate investment trust, or REIT, and the adverse consequences of our failure to qualify as a REIT;
- changes in accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, which could have an effect on our earnings; and
- our internal control over financial reporting may not be considered effective which could result in a loss of investor confidence in our financial reports, and in turn could have an adverse effect on the market price of our securities.

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

PART I

Item 1. Business

Overview

We are a self-administered and self-managed real estate investment trust ("REIT") engaged in the acquisition, development, redevelopment, ownership, management, and operation of a portfolio of office and mixed-use properties. During the twelve months ended December 31, 2019, we owned and managed properties within five markets: (1) Philadelphia Central Business District ("Philadelphia CBD"), (2) Pennsylvania Suburbs, (3) Austin, Texas (4) Metropolitan Washington, D.C., and (5) Other. The Philadelphia CBD segment includes properties located in the City of Philadelphia in Pennsylvania. The Pennsylvania Suburbs segment includes properties in Chester, Delaware and Montgomery counties in the Philadelphia suburbs. The Austin, Texas segment includes properties in the City of Austin, Texas. The Metropolitan Washington, D.C. segment includes properties in Northern Virginia, Washington, D.C., and southern Maryland. The Other segment includes properties in Camden County in New Jersey and properties in New Castle County in Delaware. In addition to the five markets, our corporate group is responsible for cash and investment management, development of certain real estate properties during the construction period, and certain other general support functions. See Note 1, "Organization of the Parent Company and the Operating Partnership," to our Consolidated Financial Statements for our property portfolio, management services and land holdings. Unless otherwise indicated, all references in this Form 10-K to "square feet" represent the net rentable area.

The Parent Company was organized and commenced its operations in 1986 as a Maryland REIT. The Parent Company owns its assets and conducts its operations through the Operating Partnership and subsidiaries of the Operating Partnership. The Operating Partnership was formed in 1996 as a Delaware limited partnership. The Parent Company controls the Operating Partnership as its sole general partner. See Note 1, "Organization of the Parent Company and the Operating Partnership," to our Consolidated Financial Statements for the Parent Company's ownership interest in the Operating Partnership. The ownership interests in the Operating Partnership not owned by the Company consist of common units of limited partnership issued to the holders in exchange for contributions of properties to the Operating Partnership. Our structure as an "UPREIT" is designed, in part, to permit persons contributing properties to us to defer some or all of the tax liability they might otherwise incur in a sale of properties. We have offices in Philadelphia, Pennsylvania; Radnor, Pennsylvania; McLean, Virginia; Washington, D.C.; Camden, New Jersey; Richmond, Virginia; and Austin, Texas.

As of December 31, 2019, we had 337 full-time employees. Our principal executive offices are located at 2929 Walnut Street, Suite 1700, Philadelphia, PA 19104, our telephone number is (610) 325-5600 and our website is www.brandywinerealty.com. The content on any website referred to in this Form 10-K is not incorporated by reference into this Form 10-K.

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

Business Segments

See Note 18, "Segment Information," to our Consolidated Financial Statements for information on results of operations of our reportable segments for the years ended December 31, 2019, 2018, and 2017 and balance sheet amounts as of December 31, 2019, 2018, and 2017.

Joint Ventures

From time to time we consider joint venture opportunities with institutional investors or other real estate companies. Joint venture partnerships provide us with additional sources of capital to share investment risk and fund capital requirements. In some instances, joint venture partnerships provide us with additional local market or product type expertise. For information regarding joint ventures, see Note 4, "Investment in Unconsolidated Real Estate Ventures," to our Consolidated Financial Statements.

Developments/Redevelopments

Our regular interaction with tenants and other market participants keep us current on innovations in workplace layout and smart living. We leverage this information to identify properties primed for development or redevelopment to meet these demands and realize value. The expertise and relationships that we have built from managing complex construction projects allow us to add new assets to our portfolio and renovate existing assets in our portfolio.

Business Objective and Strategies for Growth

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

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

We also consider the following to be important objectives:

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

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

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

Operational Strategy

We currently expect to continue to operate in markets where we have a concentration advantage due to economies of scale. We believe that where possible, it is best to operate with a strong base of properties in order to benefit from the personnel allocation and the market strength associated with managing multiple properties in the same market. We also intend to selectively dispose

of properties and redeploy capital if we determine a property cannot meet our long term earnings growth expectations. We believe that recycling capital is an important aspect of maintaining the overall quality of our portfolio.

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

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

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

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

Competition

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

Environmental, Social, and Corporate Governance

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

We are an industry leader in all areas of sustainability with a company-wide pledge to all three pillars of environmental, social, and corporate governance. Our environmental programs include over 5.4 million square feet of Fitwell Certified buildings including our FMC Tower which is the very first WELL Core certified project at the Platinum level globally as well as the first WELL V2 project in the United States. In addition, our year over year reductions of all key indices includes a reduction of water, energy, and greenhouse gas by 11%, 0.06%, and 1.98%, respectively, and our waste diversion program prevented nearly 38% of our gross trash production from reaching a landfill in 2019. Our social programming garnered a perfect score in our 2019 GRESB filing and demonstrates our commitment to stewardship and direct corporate involvement in the communities and neighborhoods we serve. One of the many highlights of our social vision is our Construction Apprentice Preparatory Program or CAPP which sponsors a 15-week class-based program to prepare minority candidates from the local area for entrance exams and jobs with Philadelphia union construction firms; as of December 31, 2019, 48 individuals have graduated the CAPP and been placed. Our corporate governance platform is the bedrock for sound decision making and promotes transparency coupled with a focus on the long-term interests of our shareholders. This led to an industry leading ISS Governance Quality Score of 1, in 2019, representing the lowest shareholder risk and the highest score that ISS awards.

Item 1A. Risk Factors

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

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

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

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

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

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

slowdowns, changing demographics and other factors, and local real estate conditions, such as demand for office space, operating expenses and real estate taxes, may affect revenues and the value of properties, including properties to be acquired or developed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- unavailability of favorable financing alternatives in the private and public debt markets;
- insufficient capital to pay development costs;
- limited experience in developing or redeveloping properties in certain of our geographic markets may lead us to incorrectly project development costs and returns on our investments;
- dependence on the financial, technology and professional services sector as part of our tenant base;
- construction costs exceeding original estimates due to rising interest rates, diminished availability of materials and labor, and increases in the costs of materials and labor;
- construction and lease-up delays resulting in increased debt service, fixed expenses and construction or renovation costs;
- expenditure of funds and devotion of management's time to projects that we do not complete;

- the unavailability or scarcity of utilities;
- occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, resulting in lower than projected rental rates and a corresponding lower return on our investment;
- complications (including building moratoriums and anti-growth legislation) in obtaining necessary zoning, occupancy and other governmental permits; and
- increased use restrictions by local zoning or planning authorities limiting our ability to develop and impacting the size of developments.

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

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

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

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

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

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

We face risks associated with property acquisitions.

We have acquired in the past and intend to continue to pursue the acquisition of properties, including large portfolios that would increase our size and potentially alter our capital structure. The success of such transactions is subject to a number of factors, including the risks that:

- we may not be able to obtain financing for such acquisitions on favorable terms;
- acquired properties may fail to perform as expected;
- even if we enter into an acquisition agreement for a property, we may be unable to complete that acquisition after making a non-refundable deposit and incurring certain other acquisition-related costs;
- the actual costs of repositioning, redeveloping or maintaining acquired properties may be higher than our estimates;

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

Acquired properties may subject us to known and unknown liabilities.

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

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

We may incur impairment charges.

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

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

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

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

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

If tenants do not renew their leases upon expiration, we may be unable to re-lease the space. Even if the tenants do renew their leases or if we can re-lease the space, the terms of renewal or re-leasing (including the cost of required renovations) may be less favorable than the current lease terms. Certain leases grant the tenants an early termination right upon payment of a termination penalty or if we fail to comply with certain material lease terms. Our inability to renew or release spaces and the early termination of certain leases could adversely affect our ability to make distributions to shareholders. See Item 7., "Management's Discussion

We face significant competition from other real estate developers.

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

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

We develop, acquire, and contribute properties in unconsolidated real estate ventures with other persons or entities when we believe circumstances warrant the use of such structures. For information regarding our unconsolidated real estate ventures, see Note 4, "Investment in Unconsolidated Real Estate Ventures," to our Consolidated Financial Statements. We could become engaged in a dispute with one or more of our venture partners that might affect our ability to operate a jointly-owned property. Moreover, our venture partners may, at any time, have business, economic or other objectives that are inconsistent with our objectives, including objectives that relate to the appropriate timing and terms of any sale or refinancing of a property. In some instances, our venture partners may have competing interests in our markets that could create conflicts of interest. If the objectives of our venture partners or the lenders to our unconsolidated real estate ventures are inconsistent with our own objectives, we may not be able to act exclusively in our interests and the value of our investment in the unconsolidated real estate ventures may be affected.

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

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

Some potential losses are not covered by insurance.

We currently carry property insurance against all-risks of physical loss or damage (unless otherwise excluded in the policy) including time element and commercial general liability coverage on all of our properties. There are, however, types of losses, such as lease and other contract claims, biological, radiological and nuclear hazards and acts of war that generally are not insured. We cannot assure you that we will be able to renew insurance coverage in an adequate amount or at reasonable prices. In addition, insurance companies may no longer offer coverage against certain types of losses, such as losses due to earthquakes, terrorist acts and mold, flood, or, if offered, these types of insurance may be prohibitively expensive. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. In such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. We cannot assure you that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Such events could adversely affect our cash flow

and ability to make distributions to shareholders. If one or more of our insurance providers were to fail to pay a claim as a result of insolvency, bankruptcy or otherwise, the nonpayment of such claims could have an adverse effect on our financial condition and results of operations. In addition, if one or more of our insurance providers were to become subject to insolvency, bankruptcy or other proceedings and our insurance policies with the provider were terminated or cancelled as a result of those proceedings, we cannot guarantee that we would be able to find alternative coverage in adequate amounts or at reasonable prices. In such case, we could experience a lapse in any or adequate insurance coverage with respect to one or more properties and be exposed to potential losses relating to any claims that may arise during such period of lapsed or inadequate coverage.

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

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

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

Our ability to make distributions is subject to various risks.

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

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

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

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

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

Potential liability for environmental contamination could result in substantial costs.

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

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

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

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

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

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

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

Data and security breaches could:

- disrupt the proper functioning of our networks and systems and therefore our operations and/or those of our client tenants;
- result in misstated financial reports, violations of loan covenants, missed reporting deadlines, and/or missed permitting deadlines;
- result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT;

- result in the unauthorized access to, and destruction, loss, theft, misappropriation, or release of proprietary, confidential, sensitive, or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive, or otherwise harmful purposes and outcomes;
- result in our inability to maintain the building systems relied upon by our client tenants for the efficient use of their leased space;
- require significant management attention and resources to remedy any damages that result;
- subject us to claims and lawsuits for breach of contract, damages, credits, penalties, or termination of leases or other agreements; and/or
- damage our reputation among our client tenants and investors generally.

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

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

Our use of social media presents risks.

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

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

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

Americans with Disabilities Act compliance could be costly.

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

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

We operate our business to qualify to be taxed as a REIT for federal income tax purposes. We have not requested and do not plan to request a ruling from the IRS that we qualify as a REIT, and the statements in this Report are not binding on the IRS or any court. As a REIT, we generally will not be subject to federal income tax on the income that we distribute currently to our shareholders. Many of the REIT requirements, however, are highly technical and complex. The determination that we are a REIT requires an analysis of various factual matters and circumstances that may not be entirely within our control. For example, to qualify as a REIT, at least 95% of our gross income must come from specific passive sources, such as rent, that are itemized

in the REIT tax laws. In addition, to qualify as a REIT, we cannot own specified amounts of debt and equity securities of some issuers. We also are required to distribute to our shareholders with respect to each year at least 90% of our REIT taxable income (excluding net capital gains). The fact that we hold substantially all of our assets through the Operating Partnership and its subsidiaries and unconsolidated real estate ventures further complicates the application of the REIT requirements for us. Even a technical or inadvertent mistake could jeopardize our REIT status and, given the highly complex nature of the rules governing REITs and the ongoing importance of factual determinations, we cannot provide any assurance that we will continue to qualify as a REIT. Changes to rules governing corporate taxation, including REITs, were made by legislation commonly known as the Tax Cuts and Jobs Act (the “TCJA”) and the Protecting Americans From Tax Hikes Act of 2015, signed into law on December 22, 2017 and December 18, 2015, respectively. Congress and the IRS might make further changes to the tax laws and regulations, and the courts might issue new rulings or interpretations of tax law, that make it more difficult, or impossible, for us to remain qualified as a REIT. If we fail to qualify as a REIT for federal income tax purposes and are able to avail ourselves of one or more of the statutory savings provisions in order to maintain our REIT status, we would nevertheless be required to pay penalty taxes of \$50,000 or more for each such failure.

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

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

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

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

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

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

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

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

We face possible federal, state and local tax audits.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Competition for skilled personnel could increase labor costs.

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

We are dependent upon our key personnel.

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

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

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

The ownership limit may have the effect of precluding acquisition of control of us. If anyone acquires shares in excess of the ownership limit, we may:

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

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

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

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

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

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

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

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

Additional issuances of equity securities may be dilutive to shareholders.

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

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

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

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

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

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

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

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

Discontinuation of the London interbank offered rate and transition to an alternative benchmark could adversely affect our operating results

On July 27, 2017, the Chief Executive of the U.K. Financial Conduct Authority (the "FCA"), which regulates the London interbank offered rate ("LIBOR"), announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot be guaranteed after 2021, and there is a substantial risk that LIBOR will be discontinued or modified by 2021. Our variable rate debt and derivative financial instruments are indexed to LIBOR and failure by market participants and regulators to successfully replace LIBOR could result in disruption in the financial markets which could have a negative impact on our results of operations and our variable rate debt.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Overview

As of December 31, 2019, we owned 95 properties that contain an aggregate of approximately 16.7 million net rentable square feet and consist of 86 office properties and four mixed-use properties (collectively, the "Core Properties"), one development property and four redevelopment properties (collectively, the "Properties"). The properties are located in or near Philadelphia, Pennsylvania; Austin, Texas; Metropolitan Washington, D.C.; Southern New Jersey; and Wilmington, Delaware. As of December 31, 2019, the properties, excluding properties under development and redevelopment, were approximately 93.0% occupied. As of December 31, 2019, we also owned economic interests in seven unconsolidated real estate ventures (collectively, the "Real Estate Ventures") See Note 4, "Investment in Unconsolidated Real Estate Ventures," to our Consolidated Financial Statements for further information.

Property Statistics

The following table shows lease expirations for the Core Properties as of December 31, 2019, during each of the next 10 years and thereafter. This table assumes no exercise of renewal options or termination rights:

Year of Lease Expiration December 31,	Rentable Square Feet (in thousands)	Final Annualized Base Rent Under Expiring Leases (a) (in thousands)	Percentage of Total Final Annualized Base Rent Under Expiring Leases
2020	1,146	38,452	6.9%
2021	1,899	61,709	11.0%
2022	2,115	73,240	13.0%
2022	842	29,666	5.3%
2024	1,393	52,171	9.3%
2025	1,151	45,128	8.0%
2026	1,189	43,959	7.8%
2027	867	34,955	6.2%
2028	790	27,980	5.0%
2029	1,292	55,248	9.8%
2030 and thereafter	2,298	99,693	17.7%
	<u>14,982</u>	<u>\$ 562,201</u>	<u>100.0%</u>

(a) Represents the annualized cash rental rate of base rents, including tenant reimbursements, in the final month prior to expiration. Tenant reimbursements generally include payment of a portion of real estate taxes, operating expenses, and common area maintenance and utility charges.

The following table shows the geographic locations for the Core Properties as of December 31, 2019. For more information about our geographic locations, see Note 18, "Segment Information" to our Consolidated Financial Statements:

Location	Number of Properties	Net Rentable Square Feet (in thousands)	Percentage Leased as of December 31, 2019	Leased Square Feet (in thousands)	Total Base Rent (a) (in thousands)	Percentage of Base Rent
Philadelphia	11	6,249	98.6%	6,164	\$ 163,907	41.4%
Pennsylvania Suburbs	43	4,806	96.2%	4,625	126,151	31.8%
Austin	21	2,968	96.7%	2,870	62,481	15.8%
Metropolitan Washington, D.C.	8	1,467	83.1%	1,220	35,842	9.0%
Other	7	620	81.7%	507	7,806	2.0%
	<u>90</u>	<u>16,110</u>	<u>95.5%</u>	<u>15,386</u>	<u>\$ 396,187</u>	<u>100.0%</u>

(a) Represents base rents earned during the year, including tenant reimbursements, and excludes parking income, tenant inducements, and deferred market rent adjustments.

The following table shows the major tenants of the Core Properties as of December 31, 2019 and assumes that none of the tenants exercise renewal options or termination rights, if any, at or prior to scheduled expirations:

Tenant Name	Annualized Base Rents (a) (in thousands)	Percentage of Aggregate Annualized Base Rents
IBM, Inc.	\$ 23,993	4.8%
Comcast Corporation	14,055	2.8%
FMC Corporation	10,579	2.1%
Pepper Hamilton LLC	10,106	2.0%
CSL Behring, LLC	9,749	2.0%
Lincoln National Management Co.	9,238	1.8%
Dechert LLP	8,167	1.6%
Northrop Grumman Corporation	8,161	1.6%
Macquarie US	8,005	1.6%
Independence Blue Cross, LLC	7,405	1.5%
Other	390,366	78.2%
	<u>\$ 499,824</u>	<u>100.0%</u>

(a) Represents the annualized base rent, including tenant reimbursements, for each lease in effect at December 31, 2019. Tenant reimbursements generally include payment of a portion of real estate taxes, operating expenses, and common area maintenance and utility charges.

Developments/Redevelopments

As of December 31, 2019, we were developing/redeveloping 0.6 million rentable square feet of office properties.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

The common shares of Brandywine Realty Trust are traded on the New York Stock Exchange ("NYSE") under the symbol "BDN." There is no established trading market for units of partnership interests in the Operating Partnership. On February 26, 2020, there were 570 holders of record of our common shares and 22 holders of record (in addition to Brandywine Realty Trust) of Class A units of limited partnership interest in the Operating Partnership. On February 26, 2020, the last reported sales price of the common shares on the NYSE was \$14.93.

For each quarter in 2019 and 2018, the Operating Partnership paid a cash distribution per Class A unit in an amount equal to the dividend paid on a common share for each such quarter.

In order to maintain the status of Brandywine Realty Trust as a REIT, we must make annual distributions to shareholders of at least 90% of our taxable income (not including net capital gains). Future distributions will be declared at the discretion of our Board of Trustees and will depend on our actual cash flow, financial condition and capital requirements, the annual distribution

requirements under the REIT provisions of the Internal Revenue Code and such other factors as our Board of Trustees deem relevant. Our credit facilities contain certain restrictions on the payment of dividends. Those restrictions permit us to pay dividends to the greater of (i) an aggregate amount required by us to retain our qualification as a REIT for Federal income tax purposes and (ii) 95% of our funds from operations (FFO). See Item 7., "Selected Financial Data – Liquidity," and Note 8, "Debt Obligations," to our Consolidated Financial Statements for further details.

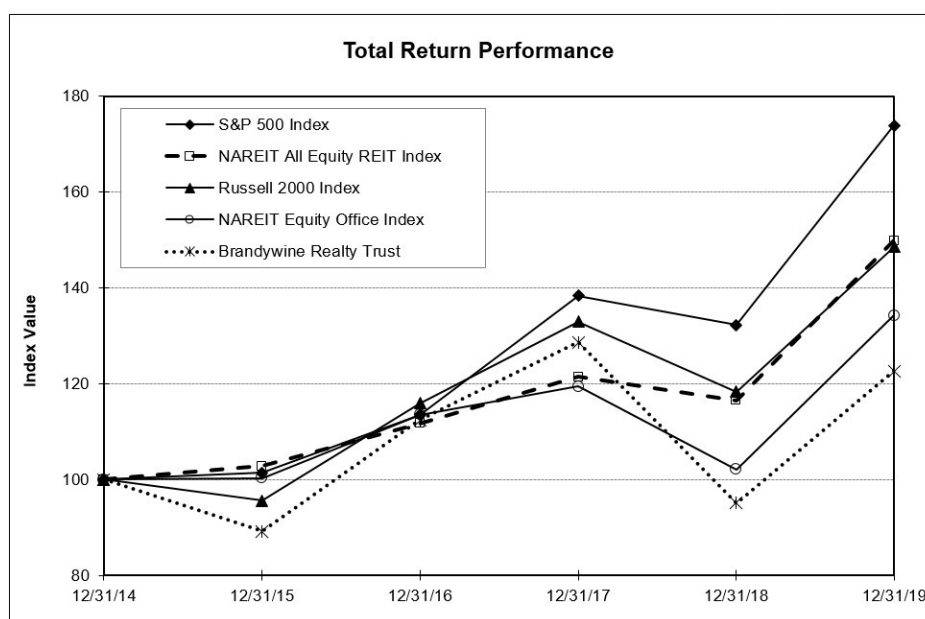
Our Board of Trustees has adopted a dividend policy designed such that our quarterly distributions are consistent with our normalized annualized taxable income. We expect to make future quarterly distributions to shareholders; however, the timing and amount of future distributions will be at the discretion of our Board and will depend on our actual funds from operations, financial condition and capital requirements and the annual distribution requirements under the REIT provisions of the Code.

See Note 14, "Share Based Compensation, 401(k) Plan and Deferred Compensation," to our Consolidated Financial Statements for information related to compensation plans under which our common shares are authorized for issuance. See Note 12, "Beneficiaries' Equity of the Parent Company," to our Consolidated Financial Statements for further information related to our share repurchase program during the year ended December 31, 2019.

In 2019, we redeemed 1,245 Class A units of limited partnership interest held by unaffiliated third parties for shares of common stock.

SHARE PERFORMANCE GRAPH

The SEC requires us to present a chart comparing the cumulative total shareholder return on the common shares with the cumulative total shareholder return of (i) a broad equity index and (ii) a published industry or peer group index. The following chart compares the cumulative total shareholder return for the common shares with the cumulative shareholder return of companies on (i) the S&P 500, (ii) the NAREIT All Equity REIT Index, (iii) the Russell 2000 and (iv) the NAREIT Equity Office Index for the period beginning December 31, 2014 and ending December 31, 2019 and assumes an investment of \$100, with reinvestment of all dividends, has been made in the common shares and in each index on December 31, 2014.



Index	Period Ending					
	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
S&P 500 Index	100.00	101.38	113.51	138.29	132.23	173.86
NAREIT All Equity REIT Index	100.00	102.83	111.70	121.39	116.48	149.86
Russell 2000 Index	100.00	95.59	115.95	132.94	118.30	148.49
NAREIT Equity Office Index	100.00	100.29	113.49	119.45	102.13	134.22
Brandywine Realty Trust	100.00	89.17	112.37	128.59	95.08	122.58

Item 6. Selected Financial Data

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

Brandywine Realty Trust

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

Years Ended December 31,	2019	2018	2017	2016	2015
Operating Results					
Total revenue	\$ 580,417	\$ 544,345	\$ 520,493	\$ 525,463	\$ 602,631
Net income (loss)	34,529	135,472	121,177	39,449	(29,662)
Income (loss) allocated to Common Shares	33,871	134,149	114,633	31,907	(36,562)
Income (loss) per Common Share					
Basic	\$ 0.19	\$ 0.75	\$ 0.65	\$ 0.18	\$ (0.21)
Diluted	\$ 0.19	\$ 0.75	\$ 0.65	\$ 0.18	\$ (0.21)
Cash distributions declared per Common Share	\$ 0.76	\$ 0.73	\$ 0.66	\$ 0.63	\$ 0.60
Balance Sheet Data					
Operating real estate investments, net	\$ 3,054,797	\$ 3,066,312	\$ 2,917,527	\$ 3,163,202	\$ 3,207,431
Total assets	4,075,969	4,076,976	3,975,718	4,080,164	4,536,515
Total indebtedness	2,144,418	2,028,046	1,930,828	2,013,112	2,384,717
Total liabilities	2,387,666	2,265,948	2,148,848	2,215,776	2,602,420
Noncontrolling interest	10,426	12,201	17,258	16,933	18,044
Brandywine Realty Trust’s equity	1,677,877	1,798,827	1,809,612	1,847,455	1,916,051
Other Data					
Cash flows from:					
Operating activities	\$ 233,910	\$ 227,349	\$ 182,581	\$ 173,800	\$ 197,154
Investing activities	(130,339)	(214,506)	79,801	500,910	(166,452)
Financing activities	(35,612)	(193,074)	(253,558)	(536,786)	(231,510)
Funds from operations (FFO) (a)	253,347	247,617	229,143	166,903	261,717
Property Data					
Number of properties owned at year end	95	97	93	113	179
Net rentable square feet owned at year end	16,711	16,777	16,412	17,618	23,015

Brandywine Operating Partnership, L.P.

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

Years Ended December 31,	2019	2018	2017	2016	2015
Operating Results					
Total revenue	\$ 580,417	\$ 544,345	\$ 520,493	\$ 525,463	\$ 602,631
Net income (loss)	34,529	135,472	121,177	39,449	(29,662)
Income (loss) per Common Partnership Unit					
Basic	\$ 0.19	\$ 0.75	\$ 0.65	\$ 0.18	\$ (0.21)
Diluted	\$ 0.19	\$ 0.75	\$ 0.65	\$ 0.18	\$ (0.21)
Cash distributions declared per Common Partnership Unit	\$ 0.76	\$ 0.73	\$ 0.66	\$ 0.63	\$ 0.60
Balance Sheet Data					
Operating real estate investments, net	\$ 3,054,797	\$ 3,066,312	\$ 2,917,527	\$ 3,163,202	\$ 3,207,431
Total assets	4,075,969	4,076,976	3,975,718	4,080,164	4,536,515
Total indebtedness	2,144,418	2,028,046	1,930,828	2,013,112	2,384,717
Total liabilities	2,387,666	2,265,948	2,148,848	2,215,776	2,602,420
Redeemable limited partnership units	15,388	12,520	26,918	23,795	22,114
Brandywine Operating Partnership's equity	1,671,824	1,796,316	1,797,740	1,838,443	1,909,949
Noncontrolling interest	1,091	2,192	2,215	2,150	2,032
Other Data					
Cash flows from:					
Operating activities	\$ 233,910	\$ 227,349	\$ 182,581	\$ 173,800	\$ 197,154
Investing activities	(130,339)	(214,506)	79,801	500,910	(166,452)
Financing activities	(35,612)	(193,074)	(253,558)	(536,786)	(231,510)
Funds from operations (FFO) (a)	253,347	247,617	229,143	166,903	261,717
Property Data					
Number of properties owned at year end	95	97	93	113	179
Net rentable square feet owned at year end	16,711	16,777	16,412	17,618	23,015

Prior periods have been adjusted to correct for the effects of errors discussed in Note 2, "Summary of Significant Accounting Policies," to our Consolidated Financial Statements.

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

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

The following discussion should be read in conjunction with the Consolidated Financial Statements appearing elsewhere herein and is based primarily on our Consolidated Financial Statements for the years ended December 31, 2019, 2018 and 2017. This report including the following discussion, contains forward-looking statements, which we intend to be covered by the safe-harbor provisions of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. The words "anticipate," "believe," "estimate," "expect," "intend," "will," "should" and similar expressions, as they relate to us, are intended to identify forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be achieved. These forward-looking statements are inherently uncertain, and actual results may differ from expectations. "See "Forward-Looking Statements" immediately before Part I of this report.

OVERVIEW

During the twelve months ended December 31, 2019, we owned and managed properties within five markets: (1) Philadelphia Central Business District (“Philadelphia CBD”), (2) Pennsylvania Suburbs, (3) Austin, Texas, (4) Metropolitan Washington, D.C., and (5) Other. The Philadelphia CBD segment includes properties located in the City of Philadelphia, Pennsylvania. The Pennsylvania Suburbs segment includes properties in Chester, Delaware and Montgomery counties in the Philadelphia suburbs. The Austin, Texas segment includes properties in the City of Austin, Texas. The Metropolitan Washington, D.C. segment includes properties in Northern Virginia, Washington, D.C. and southern Maryland. The Other segment includes properties in Camden County, New Jersey and properties in New Castle County, Delaware. In addition to the five markets, our corporate group is responsible for cash and investment management, development of certain real estate properties during the construction period, and certain other general support functions.

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

The following highlights our key financial results for the year ended December 31, 2019:

- Net income available to common shareholders decreased by \$100.2 million to \$33.9 million for the year ended December 31, 2019, as compared to the corresponding period in 2018.
- FFO available to common share and unit holders, a non-GAAP financial measure, increased to \$253.3 million or \$1.43 per diluted share for the year ended December 31, 2019, from \$247.6 million or \$1.37 per diluted share for the year ended December 31, 2018 (see additional disclosure in the “*Funds From Operations (FFO)*” section below).
- Same Store net operating income, a non-GAAP financial measure, decreased 0.3% for the year ended December 31, 2019, as compared to the corresponding period in 2018 (see additional disclosure on Same Store net operating income in “*Results of Operations*” section below).
- Core Occupancy decreased from 93.3% at December 31, 2018, to 93.0% at December 31, 2019.

Factors that May Influence Future Results of Operations

Global Market and Economic Conditions

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

Real Estate Asset Valuation

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

Leasing Activity and Rental Rates

The amount of net rental income generated by our Properties depends principally on our ability to maintain the occupancy rates of currently leased space and to lease currently available space, newly developed or redeveloped properties and space available from unscheduled lease terminations. The amount of rental income we generate also depends on our ability to maintain or

increase rental rates in our submarkets. Negative trends in one or more of these factors could adversely affect our rental income in future periods.

Equity Method Investment Valuation

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

Development and Redevelopment Programs

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

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

Financial and Operating Performance

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

Adverse changes in economic conditions could result in a reduction of the availability of financing and potentially in higher borrowing costs. Vacancy rates may increase, and rental rates may decline, during 2020 and possibly beyond as the current economic climate may negatively impact tenants.

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

The table below summarizes selected operating and leasing statistics of our wholly owned operating properties for the year ended December 31, 2019:

	Year Ended December 31,	
	2019	2018
Leasing Activity		
Core Properties (1):		
Total net rentable square feet owned	16,110,042	16,273,781
Occupancy percentage (end of period)	93.0%	93.3%
Average occupancy percentage	92.7%	92.9%
Total Portfolio, less properties in development (2):		
Tenant retention rate (3)	65.8%	72.6%
New leases and expansions commenced (square feet)	1,113,029	708,218
Leases renewed (square feet)	852,760	846,313
Net absorption (square feet)	45,618	(2,863)
Percentage change in rental rates per square foot (4):		
New and expansion rental rates	13.3%	24.3%
Renewal rental rates	11.6%	7.5%
Combined rental rates	12.1%	12.9%
Capital Costs Committed (5):		
Leasing commissions (per square foot)	\$ 7.94	\$ 4.93
Tenant Improvements (per square foot)	\$ 25.25	\$ 15.76
Weighted average lease term (years)	7.4	6.5
Total capital per square foot per lease year	\$ 4.76	\$ 2.68

(1) Does not include properties under development, redevelopment, held for sale, or sold.

(2) Includes leasing related to completed developments and redevelopments, as well as sold properties.

(3) Calculated as percentage of total square feet.

(4) Includes base rent plus reimbursement for operating expenses and real estate taxes.

(5) 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 6.9% of our aggregate final annualized base rents as of December 31, 2019 (representing approximately 7.7% of the net rentable square feet of the properties) are scheduled to expire without penalty in 2020. We maintain an active dialogue with our tenants in an effort to maximize lease renewals. If we are unable to renew leases or relet space under expiring leases, at anticipated rental rates, or if tenants terminate their leases early, our results of operations and 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 \$8.0 million or 4.0% of total receivables (including accrued rent receivable) as of December 31, 2019 compared to \$12.9 million or 6.6% of total receivables (including accrued rent receivable) as of December 31, 2018.

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

Development Risk:

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

As of December 31, 2019 the following development and redevelopment projects remain under construction in progress and we were proceeding on the following activity (dollars, in thousands):

Property/Portfolio Name	Location	Expected Completion	Activity Type	Approximate Square Footage/ Units	Estimated Costs	Amount Funded
The Bulletin Building (a)	Philadelphia, PA	Q2 2020	Redevelopment	283,000	\$ 84,800	\$ 56,600
405 Colorado Street (b)	Austin, TX	Q4 2020	Development	204,000	114,000	29,900
426 W. Lancaster Avenue (c)	Devon, PA	Q1 2019	Redevelopment	56,000	14,900	12,800

- (a) Estimated costs include \$37.8 million of building basis, representing the acquisition cost.
- (b) Estimated costs includes \$2.1 million of existing property basis through a ground lease. Project includes 520 parking spaces.
- (c) The property was vacated during the third quarter of 2017. Total project costs include \$4.9 million of existing property basis. The renovation of the base building was substantially completed during the first quarter of 2019 and remaining costs as of December 31, 2019 primarily represent tenant improvements.

In addition to the properties listed above, we have classified two properties in Philadelphia, Pennsylvania as redevelopment. As of December 31, 2019, there has not been material construction spend on these projects.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Impairment

We assess each of our real estate investments for indicators of impairment quarterly or when circumstances indicate that a real estate investment may be impaired. When indicators of potential impairment are present that suggest that the carrying amounts of real estate investments and related intangible assets may not be recoverable, we assess the recoverability by determining whether the respective carrying values will be recovered through the estimated undiscounted future operating cash flows expected from the use of the assets and their eventual disposition over, in most cases, a ten-year holding period. If we believe there is a significant possibility that we might dispose of the assets earlier, we assess the recoverability using a probability weighted analysis of the estimated undiscounted future cash flows expected to be generated from the operations and eventual disposition of the assets over the various possible holding periods. If the recoverability assessment indicates that the carrying value of a tested real estate investment is not recoverable from estimated undiscounted future cash flows, it is written down to its estimated

fair value and an impairment is recognized. If and when our plans change, we revise our recoverability analyses to use the cash flows expected from the operations and eventual disposition of each asset using holding periods that are consistent with our revised plans.

Real estate investment fair values are estimated based on contract prices, discounted cash flows, or comparable sales. Estimated future cash flows used in such analyses are based on our views of market and economic conditions. The estimation of future cash flows is subjective and is based on various assumptions, including but not limited to market rental rates, capitalization rates, and recent sales data for comparable real estate investments. Estimated future cash flows are discounted when determining fair value of an asset. Most of these assumptions are influenced by our direct experience with the real estate investments and their markets as well as market data obtained from real estate leasing and brokerage firms. Determining the appropriate capitalization or discount rate also requires significant judgment and is typically based on many factors, including the prevailing rate for the market or submarket, as well as the quality and location of the real estate investment. Changes in the estimated future cash flows due to changes in our plans for a real estate investment, views of market and economic conditions and/or our ability to obtain development rights could result in recognition of an impairment which could be material.

Real estate investments held for sale are carried at the lower of their carrying values (i.e., cost less accumulated depreciation and any impairment recognized, where applicable) or estimated fair values less costs to sell. Accordingly, decisions to sell certain operating real estate investments, real estate investments in development or land held for development will result in impairments if carrying values of the specific real estate investments exceed their estimated fair values less costs to sell. The estimates of fair value consider matters such as recent sales data for comparable real estate investments and, where applicable, contracts or the results of negotiations with prospective purchasers. These estimates are subject to revision as market conditions, and our assessment of such conditions, change.

In addition to our real estate investments, we review each of our investments in unconsolidated real estate ventures to determine whether there are any indicators, including property operating performance, changes in anticipated hold periods, and general market conditions, that the Company's investment in the unconsolidated joint venture may be impaired. If any indicators of impairment are present, we calculate the fair value of the investment in the unconsolidated real estate venture. If the fair value of the investment is less than the carrying value, we determine whether the impairment is other than temporary. If the impairment is determined to be other than temporary, we record an impairment.

We use considerable judgment in the determination of whether indicators of impairment are present and, in the assumptions, estimations, and inputs used in calculating the fair value of the investment, which is generally determined through income valuation approaches, including discounted cash flows and direct capitalization models. These judgments are similar to those outlined above in the impairment of real estate investments. We also use judgment in making the determination as to whether or not the impairment is temporary by considering, among other things, the length of time that the market value has been less than cost, the financial condition of the unconsolidated real estate venture and our ability and intent to retain the investment long enough for a recovery in value. Our judgments related to the determination of fair value and whether an impairment is other than temporary could result in the recognition of an impairment which could be material.

Revenue Recognition

The majority of our revenues are derived from leases and are reflected as rents on the accompanying consolidated statements of operations. Rental revenue is recognized on a straight-line basis over the term of the lease.

Most of our leases involve some form of improvements to leased space. When we are required to provide improvements under the terms of a lease, we need to determine whether the improvements constitute landlord assets or tenant assets. If the improvements are landlord assets, we capitalize the cost of the improvements and recognize depreciation expense associated with such improvements over shorter of the estimated useful life or the term of the lease. If the improvements are tenant assets, we defer the cost of improvements funded by us as a lease incentive asset and amortize it as a reduction of rental revenue over the term of the lease. Our determination of whether improvements are landlord assets or tenant assets also may affect when we commence revenue recognition in connection with a lease.

In determining whether improvements constitute landlord or tenant assets, we consider a number of factors that may require subjective or complex judgments, including: whether the improvements are unique to the tenant or reusable by other tenants; whether the tenant is permitted to alter or remove the improvements without our consent or without compensating us for any lost fair value; whether the ownership of the improvements remains with us or remains with the tenant at the end of the lease term; and whether the economic substance of the lease terms is properly reflected.

For certain leases, we make significant assumptions and judgments in determining the lease term, including assumptions when the lease provides the tenant with an early termination option. The lease term impacts the period over which we determine and record rental revenue and impacts the period over which we amortize lease-related costs. Changes in these assessments could result in the write-off of any recorded assets associated with straight-line rental revenue and acceleration of depreciation and amortization expense associated with costs we incurred related to these leases.

Purchase Price Allocation

When we acquire real estate investments, we allocate the purchase price to tangible assets, consisting of land, building, site improvements, and identified intangible assets and liabilities, including in-place leases and acquired above- and below-market leases, and if applicable, assumed debt, based on our estimate of their fair values.

We assess fair value based on estimated cash flow projections that utilize discount and capitalization rates as well as available market information. The fair value of the tangible assets of an acquired real estate investment considers the value of the real estate investment as if it were vacant. The estimated relative fair value of acquired in-place leases are the estimated costs to lease the real estate investment to the occupancy level at the date of acquisition. We evaluate the period over which we expect stabilized occupancy level to be achieved during the lease-up period. Above- and below-market leases are recorded as an asset or liability based upon the present value of the difference between the contractual amounts to be paid or received pursuant to the in-place leases, and our estimate of fair market rental rates for the corresponding in-place leases, over the remaining noncancellable term. Assumed debt, if any, is recorded at fair value based upon the present value of the expected future payments.

A change in any of the key assumptions can materially change not only the presentation of acquired real estate investments in our consolidated financial statements but also our reported results of operations.

RESULTS OF OPERATIONS

The following discussion is based on our Consolidated Financial Statements for the years ended December 31, 2019, 2018, and 2017. Refer to Item 7. "Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2018 for a discussion of the results of operations for the year ended December 31, 2017 which is presented therein in the form of a year-to-year comparison to the year ended December 31, 2018. We believe that presentation of our consolidated financial information, without a breakdown by segment, will effectively present important information useful to our investors.

Net operating income ("NOI"), as presented in the comparative analysis, below is defined as total revenue less property operating expenses, real estate taxes, and third party management expenses. Property operating expenses that are included in determining NOI consist of costs that are necessary and allocable to our operating properties such as utilities, property-level salaries, repairs and maintenance, property insurance, management fees, and bad debt expense. General and administrative expenses that are not reflected in NOI primarily consist of corporate-level salaries, amortization of share awards, and professional fees that are incurred as part of corporate office management. NOI is a non-GAAP financial measure that we use internally to evaluate the operating performance of our real estate assets by segment, as presented in Note 18, "Segment Information," to our Consolidated Financial Statements, and of our business as a whole. We believe NOI provides useful information to investors regarding our financial condition and results of operations because it reflects only those income and expense items that are incurred at the property level. While NOI is a relevant and widely used measure of operating performance of real estate investment trusts, it does not represent cash flow from operations or net income as defined by GAAP and should not be considered as an alternative to those measures in evaluating our liquidity or operating performance. NOI does not reflect interest expenses, real estate impairments, 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 18, "Segment Information," to our Consolidated Financial Statements for a reconciliation of NOI to our consolidated net income (loss) as defined by GAAP.

Comparison of the Year Ended December 31, 2019 to the Year Ended December 31, 2018

The following comparison for the year ended December 31, 2019 to the year ended December 31, 2018, makes reference to the effect of the following:

- (a) "Same Store Property Portfolio," which represents 73 properties containing an aggregate of approximately 13.9 million net rentable square feet, and represents properties that we owned for the twelve-month periods ended December 31,

2019 and 2018. The Same Store Property Portfolio includes properties acquired or placed in service on or prior to January 1, 2018 and owned through December 31, 2019,

- (b) "Total Portfolio," which represents all properties owned by us during 2019 and 2018,
- (c) "Recently Completed/Acquired Properties," which represents 17 properties placed into service or acquired on or subsequent to January 1, 2018,
- (d) "Development/Redevelopment Properties," which represents 5 properties currently in development/redevelopment. A property is excluded from our Same Store Property Portfolio and moved into Development/Redevelopment in the period that we determine to proceed with development/redevelopment for a future development strategy, and
- (e) "2018 and 2019 Dispositions," which represents 11 properties disposed of during 2018 and 2019.

Comparison of Year Ended December 31, 2019 to the Year Ended December 31, 2018

(dollars and square feet in millions except per share amounts)	Same Store Property Portfolio				Recently Completed/Acquired Properties		Development/Redevelopment Properties		Other (Eliminations) (a)		Total Portfolio			
	2019	2018	\$ Change	% Change	2019	2018	2019	2018	2019	2018	2019	2018	\$ Change	% Change
Revenue:														
Rents	\$ 443.2	\$ 442.7	\$ 0.5	0.1 %	\$ 85.2	\$ 10.8	\$ 9.5	\$ 9.6	\$ 16.8	\$ 52.0	\$ 554.7	\$ 515.1	\$ 39.6	7.7 %
Third party management fees, labor reimbursement and leasing	—	—	—	— %	—	—	—	—	19.6	22.6	19.6	22.6	(3.0)	(13.3)%
Other	1.8	1.6	0.2	12.5 %	0.2	—	0.1	—	4.0	5.1	6.1	6.7	(0.6)	(9.0)%
Total revenue	445.0	444.3	0.7	0.2 %	85.4	10.8	9.6	9.6	40.4	79.7	580.4	544.4	36.0	6.6 %
Property operating expenses	126.7	128.5	(1.8)	(1.4)%	17.4	2.3	3.1	4.4	7.1	19.7	154.3	154.9	(0.6)	(0.4)%
Real estate taxes	45.2	41.8	3.4	8.1 %	14.3	1.9	1.2	1.1	1.6	6.5	62.3	51.3	11.0	21.4 %
Third party management expenses	—	—	—	— %	—	—	—	—	9.2	11.9	9.2	11.9	(2.7)	(22.7)%
Net operating income	273.1	274.0	(0.9)	(0.3)%	53.7	6.6	5.3	4.1	22.5	41.6	354.6	326.3	28.3	8.7 %
Depreciation and amortization	143.1	140.9	2.2	1.6 %	48.9	6.4	6.8	5.5	11.2	23.2	210.0	176.0	34.0	19.3 %
General & administrative expenses	—	—	—	— %	—	—	—	—	32.2	27.8	32.2	27.8	4.4	15.8 %
Provision for impairment	—	—	—	— %	—	—	—	—	—	71.7	—	71.7	(71.7)	(100.0)%
Net gain on disposition of real estate	—	—	—	— %	—	—	—	—	—	—	(0.4)	(2.9)	2.5	(86.2)%
Net gain on sale of undepreciated real estate	—	—	—	— %	—	—	—	—	—	—	(2.0)	(3.0)	1.0	(33.3)%
Operating income (loss)	\$ 130.0	\$ 133.1	\$ (3.1)	(2.3)%	\$ 4.8	\$ 0.2	\$ (1.5)	\$ (1.4)	\$ (20.9)	\$ (81.1)	\$ 114.8	\$ 56.7	\$ 58.1	102.5 %
Number of properties	73	73			17		5				95			
Square feet	13.9	13.9			2.2		0.6				16.7			
Core Occupancy % (b)	93.0%	93.3%			93.3%									
Other Income (Expense):														
Interest income											2.3	4.7	(2.4)	(51.1)%
Interest expense											(81.5)	(78.2)	(3.3)	4.2 %
Interest expense — Deferred financing costs											(2.8)	(2.5)	(0.3)	12.0 %
Equity in loss of Real Estate Ventures											(9.9)	(15.2)	5.3	(34.9)%
Net gain on real estate venture transactions											11.6	142.2	(130.6)	(91.8)%
Gain on promoted interest in unconsolidated real estate venture											—	28.3	(28.3)	(100.0)%
Loss on early extinguishment of debt											—	(0.1)	0.1	(100.0)%
Income tax provision											—	(0.4)	0.4	(100.0)%
Net income											\$ 34.5	\$ 135.5	\$ (101.0)	(74.5)%
Net income attributable to Common Shareholders of Brandywine Realty Trust											\$ 0.19	\$ 0.75	\$ (0.56)	(74.7)%

- (a) Represents certain revenues and expenses at the corporate level as well as various intercompany costs that are eliminated in consolidation, third-party management fees, provisions for impairment, and changes in the accrued rent receivable allowance. Other/ (Eliminations) also includes properties sold and properties classified as held for sale.

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

Total Revenue

Rents from the Total Portfolio increased by \$39.6 million from 2018 to 2019, of which \$74.4 million relates to Recently Completed/Acquired Properties, primarily the DRA Austin and Quarry Lake II acquisitions. This increase was largely offset by a \$34.9 million decrease relating to the 2018 and 2019 Dispositions.

Third party management fees, labor reimbursement, and leasing income decreased \$3.0 million from 2018 to 2019, due primarily to decreases in third party management and development fees. The decrease includes \$3.5 million of third party management fees related to the sale of twelve office properties by the DRA Austin Venture in the fourth quarter of 2018, \$2.4 million related to the sale of three office properties held by our BDN – AI Venture in the fourth quarter of 2018, and a decrease of \$2.5 million related to general contractor management services provided primarily to the MAP Venture. These decreases were primarily offset by a \$3.2 million increase in third party management fees from our Herndon Innovation Center Venture, which was formed during the fourth quarter of 2018, \$1.2 million increase in third party developer fees related to the development of a medical facility located in Radnor, Pennsylvania that commenced during the second quarter of 2019, and \$0.5 million related to the fee received for our involvement in facilitating the disposition of the PJP II, PJP VI and PJP VII Ventures.

Property Operating Expenses

The \$0.6 million decrease in property operating expenses is primarily driven by the following:

- \$9.9 million decrease related to 2018 and 2019 Dispositions;
- \$2.1 million decrease related to the reduction in the accrued rent receivable allowance during the fourth quarter of 2019 (included in "Other/Eliminations");
- \$1.8 million decrease related to Same Store Property Portfolio;
- \$1.3 million decrease related to Development/Redevelopment Properties; and
- \$15.1 million increase due to Recently Completed/Acquired Properties.

Real Estate Taxes

Real estate taxes across our Total Portfolio increased by \$11.0 million from 2018 to 2019, primarily related to \$3.4 million in increased real estate tax assessments at the Same Store Property Portfolio, primarily in the Philadelphia CBD segment, and \$12.4 million related to Recently Completed/Acquired Properties, primarily the DRA Austin and Quarry Lake II acquisitions. These increases were partially offset by a decrease of \$4.2 million from the 2018 and 2019 Dispositions.

Depreciation and Amortization

Depreciation and amortization expense increased by \$34.0 million from 2018 to 2019, of which \$42.5 million relates to an increase in depreciation expense from Recently Completed/Acquired Properties, primarily the DRA Austin and Quarry Lake II acquisitions in December 2018, 500 North Gulph Road being placed into service in December 2018, and Broadmoor 6 being placed into service in October 2018. \$2.2 million of the increase relates to properties within our Same Store Portfolio and \$1.3 million increase in properties within Development/Redevelopment. These increases were partially offset by a \$13.7 million decrease relating to the 2018 and 2019 Dispositions.

General and Administrative Expenses

General and administrative expenses across our Total Portfolio increased by \$4.4 million from 2018 to 2019, primarily related to a \$2.0 million increase in payroll, bonus, stock compensation expense, and related benefits, \$1.4 million decrease in capitalized costs, \$0.5 million increase in professional fees, and \$0.3 million increase in charitable contributions.

Provision for Impairment

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

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

There was no provision for impairment recognized during 2019.

Net Gain on Disposition of Real Estate

The \$0.4 million gain on disposition of real estate for 2019 relates to the disposition of the office property at 1900 Gallows Rd in Vienna, Virginia.

The \$2.9 million gain on disposition of real estate for 2018 resulted from the following sales transactions:

- \$2.6 million on the sale of the Subaru NTSC, located in Camden, New Jersey; and
- \$0.4 million on the sale of eight properties in our Metropolitan Washington, D.C. segment; and,
- an immaterial loss from the disposition of the office property at 20 East Clementon Road, in Gibbsboro, New Jersey.

Net Gain on Sale of Undepreciated Real Estate

The gain of \$2.0 million recognized during 2019 relates to the sale of 9 Presidential Boulevard and contingent consideration received related to a land sale that closed in a prior period.

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

Interest Income

Interest income decreased \$2.4 million from 2018 to 2019 primarily due to lower average cash balances throughout the year.

Interest Expense

Interest expense increased \$3.3 million from 2018 to 2019 primarily due to a \$3.4 million increase in interest expense from increased borrowings on our Credit Facility during 2019 compared to 2018 as well as \$1.0 million of additional interest expense from additional borrowings of \$100.0 million of our 4.10% Guaranteed Notes due 2024 and \$100.0 million of our 4.55% Guaranteed Notes due 2029 in October of 2019. The \$4.4 million increase was partially offset by a \$1.3 million decrease from the refinance of our seven-year term loan on December 13, 2018, which reduced the effective interest rate by 0.55%.

Equity in Loss of Real Estate Ventures

The decrease in equity in loss of Real Estate Ventures of \$5.3 million from 2018 to 2019 is primarily related to:

- \$4.1 million decrease due to the other than temporary impairment charge at the BDN – AI Venture during the fourth quarter of 2018;
- \$7.6 million decrease due to the \$10.4 million share of impairments taken on two properties at the BDN - AI Venture during 2018, compared to the \$2.8 million share of impairment related to a property at the BDN - AI Venture during 2019;
- \$3.9 million increase primarily due to increased ground rent expense at the MAP venture during 2019 compared to 2018 as a result of the adoption of Topic 842;
- \$1.7 million increase related to our acquisition and consolidation of DRA Advisor's 50% ownership interest in the DRA Austin Venture during the fourth quarter of 2018, which generated \$1.7 million of income during 2018; and
- \$0.5 million increase related to the Herndon Innovation Center Venture, which was formed during the fourth quarter of 2018.

Net Gain on Real Estate Venture Transactions

The \$11.6 million net gain on Real Estate Venture transactions during 2019 primarily relates to the following:

- \$8.0 million related to the disposition of the PJP II, PJP VI and PJP VII Ventures.
- \$2.2 million related to the transfer of 3130 Fairview to the mortgage lender in full satisfaction of the outstanding mortgage loan by the BDN AI Venture.
- \$1.3 million related to proceeds received from the third-party owner of an adjacent property for the right to construct an “above-grade connection” with the building owned by the 51 N Street venture.

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

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

Gain on promoted interest in unconsolidated real estate venture

During 2018, there was a gain on promoted interest in an unconsolidated real estate venture of \$28.3 resulting from the acquisition of the remaining DRA Austin venture properties.

There was no comparable activity during 2019.

Net Income

Net income decreased by \$101.0 million from 2018 to 2019 as a result of the factors described above.

Net Income per Common Share – fully diluted

Net income per share was \$0.19 during 2019 as compared to net income per share of \$0.75 during 2018 as a result of the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

General

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

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

As of December 31, 2019, the Parent Company owned a 99.4% interest in the Operating Partnership. The remaining interest of approximately 0.6% pertains to common limited partnership interests owned by non-affiliated investors who contributed property to the Operating Partnership in exchange for their interests. As the sole general partner of the Operating Partnership, the Parent Company has full and complete responsibility for the Operating Partnership’s day-to-day operations and management. The Parent Company’s source of funding for its dividend payments and other obligations is the distributions it receives from the Operating Partnership.

We believe that our liquidity needs will be satisfied through available cash balances and cash flows generated by operations, financing activities, and selective property sales. Base rent, reimbursement for operating expenses, and other income from operations are our principal sources of cash to pay operating expenses, debt service, recurring capital expenditures, and the minimum distributions required to maintain our REIT qualification. We seek to increase cash flows from our properties by

maintaining quality standards for our properties that promote high occupancy rates and permit increases in rental rates while reducing tenant turnover and controlling operating expenses. Our revenue also includes third-party fees generated by our property management, leasing, development, and construction businesses. We believe that our revenue, together with proceeds from property sales and debt financings, will continue to provide funds for our short-term liquidity needs. However, material changes in our operating or financing activities may adversely affect our net cash flows. With uncertain economic conditions, vacancy rates may increase, effective rental rates on new and renewed leases may decrease and tenant installation costs, including concessions, may increase in most or all of our markets throughout 2020 and possibly beyond. As a result, our revenues and cash flows could be insufficient to cover operating expenses, including increased tenant installation costs, pay debt service or make distributions to shareholders over the short-term. If this situation were to occur, we expect that we would finance cash deficits through borrowings under our unsecured revolving credit facility and other sources of debt and equity financings. In addition, a material adverse change in cash provided by operations could adversely affect our compliance with financial performance covenants under our unsecured revolving credit facility, including unsecured term loans and unsecured notes. As of December 31, 2019, we were in compliance with all of our debt covenants and requirement obligations.

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

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

The Parent Company unconditionally guarantees the Operating Partnership's secured and unsecured obligations, which, as of December 31, 2019, amounted to \$315.4 million and \$1,828.6 million, respectively.

Capital Market/Debt Transactions

The Parent Company also issues equity from time to time, the proceeds of which it contributes to the Operating Partnership in exchange for additional interests in the Operating Partnership, and guarantees debt obligations of the Operating Partnership. The Parent Company's ability to sell common shares and preferred shares is dependent on, among other things, general market conditions for REITs, market perceptions about the Company as a whole, and the current trading price of the Parent Company's shares. The Parent Company maintains a shelf registration statement that has registered the offering and sale of common shares, preferred shares, depositary shares, warrants, and unsecured debt securities. Subject to our ongoing compliance with securities laws, and if warranted by market conditions, we may offer and sell equity and debt securities from time to time under the shelf registration statement. See Note 12, "Beneficiaries' Equity of the Parent Company," to our Consolidated Financial Statements for further information related to the continuous offering program that we generally maintain as well as information related to our share repurchase program during the year ended December 31, 2019.

Capital Recycling

The Operating Partnership also considers net sales of selected properties and recapitalization of unconsolidated real estate ventures as additional sources of managing its liquidity. During 2019, we sold 2.7 acres of undeveloped land and one office property for net cash proceeds of \$5.0 million and \$34.1 million respectively.

Our primary uses of capital will be to fund the completion of our current development and redevelopment projects with approximately \$90.5 million of cash and cash equivalents and \$598.5 million of available borrowings under our Credit Facility, net of \$1.5 million in letters of credit outstanding. Based on the foregoing, as well as cash flows from operations net of dividend requirements, we believe we have sufficient capital to fund our remaining capital requirements on existing development and redevelopment projects and pursue additional attractive investment opportunities.

Cash Flows

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

As of December 31, 2019 and 2018, we maintained cash and cash equivalents and restricted cash of \$91.2 million and \$23.2 million, respectively. The following are the changes in cash flow from our activities for the years ended December 31, 2019 and 2018 (in thousands):

Activity	Year Ended December 31,		
	2019	2018	(Decrease) Increase
Operating	\$ 234,230	\$ 227,349	\$ 6,881
Investing	(130,659)	(214,506)	83,847
Financing	(35,612)	(193,074)	157,462
Net cash flows	\$ 67,959	\$ (180,231)	\$ 248,190

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

Cash is used in investing activities to fund acquisitions, development, or redevelopment projects and recurring and nonrecurring capital expenditures. We selectively invest in new projects that enable us to take advantage of our development, leasing, financing, and property management skills and invest in existing buildings that meet our investment criteria. The following are the changes in cash flows from our investing activities for the years ended December 31, 2019 and 2018 (in thousands):

Acquisitions of real estate	\$ 194,444
Capital expenditures and capitalized interest	14,303
Escrow cash/capital improvements/acquisition deposits/leasing costs	(164)
Joint venture investments	(49,961)
Distributions from joint ventures	29,380
Proceeds from the sale of properties	(282,295)
Notes receivable and other investments	178,140
Increase in net cash provided by investing activities	\$ 83,847

We generally fund our investment activity through the sale of real estate, property-level financing, credit facilities, senior unsecured notes, convertible or exchangeable securities, and construction loans. From time to time, we may issue common or preferred stock, or the Operating Partnership may issue common or preferred units of limited partnership interest. The following are the changes in cash flow from our financing activities for the years ended December 31, 2019 and 2018 (in thousands):

Proceeds from debt obligations	\$ 109,373
Repayments of debt obligations	36,585
Redemption of limited partnership units	7,043
Proceeds from the exercise of stock options	3,771
Repurchase and retirement of common shares	4,559
Other financing activities	1,094
Dividends and distributions paid	(4,963)
Decrease in net cash used in financing activities	\$ 157,462

Capitalization

Indebtedness

The table below summarizes indebtedness under our mortgage notes payable and our unsecured debt at December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018
	(dollars in thousands)	
Balance: (a)		
Fixed rate	\$ 2,091,211	\$ 1,924,580
Variable rate - unhedged	52,836	119,562
Total	<u>\$ 2,144,047</u>	<u>\$ 2,044,142</u>
Percent of Total Debt:		
Fixed rate	97.5%	94.2%
Variable rate - unhedged	2.5%	5.8%
Total	<u>100.0%</u>	<u>100.0%</u>
Weighted-average interest rate at period end:		
Fixed rate	3.9%	3.9%
Variable rate - unhedged	3.2%	3.6%
Total	3.8%	3.9%
Weighted-average maturity in years:		
Fixed rate	5.6	6.6
Variable rate - unhedged	15.6	4.0
Total	5.9	6.4

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

Scheduled principal payments and related weighted average annual effective interest rates for our debt as of December 31, 2019 were as follows (in thousands):

Period	Scheduled amortization	Principal maturities	Total	Weighted Average Interest Rate of Maturing Debt
2020	\$ 6,705	\$ 80,521	\$ 87,226	3.98%
2021	6,142	9,001	15,143	4.28%
2022	6,332	250,000	256,332	2.90%
2023	1,620	555,116	556,736	3.94%
2024	—	350,000	350,000	3.78%
2025	—	—	—	—%
2026	—	—	—	—%
2027	—	450,000	450,000	4.03%
2028	—	—	—	—%
2029	—	350,000	350,000	4.30%
Thereafter	—	78,610	78,610	3.23%
Totals	<u>\$ 20,799</u>	<u>\$ 2,123,248</u>	<u>\$ 2,144,047</u>	<u>3.84%</u>

For information related to our debt obligations and their covenants see Note 8, "Debt Obligations," to our Consolidated Financial Statements.

Unsecured Debt and Mortgage Notes

The Operating Partnership is the issuer of our unsecured notes which are fully and unconditionally guaranteed by the Parent Company. The indenture under which the Operating Partnership issued its unsecured notes contains financial covenants, including (i) a leverage ratio not to exceed 60%, (ii) a secured debt leverage ratio not to exceed 40%, (iii) a debt service coverage ratio of greater than 1.5 to 1.0 and (iv) an unencumbered asset value of not less than 150% of unsecured debt. The Operating Partnership was in compliance with all covenants as of December 31, 2019 and 2018.

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

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

Equity

In order to maintain its qualification as a REIT, the Parent Company is required to, among other things, pay dividends to its shareholders of at least 90% of its REIT taxable income. During the year ended December 31, 2019, the Parent Company paid dividends in excess of the 90% criterion. See Note 12, "Beneficiaries' Equity of the Parent Company," to our Consolidated Financial Statements for further information related to our dividends declared for the fourth quarter, information related to our continuous offering program, and information related to our share repurchase program during the year ended December 31, 2019.

Inflation

We do not believe inflation will have a material impact on income from continuing operations.

Commitments and Contingencies

The following table outlines the timing of payment requirements related to our contractual commitments as of December 31, 2019:

	Payments due by Period (in thousands)				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Mortgage notes payable (a)	\$ 315,437	\$ 87,225	\$ 21,475	\$ 206,737	\$ —
Unsecured term loan (a)	250,000	—	250,000	—	—
Unsecured debt (a)	1,578,610	—	—	700,000	878,610
Ground leases (b)	116,717	1,217	2,480	2,568	110,452
Development contracts (c)	172,046	112,227	53,565	1,294	4,960
Tenant improvements (d)	47,760	44,561	3,199	—	—
Interest expense (e)	363,902	63,296	122,353	78,863	99,390
Other liabilities (f)	36,115	8,731	5,716	4,752	16,916
	<u>\$ 2,880,587</u>	<u>\$ 317,257</u>	<u>\$ 458,788</u>	<u>\$ 994,214</u>	<u>\$ 1,110,328</u>

(a) Amounts are gross of deferred financing costs and do not include unamortized discounts and/or premiums.

(b) Future lease payments under the terms of all noncancellable ground leases under which we are the lessee.

(c) Represents contractual obligations for wholly owned development projects and does not contemplate all costs expected to be incurred for such developments. This table does not include contractual obligations for our real estate venture developments, which are described below.

(d) Represents cash commitments under signed leases and excludes tenant-funded improvements. The timing of these expenditures may fluctuate.

(e) Variable rate debt future interest expense commitments are calculated using December 31, 2019 interest rates.

- (f) Consists of (i) our deferred compensation liability, (ii) the interest accretion on the anticipated transfer tax liability on Two Logan Square in Philadelphia, Pennsylvania; (iii) the contingent consideration associated with the purchase of 618 Market Street in Philadelphia, Pennsylvania in 2015; and (iv) a payment to a tenant under a profit sharing arrangement.

The above table does not include amounts related to the development at 4040 Wilson, an unconsolidated real estate venture in which we hold a 50% ownership interest, in Arlington, Virginia. See Note 4, "Investment in Unconsolidated Real Estate Ventures," to our Consolidated Financial Statements for further discussion of this development.

We provide customary guarantees for certain development projects of our unconsolidated real estate ventures. See Note 19, "Commitments and Contingencies," to our Consolidated Financial Statements for further details on payment guarantees provided on the behalf of real estate ventures.

During the fourth quarter of 2017, in connection with the Schuylkill Yards Project, we entered into a neighborhood engagement program and, as of December 31, 2019, had \$8.5 million of future contractual obligations, which are included in the table above within the "Development contracts" caption. The Company is also committed to make additional contributions under the program. As of December 31, 2019, the Company estimates that these additional contributions, which are not fixed under the terms of agreement, will be \$2.8 million. See Note 19, "Commitments and Contingencies," to our Consolidated Financial Statements for further information.

As of December 31, 2019, we are under contract to acquire an office property containing approximately 170,000 rentable square feet located in Radnor, Pennsylvania for a purchase price of \$20.3 million. We paid \$1 million towards the purchase price in the form of a non-refundable deposit and the transaction is expected to close during 2020. As of December 31, 2019, we are also under contract to acquire a 7.8-acre land parcel located in Radnor, Pennsylvania for a purchase price of \$11.3 million. The acquisition of the land parcel closed on February 27, 2020.

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

As part of the Operating Partnership's September 2004 acquisition of a portfolio of properties from the Rubenstein Company (which we refer to as the "TRC acquisition"), the Operating Partnership acquired its interest in Two Logan Square, a 708,844 square foot office building in Philadelphia, primarily through its ownership of a second and third mortgage secured by this property. This property is consolidated as the borrower is a variable interest entity and the Operating Partnership, through its ownership of the second and third mortgages, is the primary beneficiary. The Operating Partnership currently does not expect to take title to Two Logan Square until, at the earliest, on or about August 2020. If the Operating Partnership takes fee title to Two Logan Square upon foreclosure of its mortgage, the Operating Partnership has agreed to pay an unaffiliated third party that holds a residual interest in the fee owner of this property an amount equal to \$2.9 million. On the TRC acquisition date, the Operating Partnership recorded a liability of \$0.7 million and has been accreting this liability up to \$2.9 million through January 2020. As of December 31, 2019, the Operating Partnership has a balance of \$2.9 million for this liability on its consolidated balance sheet.

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

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

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

As part of our acquisition of properties from time to time in tax-deferred transactions, we have agreed to provide certain of the prior owners of the acquired properties with the right to guarantee our indebtedness. If we were to seek to repay the indebtedness guaranteed by the prior owner before the expiration of the applicable agreement, we would be required to provide the prior owner an opportunity to guarantee qualifying replacement debt. These debt maintenance agreements may limit our ability to refinance indebtedness on terms that will be favorable to us. As part of our 2013 acquisition of substantially all of the equity interests in the partnerships that own One and Two Commerce Square, we agreed, for the benefit of affiliates of the holder of the 1% residual ownership interest in these properties, to maintain qualifying mortgage debt through October 20, 2021. As of December 31, 2019, the \$116.6 million principal balance on the mortgage debt at One Commerce Square and the \$108.5 million principal balance on the mortgage debt at Two Commerce Square were sufficient under each of the debt maintenance agreements. Similarly, we have agreements in place with other contributors of assets to us that obligate us to maintain debt available for them to guaranty.

Interest Rate Risk and Sensitivity Analysis

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

Our financial instruments consist of both fixed and variable rate debt. As of December 31, 2019, our consolidated debt consisted of mortgage loans with an outstanding principal balance of \$315.4 million and unsecured notes with an outstanding principal balance of \$1,500.0 million, all of which are fixed rate borrowings. We also have variable rate debt consisting of trust preferred securities with an outstanding principal balance of \$78.6 million, a \$600.0 million Credit Facility with no amounts borrowed and an unsecured term loan with an outstanding principal balance of \$250.0 million, all of which have been swapped to fixed rates, except for two trust preferred securities with an outstanding principal balance of \$52.8 million and the Credit Facility. All financial instruments were entered into for other than trading purposes and the net market value of these financial instruments is referred to as the net financial position. Changes in interest rates have different impacts on the fixed and variable rate portions of our debt portfolio. A change in interest rates on the fixed portion of the debt portfolio impacts the net financial instrument position, but has no impact on interest incurred or cash flows. A change in interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows, but does not impact the net financial instrument position.

If market rates of interest increase by 100 basis points, the fair value of our outstanding fixed-rate mortgage debt would decrease by approximately \$7.0 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 \$7.3 million.

As of December 31, 2019, based on prevailing interest rates and credit spreads, the fair value of our unsecured notes was \$1,591.8 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 \$16.0 million at December 31, 2019.

From time to time or as the need arises, we use derivative instruments to manage interest rate risk exposures and not for speculative purposes. The total outstanding principal balance of our variable rate debt was approximately \$328.6 million and \$421.1 million at December 31, 2019 and December 31, 2018, respectively. The total fair value of our variable rate debt was approximately \$309.9 million and \$402.9 million at December 31, 2019 and December 31, 2018, respectively. For sensitivity purposes, if market rates of interest increase by 100 basis points the fair value of our variable rate debt would decrease by approximately \$13.3 million on December 31, 2019. If market rates of interest decrease by 100 basis points, the fair value of our outstanding variable rate debt would increase by approximately \$14.5 million.

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

Funds from Operations (FFO).

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

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

The following table presents a reconciliation of net income attributable to common unitholders to FFO for the years ended December 31, 2019 and 2018:

	Year Ended December 31,	
	2019	2018
	(amounts in thousands, except share information)	
Net income attributable to common unitholders	\$ 34,064	\$ 135,048
Add (deduct):		
Amount allocated to unvested restricted unitholders	396	369
Net gain on real estate venture transactions	(10,363)	(142,233)
Net gain on disposition of real estate	(356)	(2,932)
Gain on promoted interest in unconsolidated real estate venture	—	(28,283)
Provision for impairment (a)	—	71,707
Other than temporary impairment of equity method investment	—	4,076
Company's share of impairment of an unconsolidated real estate venture	2,832	10,416
Depreciation and amortization:		
Real property	149,600	139,202
Leasing costs including acquired intangibles	58,493	35,215
Company's share of unconsolidated real estate ventures	19,657	25,947
Partners' share of consolidated real estate ventures	(226)	(218)
Funds from operations	\$ 254,097	\$ 248,314
Funds from operations allocable to unvested restricted shareholders	(750)	(697)
Funds from operations available to common share and unit holders (FFO)	\$ 253,347	\$ 247,617
Weighted-average shares/units outstanding — basic (b)	177,114,932	179,959,370
Weighted-average shares/units outstanding — fully diluted (b)	177,668,804	181,081,114

(a) In accordance with the NAREIT definition of FFO, impairments on land held for development have been excluded.

(b) Includes common shares and partnership units outstanding through the year ended December 31, 2019 and December 31, 2018, respectively.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

See discussion in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in Item 7 herein.

Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A. Controls and Procedures

Controls and Procedures (Parent Company)

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of the Parent Company’s management, including its principal executive officer and principal financial officer, the Parent Company’s management conducted an evaluation of its disclosure controls and

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

Management’s Report on Internal Control Over Financial Reporting

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

Under the supervision and with the participation of the Parent Company’s management, including its principal executive officer and principal financial officer, the Parent Company’s management conducted an evaluation of the effectiveness of the Parent Company’s internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on this evaluation under the framework in *Internal Control — Integrated Framework*, the Parent Company’s management concluded that the Parent Company’s internal control over financial reporting was effective as of December 31, 2019.

The effectiveness of the Parent Company’s internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report that is included herein.

Changes in Internal Control over Financial Reporting

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

Controls and Procedures (Operating Partnership)

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

Management’s Report on Internal Control Over Financial Reporting

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

Under the supervision and with the participation of the Operating Partnership’s management, including its principal executive officer and principal financial officer, the Operating Partnership’s management conducted an evaluation of the effectiveness of the Operating Partnership’s internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on this evaluation under the framework in *Internal Control — Integrated Framework*, the Operating Partnership’s management concluded that the Operating Partnership’s internal control over financial reporting was effective as of December 31, 2019.

The effectiveness of the Operating Partnership’s internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report that is included herein.

Changes in Internal Control over Financial Reporting.

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

materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Incorporated herein by reference to the Company's definitive proxy statement to be filed with respect to its 2020 Annual Meeting of Shareholders.

Item 11. Executive Compensation

Incorporated herein by reference to the Company's definitive proxy statement to be filed with respect to its 2020 Annual Meeting of Shareholders.

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

Incorporated herein by reference to the Company's definitive proxy statement to be filed with respect to its 2020 Annual Meeting of Shareholders.

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

Incorporated herein by reference to the Company's definitive proxy statement to be filed with respect to its 2020 Annual Meeting of Shareholders.

Item 14. Principal Accountant Fees and Services

Incorporated herein by reference to the Company's definitive proxy statement to be filed with respect to its 2020 Annual Meeting of Shareholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

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

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

Index to Financial Statements and Schedules

	Page
Report of Independent Registered Public Accounting Firm (Brandywine Realty Trust)	F-1
Report of Independent Registered Public Accounting Firm (Brandywine Operating Partnership, L.P.)	F-4
Financial Statements of Brandywine Realty Trust	
Consolidated Balance Sheets as of December 31, 2019 and 2018	F-7
Consolidated Statements of Operations for the Years Ended December 31, 2019, 2018 and 2017	F-8
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2019, 2018 and 2017	F-9
Consolidated Statements of Beneficiaries' Equity for the Years Ended December 31, 2019, 2018 and 2017	F-10
Consolidated Statements of Cash Flows for the Years Ended December 31, 2019, 2018 and 2017	F-11
Financial Statements of Brandywine Operating Partnership, L.P.	
Consolidated Balance Sheets as of December 31, 2019 and 2018	F-13
Consolidated Statements of Operations for the Years Ended December 31, 2019, 2018 and 2017	F-14
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2019, 2018 and 2017	F-15
Consolidated Statements of Partners' Equity for the Years Ended December 31, 2019, 2018 and 2017	F-16
Consolidated Statements of Cash Flows for the Years Ended December 31, 2019, 2018 and 2017	F-17
Notes to Consolidated Financial Statements (Brandywine Realty Trust and Brandywine Operating Partnership, L.P.)	F-19
Schedule II — Valuation and Qualifying Accounts (Brandywine Realty Trust and Brandywine Operating Partnership, L.P.) for the years ended December 31, 2019, 2018 and 2017	F-69
Schedule III — Real Estate and Accumulated Depreciation (Brandywine Realty Trust and Brandywine Operating Partnership, L.P.) at December 31, 2019 with reconciliations for the years ended December 31, 2019, 2018 and 2017	F-70

(c) Exhibits

Exhibits Nos.	Description
3.1.1	<u>Articles of Amendment and Restatement of Declaration of Trust of Brandywine Realty Trust (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on May 29, 2018 and incorporated herein by reference)</u>
3.1.2	<u>Articles Supplementary relating to opt-out of Maryland Unsolicited Takeover Act, filed with the State Department of Assessments and Taxation of Maryland on March 2, 2018 (previously filed as an Exhibit to Brandywine Realty Trust's Form 8-K filed on March 6, 2018 and incorporated herein by reference)</u>
3.1.3	<u>Preferred Share Reclassification Articles Supplementary filed with the State Department of Assessments and Taxation of Maryland on March 2, 2018 (previously filed as an Exhibit to Brandywine Realty Trust's Form 8-K filed on March 6, 2018 and incorporated herein by reference)</u>
3.2.1	<u>Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (the "Operating Partnership") (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated December 17, 1997 and incorporated herein by reference)</u>
3.2.2	<u>First Amendment to Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated December 17, 1997 and incorporated herein by reference)</u>
3.2.3	<u>Second Amendment to the Amended and Restated Agreement of Limited Partnership Agreement of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated April 13, 1998 and incorporated herein by reference)</u>
3.2.4	<u>Third Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated May 14, 1998 and incorporated herein by reference)</u>
3.2.5	<u>Fourth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 13, 1998 and incorporated herein by reference)</u>
3.2.6	<u>Fifth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 13, 1998 and incorporated herein by reference)</u>
3.2.7	<u>Sixth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 13, 1998 and incorporated herein by reference)</u>
3.2.8	<u>Seventh Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)</u>
3.2.9	<u>Eighth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)</u>
3.2.10	<u>Ninth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)</u>
3.2.11	<u>Tenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)</u>
3.2.12	<u>Eleventh Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)</u>
3.2.13	<u>Twelfth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference)</u>
3.2.14	<u>Thirteenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated September 21, 2004 and incorporated herein by reference)</u>
3.2.15	<u>Fourteenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated January 10, 2006 and incorporated herein by reference)</u>
3.2.16	<u>Fifteenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. (previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated August 18, 2006 and incorporated herein by reference)</u>

- 3.2.17 [Sixteenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated August 9, 2010 and incorporated herein by reference\)](#)
- 3.2.18 [Seventeenth Amendment to the Amended and Restated Agreement of Limited Partnership of Brandywine Operating Partnership, L.P. \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated April 11, 2012 and incorporated herein by reference\)](#)
- 3.2.19 [List of partners of Brandywine Operating Partnership, L.P. \(filed herewith\)](#)
- 3.3 [Bylaws of Brandywine Realty Trust \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated May 29, 2018 and incorporated herein by reference\)](#)
- 4.1.1 [Indenture dated October 22, 2004 by and among Brandywine Operating Partnership, L.P., Brandywine Realty Trust, certain subsidiaries of Brandywine Operating Partnership, L.P. named therein and The Bank of New York Mellon, as Trustee \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on October 22, 2004 and incorporated herein by reference\)](#)
- 4.1.2 [First Supplemental Indenture dated as of May 25, 2005 by and among Brandywine Operating Partnership, L.P., Brandywine Realty Trust, certain subsidiaries of Brandywine Operating Partnership, L.P. named therein and The Bank of New York Mellon, as Trustee \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on May 26, 2005 and incorporated herein by reference\)](#)
- 4.1.3 [Second Supplemental Indenture dated as of October 4, 2006 by and among Brandywine Operating Partnership, L.P., Brandywine Realty Trust and The Bank of New York Mellon, as Trustee \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated October 4, 2006 and incorporated herein by reference\)](#)
- 4.1.4 [Third Supplemental Indenture dated as of April 5, 2011 by and among Brandywine Operating Partnership, L.P., Brandywine Realty Trust and The Bank of New York Mellon, as Trustee \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on April 5, 2011 and incorporated herein by reference\)](#)
- 4.1.5 [Form of 4.100% Guaranteed Notes due 2024 \(previously filed as an exhibit to Brandywine Realty Trust's Current Report on Form 8-K dated October 10, 2019 and incorporated herein by reference\)](#)
- 4.2.1 [Form of 3.95% Guaranteed Notes due 2023 \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on December 18, 2012 and incorporated herein by reference\)](#)
- 4.2.2 [Form of 4.550% Guaranteed Notes due 2029 \(previously filed as an exhibit to Brandywine Realty Trust's Current Report on Form 8-K dated October 10, 2019 and incorporated herein by reference\)](#)
- 4.3 [Form of 4.10% Guaranteed Notes due 2024 \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on September 17, 2014 and incorporated herein by reference\)](#)
- 4.4 [Form of 4.55% Guaranteed Notes due 2029 previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on September 17, 2014 and incorporated herein by reference\)](#)
- 4.5 [Form of 3.95% Guaranteed Notes due 2023 previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on November 17, 2017 and incorporated herein by reference\)](#)
- 4.6 [Form of 3.95% Guaranteed Notes due 2027 previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on November 17, 2017 and incorporated herein by reference\)](#)
- 4.7 [Description of Brandywine Realty Trust's Securities \(filed herewith\)](#)
- 10.1 [Amended and Restated Revolving Credit Agreement dated as of July 17, 2018 \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on July 20, 2018 and incorporated herein by reference\)](#)
- 10.2 [Amended and Restated Term Loan C Agreement dated as of December 13, 2018 \(previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2018 and incorporated herein by reference\)](#)
- 10.3 [Letter dated August 10, 2015 to Cohen & Steers Capital Management, Inc. relating to the waiver of share ownership limit, including Representations, Warranties and Agreements of Cohen & Steers Capital Management, Inc. \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on August 13, 2015 and incorporated herein by reference\)](#)
- 10.4 [Letter to RREEF America LLC relating to waiver of share ownership limit \(previously filed as an exhibit to Brandywine Realty Trust's Form 10-K for the fiscal year ended December 31, 2009 and incorporated herein by reference\)](#)
- 10.5 [Amended and Restated Employment Agreement dated as of February 9, 2007 of Gerard H. Sweeney** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated February 14, 2007 and incorporated herein by reference\)](#)

- 10.6 [Letter Agreement dated March 1, 2012 modifying Amended and Restated Employment Agreement of Gerard H. Sweeney** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated March 7, 2012 and incorporated herein by reference\)](#)
- 10.7 [Amended and Restated 1997 Long-Term Incentive Plan \(as amended effective May 18, 2017\)** \(previously filed as Appendix A to Brandywine Realty Trust's definitive Proxy Statement on Schedule 14A filed on April 4, 2017 and incorporated herein by reference\)](#)
- 10.8 [Amendment No. 1 to Amended and Restated 1997 Long-Term Incentive Plan** \(previously filed as an exhibit to Brandywine Realty Trust's Form 10-Q for the quarter ended March 31, 2018 and incorporated herein by reference\)](#)
- 10.9 [Amended and Restated Executive Deferred Compensation Plan dated January 1, 2013** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K dated December 11, 2012 and incorporated herein by reference\)](#)
- 10.10 [2007 Non-Qualified Employee Share Purchase Plan** \(previously filed as an exhibit to Brandywine Realty Trust's Form 10-Q for the quarter ended March 31, 2007 and incorporated herein by reference\)](#)
- 10.11 [Schedule of Non-Employee Trustee Compensation** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 6, 2018 and incorporated herein by reference\)](#)
- 10.12 [Form of Amended and Restated Change of Control Agreement with Executive Officers** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on February 4, 2010 and incorporated herein by reference\)](#)
- 10.13 [Forms of Incentive Stock Option Agreement \(March 2010\) for Executive Officers** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 8, 2010 and incorporated herein by reference\)](#)
- 10.14 [Forms of Non-Qualified Share Option Agreement \(March 2010\) for Executive Officers** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 8, 2010 and incorporated herein by reference\)](#)
- 10.15 [Forms of Incentive Share Option Agreement \(March 2011\) for Executive Officers** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 8, 2011 and incorporated herein by reference\)](#)
- 10.16 [Forms of Non-Qualified Share Option Agreement \(March 2011\) for Executive Officers** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 8, 2011 and incorporated herein by reference\)](#)
- 10.17 [Letter Agreement dated May 24, 2011 modifying options of President and Chief Executive Officer** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on May 24, 2011 and incorporated herein by reference\)](#)
- 10.18 [Form of Incentive Compensation Clawback Agreement** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on February 26, 2015 and incorporated herein by reference\)](#)
- 10.19 [Form of Performance Unit Award Agreement** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 7, 2017 and incorporated herein by reference\)](#)
- 10.20 [2017-2019 Performance Share Unit Program** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 7, 2017 and incorporated herein by reference\)](#)
- 10.21 [Form of Restricted Share Award \(President and CEO\)** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 7, 2017 and incorporated herein by reference\)](#)
- 10.22 [Form of Restricted Share Award \(Other Executives\)** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 7, 2017 and incorporated herein by reference\)](#)
- 10.23 [Form of Performance Unit Award Agreement** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 6, 2018 and incorporated herein by reference\)](#)
- 10.24 [2018-2020 Performance Share Unit Program** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 6, 2018 and incorporated herein by reference\)](#)
- 10.25 [Form of Three-Year Restricted Common Share Rights Award.** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 6, 2018 and incorporated herein by reference\)](#)
- 10.26 [Schedule of Non-Employee Trustee Compensation** \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on March 6, 2018 and incorporated herein by reference\)](#)
- 14.1 [Code of Business Conduct and Ethics, as amended on December 6, 2016 \(previously filed as an exhibit to Brandywine Realty Trust's Form 8-K filed on December 9, 2016 and incorporated herein by reference\)](#)
- 21 [List of subsidiaries \(filed herewith\)](#)

- 23.1 [Consent of PricewaterhouseCoopers LLP relating to financial statements of Brandywine Realty Trust \(filed herewith\)](#)
- 23.2 [Consent of PricewaterhouseCoopers LLP relating to financial statements of Brandywine Operating Partnership, L.P. \(filed herewith\)](#)
- 31.1 [Certification of the Chief Executive Officer of Brandywine Realty Trust pursuant to 13a-14\(a\) and 15d-14\(a\) under the Securities Exchange Act of 1934 \(filed herewith\)](#)
- 31.2 [Certification of the Chief Financial Officer of Brandywine Realty Trust pursuant to 13a-14\(a\) and 15d-14\(a\) under the Securities Exchange Act of 1934 \(filed herewith\)](#)
- 31.3 [Certification of the Chief Executive Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., pursuant to 13a-14\(a\) and 15d-14\(a\) under the Securities Exchange Act of 1934 \(filed herewith\)](#)
- 31.4 [Certification of the Chief Financial Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., pursuant to 13a-14\(a\) and 15d-14\(a\) under the Securities Exchange Act of 1934 \(filed herewith\)](#)
- 32.1 [Certification of the Chief Executive Officer of Brandywine Realty Trust pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(filed herewith\)](#)
- 32.2 [Certification of the Chief Financial Officer of Brandywine Realty Trust pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(filed herewith\)](#)
- 32.3 [Certification of the Chief Executive Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(filed herewith\)](#)
- 32.4 [Certification of the Chief Financial Officer of Brandywine Realty Trust, in its capacity as the general partner of Brandywine Operating Partnership, L.P., pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(filed herewith\)](#)
- 99.1 [Material Federal Income Tax Considerations \(filed herewith\)](#)
- 101.1 The following materials from the Annual Reports on Form 10-K of Brandywine Realty Trust and Brandywine Operating Partnership, L.P. for the year ended December 31, 2019 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.
- 104 Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

** Management contract or compensatory plan or arrangement

(d) Financial Statement Schedule: See Item 15 (a) and (b) above

Item 16. Form 10-K Summary.

None.

SIGNATURES

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

BRANDYWINE REALTY TRUST

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

Date: March 2, 2020

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

Signature	Title	Date
<u>/s/ Michael J. Joyce</u> Michael J. Joyce	Chairman of the Board and Trustee	March 2, 2020
<u>/s/ Gerard H. Sweeney</u> Gerard H. Sweeney	President, Chief Executive Officer and Trustee (Principal Executive Officer)	March 2, 2020
<u>/s/ Thomas E. Wirth</u> Thomas E. Wirth	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 2, 2020
<u>/s/ Daniel Palazzo</u> Daniel Palazzo	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 2, 2020
<u>/s/ Wyche Fowler</u> Wyche Fowler	Trustee	March 2, 2020
<u>/s/ James C. Diggs</u> James C. Diggs	Trustee	March 2, 2020
<u>/s/ Anthony A. Nichols, Sr.</u> Anthony A. Nichols, Sr.	Trustee	March 2, 2020
<u>/s/ Charles P. Pizzi</u> Charles P. Pizzi	Trustee	March 2, 2020
<u>/s/ Terri A. Herubin</u> Terri A. Herubin	Trustee	March 2, 2020
<u>/s/ H. Richard Haverstick, Jr.</u> H. Richard Haverstick, Jr.	Trustee	March 2, 2020

SIGNATURES

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.

By: Brandywine Realty Trust, its General Partner

By: /s/ Gerard H. Sweeney

Gerard H. Sweeney

President and Chief Executive Officer

Date: March 2, 2020

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

Signature	Title	Date
<u>/s/ Michael J. Joyce</u> Michael J. Joyce	Chairman of the Board and Trustee	March 2, 2020
<u>/s/ Gerard H. Sweeney</u> Gerard H. Sweeney	President, Chief Executive Officer and Trustee (Principal Executive Officer)	March 2, 2020
<u>/s/ Thomas E. Wirth</u> Thomas E. Wirth	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 2, 2020
<u>/s/ Daniel Palazzo</u> Daniel Palazzo	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 2, 2020
<u>/s/ Wyche Fowler</u> Wyche Fowler	Trustee	March 2, 2020
<u>/s/ James Diggs</u> James Diggs	Trustee	March 2, 2020
<u>/s/ Anthony A. Nichols, Sr.</u> Anthony A. Nichols, Sr.	Trustee	March 2, 2020
<u>/s/ Charles P. Pizzi</u> Charles P. Pizzi	Trustee	March 2, 2020
<u>/s/ Terri A. Herubin</u> Terri A. Herubin	Trustee	March 2, 2020
<u>/s/ H. Richard Haverstick, Jr.</u> H. Richard Haverstick, Jr.	Trustee	March 2, 2020

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Brandywine Realty Trust

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Brandywine Realty Trust and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of operations, of comprehensive income, of beneficiaries' equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes and financial statement schedules listed in the index appearing under Item 15(a) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment Assessments of Real Estate Investments and Investments in Unconsolidated Real Estate Ventures

As described in Notes 2, 3 and 4 to the consolidated financial statements, the Company's gross carrying value of operating real estate investments was \$4,006 million and its investments in unconsolidated real estate ventures was \$120 million as of December 31, 2019. During 2019, the Company did not recognize an impairment related to real estate investments or an other than temporary impairment related to investments in unconsolidated real estate ventures. Management reviews its real estate investments for impairment following the end of each quarter for each of its real estate investments where events or changes in circumstances indicate that the carrying amounts may not be recoverable. For real estate investments, management analyzes recoverability based on the estimated undiscounted future cash flows expected to be generated from the operations and eventual disposition of the assets. Estimated future cash flows used in such analysis are based on management's plans for the real estate investment and its views of market economic conditions. The estimates consider assumptions, including but not limited to, market rental rates, capitalization rates, and recent sales data for comparable real estate investments. At least quarterly, management assesses whether there are any other than temporary impairment indicators of the Company's investments in unconsolidated real estate ventures. An investment is other than temporarily impaired only if the fair value of the investment in an unconsolidated real estate venture, as estimated by management, is less than the carrying value and the decline is other than temporary.

The principal considerations for our determination that performing procedures relating to the impairment assessments of real estate investments and investments in unconsolidated real estate ventures is a critical audit matter are there was significant judgment by management when evaluating the real estate investments and investments in unconsolidated real estate ventures for potential impairment. This in turn led to a high degree of auditor judgment and subjectivity in applying procedures and evaluating audit evidence related to (i) the estimated undiscounted future cash flows expected to be generated by the real estate investments and (ii) the identification of any indicators that the value of the Company's investments in unconsolidated real estate ventures may be other than temporarily impaired. In addition, there was significant audit effort in evaluating (i) the significant assumptions relating to the estimated undiscounted future cash flows expected to be generated by the real estate investments, including market rental rates, capitalization rates, and recent sales data for comparable real estate investments, and (ii) any indicators that the value of the Company's investments in unconsolidated real estate ventures may be other than temporarily impaired.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the impairment assessments of real estate investments and investments in unconsolidated real estate ventures, including controls over management's identification of events or changes in circumstances that may indicate an impairment of real estate investments or indicate that the value of the Company's investments in unconsolidated real estate ventures may be other than temporarily impaired. These procedures also included, among others, testing management's process for (i) developing the estimated undiscounted future cash flows expected to be generated by the real estate investments, including the evaluation of the reasonableness of significant assumptions, the appropriateness of methods, the reasonableness of the model outputs and testing the completeness and accuracy of data provided by management, and (ii) identifying any indicators that the value of the Company's investments in unconsolidated real estate ventures may be other than temporarily impaired. Evaluating the reasonableness of significant assumptions relating to the estimated undiscounted future cash flows expected to be generated by the real estate investments, including market rental rates, capitalization rates, and recent sales data for comparable real estate investments, involved considering past performance of the asset and whether the assumptions were consistent with evidence obtained in other areas of the audit. Evaluating management's assessment of indications of other than temporary impairment in investments in unconsolidated real estate ventures involved considering whether any market economic conditions, past performance of the asset, or evidence obtained in other areas of the audit may be indicative of other than temporary impairment.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 2, 2020

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

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Brandywine Operating Partnership, L.P. and its subsidiaries (the “Partnership”) as of December 31, 2019 and 2018, and the related consolidated statements of operations, of comprehensive income, of partners' equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes and financial statement schedules listed in the index appearing under Item 15(b) (collectively referred to as the “consolidated financial statements”). We also have audited the Partnership's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment Assessments of Real Estate Investments and Investments in Unconsolidated Real Estate Ventures

As described in Notes 2, 3 and 4 to the consolidated financial statements, the Partnership's gross carrying value of operating real estate investments was \$4,006 million and its investments in unconsolidated real estate ventures was \$120 million as of December 31, 2019. During 2019, the Partnership did not recognize an impairment related to real estate investments or an other than temporary impairment related to investments in unconsolidated real estate ventures. Management reviews its real estate investments for impairment following the end of each quarter for each of its real estate investments where events or changes in circumstances indicate that the carrying amounts may not be recoverable. For real estate investments, management analyzes recoverability based on the estimated undiscounted future cash flows expected to be generated from the operations and eventual disposition of the assets. Estimated future cash flows used in such analysis are based on management's plans for the real estate investment and its views of market economic conditions. The estimates consider assumptions, including but not limited to, market rental rates, capitalization rates, and recent sales data for comparable real estate investments. At least quarterly, management assesses whether there are any other than temporary impairment indicators of the Partnership's investments in unconsolidated real estate ventures. An investment is other than temporarily impaired only if the fair value of the investment in an unconsolidated real estate venture, as estimated by management, is less than the carrying value and the decline is other than temporary.

The principal considerations for our determination that performing procedures relating to the impairment assessments of real estate investments and investments in unconsolidated real estate ventures is a critical audit matter are there was significant judgment by management when evaluating the real estate investments and investments in unconsolidated real estate ventures for potential impairment. This in turn led to a high degree of auditor judgment and subjectivity in applying procedures and evaluating audit evidence related to (i) the estimated undiscounted future cash flows expected to be generated by the real estate investments and (ii) the identification of any indicators that the value of the Partnership's investments in unconsolidated real estate ventures may be other than temporarily impaired. In addition, there was significant audit effort in evaluating (i) the significant assumptions relating to the estimated undiscounted future cash flows expected to be generated by the real estate investments, including market rental rates, capitalization rates, and recent sales data for comparable real estate investments, and (ii) any indicators that the value of the Partnership's investments in unconsolidated real estate ventures may be other than temporarily impaired.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the impairment assessments of real estate investments and investments in unconsolidated real estate ventures, including controls over management's identification of events or changes in circumstances that may indicate an impairment of real estate investments or indicate that the value of the Partnership's investments in unconsolidated real estate ventures may be other than temporarily impaired. These procedures also included, among others, testing management's process for (i) developing the estimated undiscounted future cash flows expected to be generated by the real estate investments, including the evaluation of the reasonableness of significant assumptions, the appropriateness of methods, the reasonableness of the model outputs and testing the completeness and accuracy of data provided by management, and (ii) identifying any indicators that the value of the Partnership's investments in unconsolidated real estate ventures may be other than temporarily impaired. Evaluating the reasonableness of significant assumptions relating to the estimated undiscounted future cash flows expected to be generated by the real estate investments, including market rental rates, capitalization rates, and recent sales data for comparable real estate investments, involved considering past performance of the asset and whether the assumptions were consistent with evidence obtained in other areas of the audit. Evaluating management's assessment of indications of other than temporary impairment in investments in unconsolidated real estate ventures involved considering whether any market economic conditions, past performance of the asset, or evidence obtained in other areas of the audit may be indicative of other than temporary impairment.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 2, 2020

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

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

	December 31, 2019	December 31, 2018
ASSETS		
Real estate investments:		
Operating properties	\$ 4,006,459	\$ 3,951,719
Accumulated depreciation	(973,318)	(885,407)
Right of use asset - operating leases, net	21,656	—
Operating real estate investments, net	3,054,797	3,066,312
Construction-in-progress	180,718	150,263
Land held for development	96,124	86,401
Prepaid leasehold interests in land held for development, net	39,592	39,999
Total real estate investments, net	3,371,231	3,342,975
Assets held for sale, net	7,349	11,599
Cash and cash equivalents	90,499	22,842
Accounts receivable, net of allowance of \$284 and \$1,653 as of December 31, 2019 and December 31, 2018, respectively	16,363	16,394
Accrued rent receivable, net of allowance of \$7,691 and \$11,266 as of December 31, 2019 and December 31, 2018, respectively	174,144	165,243
Investment in Real Estate Ventures, equity method	120,294	169,100
Deferred costs, net	95,560	91,075
Intangible assets, net	84,851	131,348
Other assets	115,678	126,400
Total assets	<u>\$ 4,075,969</u>	<u>\$ 4,076,976</u>
LIABILITIES AND BENEFICIARIES' EQUITY		
Mortgage notes payable, net	\$ 313,812	\$ 320,869
Unsecured credit facility	—	92,500
Unsecured term loan, net	248,561	248,042
Unsecured senior notes, net	1,582,045	1,366,635
Accounts payable and accrued expenses	113,347	125,696
Distributions payable	33,815	33,632
Deferred income, gains and rent	35,284	28,293
Intangible liabilities, net	22,263	31,783
Lease Liability - operating leases	22,554	—
Other liabilities	15,985	18,498
Total liabilities	<u>\$ 2,387,666</u>	<u>\$ 2,265,948</u>
Commitments and contingencies (See Note 19)		
Brandywine Realty Trust's Equity:		
Common Shares of Brandywine Realty Trust's beneficial interest, \$0.01 par value; shares authorized 400,000,000; 176,480,095 and 176,873,324 issued and outstanding as of December 31, 2019 and December 31, 2018, respectively	1,766	1,770
Additional paid-in-capital	3,192,158	3,200,312
Deferred compensation payable in common shares	16,216	14,021
Common shares in grantor trust, 1,105,542 and 977,120 issued and outstanding as of December 31, 2019 and December 31, 2018, respectively	(16,216)	(14,021)
Cumulative earnings	804,556	775,625
Accumulated other comprehensive income	(2,370)	5,029
Cumulative distributions	(2,318,233)	(2,183,909)
Total Brandywine Realty Trust's equity	<u>1,677,877</u>	<u>1,798,827</u>
Noncontrolling interests	10,426	12,201
Total beneficiaries' equity	<u>\$ 1,688,303</u>	<u>\$ 1,811,028</u>
Total liabilities and beneficiaries' equity	<u>\$ 4,075,969</u>	<u>\$ 4,076,976</u>

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

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

	Year Ended December 31,		
	2019	2018	2017
Revenue			
Rents	\$ 554,665	\$ 515,044	\$ 487,323
Third party management fees, labor reimbursement and leasing	19,626	22,557	28,345
Other	6,126	6,744	4,825
Total revenue	<u>580,417</u>	<u>544,345</u>	<u>520,493</u>
Operating expenses			
Property operating expenses	154,361	154,848	150,911
Real estate taxes	62,237	51,341	45,204
Third party management expenses	9,248	11,910	9,960
Depreciation and amortization	210,005	176,000	180,323
General and administrative expenses	32,156	27,802	28,538
Provision for impairment	—	71,707	3,057
Total operating expenses	<u>468,007</u>	<u>493,608</u>	<u>417,993</u>
Gain on sale of real estate			
Net gain on disposition of real estate	356	2,932	32,017
Net gain on sale of undepreciated real estate	2,020	3,040	953
Total gain on sale of real estate	<u>2,376</u>	<u>5,972</u>	<u>32,970</u>
Operating income	<u>114,786</u>	<u>56,709</u>	<u>135,470</u>
Other income (expense):			
Interest income	2,318	4,703	1,113
Interest expense	(81,512)	(78,199)	(81,886)
Interest expense - amortization of deferred financing costs	(2,768)	(2,498)	(2,435)
Equity in loss of Real Estate Ventures	(9,922)	(15,231)	(8,306)
Net gain on real estate venture transactions	11,639	142,233	80,526
Gain on promoted interest in unconsolidated real estate venture	—	28,283	—
Loss on early extinguishment of debt	—	(105)	(3,933)
Net income before income taxes	<u>34,541</u>	<u>135,895</u>	<u>120,549</u>
Income tax (provision) benefit	(12)	(423)	628
Net income	<u>34,529</u>	<u>135,472</u>	<u>121,177</u>
Net income attributable to noncontrolling interests	(262)	(954)	(1,004)
Net income attributable to Brandywine Realty Trust	<u>34,267</u>	<u>134,518</u>	<u>120,173</u>
Distribution to preferred shareholders	—	—	(2,032)
Preferred share redemption charge	—	—	(3,181)
Nonforfeitable dividends allocated to unvested restricted shareholders	(396)	(369)	(327)
Net income attributable to Common Shareholders of Brandywine Realty Trust	<u>\$ 33,871</u>	<u>\$ 134,149</u>	<u>\$ 114,633</u>
Basic income per Common Share	<u>\$ 0.19</u>	<u>\$ 0.75</u>	<u>\$ 0.65</u>
Diluted income per Common Share	<u>\$ 0.19</u>	<u>\$ 0.75</u>	<u>\$ 0.65</u>
Basic weighted average shares outstanding	176,132,941	178,519,748	175,484,350
Diluted weighted average shares outstanding	176,686,813	179,641,492	176,808,166

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

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

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 34,529	\$ 135,472	\$ 121,177
Comprehensive income (loss):			
Unrealized gain (loss) on derivative financial instruments	(8,210)	1,478	2,948
Amortization of interest rate contracts (1)	770	1,191	1,230
Total comprehensive income (loss)	(7,440)	2,669	4,178
Comprehensive income	27,089	138,141	125,355
Comprehensive income attributable to noncontrolling interest	(221)	(993)	(1,036)
Comprehensive income attributable to Brandywine Realty Trust	\$ 26,868	\$ 137,148	\$ 124,319

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

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

BRANDYWINE REALTY TRUST
CONSOLIDATED STATEMENTS OF BENEFICIARIES' EQUITY
For the Years ended December 31, 2019, 2018 and 2017
(in thousands, except number of shares)

	Number of Preferred Shares	Par Value of Preferred Shares	Number of Common Shares	Number of Rabbi Trust/Deferred Compensation Shares	Common Shares of Brandywine Realty Trust's beneficial interest	Additional Paid-in Capital	Deferred Compensation Payable in Common Shares	Common Shares in Grantor Trust	Cumulative Earnings	Accumulated Other Comprehensive Income (Loss)	Cumulative Distributions	Noncontrolling Interests	Total
BALANCE, beginning of period	4,000,000	\$ 40	175,140,760	899,457	\$ 1,752	\$ 3,258,386	\$ 13,684	\$ (13,684)	\$ 520,914	\$ (1,745)	\$ (1,931,892)	\$ 16,933	\$ 1,864,388
Net income									120,173			1,004	121,177
Other comprehensive income										4,144		34	4,178
Issuance of Common Shares of Beneficial Interest			2,858,991		29	51,196							51,225
Redemption of Preferred Shares	(4,000,000)	(40)				(96,810)							(96,850)
Issuance of partnership interest in consolidated real estate venture												85	85
Distributions from consolidated real estate venture												(48)	(48)
Equity issuance costs						(499)							(499)
Bonus share issuance			6,752			110							110
Share-based compensation activity			333,127	39,870	3	6,689			6				6,698
Share Issuance from/(to) Deferred Compensation Plan			(52,971)	(44,591)		(768)	(1,239)	1,239					(768)
Share Choice Plan issuance			(1,423)										—
Reallocation of Noncontrolling Interest						(227)						227	—
Preferred Share distributions											(2,032)		(2,032)
Preferred Share redemption charges											(3,181)		(3,181)
Distributions declared (\$0.66 per share)											(116,636)	(977)	(117,613)
BALANCE, December 31, 2017	—	\$ —	178,285,236	894,736	\$ 1,784	\$ 3,218,077	\$ 12,445	\$ (12,445)	\$ 641,093	\$ 2,399	\$ (2,053,741)	\$ 17,258	\$ 1,826,870
Net income									134,518			954	135,472
Other comprehensive income										2,630		39	2,669
Issuance of Common Shares of Beneficial Interest			23,311			416							416
Repurchase and retirement of Common Shares of Beneficial Interest			(1,729,278)		(17)	(21,841)							(21,858)
Issuance of partnership interest in consolidated real estate ventures												16	16
Distributions from consolidated real estate ventures												(94)	(94)
Redemption of LP Units												(7,043)	(7,043)
Share-based compensation activity			196,151		2	5,829			14				5,845
Share Issuance from/(to) Deferred Compensation Plan			99,189	82,384	1	(112)	1,576	(1,576)					(111)
Share Choice Plan issuance			(1,285)										—
Reallocation of Noncontrolling interest						(2,057)						2,057	—
Distributions declared (\$0.73 per share)											(130,168)	(986)	(131,154)
BALANCE, December 31, 2018	—	\$ —	176,873,324	977,120	\$ 1,770	\$ 3,200,312	\$ 14,021	\$ (14,021)	\$ 775,625	\$ 5,029	\$ (2,183,909)	\$ 12,201	\$ 1,811,028
Cumulative effect of accounting change									(5,336)				(5,336)
Net income									34,267			262	34,529
Other comprehensive loss										(7,399)		(41)	(7,440)
Repurchase and retirement of Common Shares of Beneficial Interest			(1,337,169)		(13)	(17,268)							(17,281)
Issuance of partnership interest in consolidated real estate ventures												27	27
Purchase of partnership interest in consolidated real estate venture						(983)						(1,197)	(2,180)
Redemption of LP Units			1,245			16						(16)	—
Share-based compensation activity			845,210	41,342	9	10,018							10,027
Share Issuance from/(to) Deferred Compensation Plan			97,485	87,080			2,195	(2,195)					—
Reallocation of Noncontrolling interest						63						(63)	—
Distributions declared (\$0.76 per share)											(134,324)	(747)	(135,071)
BALANCE, December 31, 2019	—	\$ —	176,480,095	1,105,542	\$ 1,766	\$ 3,192,158	\$ 16,216	\$ (16,216)	\$ 804,556	\$ (2,370)	\$ (2,318,233)	\$ 10,426	\$ 1,688,303

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

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

	Year Ended December 31,		
	2019	2018	2017
Cash flows from operating activities:			
Net income	\$ 34,529	\$ 135,472	\$ 121,177
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	210,005	176,000	180,323
Amortization of deferred financing costs	2,768	2,498	2,435
Amortization of debt discount/(premium), net	189	702	1,569
Amortization of stock compensation costs	6,876	5,716	4,883
Straight-line rent income	(11,369)	(12,283)	(27,115)
Amortization of acquired above (below) market leases, net	(8,857)	(3,344)	(3,071)
Ground rent expense	1,470	431	164
Provision for doubtful accounts	(1,345)	1,775	2,207
Net gain on real estate venture transactions	(11,639)	(142,233)	(80,526)
Gain on promoted interest in unconsolidated real estate venture	—	(28,283)	—
Net gain on sale of interests in real estate	(2,376)	(5,972)	(32,970)
Loss on early extinguishment of debt	—	105	3,933
Provision for impairment	—	71,707	3,057
Other than temporary impairment	—	4,076	4,844
Income from Real Estate Ventures, net of distributions	10,242	12,871	3,462
Income tax provision (benefit)	12	423	(628)
Changes in assets and liabilities:			
Accounts receivable	(248)	3,524	(6,266)
Other assets	9,368	(14,334)	1,752
Accounts payable and accrued expenses	(5,599)	12,579	4,004
Deferred income, gains and rent	9,319	3,017	(1,482)
Other liabilities	(9,115)	2,902	829
Net cash provided by operating activities	<u>234,230</u>	<u>227,349</u>	<u>182,581</u>
Cash flows from investing activities:			
Acquisition of properties	—	(196,625)	(72,523)
Acquisition of partners interest in consolidated real estate venture	(2,181)	—	—
Proceeds from the sale of properties	41,795	324,090	171,860
Proceeds from real estate venture sales	9,730	60,346	145,416
Issuance of mortgage note receivable	—	(175,172)	—
Proceeds from repayment of mortgage notes receivable	3,341	192	151
Proceeds from repayment of a capital lease	—	181	—
Capital expenditures for tenant improvements	(67,258)	(65,264)	(60,586)
Capital expenditures for redevelopments	(53,846)	(48,231)	(34,679)
Capital expenditures for developments	(77,192)	(99,104)	(66,915)
Advances for the purchase of tenant assets, net of repayments	(1,035)	410	18
Investment in unconsolidated Real Estate Ventures	(253)	(908)	(6,638)
Deposits for real estate	(4,181)	(8,234)	573
Escrowed cash	—	5,694	—
Capital distributions from Real Estate Ventures	35,906	6,526	20,781
Leasing costs paid	(15,485)	(18,407)	(17,657)
Net cash provided by (used in) investing activities	<u>(130,659)</u>	<u>(214,506)</u>	<u>79,801</u>
Cash flows from financing activities:			
Repayments of mortgage notes payable	(7,595)	(122,180)	(4,931)
Proceeds from credit facility borrowings	348,500	455,500	341,000
Repayments of credit facility borrowings	(441,000)	(363,000)	(341,000)
Proceeds from unsecured notes	216,373	—	550,131
Repayments of unsecured notes	—	—	(628,590)
Debt financing costs paid	(1,965)	(3,430)	(4,727)
Redemption of preferred shares	—	—	(100,000)
Proceeds from the exercise of stock options	3,771	—	1,229

Proceeds from the issuance of common shares	—	416	51,225
Shares used for employee taxes upon vesting of share awards	(1,554)	(1,494)	(674)
Partner contributions to consolidated real estate venture	27	16	85
Partner distributions from consolidated real estate venture	—	(94)	(48)
Repurchase and retirement of common shares	(17,282)	(21,841)	—
Redemption of limited partnership units	—	(7,043)	—
Distributions paid to shareholders	(134,140)	(128,859)	(116,311)
Distributions to noncontrolling interest	(747)	(1,065)	(947)
Net cash used in financing activities	(35,612)	(193,074)	(253,558)
Increase/(Decrease) in cash and cash equivalents and restricted cash	67,959	(180,231)	8,824
Cash and cash equivalents and restricted cash at beginning of year	23,211	203,442	194,618
Cash and cash equivalents and restricted cash at end of period	<u>\$ 91,170</u>	<u>\$ 23,211</u>	<u>\$ 203,442</u>

Reconciliation of cash and cash equivalents and restricted cash:				
Cash and cash equivalents, beginning of period	\$	22,842	\$ 202,179	\$ 193,919
Restricted cash, beginning of period		369	1,263	699
Cash and cash equivalents and restricted cash, beginning of period	\$	23,211	\$ 203,442	\$ 194,618
Cash and cash equivalents, end of period	\$	90,499	\$ 22,842	\$ 202,179
Restricted cash, end of period		671	369	1,263
Cash and cash equivalents and restricted cash, end of period	\$	91,170	\$ 23,211	\$ 203,442

Year Ended December 31,

	2019	2018	2017
Supplemental disclosure:			
Cash paid for interest, net of capitalized interest during the years ended December 31, 2019, 2018 and 2017 of \$2,246, \$3,586, and \$3,527, respectively	\$ 66,508	\$ 76,858	\$ 83,139
Cash paid for income taxes	1,385	405	225

Supplemental disclosure of non-cash activity:

Dividends and distributions declared but not paid	33,815	33,632	32,456
Change in construction-in-progress related to non-cash disposition of land	—	27,231	—
Change in deferred income, gains and rent to the non-cash disposition of land	—	(29,780)	—
Change in investment in real estate ventures as a result of dispositions	1,806	14,169	(64,792)
Change in Notes receivable as a result of a noncash acquisition of an operating property	—	130,742	—
Change in real estate ventures as a result of other than temporary impairment	—	(4,076)	(4,844)
Change in operating real estate related to a non-cash acquisition of an operating property	—	(20,653)	—
Change in intangible assets, net related to non-cash acquisition of an operating property	—	(3,144)	—
Change in acquired lease intangibles, net related to non-cash acquisition of an operating property	—	182	—
Change in investments in joint venture related to non-cash acquisition of property	—	(16,832)	—
Change in mortgage notes payable related to acquisition of an operating property	—	9,940	—
Change in capital expenditures financed through accounts payable at period end	(10,618)	8,784	(6,593)
Change in capital expenditures financed through retention payable at period end	(946)	(2,912)	(159)

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

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

	December 31, 2019	December 31, 2018
ASSETS		
Real estate investments:		
Operating properties	\$ 4,006,459	\$ 3,951,719
Accumulated depreciation	(973,318)	(885,407)
Right of use asset - operating leases, net	21,656	—
Operating real estate investments, net	3,054,797	3,066,312
Construction-in-progress	180,718	150,263
Land held for development	96,124	86,401
Prepaid leasehold interests in land held for development, net	39,592	39,999
Total real estate investments, net	3,371,231	3,342,975
Assets held for sale, net	7,349	11,599
Cash and cash equivalents	90,499	22,842
Accounts receivable, net of allowance of \$284 and \$1,653 as of December 31, 2019 and December 31, 2018, respectively	16,363	16,394
Accrued rent receivable, net of allowance of \$7,691 and \$11,266 as of December 31, 2019 and December 31, 2018, respectively	174,144	165,243
Investment in Real Estate Ventures, equity method	120,294	169,100
Deferred costs, net	95,560	91,075
Intangible assets, net	84,851	131,348
Other assets	115,678	126,400
Total assets	<u>\$ 4,075,969</u>	<u>\$ 4,076,976</u>
LIABILITIES AND PARTNERS' EQUITY		
Mortgage notes payable, net	\$ 313,812	\$ 320,869
Unsecured credit facility	—	92,500
Unsecured term loan, net	248,561	248,042
Unsecured senior notes, net	1,582,045	1,366,635
Accounts payable and accrued expenses	113,347	125,696
Distributions payable	33,815	33,632
Deferred income, gains and rent	35,284	28,293
Intangible liabilities, net	22,263	31,783
Lease liability - operating leases	22,554	—
Other liabilities	15,985	18,498
Total liabilities	<u>\$ 2,387,666</u>	<u>\$ 2,265,948</u>
Commitments and contingencies (See Note 19)		
Redeemable limited partnership units at redemption value; 981,634 and 982,871 issued and outstanding as of December 31, 2019 and December 31, 2018, respectively	15,388	12,520
Brandywine Operating Partnership, L.P.'s equity:		
General Partnership Capital; 176,480,095 and 176,873,324 units issued and outstanding as of December 31, 2019 and December 31, 2018, respectively	1,674,539	1,791,591
Accumulated other comprehensive income	(2,715)	4,725
Total Brandywine Operating Partnership, L.P.'s equity	<u>1,671,824</u>	<u>1,796,316</u>
Noncontrolling interest - consolidated real estate ventures	1,091	2,192
Total partners' equity	<u>\$ 1,672,915</u>	<u>\$ 1,798,508</u>
Total liabilities and partners' equity	<u>\$ 4,075,969</u>	<u>\$ 4,076,976</u>

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

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

	Year Ended December 31,		
	2019	2018	2017
Revenue			
Rents	\$ 554,665	\$ 515,044	\$ 487,323
Third party management fees, labor reimbursement and leasing	19,626	22,557	28,345
Other	6,126	6,744	4,825
Total revenue	580,417	544,345	520,493
Operating expenses			
Property operating expenses	154,361	154,848	150,911
Real estate taxes	62,237	51,341	45,204
Third party management expenses	9,248	11,910	9,960
Depreciation and amortization	210,005	176,000	180,323
General and administrative expenses	32,156	27,802	28,538
Provision for impairment	—	71,707	3,057
Total operating expenses	468,007	493,608	417,993
Gain on sale of real estate			
Net gain on disposition of real estate	356	2,932	32,017
Net gain on sale of undepreciated real estate	2,020	3,040	953
Total gain on sale of real estate	2,376	5,972	32,970
Operating income	114,786	56,709	135,470
Other income (expense):			
Interest income	2,318	4,703	1,113
Interest expense	(81,512)	(78,199)	(81,886)
Interest expense - amortization of deferred financing costs	(2,768)	(2,498)	(2,435)
Equity in loss of Real Estate Ventures	(9,922)	(15,231)	(8,306)
Net gain on real estate venture transactions	11,639	142,233	80,526
Gain on promoted interest in unconsolidated real estate venture	—	28,283	—
Loss on early extinguishment of debt	—	(105)	(3,933)
Net income before income taxes	34,541	135,895	120,549
Income tax (provision) benefit	(12)	(423)	628
Net income	34,529	135,472	121,177
Net income attributable to noncontrolling interests - consolidated real estate ventures	(69)	(55)	(29)
Net income attributable to Brandywine Operating Partnership	34,460	135,417	121,148
Distribution to preferred unitholders	—	—	(2,032)
Preferred unit redemption charge	—	—	(3,181)
Nonforfeitable dividends allocated to unvested restricted unitholders	(396)	(369)	(327)
Net income attributable to Common Partnership Unitholders of Brandywine Operating Partnership, L.P.	\$ 34,064	\$ 135,048	\$ 115,608
Basic income per Common Partnership Unit	\$ 0.19	\$ 0.75	\$ 0.65
Diluted income per Common Partnership Unit	\$ 0.19	\$ 0.75	\$ 0.65
Basic weighted average common partnership units outstanding	177,114,932	179,959,370	176,964,149
Diluted weighted average common partnership units outstanding	177,668,804	181,081,114	178,287,965

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

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

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 34,529	\$ 135,472	\$ 121,177
Comprehensive income (loss):			
Unrealized gain (loss) on derivative financial instruments	(8,210)	1,478	2,948
Amortization of interest rate contracts (1)	770	1,191	1,230
Total comprehensive income (loss)	(7,440)	2,669	4,178
Comprehensive income	27,089	138,141	125,355
Comprehensive income attributable to noncontrolling interest - consolidated real estate ventures	(69)	(55)	(29)
Comprehensive income attributable to Brandywine Operating Partnership	\$ 27,020	\$ 138,086	\$ 125,326

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

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

BRANDYWINE OPERATING PARTNERSHIP, L.P.
CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY
For the Years ended December 31, 2019, 2018 and 2017
(in thousands, except Units)

	Series E-Linked Preferred Mirror Units		General Partner Capital		Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest - Consolidated Real Estate Ventures	Total Partners' Equity
	Units	Amount	Units	Amount			
BALANCE, beginning of period	4,000,000	\$ 96,850	175,140,760	\$ 1,743,715	\$ (2,122)	\$ 2,150	\$ 1,840,593
Net income				121,148		29	121,177
Other comprehensive income					4,178		4,178
Redemption of Preferred Mirror Units	(4,000,000)	(96,850)					(96,850)
Deferred compensation obligation			(52,971)	(768)			(768)
Issuance of LP Units			2,858,991	50,726			50,726
Issuance of partnership interest in consolidated real estate venture						85	85
Distributions from consolidated real estate venture						(48)	(48)
Share Choice Plan issuance			(1,423)				—
Bonus share issuance			6,752	110			110
Share-based compensation activity			333,127	6,697			6,697
Adjustment of redeemable partnership units to liquidation value at period end				(4,095)		(1)	(4,096)
Distributions to Preferred Mirror Units				(2,032)			(2,032)
Preferred Mirror Units redemption charge				(3,181)			(3,181)
Distributions declared to general partnership unitholders (\$0.66 per unit)				(116,636)			(116,636)
BALANCE, December 31, 2017	—	\$ —	178,285,236	\$ 1,795,684	\$ 2,056	\$ 2,215	\$ 1,799,955
Net income				135,417		55	135,472
Other comprehensive income					2,669		2,669
Deferred compensation obligation			99,189	(111)			(111)
Issuance of LP Units			23,311	416			416
Repurchase and retirement of LP units			(1,729,278)	(21,858)			(21,858)
Issuance of partnership interest in consolidated real estate venture						16	16
Distributions from consolidated real estate venture						(94)	(94)
Share Choice Plan issuance			(1,285)				—
Redemption value of limited partnership units				6,363			6,363
Share-based compensation activity			196,151	5,848			5,848
Distributions declared to general partnership unitholders (\$0.73 per unit)				(130,168)			(130,168)
BALANCE, December 31, 2018	—	\$ —	176,873,324	\$ 1,791,591	\$ 4,725	\$ 2,192	\$ 1,798,508
Cumulative effect of accounting change				(5,336)			(5,336)
Net income				34,460		69	34,529
Other comprehensive loss					(7,440)		(7,440)
Deferred compensation obligation			97,485				—
Conversion of LP Units to common shares			1,245	16			16
Repurchase and retirement of LP units			(1,337,169)	(17,297)			(17,297)
Issuance of partnership interest in consolidated real estate ventures						27	27
Share-based compensation activity			845,210	10,027			10,027
Purchase of partnership interest in consolidated real estate venture				(983)		(1,197)	(2,180)
Adjustment of redeemable partnership units to liquidation value at period end				(3,615)			(3,615)
Distributions declared to general partnership unitholders (\$0.76 per unit)				(134,324)			(134,324)
BALANCE, December 31, 2019	—	\$ —	176,480,095	\$ 1,674,539	\$ (2,715)	\$ 1,091	\$ 1,672,915

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

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

	Year Ended December 31,		
	2019	2018	2017
Cash flows from operating activities:			
Net income	\$ 34,529	\$ 135,472	\$ 121,177
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	210,005	176,000	180,323
Amortization of deferred financing costs	2,768	2,498	2,435
Amortization of debt discount/(premium), net	189	702	1,569
Amortization of stock compensation costs	6,876	5,716	4,883
Straight-line rent income	(11,369)	(12,283)	(27,115)
Amortization of acquired above (below) market leases, net	(8,857)	(3,344)	(3,071)
Ground rent expense	1,470	431	164
Provision for doubtful accounts	(1,345)	1,775	2,207
Net gain on real estate venture transactions	(11,639)	(142,233)	(80,526)
Gain on promoted interest in unconsolidated real estate venture	—	(28,283)	—
Net gain on sale of interests in real estate	(2,376)	(5,972)	(32,970)
Loss on early extinguishment of debt	—	105	3,933
Provision for impairment	—	71,707	3,057
Other than temporary impairment	—	4,076	4,844
Income from Real Estate Ventures, net of distributions	10,242	12,871	3,462
Income tax provision (benefit)	12	423	(628)
Changes in assets and liabilities:			
Accounts receivable	(248)	3,524	(6,266)
Other assets	9,368	(14,334)	1,752
Accounts payable and accrued expenses	(5,599)	12,579	4,004
Deferred income, gains and rent	9,319	3,017	(1,482)
Other liabilities	(9,115)	2,902	829
Net cash provided by operating activities	<u>234,230</u>	<u>227,349</u>	<u>182,581</u>
Cash flows from investing activities:			
Acquisition of properties	—	(196,625)	(72,523)
Acquisition of partners interest in consolidated real estate venture	(2,181)	—	—
Proceeds from the sale of properties	41,795	324,090	171,860
Proceeds from real estate venture sales	9,730	60,346	145,416
Issuance of mortgage note receivable	—	(175,172)	—
Proceeds from repayment of mortgage notes receivable	3,341	192	151
Proceeds from repayment of a capital lease	—	181	—
Capital expenditures for tenant improvements	(67,258)	(65,264)	(60,586)
Capital expenditures for redevelopments	(53,846)	(48,231)	(34,679)
Capital expenditures for developments	(77,192)	(99,104)	(66,915)
Advances for the purchase of tenant assets, net of repayments	(1,035)	410	18
Investment in unconsolidated Real Estate Ventures	(253)	(908)	(6,638)
Deposits for real estate	(4,181)	(8,234)	573
Escrowed cash	—	5,694	—
Capital distributions from Real Estate Ventures	35,906	6,526	20,781
Leasing costs paid	(15,485)	(18,407)	(17,657)
Net cash provided by (used in) investing activities	<u>(130,659)</u>	<u>(214,506)</u>	<u>79,801</u>
Cash flows from financing activities:			
Repayments of mortgage notes payable	(7,595)	(122,180)	(4,931)
Proceeds from credit facility borrowings	348,500	455,500	341,000
Repayments of credit facility borrowings	(441,000)	(363,000)	(341,000)
Proceeds from unsecured notes	216,373	—	550,131
Repayments of unsecured notes	—	—	(628,590)
Debt financing costs paid	(1,965)	(3,430)	(4,727)
Redemption of preferred shares	—	—	(100,000)
Proceeds from the exercise of stock options	3,771	—	1,229
Proceeds from the issuance of common units	—	416	51,225

Shares used for employee taxes upon vesting of share awards	(1,554)	(1,494)	(674)
Partner contributions to consolidated real estate venture	27	16	85
Partner distributions from consolidated real estate venture	—	(94)	(48)
Repurchase and retirement of common shares	(17,282)	(21,841)	—
Redemption of limited partnership units	—	(7,043)	—
Distributions paid to preferred and common partnership units	(134,887)	(129,924)	(117,258)
Net cash used in financing activities	<u>(35,612)</u>	<u>(193,074)</u>	<u>(253,558)</u>
Increase/(Decrease) in cash and cash equivalents and restricted cash	67,959	(180,231)	8,824
Cash and cash equivalents and restricted cash at beginning of year	23,211	203,442	194,618
Cash and cash equivalents and restricted cash at end of period	<u>\$ 91,170</u>	<u>\$ 23,211</u>	<u>\$ 203,442</u>

Reconciliation of cash and cash equivalents and restricted cash:

Cash and cash equivalents, beginning of period	\$	22,842	\$	202,179	\$	193,919
Restricted cash, beginning of period		369		1,263		699
Cash and cash equivalents and restricted cash, beginning of period	\$	23,211	\$	203,442	\$	194,618
Cash and cash equivalents, end of period	\$	90,499	\$	22,842	\$	202,179
Restricted cash, end of period		671		369		1,263
Cash and cash equivalents and restricted cash, end of period	\$	91,170	\$	23,211	\$	203,442

Year Ended December 31,

		2019		2018		2017
--	--	------	--	------	--	------

Supplemental disclosure:

Cash paid for interest, net of capitalized interest during the years ended December 31, 2019, 2018 and 2017 of \$2,246, \$3,586, and \$3,527, respectively

Cash paid for interest, net of capitalized interest during the years ended December 31, 2019, 2018 and 2017 of \$2,246, \$3,586, and \$3,527, respectively	\$	66,508	\$	76,858	\$	83,139
--	----	--------	----	--------	----	--------

Cash paid for income taxes		1,385		405		225
----------------------------	--	-------	--	-----	--	-----

Supplemental disclosure of non-cash activity:

Dividends and distributions declared but not paid		33,815		33,632		32,456
Change in construction-in-progress related to non-cash disposition of land		—		27,231		—
Change in deferred income, gains and rent to the non-cash disposition of land		—		(29,780)		—
Change in investment in real estate ventures as a result of dispositions		1,806		14,169		(64,792)
Change in Notes receivable as a result of a noncash acquisition of an operating property		—		130,742		—
Change in real estate ventures as a result of other than temporary impairment		—		(4,076)		(4,844)
Change in operating real estate related to a non-cash acquisition of an operating property		—		(20,653)		—
Change in intangible assets, net related to non-cash acquisition of an operating property		—		(3,144)		—
Change in acquired lease intangibles, net related to non-cash acquisition of an operating property		—		182		—
Change in investments in joint venture related to non-cash acquisition of property		—		(16,832)		—
Change in mortgage notes payable related to acquisition of an operating property		—		9,940		—
Change in capital expenditures financed through accounts payable at period end		(10,618)		8,784		(6,593)
Change in capital expenditures financed through retention payable at period end		(946)		(2,912)		(159)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION OF THE PARENT COMPANY AND THE OPERATING PARTNERSHIP

Brandywine Realty Trust (the "Parent Company") is a self-administered and self-managed real estate investment trust ("REIT") engaged in the acquisition, development, redevelopment, ownership, management, and operation of a portfolio of office and mixed-use properties. The Parent Company owns its assets and conducts its operations through Brandywine Operating Partnership, L.P. (the "Operating Partnership") and subsidiaries of the Operating Partnership. The Parent Company is the sole general partner of the Operating Partnership and, as of December 31, 2019, owned a 99.4% interest in the Operating Partnership. The Parent Company's common shares of beneficial interest are publicly traded on the New York Stock Exchange under the ticker symbol "BDN." The Parent Company, the Operating Partnership, and their consolidated subsidiaries are collectively referred to as the "Company".

As of December 31, 2019, the Company owned 95 properties that contained an aggregate of approximately 16.7 million net rentable square feet (collectively, the "Properties"). The Company's core portfolio of operating properties, as of December 31, 2019, excludes one development property and four redevelopment properties under construction or committed for construction (collectively, the "Core Properties"). The Properties were comprised of the following as of December 31, 2019:

	Number of Properties	Rentable Square Feet
Office properties	86	15,450,417
Mixed-use properties	4	659,625
Core Properties	90	16,110,042
Development property	1	204,108
Redevelopment properties	4	397,237
The Properties	95	16,711,387

In addition to the Properties, as of December 31, 2019, the Company owned land held for development comprised of 234.7 acres of undeveloped land, of which 35.2 acres were held for sale. The Company also held leasehold interests in two land parcels totaling 1.8 acres, each acquired through prepaid 99-year ground leases, and held options to purchase approximately 55.5 additional acres of undeveloped land. As of December 31, 2019, the total potential development that these land parcels could support, under current zoning and entitlements, including the parcels under option, amounted to an estimated 14.2 million square feet, of which 0.2 million square feet relates to the 35.2 acres held for sale. As of December 31, 2019, the Company also owned economic interests in seven unconsolidated real estate ventures (collectively, the "Real Estate Ventures") (see Note 4, "Investment in Unconsolidated Real Estate Ventures" for further information). The Properties and the properties owned by the Real Estate Ventures are located in or near Philadelphia, Pennsylvania; Austin, Texas; Metropolitan Washington, D.C.; Southern New Jersey; and Wilmington, Delaware.

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

The Company conducts its third-party real estate management services business primarily through six management companies (collectively, the "Management Companies"): Brandywine Realty Services Corporation ("BRSCO"), BDN Management Inc. ("BMI"), Brandywine Properties I Limited, Inc. ("BPI"), BDN Brokerage, LLC ("BBL"), Brandywine Properties Management, L.P. ("BPM") and Brandywine Brokerage Services, LLC ("BBS"). BRSCO, BMI and BPI are each a taxable REIT subsidiary. BBS, BBL, and BPM are tax disregarded entities wholly owned by the taxable REIT subsidiary entities. As of December 31, 2019, the Operating Partnership owned, directly and indirectly, 100% of each of BRSCO, BMI, BPI, BBL, BPM and BBS. As of December 31, 2019, the Management Company subsidiaries were managing properties containing an aggregate of approximately 24.3 million net rentable square feet, of which approximately 16.7 million net rentable square feet related to Properties owned by the Company and approximately 7.6 million net rentable square feet related to properties owned by third parties and Real Estate Ventures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revision of Previously Issued Financial Statements

The Company's comparative 2017 and 2018 results have been adjusted to correct for the effects of errors discovered during the second quarter of 2019 relating to the purchase price allocation and depreciable lives for two acquisitions made in a prior period. The Company has evaluated the impact of the errors to the previously issued financial statements and concluded that the errors were immaterial to the previously issued financial statements; however, to correct the cumulative effect of the errors in 2019 would significantly impact the 2019 financial statements. Accordingly, the previously issued financial statements have been corrected. The corrections to the balance sheets include a reduction in cumulative earnings and operating properties and an increase to accumulated depreciation. The corrections to the prior period income statements result in an increase in depreciation and amortization and property operating expenses in each period, and an increase in net gain on disposition of real estate for the for the twelve months ended December 31, 2017. In addition, the impact of an immaterial out of period depreciation adjustment, which was previously disclosed in the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2019, has been reflected in the correct period.

The following tables and paragraphs present line items of the previously issued financial statements that have been corrected as a result of the revision:

Balance sheet impacts (in thousands):

	December 31, 2018		
	As previously reported	Adjustments	As adjusted
Balance Sheet:			
Assets (Parent Company and Operating Partnership)			
Operating properties	3,953,319	(1,600)	3,951,719
Accumulated depreciation	(865,462)	(19,945)	(885,407)
Operating real estate investments, net	3,087,857	(21,545)	3,066,312
Total assets	4,098,521	(21,545)	4,076,976
Equity (Parent Company)			
Additional Paid-in Capital	3,200,850	(538)	3,200,312
Cumulative Earnings	796,513	(20,888)	775,625
Total Brandywine Realty Trust's equity	1,820,253	(21,426)	1,798,827
Noncontrolling interests	12,320	(119)	12,201
Total beneficiaries' equity	1,832,573	(21,545)	1,811,028
Total liabilities and beneficiaries' equity	4,098,521	(21,545)	4,076,976
Equity (Operating Partnership)			
General Partnership Capital	1,813,136	(21,545)	1,791,591
Total Brandywine Operating Partnership, L.P.'s equity	1,817,861	(21,545)	1,796,316
Total partners' equity	1,820,053	(21,545)	1,798,508
Total liabilities and partners' equity	4,098,521	(21,545)	4,076,976

Statement of Beneficiaries' / Partners' Equity impacts (in thousands):

Brandywine Realty Trust	Twelve months ended December 31, 2018		
	As previously reported	Adjustments	As adjusted
Statement of Beneficiaries' Equity:			
Additional paid-in capital, beginning of period	3,218,564	(487)	3,218,077
Cumulative earnings, beginning of period	660,174	(19,081)	641,093
Noncontrolling interest, beginning of period	17,420	(162)	17,258
Additional paid-in capital, December 31, 2018	3,200,850	(538)	3,200,312
Cumulative earnings, December 31, 2018	796,513	(20,888)	775,625
Noncontrolling interests, December 31, 2018	12,320	(119)	12,201
Brandywine Operating Partnership			
Statement of Partners' Equity:			
Partner Capital, beginning of period	1,815,411	(19,727)	1,795,684
Partner Capital, December 31, 2018	1,813,136	(21,545)	1,791,591

Brandywine Realty Trust	Twelve months ended December 31, 2017		
	As previously reported	Adjustments	As adjusted
Statement of Beneficiaries' Equity:			
Additional paid-in capital, beginning of period	3,258,870	(484)	3,258,386
Cumulative earnings, beginning of period	539,319	(18,405)	520,914
Noncontrolling interest, beginning of period	17,093	(160)	16,933
Additional paid-in capital, December 31, 2017	3,218,564	(487)	3,218,077
Cumulative earnings, December 31, 2017	660,174	(19,081)	641,093
Noncontrolling interests, December 31, 2017	17,420	(162)	17,258
Brandywine Operating Partnership			
Statement of Partners' Equity:			
Partner Capital, beginning of period	1,762,764	(19,049)	1,743,715
Partner Capital, December 31, 2017	1,815,411	(19,727)	1,795,684

Statement of Operations impacts:

Net income for the twelve months ended December 31, 2018 and 2017 has been reduced by \$1.8 million and \$0.7 million respectively, with a \$0.01 decrease to basic and diluted income per common share and per common partnership unit for the twelve months ended December 31, 2018. There was a \$0.01 decrease to basic income per common share and per common partnership unit for the twelve months ended December 31, 2017. There was no change to the previously reported diluted income per common share or per common partnership unit for the twelve months ended December 31, 2017.

There were no impacts to cash flows from operating activities in any period.

Principles of Consolidation

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

potentially be significant to the VIE. For entities that the Company has the obligations to fund losses, its maximum exposure to loss is not limited to the carrying amount of its investments.

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

As of December 31, 2019 and 2018, the Company included in its consolidated balance sheets consolidated VIEs having total assets of \$392.0 million and \$414.3 million, respectively, and total liabilities of \$255.6 million and \$254.1 million, respectively.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Operating Properties

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

Purchase Price Allocation

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

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

The purchase price is allocated to the acquired assets and assumed liabilities, including land and buildings, as if vacant based on highest and best use for the acquired assets. The Company assesses and considers fair value of the operating properties based on estimated cash flow projections that utilize discount and/or capitalization rates that it deems appropriate, as well as available

market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known and anticipated trends, and market and economic conditions.

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

Other intangible assets also include in-place leases based on the Company's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. The Company estimates the cost to execute leases with terms similar to the remaining lease terms of the in-place leases, including leasing commissions, legal and other related expenses. This intangible asset is amortized to expense over the remaining term of the respective leases and any fixed-rate bargain renewal periods. Factors considered by the Company in this analysis include an estimate of the carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, the Company includes real estate taxes, insurance, and other operating expenses, and estimates of lost rents at market rates during the expected lease-up periods, which primarily range from four to twelve months. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing, and leasing activities in estimating the fair value of the tangible and intangible assets acquired. The Company also uses the information obtained as a result of its pre-acquisition due diligence as part of its consideration of the accounting standard governing asset retirement obligations and when necessary, will record a conditional asset retirement obligation as part of its purchase price. The Company also evaluates tenant relationships on a tenant-specific basis. On most of the Company's acquisitions, this intangible has not been material and, as a result, no value has been assigned.

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

Depreciation and Amortization

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

Construction-in-Progress

Project costs directly associated with the development and construction of a real estate project are capitalized as construction-in-progress. Construction-in-progress also includes costs related to ongoing tenant improvement projects. In addition, interest, real estate taxes, and other expenses that are directly associated with the Company's development activities are capitalized until the property is placed in service. Interest expense is capitalized using the Company's weighted average interest rate. Internal direct costs are capitalized to projects in which qualifying expenditures are being incurred. See Note 3, "Real Estate Investments," for more information related to the capitalization of project costs.

Ground Leases

The Company is the lessee under long-term ground leases classified as operating leases. The Company makes significant assumptions and judgments when determining the discount rate for the lease to calculate the present value of the lease payments. As the rate implicit in the lease is not readily determinable, the Company estimates the incremental borrowing rate ("IBR") that it would need to pay to borrow, on a collateralized basis, an amount equal to the lease payments in a similar economic environment, over a similar lease term. The Company utilizes a market-based approach to estimate the IBR for each individual lease. The base IBR is estimated utilizing observable mortgage and corporate bond rates, which are then adjusted to account for considerations related to the Company's credit rating and the lease term to select an incremental borrowing rate for each lease.

The right of use assets and lease liabilities are presented as “Right of use asset - operating leases” and “Lease liability - operating leases”, respectively, on the consolidated balance sheet as of December 31, 2019. The lease liabilities and right of use assets are amortized on a straight-line basis over the lease term with the corresponding expense classified in “Property operating expenses” on the consolidated statements of operations.

The most recent CPI adjustment is used to determine the present value of the lease payments for an indexed lease and ultimately the right of use asset and corresponding lease liability. Rent payments for amounts in excess of this estimated growth rate will be expensed on a cash basis as incurred and are considered variable lease costs.

Impairment of Real Estate Investments

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

Estimated future cash flows used in such analysis are based on the Company’s plans for the real estate investment and its views of market economic conditions. The estimates consider assumptions, including but not limited to market rental rates, capitalization rates, and recent sales data for comparable real estate investments. Future cash flows are discounted when determining fair value of an asset. Most of these assumptions are influenced by our direct experience with the real estate investments and their markets as well as market data obtained from real estate leasing and brokerage firms.

Assets Held for Sale

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

Impairment of Land Held for Development

When demand for build-to-suit properties declines and the ability to sell land held for development deteriorates, or other market factors indicate possible impairment in the recoverability of land held for development, it is reviewed for impairment by comparing its fair value to its carrying value. If the estimated sales value is less than the carrying value, the carrying value is written down to its estimated fair value. Estimated fair value is generally determined using a market valuation approach, comparing the subject property to recent comparable market transactions in a similar location; or using estimated cash flows.

Cash and Cash Equivalents

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

market funds. As such, available cash balances are appropriately reflected as cash and cash equivalents on the consolidated balance sheets.

Restricted Cash

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

Accounts Receivable and Accrued Rent Receivable

Generally, leases with tenants are accounted for as operating leases. Minimum lease payments under tenant leases are recognized on a straight-line basis over the term of the related lease. The cumulative difference between lease revenue recognized under the straight-line method and contractual lease payment terms are recorded as "Accrued rent receivable, net" on the consolidated balance sheets. Included in current tenant receivables are tenant reimbursements which are comprised of amounts recoverable from tenants for common area maintenance expenses and certain other recoverable expenses that are recognized as revenue in the period in which the related expenses are incurred.

Tenant receivables and accrued rent receivables are carried net of the allowances for doubtful accounts. The allowance for doubtful accounts is an estimate based on the Company's experience of the probability of future events confirming a loss and represents the estimated probable losses. For tenant receivables, the allowance is calculated by applying a range of loss percentages to receivable aging categories. For accrued rent receivables, the allowance is calculated by assigning risk factors by industry which are primarily based on the Company's historical collection and charge-off experience adjusted for current market conditions, which requires management's judgment.

Investments in Unconsolidated Real Estate Ventures

Under the equity method, investments in real estate ventures are recorded initially at cost and subsequently adjusted for equity in earnings, contributions, distributions, and impairments. For real estate ventures that are constructing assets to commence planned principal operations, the Company capitalizes interest expense to the extent that it is recoverable using the Company's weighted average interest rate of consolidated debt and its investment balance as a basis. Planned principal operations commence when a property is available to lease and at that point in time, the Company ceases capitalizing interest to its investment basis.

At least quarterly, management assesses whether there are any other than temporary impairment indicators of the Company's investments in real estate ventures. An investment is other than temporarily impaired only if the fair value of the investment in a real estate venture, as estimated by management, is less than the carrying value and the decline is other than temporary. To the extent that an other than temporary impairment has occurred, an impairment charge is recorded in the amount of the excess of the carrying amount of the investment over the estimated fair value. Management is required to make significant judgments about the estimated fair value of its investments to determine if an impairment exists. Fair value is generally determined through income valuation approaches, including discounted cash flows and direct capitalization models.

When the Company acquires an interest in or contributes assets to a real estate venture project, the difference between the Company's cost basis in the investment and the value of the real estate venture or asset contributed is amortized over the life of the related assets, intangibles, and liabilities and such adjustment is included in the Company's share of equity in income of unconsolidated Real Estate Ventures.

Deferred Costs

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

Notes Receivable

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

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

Deferred Financing Costs

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

Revenue Recognition

Rental Revenue

The Company generates revenue under leases with tenants occupying the Properties. Generally, leases with tenants are accounted for as operating leases. As of December 31, 2019 and 2018, the Company does not have any leases classified as direct-financing or sales-type leases. The operating leases have various expiration dates.

Fixed lease payments under tenant leases are recognized on a straight-line basis over the term of the related lease. The cumulative difference between lease revenue recognized under the straight-line method and contractual lease payments are recorded as "Accrued rent receivable" on the consolidated balance sheets. Variable lease payments are recognized as lease revenue in the period in which changes occur in facts and circumstances on which the variable lease payments are based.

Topic 842 requires a binary approach to evaluating leases for collectability. Lessors are required to determine if it is probable that substantially all of the lease payments will be collected from the tenant over the lease term. Should the lessor determine that it is not probable that substantially all of the lease payments will be collected, the standard requires that the lessor write off any accrued rent receivable and begin recognizing lease payments on a cash basis.

The Company's lease revenue is impacted by the Company's determination of whether improvements to the property, whether made by the Company or by the tenant, are landlord assets. The determination of whether an improvement is a landlord asset requires judgment. In making this judgment, the Company's primary consideration is whether an improvement would be utilizable by another tenant upon the then-existing tenant vacating the improved space. If the Company has funded an improvement that it determines not to be landlord assets, then it treats the cost of the improvement as a lease incentive. If the tenant has funded an improvement that the Company determines to be landlord assets, then the Company treats the costs of the improvement as deferred revenue and amortizes these costs into revenue over the lease term.

For certain leases, the Company also makes significant assumptions and judgments in determining the lease term, including assumptions when the lease provides the tenant with an early termination option or purchase option. The lease term impacts the period over which the Company determines and records lease payments and also impacts the period over which it amortizes lease-related costs. The Company considers all relevant factors that create an economic incentive for the lessee and uses judgment to determine if those factors, considered together, signify that the lessee is reasonably certain to exercise the option. For leases where a tenant executes a lease termination, termination fees are recognized over the modified term of the lease as rental income. Additionally, any deferred rents receivable are accelerated over the modified lease term.

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

the extent that the tenant has a lease on a triple net basis. As the timing and pattern of revenue recognition is the same, rents and tenant reimbursements are treated as a combined lease component and included in the "Rents" caption within the Company's consolidated statements of operations.

Fixed lease payments include contractual rents under lease agreements with tenants recognized on a straight-line basis over the lease term, including amortization of lease incentives and above or below market rent intangibles, and parking income that is fixed under a long-term contract. Variable lease payments include reimbursements billed to tenants, termination fees, bad debt expense, and parking income that is not fixed under a long-term contract.

Point of Sale Revenue

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

Third party management fees, labor reimbursement, and leasing

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

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

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

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

The following is a summary of revenue earned by the Company's reportable segments (see Note 18, "Segment Information," for further information) during the year ended December 31, 2019 (in thousands):

	Philadelphia CBD	Pennsylvania Suburbs	Austin, Texas	Metropolitan Washington, D.C.	Other	Corporate (a)	Total
Fixed rent	\$ 178,481	\$ 125,969	\$ 62,232	\$ 39,420	\$ 7,834	\$ (2,412)	\$ 411,524
Variable rent	58,580	14,282	34,748	4,029	3,080	(495)	114,224
Total lease revenue	237,061	140,251	96,980	43,449	10,914	(2,907)	525,748
Amortization of deferred market rents	3,745	(12)	4,638	—	486	—	8,857
Daily parking & hotel flexible stay	18,665	174	165	824	232	—	20,060
Total rents	259,471	140,413	101,783	44,273	11,632	(2,907)	554,665
Third party management fees, labor reimbursement and leasing	876	43	1,956	6,922	2,915	6,914	19,626
Other income	3,422	628	418	303	11	1,344	6,126
Total revenue	\$ 263,769	\$ 141,084	\$ 104,157	\$ 51,498	\$ 14,558	\$ 5,351	\$ 580,417

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

Income Taxes

Parent Company

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

The tax basis of the Parent Company's assets was \$3.2 billion and \$3.3 billion for the years ended December 31, 2019 and December 31, 2018, respectively.

The Parent Company is subject to a 4% federal excise tax if sufficient taxable income is not distributed within prescribed time limits. The excise tax equals 4% of the annual amount, if any, by which the sum of (a) 85% of the Parent Company's ordinary income and (b) 95% of the Parent Company's net capital gain exceeds cash distributions and certain taxes paid by the Parent Company. No excise tax was incurred in 2019, 2018 or 2017.

The Parent Company has elected to treat several of its subsidiaries as taxable REIT subsidiaries (each a "TRS"). A TRS is subject to federal, state and local income tax. In general, a TRS may perform non-customary services for tenants, hold assets that the Parent Company, as a REIT, cannot hold directly and generally may engage in any real estate or non-real estate related business. The Company's taxable REIT subsidiaries did not have material tax provisions or deferred income tax items as of December 31, 2019 and December 31, 2018.

Operating Partnership

In general, the Operating Partnership is not subject to federal and state income taxes, and accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The partners of the Operating Partnership are required to include their respective share of the Operating Partnership's profits or losses in their respective tax returns. The Operating Partnership's tax returns and the amount of allocable partnership profits and losses are subject to examination by federal and state taxing authorities. For any year beginning on or after January 1, 2018, the Operating Partnership can be assessed with federal income tax in the course of an audit by the IRS. Under the new partnership audit rules included in the Bipartisan Budget Act of 2015, the Operating Partnership has the option to make a push-out election and allocate the partnership adjustments to all the former partners for the tax year under audit.

The tax basis of the Operating Partnership's assets was \$3.2 billion and \$3.3 billion for the years ended December 31, 2019 and December 31, 2018, respectively.

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

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

Earnings Per Share

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

Earnings Per Unit

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

Share-Based Compensation Plans

The Parent Company maintains a shareholder-approved equity-incentive plan known as the Amended and Restated 1997 Long-Term Incentive Plan (the "1997 Plan"). The 1997 Plan is administered by the Compensation Committee of the Parent Company's Board of Trustees. Under the 1997 Plan, the Compensation Committee is authorized to award equity and equity-based awards, including incentive stock options, non-qualified stock options, restricted shares and performance-based shares. The Company's share-based employee compensation plan is described more fully in Note 14, "Share Based Compensation, 401(k) Plan and Deferred Compensation."

Comprehensive Income

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

Accounting for Derivative Instruments and Hedging Activities

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

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

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

Fair Value Measurements

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals; and
- Level 3 inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little if any, related market activity or information.

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

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

New Accounting Pronouncements Adopted

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), modifying the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and lease liability for all leases with a term of greater than twelve months regardless of their classification. Leases with a term of twelve months or less will be accounted for in the same manner as operating leases under ASC 840, Leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to previous guidance for sales-type leases, direct financing leases, and operating leases. The guidance supersedes previously issued guidance under ASC 840.

The Company adopted Topic 842 effective January 1, 2019. In applying the modified retrospective transition method, the Company elected the package of practical expedients available for implementation, which allows for the following:

- An entity need not reassess whether any expired or existing contracts are or contain leases;
- An entity need not reassess the lease classification for any expired or existing leases; and
- An entity need not reassess initial direct costs for any existing leases.

Furthermore, the Company elected the optional transition method to make January 1, 2019 the initial application date of the standard. This package of practical expedients allows entities to account for their existing leases for the remainder of their respective lease terms following the previous accounting guidance.

The Company also elected to adopt the optional transition practical expedient provided in ASU 2018-01 to not evaluate under Topic 842 for existing or expired land easements prior to the application date to determine if they meet the definition of a lease.

The Company also elected to adopt the practical expedient offered in ASU 2018-11 that allows lessors to not allocate the total consideration to lease and nonlease components, such as tenant reimbursements, based on their relative standalone selling prices as the timing and pattern of revenue recognition of the combined single lease component is the same and the leases are classified as operating leases.

The Company elected to adopt ASU 2018-20, which allows lessors to not evaluate whether certain sales taxes and other similar taxes are lessor costs or lessee costs. Instead, lessors will account for those costs as if they are lessee costs. All collections from lessees of taxes within the scope of the election are excluded from the consideration of the contract and from variable payments not included in the consideration of the contract.

The Company has evaluated all leases for collectability and is recognizing lease payments for certain leases on a cash basis because collectability of substantially all of the lease payments is not probable. As a result, the write off of the accrued rent receivable of \$0.7 million was recorded by the Company upon adoption of Topic 842 as a cumulative effect of accounting change adjustment to equity through "Cumulative earnings" on the consolidated balance sheets.

While adoption of the practical expedient allows the Company to not revisit the classification of existing leases, the Company measured the present value of the future lease payments for each ground lease agreement for which the Company is the lessor and recognized a right of use asset and lease liability in the aggregate amount of \$22.4 million, each as of January 1, 2019.

New Accounting Pronouncements Issued but not yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments Credit Losses (Topic 326), which changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance replaces the current incurred loss model with an expected loss approach, resulting in more timely recognition of such losses. In November 2018, the FASB released ASU 2018-19, Codification Improvements to Topic 326, Financial Instrument - Credit Losses, which clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. The guidance is effective for the Company on January 1, 2020. The Company has evaluated the impact of this new guidance on reserves for notes receivable, and has concluded that the guidance will not have a material impact on its consolidated financial statements.

3. REAL ESTATE INVESTMENTS

As of December 31, 2019 and 2018, the gross carrying value of the operating properties was as follows (in thousands):

	December 31, 2019	December 31, 2018
Land	\$ 489,702	\$ 487,301
Building and improvements	3,049,395	3,048,889
Tenant improvements	467,362	415,529
Total	<u>\$ 4,006,459</u>	<u>\$ 3,951,719</u>

Construction-in-Progress

Internal direct construction costs totaling \$7.4 million in 2019, \$7.0 million in 2018, and \$6.1 million in 2017 and interest totaling \$3.2 million in 2019, \$3.6 million in 2018, and \$3.1 million in 2017 were capitalized related to the development of certain properties and land holdings.

During the years ended December 31, 2019, 2018 and 2017, the Company's internal direct construction costs are comprised entirely of capitalized salaries. The following table shows the amount of compensation costs (including bonuses and benefits) capitalized for the years presented (in thousands):

	December 31,		
	2019	2018	2017
Development	\$ 3,047	\$ 3,185	\$ 4,390
Redevelopment	775	968	319
Tenant Improvements	3,609	2,811	1,354
Total	<u>\$ 7,431</u>	<u>\$ 6,964</u>	<u>\$ 6,063</u>

2019 Acquisitions

During the year ended December 31, 2019, the Company did not acquire any properties from a third party.

2018 Acquisitions

On December 19, 2018, the Company acquired an office property containing 120,559 rentable square feet located at 4516 Seton Center Parkway in Austin, Texas, known as Quarry Lake II, for a gross purchase price of \$39.5 million.

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

the duration of the Austin Venture and the returns were determined based on operating results and real estate valuation of the venture.

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

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

On March 22, 2018, the Company acquired, through a 99-year ground lease, the leasehold interest in a one-acre land parcel, located at 3001-3003 JFK Boulevard, in Philadelphia, Pennsylvania. The Company prepaid \$24.6 million of ground lease rent and capitalized \$0.3 million of costs related to entering the lease. The ground lease is classified as an operating lease and included in the "Prepaid leasehold interests in land held for development, net," caption in the consolidated balance sheets.

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

The Company's acquisition of the 35% ownership interest in Four Tower Bridge from its former partner resulted in the consolidation of the property. The unencumbered acquisition value of \$23.6 million was determined under the comparative sales approach, which utilized observable transactions within the Conshohocken submarket.

The acquisition values have been allocated as follows (in thousands):

Acquisition Date	Quarry Lake II	Austin Venture Portfolio	Four Tower Bridge
	12/19/2018	12/11/2018	1/5/2018
Building, land and improvements	\$ 35,120	\$ 457,390	\$ 20,734
Intangible assets acquired	5,809	76,925	3,144
Below market lease liabilities assumed	(1,524)	(13,769)	(182)
Deferred gain (a)	—	14,594	—
Total unencumbered acquisition value	\$ 39,405	\$ 535,140	\$ 23,696
Mortgage debt assumed - at fair value (b)	—	—	(9,940)
Total encumbered acquisition value	\$ 39,405	\$ 535,140	\$ 13,756
Total unencumbered acquisition value	39,405	535,140	23,696
Mortgage debt assumed - at fair value (b)	—	—	(9,940)
Mortgage debt repaid at settlement (c)	—	(115,461)	—
Investment in unconsolidated real estate ventures	—	(14,594)	(3,502)
Gain on promoted interest in unconsolidated real estate venture	—	(28,283)	—
Gain on real estate venture transactions	—	(103,847)	(11,633)
Purchase price reduction for note receivable (d)	—	(130,742)	—
Net working capital assumed	(368)	(24,865)	1,379
Total cash payment at settlement	\$ 39,037	\$ 117,348	\$ —
Weighted average amortization period of intangible assets	0	5.5 years	4.1 years
Weighted average amortization period of below market liabilities assumed	3.0 years	4.6 years	4.8 years

(a) Represents a deferred gain recognized at settlement, which resulted in a reduction of the acquisition value.

(b) The outstanding principal balance on mortgage debt for Four Tower Bridge, assumed on January 5, 2018, was \$9.7 million.

(c) On December 11, 2018, the Company assumed \$115.5 million of mortgage debt which was repaid in full at settlement.

(d) Represents a note receivable due from the DRA Austin Venture that represents a purchase price reduction.

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

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

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

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

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

2017 Acquisitions

On October 13, 2017, the Company acquired, through a 99-year prepaid ground lease, the leasehold interest in an office property containing 282,709 rentable square feet located at 3025 Market Street in Philadelphia, Pennsylvania, known as The Bulletin Building, for a gross purchase price of \$35.0 million. The purchase price and acquisition-related costs have been allocated as follows (in thousands):

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

(a) Weighted average amortization period of 7.9 years.

(b) Weighted average amortization period of 7.0 years.

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

On July 28, 2017, the Company acquired an office building containing 58,587 rentable square feet located at 3000 Market Street, in Philadelphia, Pennsylvania, for \$32.7 million. The purchase price and acquisition-related costs have been allocated as follows (in thousands):

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

(a) Weighted average amortization period of 5.9 years.

(b) Weighted average amortization period of 6.0 years.

3000 Market Street contributed approximately \$0.8 million of revenue and a \$0.5 million of net loss in the Company's consolidated statements of operations, for the period from July 28, 2017 through December 31, 2018.

Dispositions

The following table summarizes the properties sold during the years ended December 31, 2019, 2018 and 2017 (dollars in thousands):

Property/Portfolio Name	Disposition Date	Location	Property Type	Rentable Square Feet/ Acres	Sales Price	Gain/(Loss) on Sale (a)
1900 Gallows Rd	September 11, 2019	Vienna, VA	Office	210,632	\$ 36,400	\$ (367)
9 Presidential Boulevard	March 15, 2019	Bala Cynwyd, PA	Land	2.7 Acres	5,325	751
Subaru National Training Center (b)	December 21, 2018	Camden, NJ	Mixed-use	83,000	45,300	2,570
Rockpoint Portfolio (c)	December 20, 2018	Herndon, VA	Office	1,293,197	312,000	397
20 East Clementon Road	June 21, 2018	Gibbsboro, NJ	Office	38,260	2,000	(35)
Garza Ranch - Office (d)	March 16, 2018	Austin, TX	Land	6.6 acres	14,571	1,515
Westpark Land	January 10, 2018	Durham, NC	Land	13.1 acres	485	22
11, 14, 15, 17 and 18 Campus Boulevard (Newtown Square)	November 22, 2017	Newtown Square, PA	Office	252,802	42,000	19,642
630 Allendale Road	October 31, 2017	King of Prussia, PA	Office	150,000	17,500	3,605
50 E. Swedesford Square	September 13, 2017	Malvern, PA	Land	12.0 acres	7,200	882
Bishop's Gate	July 18, 2017	Mount Laurel, NJ	Land	49.5 acres	6,000	71
Two, Four A, Four B and Five Eves Drive (Evesham Corporate Center) (e)	June 27, 2017	Marlton, NJ	Office	134,794	9,700	(325)
7000 Midlantic Drive	June 12, 2017	Mount Laurel, NJ	Retail	10,784	8,200	1,413
Garza Ranch - Multi-family (d)	April 28, 2017	Austin, TX	Land	8.4 acres	11,800	1,311
200, 210 & 220 Lake Drive East (Woodland Falls)	March 30, 2017	Cherry Hill, NJ	Office	215,465	19,000	(249)
Philadelphia Marine Center (Marine Piers) (f)	March 15, 2017	Philadelphia, PA	Mixed-use	181,900	21,400	6,498
11700, 11710, 11720 & 11740 Beltsville Drive (Calverton) (g)	March 13, 2017	Beltsville, MD	Office	313,810	9,000	—
Gateway Land - Site C	February 15, 2017	Richmond, VA	Land	4.8 acres	1,100	—
1200 & 1220 Concord Avenue (Concord Airport Plaza)	February 2, 2017	Concord, CA	Office	350,256	33,100	551
Garza Ranch - Hotel (d)	January 30, 2017	Austin, TX	Land	1.7 acres	3,500	192

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

(b) During the third quarter of 2018, the tenant, Subaru, exercised its purchase option for the Subaru National Training Center Development. The lease with Subaru was classified as a direct finance lease within "Other assets" on the consolidated balance sheets. In connection with the lease, the Company recognized \$1.6 million in interest income during the twelve months ended December 31, 2018, in accordance with accounting guidance for direct finance leases under ASC 840.

(c) For information related to this transaction, see the "Herndon Innovation Center Metro Portfolio Venture, LLC" section in Note 4, "Investment in Unconsolidated Real Estate Ventures."

(d) The Company had continuing involvement in these properties through a completion guaranty, which required the Company, as developer, to complete certain infrastructure improvements on behalf of the buyers of the land parcels. The Company recorded the cash received at settlement as "Deferred income, gains and rent" on the consolidated balance sheet. The Company subsequently recognized the land sales and the \$3.0 million gain on sale during the twelve months ended December 31, 2018 upon substantial completion of the infrastructure improvements and transfer of control to the buyer.

(e) As of March 31, 2017, the Company evaluated the recoverability of the carrying value of its properties that triggered assessment under the undiscounted cash flow model. Based on the Company's evaluation, it was determined that due to the reduction in the Company's intended hold period of four properties located in the Other segment, the Company would not recover the carrying values of these properties. Accordingly, the Company recorded impairment charges on these properties of \$1.0 million at March 31, 2017, which reduced the aggregate carrying values of the properties from \$10.2 million to their estimated fair value of \$9.2 million. The Company measured these impairments based on a discounted cash flow analysis, using a hold period of 10 years and residual capitalization rates and discount rates of 9.00% and 9.25%, respectively. The results were comparable to indicative pricing in the market. The assumptions used to determine fair value under the income approach are Level 3 inputs in accordance with the fair value hierarchy. The loss on sale in the table above represents additional closing costs.

(f) On the closing date, the buyer paid \$12.0 million in cash and the Company received cash proceeds of \$11.2 million, after closing costs and prorations. The \$9.4 million balance of the purchase price was due on (a) January 31, 2020, in the event that the tenant at the Marine Piers does not exercise an option it holds to extend the term of the sublease or (b) January 15, 2024, in the event that the tenant does exercise the option to extend the term of the sublease. The Company determined that it was appropriate to recognize the sale of the sublease interest in the Marine Piers and to defer the remaining \$9.4 million balance due under the purchase and sale agreement until collectability can be determined. During the first quarter of 2019, the tenant at the Marine Piers exercised its option to extend the term of its sublease. As a result, the \$9.4 million balance of the purchase price is due on January 15, 2024, and the Company will recognize the additional gain on sale when the gain is realized or realizable.

(g) During the twelve months ended 2017, there was a price reduction of \$1.7 million under the agreement of sale and additional impairment of \$1.7 million was recognized.

During the year ended December 31, 2019, the Company also recorded a \$1.0 million gain related to contingent consideration received related to a land sale that closed in a prior period in the Other segment. We also received additional proceeds from a sale that closed in a prior year related to a property in the Metropolitan Washington D.C. segment resulting in \$0.7 million of additional gain on sale.

Held for Use Impairment

As of December 31, 2019, the Company evaluated the recoverability of the carrying value of its properties that triggered assessment. Based on the analysis, no impairments were identified during the twelve months ended December 31, 2019.

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

Held for Sale

As of December 31, 2019, the Company determined that the sale of two parcels of land within the Other segment totaling 35.2 acres was probable and classified these properties as held for sale. As such, \$7.3 million was classified as “Assets held for sale, net” on the consolidated balance sheets.

As of December 31, 2018, the Company determined that the sale of three parcels of land (two within the Other segment and one with Pennsylvania Suburbs segment) totaling 37.9 acres was probable and classified these properties as held for sale. As such, \$11.6 million was classified as “Assets held for sale, net” on the consolidated balance sheets.

As of December 31, 2019 and 2018, the fair value less the anticipated costs of sale of the properties exceeded the carrying values. The fair value of the properties is based on the pricing in the purchase and sale agreement.

Held for Sale Impairment

During the year ended December 31, 2018, the Company determined that the sale of eight office properties, known as the Rockpoint Portfolio, containing 1,293,197 rentable square feet, in the Metropolitan Washington, D.C. segment, was probable and classified these properties as held for sale and, as a result, recognized an impairment of \$56.9 million. The Company measured this impairment based on a discounted cash flow analysis, using a hold period of ten years and residual capitalization rates and discount rates of 7.47% and 8.60%, respectively. The results were comparable to indicative pricing in the market. The Rockpoint Portfolio was sold during the fourth quarter of 2018. See the “Dispositions” section above for further information relating to this sale.

4. INVESTMENT IN UNCONSOLIDATED REAL ESTATE VENTURES

As of December 31, 2019, the Company held ownership interests in seven unconsolidated real estate ventures for an aggregate investment balance of \$120.3 million. The Company formed or acquired interests in the Real Estate Ventures with unaffiliated third parties to develop or manage office, residential and/or mixed-use properties or to acquire land in anticipation of possible development of office, residential and/or mixed-use properties. As of December 31, 2019, three of the real estate ventures owned properties that contained an aggregate of approximately 5.4 million net rentable square feet of office space; two real estate ventures owned 1.4 acres of land held for development; one real estate venture owned 1.3 acres of land in active development; and one real estate venture owned a residential tower that contains 321 apartment units.

The Company accounts for its interests in the Real Estate Ventures, which range from 15% to 70%, using the equity method. Certain of the Real Estate Ventures are subject to specified priority allocations of distributable cash.

The Company earned management fees from its Real Estate Ventures of \$4.3 million, \$6.3 million and \$6.4 million for the years ended December 31, 2019, 2018 and 2017, respectively.

The Company earned leasing commission income from the Real Estate Ventures of \$1.7 million, \$2.5 million and \$4.5 million for the years ended December 31, 2019, 2018 and 2017, respectively.

The Company has outstanding accounts receivable balances from its Real Estate Ventures of \$0.8 million for both the years ended December 31, 2019 and 2018.

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

The Company's investment in Real Estate Ventures as of December 31, 2019 and 2018, and the Company's share of the Real Estate Ventures' income (loss) for the years ended December 31, 2019 and 2018 was as follows (in thousands):

	Ownership Percentage (a)	Carrying Amount		Company's Share of Real Estate Venture Income (Loss)		Real Estate Venture Debt at 100%, gross	
		2019	2018	2019	2018	2019	2018
Office Properties							
Brandywine - AI Venture LLC	50%	\$ 10,116	\$ 11,731	\$ (2,800)	\$ (14,559)	\$ —	\$ 26,111
Hemdon Innovation Center Metro Portfolio Venture, LLC	15%	16,446	47,834	(498)	83	207,302	—
MAP Venture	50%	(70)	11,173	(6,102)	(2,155)	185,000	185,000
PJP VII	25% (b)	—	1,100	190	157	—	3,777
PJP II	30% (b)	—	663	81	179	—	2,214
PJP VI	25% (b)	—	125	(185)	71	—	7,069
Austin Venture	50% (c)	—	—	—	1,687	—	—
Other							
1919 Venture	50%	17,524	19,897	328	253	88,860	88,860
evo at Cira Centre South Venture	50%	—	—	—	(358)	—	—
Development Properties							
4040 Wilson Venture (d)	50%	37,002	37,371	(368)	(192)	114,845	57,288
JBG - 51 N Street (d)	70%	21,531	21,368	(313)	(137)	—	—
JBG - 1250 First Street Office (d)	70%	17,745	17,838	(255)	(260)	—	—
		<u>\$ 120,294</u>	<u>\$ 169,100</u>	<u>\$ (9,922)</u>	<u>\$ (15,231)</u>	<u>\$ 596,007</u>	<u>\$ 370,319</u>

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

(b) On October 29, 2019, The Company sold its interest in PJP II, PJP VI and PJP VII. See "PJP Ventures" section below for more information on the disposal.

(c) The Company's purchased its partner's entire 50% interest in this venture on December 11, 2018. Refer to the "Austin Venture" section below for more information.

(d) This entity is a VIE.

The following is a summary of the financial position of the Real Estate Ventures as of December 31, 2019 and December 31, 2018 (in thousands):

	December 31, 2019			
	MAP Venture	Brandywine-AI Venture LLC	Other	Total
Net property	192,582	24,651	617,134	\$ 834,367
Other assets (a)	256,453	3,000	82,549	342,002
Other liabilities (a)	266,200	824	23,047	290,071
Debt, net (b)	181,525	—	403,543	585,068
Equity (c)	1,310	26,827	273,093	301,230

	December 31, 2018			
	MAP Venture	Brandywine-AI Venture LLC	Other	Total
Net property	198,043	47,043	590,897	835,983
Other assets (a)	65,465	11,206	82,828	159,499
Other liabilities (a)	59,348	2,002	24,331	85,681
Debt, net (b)	180,555	26,020	159,132	365,707
Equity (c)	23,605	30,227	490,262	544,094

(a) The increase is primarily due to the recording of lease related assets and liabilities of \$197.1 million and \$206.4 million, respectively, for MAP Venture in connection with the adoption of Topic 842.

(b) The increase is primarily due to third-party debt financing received by Herndon Innovation Center Venture during 2019. See “Herndon Innovation Center Metro Portfolio Venture” section below for further information.

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

The following is a summary of results of operations of the Real Estate Ventures in which the Company had interests during the twelve-month periods ended December 31, 2019, 2018 and 2017 (in thousands):

	Year Ended December 31, 2019			
	MAP Venture	Brandywine-AI Venture LLC	Other	Total
Revenue	\$ 70,366	\$ 6,022	\$ 55,970	\$ 132,358
Operating expenses	(47,362)	(2,912)	(21,510)	(71,784)
Provision for impairment	—	(5,664)	—	(5,664)
Interest expense, net	(9,752)	(698)	(11,458)	(21,908)
Depreciation and amortization	(25,413)	(2,514)	(25,404)	(53,331)
Loss on extinguishment of debt	—	—	(1,231)	(1,231)
Net loss	\$ (12,161)	\$ (5,766)	\$ (3,633)	\$ (21,560)
Ownership interest %	50%	50%	Various	Various
Company's share of net loss	\$ (6,081)	\$ (2,883)	\$ (901)	\$ (9,865)
Basis adjustments and other	(21)	83	(119)	(57)
Equity in loss of Real Estate Ventures	\$ (6,102)	\$ (2,800)	\$ (1,020)	\$ (9,922)

	Year Ended December 31, 2018					
	MAP Venture	Austin Venture	Brandywine-AI Venture LLC	evo at Cira Centre South	Other	Total
Revenue	\$ 68,622	\$ 53,476	\$ 23,515	\$ 163	\$ 19,550	\$ 165,326
Operating expenses	(41,056)	(22,994)	(10,483)	(256)	(7,246)	(82,035)
Interest expense, net	(12,690)	(9,083)	(3,478)	(123)	(4,400)	(29,774)
Depreciation and amortization	(18,891)	(19,226)	(8,991)	(409)	(6,309)	(53,826)
Provision for impairment	—	—	(20,832)	—	—	(20,832)
Loss on extinguishment of debt	(334)	(356)	(695)	—	—	(1,385)
Net income (loss)	\$ (4,349)	\$ 1,817	\$ (20,964)	\$ (625)	\$ 1,595	\$ (22,526)
Ownership interest %	50%	50%	50%	50%	Various	Various
Company's share of net income (loss)	\$ (2,175)	\$ 909	\$ (10,482)	\$ (313)	\$ 137	\$ (11,924)
Other than temporary impairment	—	—	(4,076)	—	—	(4,076)
Basis adjustments and other	20	778	(1)	(45)	17	769
Equity in income (loss) of Real Estate Ventures	\$ (2,155)	\$ 1,687	\$ (14,559)	\$ (358)	\$ 154	\$ (15,231)

Year Ended December 31, 2017

	MAP Venture	Austin Venture	Brandywine- AI Venture LLC	evo at Cira Centre South	Other	Total
Revenue	\$ 68,573	\$ 85,500	\$ 29,500	\$ 12,285	\$ 20,413	\$ 216,271
Operating expenses	(40,035)	(35,997)	(12,298)	(3,075)	(7,935)	(99,340)
Interest expense, net	(13,677)	(13,985)	(4,707)	(4,092)	(3,752)	(40,213)
Depreciation and amortization	(21,202)	(34,026)	(11,428)	(4,512)	(7,272)	(78,440)
Loss on extinguishment of debt	—	(2,613)	(811)	—	—	(3,424)
Net income (loss)	\$ (6,341)	\$ (1,121)	\$ 256	\$ 606	\$ 1,454	\$ (5,146)
Ownership interest %	50%	50%	50%	50%	Various	
Company's share of net income (loss)	\$ (3,171)	\$ (560)	\$ 128	\$ 303	\$ 1,436	\$ (1,864)
Other than temporary impairment	—	—	(4,844)	—	—	(4,844)
Basis adjustments and other	(272)	(429)	251	146	(1,294)	(1,598)
Equity in income (loss) of Real Estate Ventures	\$ (3,443)	\$ (989)	\$ (4,465)	\$ 449	\$ 142	\$ (8,306)

As of December 31, 2019, the aggregate principal payments of recourse and non-recourse debt payable to third-parties are as follows (in thousands):

2020	\$	—
2021		114,845
2022		—
2023		273,860
2024		207,302
Thereafter		—
Total principal payments		596,007
Net deferred financing costs		(10,939)
Outstanding indebtedness	\$	585,068

PJP Ventures

On October 29, 2019, PJP II, PJP VII and PJP VI, three real estate ventures in which the Company owned a 25%-30% interest, each sold their sole operating office property, totaling 204,347 rentable square feet in Charlottesville, VA, at an aggregate sales price of \$51.0 million. The Company received cash proceeds of \$9.1 million after closing costs and related debt payoffs. The Company recorded an \$8.0 million gain within the caption "Net gains on real estate venture transactions" within its consolidated statements of operations for the year ended December 31, 2019.

Herndon Innovation Center Metro Portfolio Venture, LLC

On December 20, 2018, the Company contributed a portfolio of eight properties containing an aggregate of 1,293,197 square feet, located in its Metropolitan Washington, D.C. segment, to a newly-formed joint venture, known as the Herndon Innovation Center Metro Portfolio Venture, LLC ("Herndon Innovation Center"), for a gross sales price of \$312.0 million. The Company and its partner own 15% and 85% interests in the Herndon Innovation Center, respectively. The Herndon Innovation Center funded the acquisition with \$265.2 million of cash, which was distributed to the Company at closing. After funding its share of closing costs and working capital contributions of \$2.2 million and \$0.6 million, respectively, the Company received \$262.4 million of cash proceeds at settlement and was given a \$47.7 million capital credit for its share of the fair value of the Herndon Innovation Center. The Company recorded an impairment charge of \$56.9 million for the Herndon Innovation Center during the third quarter of 2018. The Company recorded a \$0.4 million gain on sale, which represents an adjustment to estimated closing costs used to determine the impairment charge in the third quarter of 2018. As part of the transaction, the Company's subsidiary management company executed an agreement with the Herndon Innovation Center to provide property management and leasing services to the Herndon Innovation Center.

On March 29, 2019, Herndon Innovation Center obtained \$134.1 million of third-party debt financing, secured by four properties within the venture, with an initial advance of \$113.1 million. The remaining funds available under the loan have not yet been drawn. The Company received \$16.7 million for its share of the cash proceeds on April 12, 2019. The loan bears interest at LIBOR + 1.95% capped at a total maximum interest rate of 5.45% - 6.45% over the term of the loan and matures on March 29, 2024. On April 11, 2019, the venture obtained an additional \$115.3 million of third-party debt financing secured by the remaining four properties within the venture, with an initial advance of \$94.2 million. The remaining funds available under the loan have not yet been drawn. The loan bears interest at LIBOR + 1.80% capped at a total maximum interest rate of 6.3% and matures on April 11, 2024. On April 12, 2019, the Company received \$13.8 million for its share of the cash proceeds from the financing.

Austin Venture

The Austin Venture owned twelve office properties containing an aggregate 1,570,123 square feet located in Austin, Texas.

On October 16, 2013, the Company contributed a portfolio of seven office properties containing an aggregate of 1,398,826 rentable square feet located in Austin, Texas (the "Austin Properties") to a newly-formed joint venture with G&I VII Austin Office LLC ("DRA"). DRA and the Company agreed to an aggregate gross sales price of \$330.0 million subject to an obligation on the Company's part to fund the first \$5.2 million of post-closing capital expenditures, of which \$0.8 million was funded by the Company during 2013 and the remaining \$4.4 million was funded by the Company during the twelve months ended December 31, 2014. DRA owned a 50% interest in the Austin Venture and the Company owned a 50% interest in the Austin Venture, subject to the Company's right to receive up to an additional 10% of distributions.

The Company measured its equity interest at fair value based on the fair value of the Austin Properties and the distribution provisions of the real estate venture agreement. Since the Company retained a noncontrolling interest in the Austin Properties and there were no other facts and circumstances that precluded the consummation of a sale, the contribution qualified as a partial sale of real estate under the relevant guidance for sales of real estate.

On October 18, 2017, the Austin Venture sold eight office properties in Austin, Texas containing 1,164,496 square feet for a gross sales price of \$333.3 million. Seven of the properties were encumbered by \$151.0 million of mortgage debt. The Company's share of cash proceeds, after payment of the of the mortgage debt, closing costs and prorations, was \$86.4 million. The Company's share of the Austin Venture's gain on sale was \$40.1 million. Additionally, the Company recorded a deferred gain on sale of \$12.1 million, which was established on the Company's consolidated balance sheets when certain assets were contributed to the Austin Venture at formation. In accordance with the relevant guidance for the sales of real estate, the contributed properties qualified as a partial sale and a portion of the gain was deferred and accreted. The Company met the criteria to recognize the unaccreted portion of the deferred gain on the partial sale as the sales process was complete upon the Austin Venture selling the properties to a third party.

The summary of the transaction is as follows (in thousands);

	October 18, 2017
Gross sales price	\$ 333,250
Debt principal	(150,968)
Debt prepayment penalties	(2,120)
Closing costs and net prorations	(7,420)
Cash to Austin Venture	\$ 172,742
Company's ownership interest	50%
Cash to the Company	\$ 86,371
Cash to Austin Venture	\$ 172,742
Austin Venture basis of sold properties	(92,559)
Austin Venture gain on sale	\$ 80,183
Company's ownership interest	50%
Company's share of gain	\$ 40,092
Company's share of gain	\$ 40,092
Deferred gain from partial sale	12,072
Gain on real estate venture transactions	\$ 52,164

On December 11, 2018, the Company acquired DRA's 50% ownership interest in the Austin Venture for an aggregate purchase price of \$535.1 million. On the sale date, the Austin Venture owned twelve office properties containing an aggregate 1,570,123 square feet, located in Austin, Texas. See Note 3, "Real Estate Investments," for further information.

Brandywine - AI Venture

As of December 31, 2019 Brandywine - AI Venture (BDN - AI Venture) consists of one office property located in Metropolitan D.C. segment located at 3141 Fairview Park Drive. During 2019, BDN AI Venture recorded a \$5.6 million held for use impairment charge related to 3141 Fairview Park Drive. The Company's share of the impairment charge was \$2.8 million which is reflected in "Equity in loss of Real Estate Ventures" in the consolidated statements of operations for the year ended December 31, 2019.

During 2019, BDN - AI Venture transferred an office building located in Falls Church, Virginia containing 180,659 rentable square feet to the mortgage lender in full satisfaction of the lender's outstanding \$26.0 million mortgage loan. The mortgage loan was nonrecourse to the Company. The Company recognized its \$2.2 million share of the gain on debt forgiveness in "Net gain on real estate venture transactions" in the consolidated statements of operations for the year ended December 31, 2019.

During 2018, BDN - AI Venture sold three office properties containing 510,202 rentable square feet located in Silver Spring, MD ("Station Square") for a gross sales price of \$107.0 million. At the time of sale, the properties were encumbered by a mortgage of \$66.5 million, which was repaid in full at closing, resulting in a debt prepayment penalty of \$0.7 million. After mortgage payoff and closing costs, BDN - AI Venture received cash proceeds of \$34.8 million, of which, the Company received \$17.4 million and recognized a \$1.5 million gain on the sale.

Additionally, in 2018, BDN - AI Venture recorded a \$20.8 million held for use impairment charge related to 3141 Fairview Park Drive and 3130 Fairview Park Drive, the two then-remaining properties held by the venture. The Company's share of the impairment charge was \$10.4 million which was recognized in "Equity in loss of Real Estate Ventures" in the consolidated statements of operations for the year ended December 31, 2018. Based on the Company's evaluation of the fair value of its investment in BDN - AI Venture subsequent to the disposition of Station Square, the Company determined that a persistent weak demand for office space and intense competition for tenants at the two remaining properties had reduced the fair value of the investment below the carrying value. As a result, the Company recorded an other than temporary impairment of \$4.1 million which was recognized in "Equity in Loss of Real Estate Ventures" in the consolidated statements of operations for the year ended December 31, 2018. The Company measured this impairment based on a discounted cash flow analysis, using a hold period of 10 years, a residual capitalization rate of 8.0% and discount rates ranging from 9.0% to 9.5%.

During 2017, BDN - AI Venture sold 7101 Wisconsin Avenue, a property containing 230,904 rentable square feet located in Bethesda, Maryland, for a gross sales price of \$105.7 million. At the time of sale, the property was encumbered by a mortgage of \$37.4 million, which was repaid in full at closing, resulting in a debt prepayment penalty of \$0.8 million. After mortgage payoff and closing costs, BDN - AI Venture received cash proceeds of \$63.6 million, of which, the Company received \$31.8 million and recognized a \$13.8 million gain on the sale transaction.

Additionally, in 2017, based on the Company's evaluation of the fair value of its investment in the five remaining properties owned by BDN - AI Venture subsequent to the disposition of 7101 Wisconsin Avenue, the Company determined that a persistent weak demand office for space and intense competition for tenants had reduced the fair value of the investment below the carrying value. As a result, the Company recorded an other than temporary impairment of \$4.8 million which was recognized in "Equity in Loss of Real Estate Ventures" in the consolidated statements of operations for the year ended December 31, 2017. The Company measured this impairment based on a discounted cash flow analysis, using a hold period of 10 years, a residual capitalization rate of 7.5% and discount rates ranging from 7.8% to 8.5%.

MAP Venture

The MAP Venture owns 58 office properties that contain an aggregate of 3,924,783 square feet located in the Pennsylvania Suburbs, New Jersey/Delaware, Metropolitan Washington, D.C. and Richmond, Virginia ("MAP Venture"). The MAP Venture was formed as a limited liability company in which the Company has been designated as the Managing Member. In addition, through an affiliate, the Company provides property management services at the Buildings on behalf of the MAP Venture for a market based management fee.

The MAP Venture leases the land parcels under the 58 office properties through a ground lease that extends through February 2115. Annual payments by the MAP Venture, as tenant under the ground leases, initially total \$11.9 million and increase 2.5% annually through November 2025. Thereafter, annual rental payments increase by 2.5% or CPI at the discretion of the lessor. Upon adoption of Topic 842, Leases, on January 1, 2019, the MAP Venture determined that the carrying amount of the right of use asset was greater than the fair value of the underlying right of use asset. The fair value of the underlying right of use asset was determined using the purchase price paid by a third-party to acquire the ground lease. As a result, MAP Venture recorded a \$9.2 million cumulative effect of accounting change adjustment simultaneously with the recording of the right of use asset to reduce the value of the right of use asset to its estimated fair value. The Company recorded its \$4.6 million proportionate share of the cumulative effect of accounting change adjustment through "Cumulative earnings" on its consolidated balance sheets.

On August 1, 2018, MAP Venture refinanced its \$180.8 million third party debt financing, secured by the buildings of MAP Venture and maturing February 9, 2019, with \$185.0 million third party debt financing, also secured by the buildings, bearing interest at LIBOR + 2.45% capped at a total maximum interest of 6.00% and maturing on August 1, 2023.

1919 Ventures

1919 Ventures owns a 29-story, 455,000 square foot mixed-use tower consisting of 321 luxury apartments, 24,000 square feet of commercial space and a 215-car structured parking facility.

During 2018, the Company and the other equity partner in 1919 ventures each provided a \$44.4 million mortgage loan to 1919 Ventures and, as a result, the Company recorded a related-party note receivable from 1919 Ventures of \$44.4 million which is reported within "Other assets" on the consolidated balance sheets. The loans bear interest at a fixed 4.0% per annum interest rate with a scheduled maturity on June 25, 2023. 1919 Ventures used the loan to repay the venture's then outstanding \$88.8 million construction loan, comprised of \$88.6 million in principal and \$0.2 million of accrued interest.

Four Tower Bridge Acquisition

During 2018, the Company acquired, from its then partner in each of the Four Tower Bridge real estate venture and the Seven Tower Bridge real estate venture, the partner's remaining 35% ownership interest in the Four Tower Bridge real estate venture in exchange for the Company's 20% ownership interest in the Seven Tower Bridge real estate venture. The Four Tower Bridge real estate venture owned an office property containing 86,021 square feet in Conshohocken, Pennsylvania encumbered with \$9.7 million in debt. The Company previously accounted for its noncontrolling interest in Four Tower Bridge using the equity method. As a result of the exchange transaction, the Company obtained control of the Four Tower Bridge property and recognized a gain of \$11.6 million. For further information regarding the accounting of the transaction, see Note 3, "Real Estate Investments."

evo at Cira Centre South Venture

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

The Parc at Plymouth Meeting Venture

On January 31, 2017, the Company sold its 50% interest in TB-BDN Plymouth Apartments, L.P., a real estate venture with Toll Brothers, at a gross sales value of \$100.5 million, of which the Company was allocated 50% for its interest. The venture developed and operated a 398-unit multi-family complex in Plymouth Meeting, Pennsylvania encumbered by a \$54.0 million construction loan. The construction loan was repaid commensurate with the sale of the Company's 50% interest. As a result, the Company is no longer subject to a \$3.2 million payment guarantee on the construction loan. The cash proceeds, after the payment of the Company's share of the debt and closing costs, were \$27.2 million. The carrying amount of the Company's investment at the time of sale was \$12.6 million, resulting in a \$14.6 million gain on sale of an interest in the real estate venture which was recorded within "Net gain on real estate venture transactions" in the consolidated statements of operations.

JBG Ventures

JBG Ventures consists of 51 N 50 Patterson, Holdings, LLC Venture ("51 N Street") and 1250 First Street Office, LLC Venture ("1250 First Street"), with the Company owning a 70.0% interest and JBG/DC Manager, LLC ("JBG") owning a 30.0% interest in each of the two ventures. 51 N Street owns 0.9 acres of undeveloped land and 1250 First Street, owns 0.5 acres of undeveloped land.

Based on the facts and circumstances at the formation of each of the two ventures with JBG, the Company determined that each venture is a VIE in accordance with the accounting standard for the consolidation of VIEs. As a result, the Company used the variable interest model under the accounting standard for consolidation in order to determine whether to consolidate the JBG Ventures. JBG is the managing member of the ventures, and pursuant to the operating and related agreements, major decisions require the approval of both members. Based upon each member's shared power over the activities of each of the two ventures, which most significantly impact the economics of the ventures, neither venture is consolidated by the Company. Both ventures are accounted for under the equity method of accounting.

4040 Wilson Venture

On July 31, 2013, the Company formed 4040 Wilson LLC Venture ("4040 Wilson") a joint venture between the Company and Ashton Park Associates LLC ("Ashton Park"), an unaffiliated third party. Each of the Company and Ashton Park owns a 50% interest in 4040 Wilson. 4040 Wilson is developing a 427,500 square foot mixed-use building representing the final phase of the eight building, mixed-use, Liberty Center complex located in the Ballston submarket of Arlington, Virginia. The project is being constructed on a 1.3-acre land parcel contributed by Ashton Park to 4040 Wilson at an agreed upon value of \$36.0 million. During the fourth quarter of 2017, 4040 Wilson achieved pre-leasing levels that enabled the venture to obtain a secured construction loan with a total borrowing capacity of \$150.0 million for the remainder of the project costs. As of December 31, 2019, \$114.8 million had been advanced under the construction loan and development of the building is in progress.

Based upon the facts and circumstances at the formation of 4040 Wilson, the Company determined that 4040 Wilson is a VIE in accordance with the accounting standard for the consolidation of VIEs. As a result, the Company used the variable interest model under the accounting standard for consolidation in order to determine whether to consolidate 4040 Wilson. Based upon each member's shared power over the activities of 4040 Wilson under the operating and related agreements, and the Company's lack of control over the development and construction phases of the project, 4040 Wilson is accounted for under the equity method of accounting.

5. LEASES

Lessor Accounting

The Company leases properties to tenants under operating leases with various expiration dates. Lease payments on noncancellable leases at December 31, 2019 are as follows (in thousands):

Year	Minimum Rent
2020	\$ 389,956
2021	369,375
2022	338,435
2023	311,729
2024	280,631
Thereafter	1,234,006

Lease payments on noncancellable leases at December 31, 2018, which were determined under under ASC 840 and are therefore not adjusted for increases based on CPI, are as follows (in thousands):

Year	Minimum Rent
2019	392,058
2020	372,619
2021	349,160
2022	304,445
2023	277,388
Thereafter	1,265,810

Lessee Accounting

As of December 31, 2019, the Company is the lessee under six long-term ground leases classified as operating leases. Certain of the Company's ground leases contain extension options and the Company considered all relevant factors in determining if it was reasonably certain that it would exercise such extension options. The Company concluded that it was not reasonably certain that it would exercise the extension options and, therefore, has not included the extension period in the remaining lease terms. With the exception of certain ground leases that are subject to rent increases periodically based on the CPI index, all lease payments under the ground lease are fixed.

The table below summarizes the Company's operating lease cost (in thousands) recognized through "Property operating expenses" on the consolidated statements of operations:

Lease Cost	Twelve Months Ended December 31, 2019
Fixed lease cost	\$ 2,100
Variable lease cost	54
Total	\$ 2,154
Weighted-average remaining lease term (years)	52.7
Weighted-average discount rate	6.3%

Lease payments by the Company under the terms of all noncancellable ground leases of land are expensed on a straight-line basis regardless of when payments are due. The Company's ground leases, excluding prepaid ground leases, have remaining lease terms ranging from 9 to 65 years. Lease payments on noncancellable leases at December 31, 2019 are as follows (in thousands):

Year	Minimum Rent
2020	\$ 1,217
2021	1,232
2022	1,248
2023	1,263
2024	1,305
Thereafter	110,452
Total lease payments	\$ 116,717
Less: Imputed interest	94,163
Present value of operating lease liabilities	\$ 22,554

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

Lease payments on noncancellable leases at December 31, 2018, which were determined under ASC 840 and are therefore not adjusted for increases based on CPI, are as follows (in thousands):

Year	Minimum Rent
2019	\$ 1,222
2020	1,222
2021	1,222
2022	1,222
2023	1,222
Thereafter	55,689
Total	\$ 61,799

6. DEFERRED COSTS

As of December 31, 2019 and 2018, the Company's deferred costs were comprised of the following (in thousands):

	December 31, 2019		
	Total Cost	Accumulated Amortization	Deferred Costs, net
Leasing costs	\$ 156,619	\$ (63,257)	\$ 93,362
Financing costs - Revolving Credit Facility	6,299	(4,101)	2,198
Total	\$ 162,918	\$ (67,358)	\$ 95,560

	December 31, 2018		
	Total Cost	Accumulated Amortization	Deferred Costs, net
Leasing costs	\$ 144,831	\$ (56,846)	\$ 87,985
Financing costs - Revolving Credit Facility	6,298	(3,208)	3,090
Total	\$ 151,129	\$ (60,054)	\$ 91,075

During the years ended December 31, 2019, 2018 and 2017, the Company capitalized internal direct leasing costs of \$1.7 million, \$3.9 million, and \$4.6 million, respectively.

7. INTANGIBLE ASSETS

As of December 31, 2019 and 2018, the Company's intangible assets were comprised of the following (in thousands):

	December 31, 2019		
	Total Cost	Accumulated Amortization	Intangible Assets, net
Intangible assets, net:			
In-place lease value	\$ 167,357	\$ (84,123)	\$ 83,234
Tenant relationship value	5,268	(4,815)	453
Above market leases acquired	4,956	(3,792)	1,164
Total intangible assets, net	\$ 177,581	\$ (92,730)	\$ 84,851
	Total Cost	Accumulated Amortization	Intangible Liabilities, net
Intangible liabilities, net:			
Below market leases acquired	\$ 44,757	\$ (22,494)	\$ 22,263
	December 31, 2018		
	Total Cost	Accumulated Amortization	Intangible Assets, net
Intangible assets, net:			
In-place lease value	\$ 181,887	\$ (53,376)	\$ 128,511
Tenant relationship value	9,564	(8,551)	1,013
Above market leases acquired	4,966	(3,142)	1,824
Total intangible assets, net	\$ 196,417	\$ (65,069)	\$ 131,348
	Total Cost	Accumulated Amortization	Intangible Liabilities, net
Intangible liabilities, net:			
Below market leases acquired	\$ 49,655	\$ (17,872)	\$ 31,783

For the years ended December 31, 2019, 2018, and 2017, the Company accelerated the amortization of intangible assets by approximately \$4.5 million, \$0.7 million, and \$0.6 million, respectively, as a result of tenant move-outs prior to the end of the associated lease term. For the year ended December 31, 2019 the Company accelerated the amortization of approximately \$2.2 million of intangible liabilities as a result of tenant move-outs. For the years ended December 31, 2018 and 2017 the Company accelerated the amortization of a nominal amount of intangible liabilities as a result of tenant move-outs.

As of December 31, 2019, the Company's annual amortization for its intangible assets/liabilities, assuming no early lease terminations, are as follows (dollars in thousands):

	Assets	Liabilities
2020	\$ 27,813	\$ 5,270
2021	17,887	3,856
2022	12,067	2,263
2023	9,236	1,722
2024	6,317	1,434
Thereafter	11,531	7,718
Total	\$ 84,851	\$ 22,263

8. DEBT OBLIGATIONS

The following table sets forth information regarding the Company's consolidated debt obligations outstanding at December 31, 2019 and 2018 (in thousands):

	December 31, 2019	December 31, 2018	Effective Interest Rate	Maturity Date
MORTGAGE DEBT:				
Two Logan Square	\$ 81,103	\$ 82,805	3.98%	May 2020
Four Tower Bridge	9,291	9,526	4.50% (a)	February 2021
One Commerce Square	116,571	120,183	3.64%	April 2023
Two Commerce Square	108,472	110,518	4.51%	April 2023
Principal balance outstanding	315,437	323,032		
Plus: fair market value premium (discount), net	(1,383)	(1,759)		
Less: deferred financing costs	(242)	(404)		
Mortgage indebtedness	\$ 313,812	\$ 320,869		
UNSECURED DEBT				
\$600 million Unsecured Credit Facility	\$ —	\$ 92,500	LIBOR + 1.10%	July 2022
Seven-Year Term Loan - Swapped to fixed	250,000	250,000	2.87%	October 2022
\$350.0M 3.95% Guaranteed Notes due 2023	350,000	350,000	3.87%	February 2023
\$350.0M 4.10% Guaranteed Notes due 2024	350,000	250,000	3.78%	October 2024
\$450.0M 3.95% Guaranteed Notes due 2027	450,000	450,000	4.03%	November 2027
\$350.0M 4.55% Guaranteed Notes due 2029	350,000	250,000	4.30%	October 2029
Indenture IA (Preferred Trust I)	27,062	27,062	LIBOR + 1.25%	March 2035
Indenture IB (Preferred Trust I) - Swapped to fixed	25,774	25,774	3.30%	April 2035
Indenture II (Preferred Trust II)	25,774	25,774	LIBOR + 1.25%	July 2035
Principal balance outstanding	1,828,610	1,721,110		
Plus: original issue premium (discount), net	12,090	(4,096)		
Less: deferred financing costs	(10,094)	(9,837)		
Total unsecured indebtedness	\$ 1,830,606	\$ 1,707,177		
Total Debt Obligations	\$ 2,144,418	\$ 2,028,046		

(a) Assumed upon acquisition of the related property on January 5, 2018. The interest rate reflects the market rate at the time of acquisition.

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

On October 10, 2019, the Company completed underwriting offerings of an additional \$100.0 million of its 4.10% Guaranteed Notes due 2024 (the "2024 Notes") and an additional \$100.0 million of its 4.55% Guaranteed Notes due 2029 (the "2029 Notes"). The additional 2024 Notes were priced at 106.315% of their face amount and the additional 2029 Notes were priced at 110.058% of their face amount. The additional 2024 Notes and additional 2029 Notes have been reflected net of premiums of \$5.3 million and \$8.5 million, respectively, in the consolidated balance sheet as of December 31, 2019.

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

On July 17, 2018, the Company amended and restated its revolving credit agreement (as amended and restated, the "Unsecured Credit Facility"). The amendment and restatement, among other things: (i) maintained the total commitment of the revolving line of credit of \$600.0 million; (ii) extended the maturity date from May 15, 2019 to July 15, 2022, with two six-month extensions at the Company's election subject to specified conditions and subject to payment of an extension fee; (iii) reduced the interest rate margins applicable to Eurodollar loans; (iv) provided for an additional interest rate option based on a floating LIBOR rate;

and (v) removed the covenant requiring the Company to maintain a minimum net worth. In connection with the amendments, the Company capitalized \$2.7 million in financing costs, which will be amortized through the July 15, 2022 maturity date.

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

The terms of the Unsecured Credit Facility require that the Company maintain customary financial and other covenants, including: (i) a fixed charge coverage ratio greater than or equal to 1.5 to 1.00; (ii) a leverage ratio less than or equal to 0.60 to 1.00, subject to specified exceptions; (iii) a ratio of unsecured indebtedness to unencumbered asset value less than or equal to 0.60 to 1.00, subject to specified exceptions; (iv) a ratio of secured indebtedness to total asset value less than or equal to 0.40 to 1.00; and (v) a ratio of unencumbered cash flow to interest expense on unsecured debt greater than 1.75 to 1.00. In addition, the Unsecured Credit Facility restricts payments of dividends and distributions on shares in excess of 95% of the Company's funds from operations (FFO) except to the extent necessary to enable the Company to continue to qualify as a REIT for Federal income tax purposes.

The Company had no borrowings under the Unsecured Credit Facility as of December 31, 2019. During the twelve months ended December 31, 2019, the weighted-average interest rate on Unsecured Credit Facility borrowings was 3.52% resulting in \$4.4 million of interest expense. As of December 31, 2018, the Company had \$92.5 million borrowings under the Credit Facility. During the twelve months ended December 31, 2018, the weighted-average interest rate on Unsecured Credit Facility borrowings was 3.24% resulting in \$1.0 million of interest expense.

The Company was in compliance with all financial covenants as of December 31, 2019 and 2018. Management continuously monitors the Company's compliance with and anticipated compliance with the covenants. Certain of the covenants restrict the Company's ability to obtain alternative sources of capital. While the Company currently believes it will remain in compliance with its covenants, in the event that the economy deteriorates in the future, the Company may not be able to remain in compliance with such covenants, in which case a default would result absent a lender waiver.

As of December 31, 2019, the Company's aggregate scheduled principal payments of debt obligations, excluding amortization of discounts and premiums, are as follows (in thousands):

2020	\$	87,226
2021		15,143
2022		256,332
2023		556,736
2024		350,000
Thereafter		878,610
Total principal payments		<u>2,144,047</u>
Net unamortized premiums/(discounts)		10,707
Net deferred financing costs		(10,336)
Outstanding indebtedness	\$	<u><u>2,144,418</u></u>

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company determined the fair values disclosed below using available market information and discounted cash flow analyses as of December 31, 2019 and 2018, respectively. The discount rate used in calculating fair value is the sum of the current risk free rate and the risk premium on the date of measurement of the instruments or obligations. Considerable judgment is necessary to interpret market data and to develop the related estimates of fair value. Accordingly, the estimates presented are not necessarily

indicative of the amounts that the Company could realize upon disposition. The use of different estimation methodologies may have a material effect on the estimated fair value amounts shown. The Company believes that the carrying amounts reflected in the consolidated balance sheets at December 31, 2019 and 2018 approximate the fair values for cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued expenses because they are short-term in duration.

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

	December 31, 2019		December 31, 2018	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
Unsecured notes payable	\$ 1,503,435	\$ 1,591,830	\$ 1,288,024	\$ 1,262,570
Variable rate debt	\$ 327,171	\$ 309,947	\$ 419,153	\$ 402,924
Mortgage notes payable	\$ 313,812	\$ 317,031	\$ 320,869	\$ 318,515
Notes receivable	\$ 44,430	\$ 43,322	\$ 47,771	\$ 47,747

(a) The carrying amounts presented in the table above are net of deferred financing costs of \$8.7 million and \$7.9 million for unsecured notes payable, \$1.4 million and \$2.0 million for variable rate debt and \$0.2 million and \$0.4 million for mortgage notes payable as of December 31, 2019 and December 31, 2018, respectively.

On June 26, 2018, the Company provided a \$44.4 million mortgage loan to Brandywine 1919 Ventures, an unconsolidated real estate venture in which the Company holds a 50% ownership interest, and recorded a note receivable of \$44.4 million. For additional information regarding the transaction, see Note 4, "Investment in Unconsolidated Real Estate Ventures."

As of December 31, 2018, notes receivable also consisted of a \$3.4 million note receivable that was provided to a third party to acquire a property. This note was repaid during the second quarter of 2019.

The Company used quoted market prices as of December 31, 2019 and December 31, 2018 to value the unsecured notes payable and, as such, categorized them as Level 2.

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

The inputs utilized to determine fair value of the Company's notes receivable are unobservable and, as such, were categorized as Level 3. Fair value was determined using a discounted cash flow model that considered the contractual interest and principal payments discounted at a blended interest rate of the notes receivable.

For the Company's level 3 financial instruments for which fair value is disclosed, an increase in the discount rate used to determine fair value would result in a decrease to the fair value. Conversely, a decrease in the discount rate would result in an increase to the fair value.

Disclosure about the fair value of financial instruments is based upon pertinent information available to management as of December 31, 2019 and December 31, 2018. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts were not comprehensively revalued for purposes of these financial statements since December 31, 2019. Current estimates of fair value may differ from the amounts presented herein.

10. DERIVATIVE FINANCIAL INSTRUMENTS

Use of Derivative Financial Instruments

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

the counterparties will fail to meet these obligations as they come due. The Company does not hedge credit or property value market risks through derivative financial instruments.

The Company formally assesses, both at the inception of a hedge and on an on-going basis, whether each derivative is highly-effective in offsetting changes in cash flows of the hedged item. If management determines that a derivative is not highly-effective as a hedge or if a derivative ceases to be a highly-effective hedge, the Company will discontinue hedge accounting prospectively for either the entire hedge or the portion of the hedge that is determined to be ineffective. The related ineffectiveness would be charged to the consolidated statement of operations.

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

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

The following table summarizes the terms and fair values of the Company's derivative financial instruments as of December 31, 2019 and December 31, 2018. The notional amounts provide an indication of the extent of the Company's involvement in these instruments at that time but do not represent exposure to credit, interest rate or market risks (amounts presented in thousands).

Hedge Product	Hedge Type	Designation	Notional Amount		Strike	Trade Date	Maturity Date	Fair value	
			12/31/2019	12/31/2018				12/31/2019	12/31/2018
Assets									
Swap	Interest Rate	Cash Flow (a)	\$ —	\$ 25,774	3.090%	January 6, 2012	October 30, 2019	\$ —	\$ 183
Liabilities									
Swap	Interest Rate	Cash Flow (b)	\$ 250,000	\$ 250,000	2.868%	October 8, 2015	October 8, 2022	\$ (562)	\$ 7,008
Swap	Interest Rate	Cash Flow (b)	\$ 25,774	\$ 25,774	3.300%	December 22, 2011	January 30, 2021	(94)	292
			<u>\$ 275,774</u>	<u>\$ 301,548</u>					

(a) On October 30, 2019, the interest rate hedge contract for this swap expired.

(b) Hedging unsecured variable rate debt.

The Company measures its derivative instruments at fair value and records them in the "Other assets" and ("Other liabilities") captions on the Company's consolidated balance sheets.

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

Disclosure about the fair value of derivative instruments is based upon pertinent information available to management as of December 31, 2019 and December 31, 2018. Although management is not aware of any factors that would significantly affect

the fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since December 31, 2019. Current estimates of fair value may differ from the amounts presented herein.

Concentration of Credit Risk

Concentrations of credit risk arise for the Company when multiple tenants of the Company are engaged in similar business activities, or are located in the same geographic region, or have similar economic features that impact in a similar manner their ability to meet contractual obligations, including those to the Company. The Company regularly monitors its tenant base to assess potential concentrations of credit risk. Management believes the current credit risk portfolio is reasonably well diversified and does not contain an unusual concentration of credit risk. No tenant accounted for 10% or more of the Company's rents during 2019, 2018 and 2017.

11. LIMITED PARTNERS' NONCONTROLLING INTERESTS IN THE PARENT COMPANY

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

Operating Partnership

The aggregate book value of the noncontrolling interests associated with the redeemable common limited partnership interests that were consolidated in the accompanying consolidated balance sheet of the Parent Company as of December 31, 2019 and December 31, 2018, was \$9.3 million and \$10.1 million, respectively. Under the applicable accounting guidance, the redemption value of limited partnership units are carried at, on a limited partner basis, the greater of historical cost adjusted for the allocation of income and distributions or fair value. The Parent Company believes that the aggregate settlement value of these interests (based on the number of units outstanding and the closing price of the common shares on the balance sheet date) was approximately \$15.5 million and \$12.6 million, respectively, as of December 31, 2019 and December 31, 2018.

12. BENEFICIARIES' EQUITY OF THE PARENT COMPANY

Earnings per Share (EPS)

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

	Year Ended December 31,					
	2019		2018		2017	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator						
Net income	\$ 34,529	\$ 34,529	\$ 135,472	\$ 135,472	\$ 121,177	\$ 121,177
Net income attributable to noncontrolling interests	(262)	(262)	(954)	(954)	(1,004)	(1,004)
Nonforfeitable dividends allocated to unvested restricted shareholders	(396)	(396)	(369)	(369)	(327)	(327)
Distribution to preferred shareholders	—	—	—	—	(2,032)	(2,032)
Preferred share redemption charge	—	—	—	—	(3,181)	(3,181)
Net income attributable to common shareholders	<u>\$ 33,871</u>	<u>\$ 33,871</u>	<u>\$ 134,149</u>	<u>\$ 134,149</u>	<u>\$ 114,633</u>	<u>\$ 114,633</u>
Denominator						
Weighted-average shares outstanding	176,132,941	176,132,941	178,519,748	178,519,748	175,484,350	175,484,350
Contingent securities/Share based compensation	—	553,872	—	1,121,744	—	1,323,816
Weighted-average shares outstanding	<u>176,132,941</u>	<u>176,686,813</u>	<u>178,519,748</u>	<u>179,641,492</u>	<u>175,484,350</u>	<u>176,808,166</u>
Earnings per Common Share:						
Net income attributable to common shareholders	<u>\$ 0.19</u>	<u>\$ 0.19</u>	<u>\$ 0.75</u>	<u>\$ 0.75</u>	<u>\$ 0.65</u>	<u>\$ 0.65</u>

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

Redeemable common limited partnership units, totaling 981,634, 982,871, and 1,479,799 in 2019, 2018, and 2017, 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 years ended December 31, 2019, 2018 and 2017, earnings representing nonforfeitable dividends 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 December 11, 2019, the Parent Company declared a distribution of \$0.19 per common share, totaling \$33.8 million, which was paid on January 22, 2020 to shareholders of record as of January 8, 2020.

Of the 20,000,000 preferred shares authorized, none were outstanding as of December 31, 2019 or December 31, 2018.

On April 11, 2017, the Parent Company redeemed all of its outstanding 4,000,000 Series E Preferred Shares at an aggregate redemption price of \$25.51 per share, which includes \$2.0 million of dividends accrued through the redemption date. The redemption was funded with existing cash balances on hand.

Also, on April 11, 2017, the Parent Company recognized a \$3.2 million charge related to the underwriting discount and related expenses incurred at issuance of the Series E Preferred Shares on April 11, 2012. This charge is included in the earnings per share calculations above, as well as within the Parent Company's consolidated statements of operations as a reduction in net income to arrive at net income attributable to common shareholders under the caption "Preferred share redemption charge." There were no comparable charges for the years ended December 31, 2019 or 2018.

Common Share Repurchases

The Parent Company maintains a common share repurchase program under which the Board of Trustees has authorized the Parent Company to repurchase common shares. On January 3, 2019, the Board of Trustees replenished this program by authorizing the Parent Company to repurchase up to \$150 million common shares under the program from and after January 3, 2019. During the year ended December 31, 2019, the Company repurchased and retired 1,337,169 common shares at an average price of \$12.92 per share, totaling \$17.3 million. During the year ended December 31, 2018, the Company repurchased and retired 1,729,278 common shares at an average price of \$12.64 per share, totaling \$21.9 million. During the year ended December 31, 2017, there were no share repurchases under the program. The Company expects to fund any additional share repurchases with a combination of available cash balances and availability under its unsecured revolving credit facility. The timing and amounts of any repurchases will depend on a variety of factors, including market conditions, regulatory requirements, share prices, capital availability and other factors as determined by the Company's management team. The repurchase program does not require the purchase of any minimum number of shares and may be suspended or discontinued at any time without notice.

In connection with the Parent Company's common share repurchase program, one common unit of the Operating Partnership is retired for each common share repurchased. During the year ended December 31, 2019, the Company repurchased and retired 1,337,169 common units at an average price of \$12.92 per unit, totaling \$17.3 million. During the year ended December 31, 2018, the Company repurchased and retired 1,729,278 units at an average price of \$12.64 per unit totaling \$21.9 million. During the year ended December 31, 2017 there were no repurchases under the program. The Company expects to fund any additional unit repurchases with a combination of available cash balances and availability under its unsecured revolving credit facility. The timing and amounts of any purchases will depend on a variety of factors, including market conditions, regulatory requirements, unit prices, capital availability and other factors as determined by the Company's management team. The repurchase program does not require the purchase of any minimum number of units and may be suspended or discontinued at any time without notice.

The common shares repurchased were retired and, as a result, were accounted for in accordance with Maryland law, which does not contemplate treasury stock. The repurchases were recorded as a reduction of common shares (at \$0.01 par value per unit) and a decrease to General Partnership Capital.

Continuous Offering Program

On January 10, 2017, the Parent Company entered into a continuous offering program (the "Offering Program"), under which it may sell up to an aggregate of 16,000,000 common shares until January 10, 2020 in at-the-market offerings.

There was no activity under the Offering Program during 2019. During 2018 and 2017, the Parent Company issued 23,311 and 2,858,991 common shares under the Offering Program at weighted average prices per share of \$18.04 and \$18.19, receiving net cash proceeds of \$0.4 million and \$51.2 million, respectively. At December 31, 2019, 13,117,698 common shares remain available for issuance under the Offering Program.

13. PARTNERS' EQUITY OF THE PARENT COMPANY

Earnings per Common Partnership Unit

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

	Year Ended December 31,					
	2019		2018		2017	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator						
Net income	\$ 34,529	\$ 34,529	\$ 135,472	\$ 135,472	\$ 121,177	\$ 121,177
Net income attributable to noncontrolling interests	(69)	(69)	(55)	(55)	(29)	(29)
Nonforfeitable dividends allocated to unvested restricted unitholders	(396)	(396)	(369)	(369)	(327)	(327)
Preferred unit dividends	—	—	—	—	(2,032)	(2,032)
Preferred unit redemption charge	—	—	—	—	(3,181)	(3,181)
Net income attributable to common unitholders	<u>\$ 34,064</u>	<u>\$ 34,064</u>	<u>\$ 135,048</u>	<u>\$ 135,048</u>	<u>\$ 115,608</u>	<u>\$ 115,608</u>
Denominator						
Weighted-average units outstanding	177,114,932	177,114,932	179,959,370	179,959,370	176,964,149	176,964,149
Contingent securities/Share based compensation	—	553,872	—	1,121,744	—	1,323,816
Total weighted-average units outstanding	<u>177,114,932</u>	<u>177,668,804</u>	<u>179,959,370</u>	<u>181,081,114</u>	<u>176,964,149</u>	<u>178,287,965</u>
Earnings per Common Partnership Unit:						
Net income attributable to common unitholders	<u>\$ 0.19</u>	<u>\$ 0.19</u>	<u>\$ 0.75</u>	<u>\$ 0.75</u>	<u>\$ 0.65</u>	<u>\$ 0.65</u>

Unvested restricted units are considered participating securities which require the use of the two-class method for the computation of basic and diluted earnings per unit. For the years ended December 31, 2019, 2018 and 2017, earnings representing nonforfeitable dividends were allocated to the unvested restricted units issued to the Parent Company's executives and other employees under the Parent Company's shareholder-approved long-term incentive plan.

Common Partnership Units and Preferred Mirror Units

The Operating Partnership issues partnership units to the Parent Company in exchange for the contribution of the net proceeds of any equity security issuance by the Parent Company. The number and terms of such partnership units correspond to the number and terms of the related equity securities issued by the Parent Company. In addition, the Operating Partnership may also issue separate classes of partnership units. Historically, the Operating Partnership has had the following types of partnership units outstanding: (i) Preferred Partnership Units which have been issued to parties other than the Parent Company; (ii) Preferred Mirror Partnership Units which have been issued to the Parent Company; and (iii) Common Partnership Units which include both interests held by the Parent Company and those held by other limited partners.

Preferred Mirror Partnership Units

In exchange for the proceeds received in corresponding offerings by the Parent Company of preferred shares of beneficial interest, the Operating Partnership has issued to the Parent Company a corresponding amount of Preferred Mirror Partnership Units with terms consistent with that of the preferred securities issued by the Parent Company.

No preferred units were outstanding as of December 31, 2019 or December 31, 2018.

Common Partnership Units (Redeemable and General)

The Operating Partnership has two classes of Common Partnership Units outstanding as of December 31, 2019: (i) Class A Limited Partnership Interest which are held by both the Parent Company and outside third parties and (ii) General Partnership Interests which are held solely by the Parent Company (collectively, the Class A Limited Partnership Interest, and General Partnership Interests are referred to as “Common Partnership Units”). The holders of the Common Partnership Units are entitled to share in cash distributions from, and in profits and losses of, the Operating Partnership, in proportion to their respective percentage interests, subject to preferential distributions on the preferred mirror units and the preferred units.

The Common Partnership Units held by the Parent Company (comprised of both General Partnership Units and Class A Limited Partnership Units) are presented as partner’s equity in the consolidated financial statements. Class A Limited Partnership Interest held by parties other than the Parent Company are redeemable at the option of the holder for a like number of common shares of the Parent Company, or cash, or a combination thereof, at the election of the Parent Company. Because the form of settlement of these redemption rights are not within the control of the Operating Partnership, these Common Partnership Units have been excluded from partner’s equity and are presented as redeemable limited partnership units measured at the potential cash redemption value as of the end of the periods presented based on the closing market price of the Parent Company’s common shares at December 31, 2019, 2018 and 2017, which was \$15.75, \$12.87 and \$18.19, respectively. As of December 31, 2019, 981,634 Class A Units were outstanding and owned by outside limited partners of the Operating Partnership. As of December 31, 2018 and 2017, 982,871 and 1,479,799 Class A Units were outstanding and owned by outside limited partners of the Operating Partnership, respectively.

On December 11, 2019, the Operating Partnership declared a distribution of \$0.19 per common unit, totaling \$33.8 million, which was paid on January 22, 2020 to unitholders of record as of January 8, 2020.

On April 11, 2017, the Operating Partnership redeemed all of its outstanding 4,000,000 Series E-Linked Preferred Mirror Units at an aggregate redemption price of \$25.51 per unit, which includes \$2.0 million of dividends accrued through the redemption date. The redemption of preferred units was funded with existing cash balances on hand.

Also, on April 11, 2017, the Operating Partnership recognized a \$3.2 million charge related to the underwriting discount and related expenses incurred at issuance of the Series E-Linked Preferred Mirror Units on April 11, 2012. This charge is included in the earnings per share calculations above, as well as within the Operating Partnership’s consolidated statements of operations as a reduction in net income to arrive at net income attributable to common partnership unitholders under the caption “Preferred unit redemption charge.” There were no comparable charges for the years ended December 31, 2019 or 2018.

Common Unit Repurchases

In connection with the Parent Company’s common share repurchase program, one common unit of the Operating Partnership is retired for each common share repurchased. On January 3, 2019, the Board of Trustees replenished this program by authorizing the Parent Company to repurchase of up to \$150.0 million common shares under the program from and after January 3, 2019. During the year ended December 31, 2019, the Company Repurchased 1,337,169 common units at an average price of \$12.92 per unit, totaling \$17.3 million. During the year ended December 31, 2018, the Company repurchased and retired 1,729,278 common units at an average price of \$12.64 per unit, totaling \$21.9 million. During the year ended December 31, 2017, there were no unit repurchases under the program. The Company expects to fund any additional unit repurchases with a combination of available cash balances and availability under its unsecured revolving credit facility. The timing and amounts of any purchases will depend on a variety of factors, including market conditions, regulatory requirements, unit prices, capital availability and other factors as determined by the Company’s management team. The repurchase program does not require the purchase of any minimum number of units and may be suspended or discontinued at any time without notice.

The common units repurchased were retired and, as a result, were accounted for in accordance with Maryland law, which does not contemplate treasury stock. The repurchases were recorded as a reduction of common units (at \$0.01 par value per unit) and a decrease to General Partnership Capital.

Continuous Offering Program

On January 10, 2017, the Parent Company entered into a continuous offering program (the “Offering Program”), under which it may sell up to an aggregate of 16,000,000 common units until January 10, 2020 in at-the-market offerings. In connection with the commencement of the Offering Program, \$0.2 million of upfront costs were recorded to General Partner Capital.

There was no activity under the Offering Program during 2019. During 2018 and 2017, the Parent Company issued 23,311 and 2,858,991 common units under the Offering Program at weighted average prices per unit of \$18.04 and \$18.19, receiving net cash proceeds of \$0.4 million and \$51.2 million, respectively. As of December 31, 2019, 13,117,698 common shares remain available for issuance under the Offering Program.

14. SHARE BASED COMPENSATION, 401(K) PLAN AND DEFERRED COMPENSATION

Stock Options

On December 31, 2019, options exercisable for 334,561 common shares were outstanding under the Parent Company's shareholder approved equity incentive plan (referred to as the "Equity Incentive Plan"). During the years ended December 31, 2019, 2018 and 2017, the Company did not recognize any compensation expense related to unvested options. During the years ended December 31, 2019, 2018 and 2017, the Company did not capitalize any compensation expense related to stock options as part of the Company's review of employee salaries eligible for capitalization.

Options outstanding as of December 31, 2019 and changes during the year-ended December 31, 2019 were as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2019	964,359	\$ 9.13	1.3	
Exercised	(629,798)	\$ 7.67		\$ 4,967.7
Outstanding at December 31, 2019	334,561	\$ 11.88	1.0	\$ 1,295.9
Vested/Exercisable at December 31, 2019	334,561	\$ 11.88	1.0	\$ 1,295.9

401(k) Plan

The Company sponsors a 401(k) defined contribution plan for its employees. Each employee may contribute up to 100% of annual compensation, subject to specific limitations under the Internal Revenue Code. At its discretion, the Company can make matching contributions equal to a percentage of the employee's elective contribution and profit sharing contributions. The Company funds its 401(k) contributions annually and plan participants must be employed as of December 31 in order to receive employer contributions, except for employees eligible for qualifying retirement, as defined under the Internal Revenue Code. The Company contributions were \$0.4 million, \$0.5 million, and \$0.4 million in 2019, 2018, and 2017, respectively.

Restricted Share Rights Awards

As of December 31, 2019, 479,144 restricted share rights were outstanding under the Equity Incentive Plan. These Restricted Share Rights vest over two to three years from the initial grant dates. The remaining compensation expense to be recognized with respect to these awards at December 31, 2019 was \$2.2 million and is expected to be recognized over a weighted average remaining vesting period of 1.05 years. For the years ended December 31, 2019, 2018, and 2017, the amortization related to outstanding restricted shares was \$3.9 million (of which \$0.3 million was capitalized), \$3.6 million (of which \$0.6 million was capitalized), and \$2.8 million (of which \$0.4 million was capitalized), respectively. Compensation expense related to outstanding restricted shares is included in general and administrative expense.

The following table summarizes the Company's restricted share activity during the year-ended December 31, 2019:

	Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Non-vested at January 1, 2019	466,439	\$ 14.93	\$ 70.7
Granted	278,442	\$ 15.51	\$ 65.6
Vested	(248,607)	\$ 13.68	\$ 538.3
Forfeited	(17,130)	\$ 15.66	\$ 1.6
Non-vested at December 31, 2019	<u>479,144</u>	\$ 15.90	\$ 44.7

On February 21, 2019, the Compensation Committee of the Parent Company's Board of Trustees awarded to officers of the Company an aggregate of 196,667 Restricted Share Rights, which generally vest over two to three years from the grant date. Each Restricted Share Right entitles the holder to one common share upon settlement. The Parent Company pays dividend equivalents on the Restricted Share Rights prior to the settlement date. Vesting and/or settlement would accelerate if the recipient of the award were to die, become disabled or, in the case of certain of such Restricted Share Rights, retire in a qualifying retirement prior to the vesting or settlement date. Qualifying retirement generally means the recipient's voluntary termination of employment after reaching at least age 57 and accumulating at least 15 years of service with the Company. In addition, vesting would also accelerate if the Parent Company were to undergo a change of control and, on or before the first anniversary of the change of control, the recipient's employment were to cease due to a termination without cause or resignation with good reason.

The Restricted Share Rights granted in 2019 to certain senior executives and that vest over three years include an "outperformance feature" whereby additional shares may be earned, up to 200% of the shares subject to the basic award, based on the Company's achievement of targets for same-store net operating cash income growth and development activity provided certain operating and balance sheet metrics are also achieved during the three-year period ending December 31, 2021. Half of any additional shares earned will vest based on continued service through each of January 1, 2022 and January 1, 2023, provided that this additional service requirement will be waived in the event of a death, disability or qualifying retirement. In addition to the basic award, up to 233,890 shares may be awarded under the outperformance feature. These shares have a \$3.7 million intrinsic value using a \$15.61 grant date fair value. As of December 31, 2019, the Company has not recognized any compensation expense for these awards as it has been determined that it is not probable that the performance metrics will be achieved. The Company will evaluate progression towards achievement of the performance metrics on a quarterly basis and recognize compensation expense for these awards should it be determined that achievement of these metrics is probable.

In addition, on February 21, 2019, the Compensation Committee awarded non-officer employees an aggregate of 37,472 Restricted Share Rights that vest in three equal installments on April 15, 2020, 2021, and 2022. Vesting of these awards is subject to acceleration upon death, disability or termination without cause within one year following a change of control.

In accordance with the accounting standard for share-based compensation, the Company amortizes share-based compensation costs through the qualifying retirement dates for those executives who meet the conditions for qualifying retirement during the scheduled vesting period and whose award agreements provide for vesting upon a qualifying retirement.

Restricted Performance Share Units Plan

The Compensation Committee of the Parent Company's Board of Trustees has granted performance share-based awards (referred to as Restricted Performance Share Units, or RPSUs) to officers of the Parent Company. The RPSUs are settled in common shares, with the number of common shares issuable in settlement determined based on the Company's total shareholder return over specified measurement periods compared to total shareholder returns of comparative groups over the measurement periods. The table below presents certain information as to unvested RPSU awards.

	RPSU Grant			Total
	3/1/2017	2/28/2018	2/21/2019	
<i>(Amounts below in shares, unless otherwise noted)</i>				
Non-vested at January 1, 2019	169,525	206,025	—	375,550
Units Granted	—	—	213,728	213,728
Units Vested	(8,420)	—	—	(8,420)
Units Cancelled	(1,935)	(15,729)	(7,659)	(25,323)
Non-vested at December 31, 2019	159,170	190,296	206,069	555,535
Measurement Period Commencement Date	1/1/2017	1/1/2018	1/1/2019	
Measurement Period End Date	12/31/2019	12/31/2020	12/31/2021	
Units Granted	174,854	209,193	213,728	
Fair Value of Units on Grant Date (in thousands)	\$ 3,735	\$ 4,276	\$ 4,627	

The Company values each RPSU on its grant date using a Monte Carlo simulation. The fair values of each award are being amortized over the three year performance period. During the performance period, dividend equivalents are credited as additional RPSU's, subject to the same terms and conditions as the original RPSU's. The performance period will be abbreviated and the delivery of earned shares will be accelerated in the event of a change in control or if the recipient of the award were to die, become disabled or retire in a qualifying retirement prior to the end of the otherwise applicable three year performance period. In accordance with the accounting standard for share-based compensation, the Company amortizes stock-based compensation costs through the qualifying retirement date for those executives who meet the conditions for qualifying retirement during the scheduled vesting period.

For the year ended December 31, 2019, the Company recognized amortization of the 2019, 2018 and 2017 RPSU awards of \$4.2 million, of which \$0.6 million was capitalized consistent with the Company's policies for capitalizing eligible portions of employee compensation. For the year ended December 31, 2018, amortization for the 2018, 2017 and 2016 RPSU awards was \$3.9 million, of which \$1.1 million was capitalized consistent with the Company's policies for capitalizing eligible portions of employee compensation. For the year ended December 31, 2017, amortization for the 2017, 2016, and 2015 RPSU awards was \$3.4 million, of which \$0.8 million was capitalized consistent with the Company's policies for capitalizing eligible portions of employee compensation.

The remaining compensation expense to be recognized with respect to the non-vested RPSU's at December 31, 2019 was approximately \$2.0 million and is expected to be recognized over a weighted average remaining vesting period of 1.7 years.

The Company issued 147,111 common shares on February 1, 2019 in settlement of RPSUs that had been awarded on February 22, 2016 (with a three-year measurement period ended December 31, 2018). Holders of these RPSUs also received a cash dividend of \$0.19 per share for these common shares on January 22, 2019.

Employee Share Purchase Plan

The Parent Company's shareholders approved the 2007 Non-Qualified Employee Share Purchase Plan (the "ESPP"), which is intended to provide eligible employees with a convenient means to purchase common shares of the Parent Company through payroll deductions and voluntary cash purchases at an amount equal to 85% of the average closing price per share for a specified period. Under the plan document, the maximum participant contribution for the 2019 plan year is limited to the lesser of 20% of compensation or \$50,000. The ESPP allows the Parent Company to make open market purchases, which reflects all purchases made under the plan to date. In addition, the number of shares separately reserved for issuance under the ESPP is 1.25 million. Employees made purchases under the ESPP of \$0.5 million in each of the years ended December 31, 2019 and 2018 and \$0.4 million during the year ended December 31, 2017. The Company recognized \$0.1 million of compensation expense related to the ESPP during each of the years ended December 31, 2019, 2018, and 2017. Compensation expense represents the 15% discount on the purchase price. The Board of Trustees of the Parent Company may terminate the ESPP at its sole discretion at any time.

Deferred Compensation

In January 2005, the Parent Company adopted a Deferred Compensation Plan (the “Plan”) that allows trustees and certain key employees to defer compensation voluntarily. Compensation expense is recorded for the deferred compensation and a related liability is recognized. Participants may elect designated benchmark investment options for the notional investment of their deferred compensation. The deferred compensation obligation is adjusted for deemed income or loss related to the investments selected. At the time the participants defer compensation, the Company records a liability, which is included in the Company’s consolidated balance sheets. The liability is adjusted for changes in the market value of the participant-selected investments at the end of each accounting period, and the impact of adjusting the liability is recorded as an increase or decrease to compensation cost.

The Company has purchased mutual funds which can be utilized as a funding source for the Company’s obligations under the Plan. Participants in the Plan have no interest in any assets set aside by the Company to meet its obligations under the Plan. For each of the years ended December 31, 2019, December 31, 2018 and December 31, 2017, the Company recorded a nominal amount of deferred compensation costs, net of investments in the company-owned policies and mutual funds.

Participants in the Plan may elect to have all, or a portion of their deferred compensation invested in the Company’s common shares. The Company holds these shares in a rabbi trust, which is subject to the claims of the Company’s creditors in the event of the Company’s bankruptcy or insolvency. The Plan does not permit diversification of a participant’s deferral allocated to the Company common shares and deferrals allocated to Company common shares can only be settled with a fixed number of shares. In accordance with the accounting standard for deferred compensation arrangements where amounts earned are held in a rabbi trust and invested, the deferred compensation obligation associated with the Company’s common shares is classified as a component of shareholder’s equity and the related shares are treated as shares to be issued and are included in total shares outstanding. At December 31, 2019 and 2018, 1.1 million and 1.0 million of such shares were included in total shares outstanding, respectively. Subsequent changes in the fair value of the common shares are not reflected in operations or shareholders’ equity of the Company.

15. DISTRIBUTIONS

The following table provides the tax characteristics of the 2019, 2018 and 2017 distributions paid:

	Years ended December 31,		
	2019	2018	2017
	(in thousands, except per share amounts)		
Common Share Distributions:			
Ordinary income	\$ 0.62	\$ 0.55	\$ 0.38
Capital gain	—	—	0.26
Non-taxable distributions	0.14	0.17	—
Distributions per share	<u>\$ 0.76</u>	<u>\$ 0.72</u>	<u>\$ 0.64</u>
Percentage classified as ordinary income	81.00%	76.20%	60.00%
Percentage classified as capital gain	—%	—%	40.00%
Percentage classified as non-taxable distribution	19.00%	23.80%	—%
Preferred Share Distributions:			
Total distributions paid	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,032</u>
Percentage classified as ordinary income	—%	—%	60.00%
Percentage classified as capital gain	—%	—%	40.00%
Percentage classified as non-taxable distribution	—%	—%	—%

16. INCOME TAXES AND TAX CREDIT TRANSACTIONS

Income Tax Provision/Benefit

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and for net operating loss, capital loss and tax credit carryforwards. The deferred tax assets and liabilities are measured using the enacted income tax rates in effect for the year in which those temporary differences are expected to be realized or settled. The effect on the deferred tax assets and liabilities from a change in tax rates is recognized in earnings in the period when the new rate is enacted. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of all available evidence, including the future reversals of existing taxable temporary differences, future projected taxable income and tax planning strategies. Valuation allowances are provided if, based upon the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

As of December 31, 2019 and 2018, there were nominal deferred tax assets included within "Other assets" in the consolidated balance sheets.

In projecting future taxable income, the analysis begins with historical results and incorporates assumptions about the amount of future state and federal pretax operating income adjusted for items that do not have tax consequences. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates the Company is using to manage the underlying businesses.

The Company had no accruals for tax uncertainties as of December 31, 2019 and December 31, 2018.

For the year ended December 31, 2019, there were \$0.1 million of deferred income tax expense and \$0.1 million of current income tax benefit. For the year ended December 31, 2018, there were \$0.3 million of deferred income tax expense and \$0.1 of current income tax expense. For the year ended December 31, 2017, there were \$0.6 million of deferred income tax benefit. These amounts are included in "Income tax (provision) benefit" in the consolidated statements of operations.

17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table details the components of accumulated other comprehensive income (loss) of the Parent Company and the Operating Partnership as of and for the three years ended December 31, 2019 (in thousands):

<i>Parent Company</i>	Cash Flow Hedges
Balance at January 1, 2017	\$ (1,745)
Change in fair market value during year	2,948
Allocation of unrealized (gains)/losses on derivative financial instruments to noncontrolling interests	(34)
Amortization of interest rate contracts reclassified from comprehensive income to interest expense	1,230
Balance at December 31, 2017	\$ 2,399
Change in fair market value during year	1,478
Allocation of unrealized (gains)/losses on derivative financial instruments to noncontrolling interests	(39)
Amortization of interest rate contracts reclassified from comprehensive income to interest expense	1,191
Balance at December 31, 2018	\$ 5,029
Change in fair market value during year	(8,210)
Allocation of unrealized (gains)/losses on derivative financial instruments to noncontrolling interests	41
Amortization of interest rate contracts reclassified from comprehensive income to interest expense	770
Balance at December 31, 2019	\$ (2,370)

Operating Partnership	Cash Flow Hedges
Balance at January 1, 2017	\$ (2,122)
Change in fair market value during year	2,948
Amortization of interest rate contracts reclassified from comprehensive income to interest expense	1,230
Balance at December 31, 2017	\$ 2,056
Change in fair market value during year	1,478
Amortization of interest rate contracts reclassified from comprehensive income to interest expense	1,191
Balance at December 31, 2018	\$ 4,725
Change in fair market value during year	(8,210)
Amortization of interest rate contracts reclassified from comprehensive income to interest expense	770
Balance at December 31, 2019	\$ (2,715)

Over time, the unrealized gains and losses held in Accumulated Other Comprehensive Income (“AOCI”) will be reclassified to interest expense when the related hedged items are recognized in earnings. The current balance held in AOCI is expected to be reclassified to interest expense for realized losses on forecasted debt transactions over the related term of the debt obligation, as applicable. The Company expects to reclassify \$0.8 million from AOCI into interest expense within the next twelve months.

18. SEGMENT INFORMATION

During the year ended December 31, 2019, the Company owned and managed its portfolio within five segments: (1) Philadelphia Central Business District (Philadelphia CBD), (2) Pennsylvania Suburbs, (3) Austin, Texas (4) Metropolitan Washington, D.C., and (5) Other. The Philadelphia CBD segment includes properties located in the City of Philadelphia, Pennsylvania. The Pennsylvania Suburbs segment includes properties in Chester, Delaware, and Montgomery counties in the Philadelphia suburbs. The Austin, Texas segment includes properties in the City of Austin, Texas. The Metropolitan Washington, D.C. segment includes properties in the District of Columbia, Northern Virginia and southern Maryland. The Other segment includes properties located in Camden County, New Jersey and properties in New Castle County, Delaware. In addition to the five segments, the corporate group is responsible for cash and investment management, development of certain real estate properties during the construction period, and certain other general support functions. Land held for development and construction in progress is transferred to operating properties by region upon completion of the associated construction or project.

The following tables provide selected asset information and results of operations of the Company’s reportable segments as of and for the three years ended December 31, 2019, 2018 and 2017 (in thousands):

Real estate investments, at cost:

	December 31, 2019	December 31, 2018	December 31, 2017
Philadelphia CBD	\$ 1,726,299	\$ 1,670,388	\$ 1,643,296
Pennsylvania Suburbs	1,003,890	1,002,937	957,272
Austin, Texas (a)	721,255	667,698	163,653
Metropolitan Washington, D.C. (b)	468,035	524,190	978,257
Other	86,980	86,506	88,346
Operating Properties	<u>\$ 4,006,459</u>	<u>\$ 3,951,719</u>	<u>\$ 3,830,824</u>
Corporate			
Right of use asset - operating leases, net (c)	\$ 21,656	\$ —	\$ —
Construction-in-progress	\$ 180,718	\$ 150,263	\$ 121,188
Land held for development (d)	\$ 96,124	\$ 86,401	\$ 98,242
Prepaid leasehold interests in land held for development, net (e)	\$ 39,592	\$ 39,999	\$ —

(a) Refer to Note 3, “Real Estate Investments,” for details related to the Company’s acquisition of DRA Advisors’ ownership interest in the Austin Venture in December 2018.

(b) Refer to Note 4, “Investment in Unconsolidated Real Estate Ventures.” for details of the Company’s transaction with the Herndon Innovation Center Metro Portfolio Venture, LLC in December 2018.

(c) Refer to Note 2, “Summary of Significant Accounting Policies,” for further information on the impact of adoption of Topic 842.

- (d) Does not include 35.2 acres, 37.9 acres, and 13.1 acres of land classified as held for sale as of December 31, 2019, 2018, and 2017, respectively. Refer to Note 3, "Real Estate Investments," for further information.
- (e) Includes leasehold interests in prepaid 99-year ground leases at 3025 and 3001-3003 JFK Boulevard, in Philadelphia, Pennsylvania as of December 31, 2019 and December 31, 2018. Refer to Note 3, "Real Estate Investments," for further information.

Year Ended December 31,

	2019			2018			2017		
	Total revenue	Operating expenses (a)	Net operating income (loss)	Total revenue	Operating expenses (a)	Net operating income (loss)	Total revenue	Operating expenses (a)	Net operating income
Philadelphia CBD	\$ 263,769	\$ (100,219)	\$ 163,550	\$ 256,717	\$ (99,449)	\$ 157,268	\$ 226,673	\$ (88,818)	\$ 137,855
Pennsylvania Suburbs	141,084	(47,418)	93,666	138,279	(49,433)	88,846	139,785	(47,845)	91,940
Austin, Texas	104,157	(38,285)	65,872	38,665	(16,739)	21,926	34,301	(15,456)	18,845
Metropolitan Washington, D.C.	51,498	(23,455)	28,043	90,308	(34,072)	56,236	92,024	(35,014)	57,010
Other	14,558	(9,328)	5,230	16,757	(11,888)	4,869	18,347	(11,749)	6,598
Corporate	5,351	(7,141)	(1,790)	3,619	(6,518)	(2,899)	9,363	(7,193)	2,170
Operating properties	<u>\$ 580,417</u>	<u>\$ (225,846)</u>	<u>\$ 354,571</u>	<u>\$ 544,345</u>	<u>\$ (218,099)</u>	<u>\$ 326,246</u>	<u>\$ 520,493</u>	<u>\$ (206,075)</u>	<u>\$ 314,418</u>

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

Unconsolidated real estate ventures:

	Investment in real estate ventures, at equity			Equity in income (loss) of real estate venture		
	As of			Years ended December 31,		
	December 31, 2019	December 31, 2018	December 31, 2017	2019	2018	2017
Philadelphia CBD	\$ 17,524	\$ 19,897	\$ 39,939	\$ 328	\$ (105)	\$ 255
Pennsylvania Suburbs	—	—	3,503	—	—	631
Metropolitan Washington, D.C. (a)	102,840	136,142	119,817	(4,234)	(15,065)	(5,044)
MAP Venture	(70)	11,173	15,450	(6,102)	(2,155)	(3,443)
Other	—	1,888	1,939	86	407	285
Austin, Texas (b)	—	—	13,973	—	1,687	(990)
Total	<u>\$ 120,294</u>	<u>\$ 169,100</u>	<u>\$ 194,621</u>	<u>\$ (9,922)</u>	<u>\$ (15,231)</u>	<u>\$ (8,306)</u>

- (a) Refer to Note 4, "Investment in Unconsolidated Real Estate Ventures," for details of the Company's transaction with the Herndon Innovation Center Metro Portfolio Venture, LLC in December 2018.
- (b) Refer to Note 3, "Real Estate Investments," for details related to the Company's acquisition of DRA Advisors' ownership interest in the Austin Venture in December 2018.

Net operating income (“NOI”) is a non-GAAP financial measure defined as total revenue less property operating expenses, real estate taxes, and third party management expenses. Property operating expenses that are included in determining NOI consist of costs that are necessary and allocable to our operating properties such as utilities, property-level salaries, repairs and maintenance, property insurance, management fees, and bad debt expense. General and administrative expenses that are not reflected in NOI primarily consist of corporate-level salaries, amortization of share awards and professional fees that are incurred as part of corporate office management. All companies may not calculate NOI in the same manner. NOI is the measure that is used by the Company to evaluate the operating performance of its real estate assets by segment. The Company believes NOI provides useful information to investors regarding the financial condition and results of operations because it reflects only those income and expense items that are incurred at the property level. While NOI is a relevant and widely used measure of operating performance of real estate investment trusts, it does not represent cash flow from operations or net income as defined by GAAP and should not be considered as an alternative to those measures in evaluating our liquidity or operating performance. NOI does not reflect interest expenses, real estate impairment losses, depreciation and amortization costs, capital expenditures and leasing costs. The Company believes that net income (loss), as defined by GAAP, is the most appropriate earnings measure. The following is a reconciliation of consolidated net income (loss), as defined by GAAP, to consolidated NOI, (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 34,529	\$ 135,472	\$ 121,177
Plus:			
Interest expense	81,512	78,199	81,886
Interest expense - amortization of deferred financing costs	2,768	2,498	2,435
Depreciation and amortization	210,005	176,000	180,323
General and administrative expenses	32,156	27,802	28,538
Equity in loss of Real Estate Ventures	9,922	15,231	8,306
Provision for impairment	—	71,707	3,057
Loss on early extinguishment of debt	—	105	3,933
Less:			
Interest income	2,318	4,703	1,113
Income tax (provision) benefit	(12)	(423)	628
Net gain on disposition of real estate	356	2,932	32,017
Net gain on sale of undepreciated real estate	2,020	3,040	953
Net gain on real estate venture transactions	11,639	142,233	80,526
Gain on promoted interest in unconsolidated real estate venture	—	28,283	—
Consolidated net operating income	\$ 354,571	\$ 326,246	\$ 314,418

19. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is involved from time to time in litigation on various matters, including disputes with tenants, disputes with vendors, employee disputes and disputes arising out of agreements to purchase or sell properties or joint ventures or disputes relating to state and local taxes. Given the nature of the Company’s business activities, these lawsuits are considered routine to the conduct of its business. The result of any particular lawsuit cannot be predicted, because of the very nature of litigation, the litigation process and its adversarial nature, and the jury system. The Company will establish reserves for specific legal proceedings when it determines that the likelihood of an unfavorable outcome is probable and when the amount of loss is reasonably estimable. The Company does not expect that the liabilities, if any, that may ultimately result from such legal actions will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

Letters-of-Credit

Under certain mortgages, the Company has funded required leasing and capital reserve accounts for the benefit of the mortgage lenders with letters-of-credit. There were no associated letters-of-credit for a mortgage lender on December 31, 2019. Certain

of the tenant rents at properties that secure these mortgage loans are deposited into the loan servicer's depository accounts, which are used to fund debt service, operating expenses, capital expenditures and the escrow and reserve accounts, as necessary. Any excess cash is included in cash and cash equivalents.

Environmental

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

Fair Value of Contingent Consideration

On April 2, 2015, the Company purchased 618 Market Street in Philadelphia, Pennsylvania. The allocated purchase price included contingent consideration of \$2.0 million payable to the seller upon commencement of development. The liability was recorded at a fair value of \$1.6 million and will accrete through interest expense to \$2.0 million over the expected period until development is commenced. The fair value of this contingent consideration was determined using a probability weighted discounted cash flow model. The significant inputs to the discounted cash flow model were the discount rate and weighted probability scenarios. As the inputs are unobservable, the Company determined the inputs used to value this liability fall within Level 3 for fair value reporting. As of December 31, 2019, the liability had accreted to \$1.97 million. As there were no significant changes to the inputs, the liability remains within Level 3 for fair value reporting.

Debt Guarantees

As of December 31, 2019, the Company's Real Estate Ventures had aggregate indebtedness of \$596.0 million. These loans are generally mortgage or construction loans, most of which are non-recourse to the Company, except for customary carve-outs. As of December 31, 2019, the \$150.0 million construction loan obtained by the 4040 Wilson, for which the Company has guaranteed payment up to \$41.3 million, is recourse to the Company. In addition, during construction undertaken by real estate ventures, including 4040 Wilson, the Company has provided and expects to continue to provide cost overrun and completion guarantees, with rights of contribution among partners or members in the real estate ventures, as well as customary environmental indemnities and guarantees of customary exceptions to nonrecourse provisions in loan agreements.

Other Commitments or Contingencies

In connection with the Schuylkill Yards Project, the Company entered into a neighborhood engagement program and, as of December 31, 2019, had \$8.5 million of future contractual obligations. The Company is also committed to make additional contributions under the program. As of December 31, 2019, the Company estimates that these additional contributions, which are not fixed under the terms of agreement, will be \$2.8 million.

The Company is under contract to acquire an office property containing approximately 170,000 rentable square feet located in Radnor, Pennsylvania for a purchase price of \$20.3 million. The Company has paid \$1 million towards the purchase price in the form of a non-refundable deposit and the transaction is expected to close during 2020. The Company was also under contract to acquire a 7.8-acre land parcel located in Radnor, Pennsylvania for a purchase price of \$11.3 million. The acquisition of the land parcel closed on February 27, 2020.

As part of the Company's September 2004 acquisition of a portfolio of properties from The Rubenstein Company (which the Company refers to as the "TRC acquisition"), the Company acquired its interest in Two Logan Square, a 708,844 square foot office building in Philadelphia, primarily through its ownership of a second and third mortgage secured by this property. This property is consolidated, as the borrower is a variable interest entity and the Company, through its ownership of the second and third mortgages, is the primary beneficiary. The Company currently does not expect to take title to Two Logan Square until, at the earliest, on or about August 2020. If the Company takes fee title to Two Logan Square upon foreclosure of its mortgage, the Company has agreed to pay an unaffiliated third party that holds a residual interest in the fee owner of this property an amount equal to \$2.9 million. On the TRC acquisition date, the Company recorded a liability of \$0.7 million and has been accreting the liability up to \$2.9 million through January 2020. As of December 31, 2019, the Company had a balance of \$2.9 million for this liability in its consolidated balance sheets.

As part of the Company's 2006 merger with Prentiss Properties Trust ("Prentiss"), the 2004 TRC acquisition and several of our other transactions, the Company agreed not to sell certain of the properties it acquired in transactions that would trigger taxable income to the former owners. In the case of the TRC acquisition, the Company agreed not to sell acquired properties in non-exempt transactions for periods up to 15 years from the date of the TRC acquisition as follows at December 31, 2019: One Logan Square, Two Logan Square and Radnor Corporate Center (January 2020). The Company subsequently agreed to extend the no-sale period applicable to Two Logan Square to on or about August 2020. If the Company were to sell a restricted property before the expiration of the restricted period in a non-exempt transaction, the Company may be required to make significant payments to the parties who sold the applicable property on account of tax liabilities attributed to them. Similarly, as part of the 2013 acquisition of substantially all of the equity interests in the partnerships that own One and Two Commerce Square, the Company agreed, for the benefit of affiliates of the holder of the 1% residual ownership interest in these properties, to not sell these two properties in certain taxable transactions prior to October 20, 2021 without the holder's consent.

As part of the Company's acquisition of properties from time to time in tax-deferred transactions, the Company has agreed to provide certain of the prior owners of the acquired properties with the right to guarantee the Company's indebtedness. If the Company were to seek to repay the indebtedness guaranteed by the prior owner before the expiration of the applicable agreement, the Company would be required to provide the prior owner an opportunity to guaranty qualifying replacement debt. These debt maintenance agreements may limit the Company's ability to refinance indebtedness on terms favorable to the Company. As part of our 2013 acquisition of substantially all of the equity interests in the partnerships that own One and Two Commerce Square, the Company agreed, for the benefit of affiliates of the holder of the 1% residual ownership interest in these properties, to maintain qualifying mortgage debt through October 20, 2021, in the amounts of not less than \$125.0 million on One Commerce Square and \$100.0 million on Two Commerce Square. Similarly, the Company has agreements in place with other contributors of assets that obligate it to maintain debt available for them to guaranty.

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

20. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The following is a summary of quarterly financial information as of and for the years ended December 31, 2019 and 2018 (in thousands, except per share data):

Brandywine Realty Trust

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2019				
Total revenue	\$ 143,896	\$ 144,151	\$ 145,331	\$ 147,039
Net income	4,583	6,252	6,820	16,874 (d)
Net income allocated to Common Shares	4,404	6,112	6,679	16,676
Basic earnings per Common Share	\$ 0.03	\$ 0.03	\$ 0.04	\$ 0.09
Diluted earnings per Common Share	\$ 0.03	\$ 0.03	\$ 0.04	\$ 0.09
2018				
Total revenue	\$ 136,358	\$ 133,786	\$ 134,998	\$ 139,203 (b)
Net income (loss)	44,445	12,876	(43,522) (a)	121,673 (c)
Net income (loss) allocated to Common Shares	43,956	12,661	(43,260)	120,792
Basic earnings (loss) per Common Share	\$ 0.25	\$ 0.07	\$ (0.24)	\$ 0.68
Diluted earnings (loss) per Common Share	\$ 0.24	\$ 0.07	\$ (0.24)	\$ 0.67

The summation of quarterly earnings per share amounts does not necessarily equal the full year amounts due to rounding.

(a) Driven by a \$56.9 million impairment charge related to eight office properties in the Company's Metropolitan Washington, D.C. segment. See Note 3, "Real Estate Investments," for further information.

- (b) The increase in fourth quarter revenues primarily relates to the acquisition of the Austin Portfolio, located in Austin, Texas, on December 11, 2018. See Note 3, "Real Estate Investments," for further information on this transaction.
- (c) Increase primarily relates to gains of \$103.8 million and \$28.3 million, recorded in the "Net gain on real estate venture transactions" and "Gain on promoted interest in unconsolidated real estate venture" captions within the Company's consolidated statements of operations, respectively, from the Austin Portfolio transaction. For further details, see Note 3, "Real Estate Investments."
- (d) Increase primarily related to a gain of \$8.0 million recorded in the "Net gains on real estate venture transactions" within the Company's consolidated statement of operations from the sale of three PJP Ventures properties. For further details, see Note 4, "Investment in Unconsolidated Joint Ventures."

Brandywine Operating Partnership, L.P.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2019				
Total revenue	\$ 143,896	\$ 144,151	\$ 145,331	\$ 147,039
Net income	4,583	6,252	6,820	16,874 (d)
Net income attributable to Common Partnership Unitholders	4,430	6,146	6,716	16,772
Basic earnings per Common Partnership Unit	\$ 0.03	\$ 0.03	\$ 0.04	\$ 0.09
Diluted earnings per Common Partnership Unit	\$ 0.03	\$ 0.03	\$ 0.04	\$ 0.09
2018				
Total revenue	\$ 136,358	\$ 133,786	\$ 134,998	\$ 139,203 (b)
Net income (loss)	44,445	12,876	(43,522) (a)	121,673 (c)
Net income (loss) attributable to Common Partnership Unitholders	44,326	12,769	(43,622)	121,575
Basic earnings (loss) per Common Partnership Unit	\$ 0.25	\$ 0.07	\$ (0.24)	\$ 0.68
Diluted earnings (loss) per Common Partnership Unit	\$ 0.24	\$ 0.07	\$ (0.24)	\$ 0.67

The summation of quarterly earnings per share amounts does not necessarily equal the full year amounts due to rounding.

- (a) Driven by a \$56.9 million impairment charge related to eight office properties in the Company's Metropolitan Washington, D.C. segment. See Note 3, "Real Estate Investments," for further information.
- (b) The increase in fourth quarter revenues primarily relates to the acquisition of the Austin Portfolio, located in Austin, Texas, on December 11, 2018. See Note 3, "Real Estate Investments," for further information on this transaction.
- (c) Increase primarily relates to gains of \$103.8 million and \$28.3 million, recorded in the "Net gain on real estate venture transactions" and "Gain on promoted interest in unconsolidated real estate venture" captions within the Company's consolidated statements of operations, respectively, from the Austin Portfolio transaction. For further details, see Note 3, "Real Estate Investments."
- (d) Increase primarily related to a gain of \$8.0 million recorded in the "Net gains on real estate venture transactions" within the Company's consolidated statement of operations from the sale of three PJP Ventures properties. For further details, see Note 4, "Investment in Unconsolidated Joint Ventures."

Brandywine Realty Trust and Brandywine Operating Partnership, L.P.
Schedule II
Valuation and Qualifying Accounts
(in thousands)

Description	Balance at Beginning of Year	Additions	Deductions (1)	Balance at End of Year
Allowance for doubtful accounts:				
December 31, 2019	\$ 12,919	\$ —	\$ 4,944	\$ 7,975
December 31, 2018	\$ 17,112	\$ 1,775	\$ 5,968	\$ 12,919
December 31, 2017	\$ 16,116	\$ 1,912	\$ 916	\$ 17,112

(1) Deductions represent amounts that the Company had fully reserved for in prior years and were subsequently deemed uncollectible. Deductions also represent reversals of the accrued rent receivable allowance as a result of the Company's ongoing assessment of its general accrued rent receivable reserve.

BRANDYWINE REALTY TRUST AND BRANDYWINE OPERATING PARTNERSHIP, L.P.
Schedule III
Real Estate and Accumulated Depreciation — December 31, 2019
(in thousands)

Property Name	City	State	Encumbrances (a)	Initial Cost			Gross Amount Which Carried December 31, 2019			Accumulated Depreciation at December 31, 2019 (c)	Year of Construction	Year Acquired	Depreciable Life
				Land	Building & Improvements	Net Improvements (Retirements) Since Acquisition	Land	Building & Improvements	Total (b)				
PENNSYLVANIA													
SUBURBS													
400 Berwyn Park	Berwyn	PA	\$ —	\$ 2,657	\$ 4,462	\$ 12,841	\$ 2,657	\$ 17,303	\$ 19,960	\$ 7,583	1999	1999	(d)
300 Berwyn Park	Berwyn	PA	—	2,206	13,422	4,145	2,206	17,567	19,773	10,516	1989	1997	(d)
1050 Westlakes Drive	Berwyn	PA	—	2,611	10,445	2,210	2,611	12,655	15,266	6,238	1984	1999	(d)
1200 Swedesford Road	Berwyn	PA	—	2,595	11,809	490	2,595	12,299	14,894	6,848	1994	2001	(d)
200 Berwyn Park	Berwyn	PA	—	1,533	9,460	1,574	1,533	11,034	12,567	6,569	1987	1997	(d)
1180 Swedesford Road	Berwyn	PA	—	2,086	8,342	2,865	2,086	11,207	13,293	5,802	1987	2001	(d)
100 Berwyn Park	Berwyn	PA	—	1,180	7,290	1,419	1,180	8,709	9,889	5,252	1986	1997	(d)
1160 Swedesford Road	Berwyn	PA	—	1,781	7,124	6,810	2,045	13,670	15,715	6,698	1986	2001	(d)
1100 Cassett Road	Berwyn	PA	—	1,695	6,779	1,730	1,695	8,509	10,204	4,044	1997	2001	(d)
Six Tower Bridge (181 Washington Street)	Conshohocken	PA	—	6,927	14,722	2,511	6,237	17,923	24,160	3,803	1999	2013	(d)
52 Swedesford Square	East Whiteland Twp.	PA	—	4,241	16,579	5,193	4,241	21,772	26,013	11,511	1988	1998	(d)
640 Freedom Business Center (g)	King Of Prussia	PA	—	1,015	20,098	4,832	414	25,531	25,945	14,251	1991	1998	(d)
620 Freedom Business Center (g)	King Of Prussia	PA	—	666	13,118	1,826	270	15,340	15,610	8,836	1986	1998	(d)
1000 First Avenue	King Of Prussia	PA	—	—	13,708	3,211	—	16,919	16,919	10,766	1980	1998	(d)
1060 First Avenue	King Of Prussia	PA	—	—	13,665	4,169	—	17,834	17,834	11,055	1987	1998	(d)
630 Freedom Business Center Drive (g)	King Of Prussia	PA	—	666	13,251	3,259	273	16,903	17,176	9,861	1989	1998	(d)
1020 First Avenue	King Of Prussia	PA	—	—	10,744	3,931	—	14,675	14,675	9,089	1984	1998	(d)
1040 First Avenue	King Of Prussia	PA	—	—	14,142	5,080	—	19,222	19,222	12,076	1985	1998	(d)
610 Freedom Business Center Drive (g)	King Of Prussia	PA	—	485	9,602	2,676	198	12,565	12,763	6,976	1985	1998	(d)
650 Park Avenue	King Of Prussia	PA	—	1,916	4,378	(4,378)	1,916	—	1,916	—	1968	1998	(d)

600 Park Avenue	King Of Prussia	PA	—	1,012	4,048	385	1,012	4,433	5,445	2,647	1964	1998	(d)
933 First Avenue	King Of Prussia	PA	—	3,127	20,794	(1,125)	3,127	19,669	22,796	2,216	2017	N/A	(d)
500 North Gulph Road	King Of Prussia	PA	—	1,303	5,201	21,017	1,303	26,218	27,521	1,202	1979	1996	(d)
401 Plymouth Road	Plymouth Meeting	PA	—	6,199	16,131	15,831	6,199	31,962	38,161	15,355	2001	2000	(d)
Metroplex (4000 Chemical Road)	Plymouth Meeting	PA	—	4,373	24,546	399	4,373	24,945	29,318	7,701	2007	2001	(d)
610 West Germantown Pike	Plymouth Meeting	PA	—	3,651	14,514	3,285	3,651	17,799	21,450	8,669	1987	2002	(d)
600 West Germantown Pike	Plymouth Meeting	PA	—	3,652	15,288	2,717	3,652	18,005	21,657	8,124	1986	2002	(d)
630 West Germantown Pike	Plymouth Meeting	PA	—	3,558	14,743	2,714	3,558	17,457	21,015	7,906	1988	2002	(d)
620 West Germantown Pike	Plymouth Meeting	PA	—	3,572	14,435	1,498	3,572	15,933	19,505	7,042	1990	2002	(d)
660 West Germantown Pike	Plymouth Meeting	PA	—	3,694	5,487	20,715	5,405	24,491	29,896	6,850	1987	2012	(d)
351 Plymouth Road	Plymouth Meeting	PA	—	1,043	555	—	1,043	555	1,598	205	N/A	2000	(d)
150 Radnor Chester Road	Radnor	PA	—	11,925	36,986	10,142	11,897	47,156	59,053	22,504	1983	2004	(d)
One Radnor Corporate Center	Radnor	PA	—	7,323	28,613	22,885	7,323	51,498	58,821	30,974	1998	2004	(d)
201 King of Prussia Road	Radnor	PA	—	8,956	29,811	2,871	8,949	32,689	41,638	19,061	2001	2004	(d)
555 Lancaster Avenue	Radnor	PA	—	8,014	16,508	20,204	8,609	36,117	44,726	18,535	1973	2004	(d)
Four Radnor Corporate Center	Radnor	PA	—	5,406	21,390	12,770	5,705	33,861	39,566	15,781	1995	2004	(d)
Five Radnor Corporate Center	Radnor	PA	—	6,506	25,525	8,209	6,578	33,662	40,240	12,120	1998	2004	(d)
Three Radnor Corporate Center	Radnor	PA	—	4,773	17,961	1,273	4,791	19,216	24,007	9,598	1998	2004	(d)
Two Radnor Corporate Center	Radnor	PA	—	3,937	15,484	3,163	3,942	18,642	22,584	9,853	1998	2004	(d)
130 Radnor Chester Road	Radnor	PA	—	2,573	8,338	3,188	2,567	11,532	14,099	6,716	1983	2004	(d)
170 Radnor Chester Road	Radnor	PA	—	2,514	8,147	1,751	2,509	9,903	12,412	4,375	1983	2004	(d)
200 Radnor Chester Road	Radnor	PA	—	3,366	—	3,653	3,366	3,653	7,019	772	2014	2005	(d)
101 West Elm Street	W. Conshohocken	PA	—	6,251	25,209	3,853	6,251	29,062	35,313	10,721	1999	2005	(d)
1 West Elm Street	W. Conshohocken	PA	—	3,557	14,249	3,376	3,557	17,625	21,182	6,823	1999	2005	(d)
Four Tower Bridge (200 Barr Harbor Drive)	W. Conshohocken	PA	9,291	6,000	14,734	336	6,000	15,070	21,070	761	1998	2018	(d)

Property Name	City	State	Encumbrances (a)	Initial Cost			Gross Amount Which Carried December 31, 2019				Year of Construction	Year Acquired	Depreciable Life
				Land	Building & Improvements	Net Improvements (Retirements) Since Acquisition	Land	Building & Improvements	Total (b)	Accumulated Depreciation at December 31, 2019 (c)			
PHILADELPHIA CBD													
Cira Centre (2929 Arch Street)	Philadelphia	PA	—	—	208,570	(17,837)	12,586	178,147	190,733	62,966	2005	N/A	(d)
Three Logan Square (1717 Arch Street)	Philadelphia	PA	—	—	98,188	75,116	25,195	148,109	173,304	40,161	1990	2010	(d)
Two Commerce Square (2001 Market Street)	Philadelphia	PA	108,472	15,323	120,200	33,693	15,323	153,893	169,216	27,952	1992	2013	(d)
One Logan Square (130 North 18th Street)	Philadelphia	PA	—	14,496	107,736	30,019	14,473	137,778	152,251	62,425	1998	2004	(d)
Two Logan Square (100 North 18th Street)	Philadelphia	PA	81,103	16,066	100,255	20,061	16,066	120,316	136,382	49,266	1988	2004	(d)
One Commerce Square (2005 Market Street)	Philadelphia	PA	116,571	15,161	105,021	32,326	15,160	137,348	152,508	25,304	1987	2013	(d)
Cira Centre South Garage (129 South 30th Street)	Philadelphia	PA	—	—	76,008	26,832	6,905	95,935	102,840	19,682	2010	N/A	(d)
1900 Market Street	Philadelphia	PA	—	7,768	17,263	63,292	7,768	80,555	88,323	15,492	1981	2012	(d)
3020 Market Street	Philadelphia	PA	—	—	21,417	8,272	—	29,689	29,689	10,492	1959	2011	(d)
618-634 Market Street	Philadelphia	PA	—	13,365	5,791	2,176	13,365	7,967	21,332	5,975	1966	2015	(d)
FMC Tower at Cira Centre South (2929 Walnut Street)	Philadelphia	PA	—	—	400,294	13,296	—	413,590	413,590	47,285	2016	N/A	(d)
2100 Market Street	Philadelphia	PA	—	18,827	—	6,433	18,854	6,406	25,260	1,027	N/A	2015	(d)
3000 Market Street (e)	Philadelphia	PA	—	18,924	13,080	1,039	18,924	14,119	33,043	2,979	1937	2017	(d)
The Bulletin Building (3025 Market Street) (e)	Philadelphia	PA	—	—	24,377	13,353	—	37,730	37,730	2,086	1953	2017	(d)
3001-3003 JFK Boulevard (f)	Philadelphia	PA	—	—	—	111	—	111	111	10	N/A	2018	(d)
3025 JFK Boulevard (f)	Philadelphia	PA	—	—	—	—	—	—	—	—	N/A	2018	N/A
METROPOLITAN WASHINGTON, D.C.													
6600 Rockledge Drive	Bethesda	MD	—	—	37,421	9,270	—	46,691	46,691	14,871	1981	2006	(d)

2340 Dulles Corner Boulevard	Herndon	VA	—	16,345	65,379	524	16,129	66,119	82,248	22,150	1987	2006	(d)
1676 International Drive	McLean	VA	—	18,437	97,538	(962)	18,785	96,228	115,013	25,451	1999	2006	(d)
8260 Greensboro Drive	McLean	VA	—	7,952	33,964	4,955	8,102	38,769	46,871	11,152	1980	2006	(d)
2273 Research Boulevard	Rockville	MD	—	5,167	31,110	5,799	5,237	36,839	42,076	11,928	1999	2006	(d)
2275 Research Boulevard	Rockville	MD	—	5,059	29,668	7,588	5,154	37,161	42,315	13,308	1990	2006	(d)
2277 Research Boulevard	Rockville	MD	—	4,649	26,952	18,853	4,733	45,721	50,454	17,093	1986	2006	(d)
8521 Leesburg Pike	Vienna	VA	—	4,316	30,885	7,145	4,397	37,949	42,346	11,925	1984	2006	(d)

AUSTIN, TX

11501 Burnet Road - Building 1	Austin	TX	—	3,755	22,702	115	3,755	22,817	26,572	3,193	1991	2015	(d)
11501 Burnet Road - Building 2	Austin	TX	—	2,732	16,305	1,551	2,732	17,856	20,588	2,920	1991	2015	(d)
11501 Burnet Road - Building 3	Austin	TX	—	3,688	22,348	94	3,688	22,442	26,130	3,161	1991	2015	(d)
11501 Burnet Road - Building 4	Austin	TX	—	2,614	15,740	75	2,614	15,815	18,429	2,242	1991	2015	(d)
11501 Burnet Road - Building 5	Austin	TX	—	3,689	22,354	118	3,689	22,472	26,161	3,207	1991	2015	(d)
11501 Burnet Road - Building 6	Austin	TX	—	2,676	15,972	13,973	2,676	29,945	32,621	3,408	1991	2015	(d)
11501 Burnet Road - Building 8	Austin	TX	—	1,400	7,422	1,547	1,400	8,969	10,369	1,172	1991	2015	(d)
11501 Burnet Road - Parking Garage	Austin	TX	—	—	19,826	63	—	19,889	19,889	3,628	1991	2015	(d)
Four Points Centre 3 (11120 Four Points Drive)	Austin	TX	—	1,140	—	40,564	1,140	40,564	41,704	1,511	2019	2013	(d)
One Barton Skyway (1501 South MoPac Expressway)	Austin	TX	—	10,496	47,670	113	10,495	47,784	58,279	1,378	1999	2018	(d)
Two Barton Skyway (1601 South MoPac Expressway)	Austin	TX	—	10,849	53,868	2,828	10,848	56,697	67,545	1,810	2000	2018	(d)
Three Barton Skyway (1221 South MoPac Expressway)	Austin	TX	—	10,374	47,624	184	10,373	47,809	58,182	1,343	2001	2018	(d)
Four Barton Skyway (1301 South MoPac Expressway)	Austin	TX	—	13,301	57,041	(40)	13,300	57,002	70,302	1,583	2001	2018	(d)

Property Name	City	State	Encumbrances (a)	Initial Cost			Gross Amount Which Carried December 31, 2019				Year of Construction	Year Acquired	Depreciable Life
				Land	Building & Improvements	Net Improvements (Retirements) Since Acquisition	Land	Building & Improvements	Total (b)	Accumulated Depreciation at December 31, 2019 (c)			
Four Points Centre (11305 Four Points Drive)	Austin	TX	—	7,800	43,581	3,463	7,800	47,044	54,844	1,427	2008	2018	(d)
River Place - Building 1 (6500 River Place Boulevard)	Austin	TX	—	2,004	17,680	476	2,004	18,156	20,160	547	2000	2018	(d)
River Place - Building 2 (6500 River Place Boulevard)	Austin	TX	—	3,137	29,254	191	3,137	29,445	32,582	816	2000	2018	(d)
River Place - Building 3 (6500 River Place Boulevard)	Austin	TX	—	3,064	26,705	12	3,064	26,717	29,781	735	2000	2018	(d)
River Place - Building 4 (6500 River Place Boulevard)	Austin	TX	—	2,273	18,617	1,001	2,273	19,618	21,891	674	2000	2018	(d)
River Place - Building 5 (6500 River Place Boulevard)	Austin	TX	—	1,752	14,315	(24)	1,752	14,291	16,043	394	2001	2018	(d)
River Place - Building 6 (6500 River Place Boulevard)	Austin	TX	—	1,598	12,945	(24)	1,598	12,921	14,519	356	2001	2018	(d)
River Place - Building 7 (6500 River Place Boulevard)	Austin	TX	—	1,801	16,486	1,051	1,801	17,537	19,338	586	2002	2018	(d)
Quarry Lake II (4516 Seton Center Parkway)	Austin	TX	—	3,970	30,546	821	3,867	31,470	35,337	876	1998	2018	(d)
OTHER													
10 Foster Avenue	Gibbsboro	NJ	—	244	971	69	244	1,040	1,284	624	1983	1997	(d)
7 Foster Avenue	Gibbsboro	NJ	—	231	921	31	231	952	1,183	549	1983	1997	(d)
2 Foster Avenue	Gibbsboro	NJ	—	185	730	11	185	741	926	741	1974	1997	(d)
4 Foster Avenue	Gibbsboro	NJ	—	183	726	6	183	732	915	732	1974	1997	(d)
1 Foster Avenue	Gibbsboro	NJ	—	93	364	8	93	372	465	372	1972	1997	(d)
5 U.S. Avenue	Gibbsboro	NJ	—	21	81	2	21	83	104	83	1987	1997	(d)
5 Foster Avenue	Gibbsboro	NJ	—	9	32	3	9	35	44	35	1968	1997	(d)
Main Street - Plaza 1000	Voorhees	NJ	—	2,732	10,942	296	2,732	11,238	13,970	11,008	1988	1997	(d)
Main Street - Piazza	Voorhees	NJ	—	696	2,802	3,700	704	6,494	7,198	3,515	1990	1997	(d)
Main Street - Promenade	Voorhees	NJ	—	532	2,052	312	532	2,364	2,896	1,350	1988	1997	(d)

920 North King Street	Wilmington	DE	—	6,141	21,140	7,969	6,141	29,109	35,250	13,046	1989	2004	(d)
300 Delaware Avenue	Wilmington	DE	—	6,369	13,739	2,638	6,369	16,377	22,746	9,031	1989	2004	(d)
Total:			\$ 315,437	\$ 443,949	\$ 2,886,455	\$ 676,055	\$ 489,702	\$ 3,516,757	\$ 4,006,459	\$ 973,318			

(a) Excludes the effect of any net interest premium/(discount) and deferred financing costs.

(b) Reconciliation of Real Estate:

The following table reconciles the real estate investments from January 1, 2017 to December 31, 2019 (in thousands):

	2019	2018	2017
Balance at beginning of year	\$ 3,951,719	\$ 3,830,824	\$ 3,658,438
Additions:			
Acquisitions	—	509,654	62,587
Capital expenditures and assets placed into service	145,378	129,274	356,857
Less:			
Dispositions/impairments/placed into redevelopment	(50,792)	(469,517)	(189,472)
Retirements	(39,846)	(48,516)	(57,586)
Balance at end of year	\$ 4,006,459	\$ 3,951,719	\$ 3,830,824
Per consolidated balance sheet	\$ 4,006,459	\$ 3,951,719	\$ 3,830,824

The aggregate cost for federal income tax purposes is \$3.2 billion as of December 31, 2019.

(c) Reconciliation of Accumulated Depreciation:

The following table reconciles the accumulated depreciation on real estate investments from January 1, 2017 to December 31, 2019 (in thousands):

	2019	2018	2017
Balance at beginning of year	\$ 885,407	\$ 913,297	\$ 885,392
Additions:			
Depreciation expense	144,131	137,213	154,029
Less:			
Dispositions/impairments/placed into redevelopment	(16,783)	(117,589)	(74,178)
Retirements	(39,437)	(47,514)	(51,946)
Balance at end of year	\$ 973,318	\$ 885,407	\$ 913,297
Per consolidated balance sheet	\$ 973,318	\$ 885,407	\$ 913,297

(d) Depreciation of the buildings and improvements are calculated over lives ranging from the life of the lease to 55 years.

(e) Reflects original construction date. Significant improvements were made to 3000 Market Street in 1988 and The Bulletin Building in 2012.

(f) Represent leasehold interests in a land parcels acquired through prepaid 99-year ground leases. Development has not yet commenced on the parcel. Building and improvements represent costs related to parking operations.

(g) Land value represents unamortized prepaid ground lease.

ADMITTED PARTNERS OF
BRANDYWINE OPERATING PARTNERSHIP, L.P.
AS OF DECEMBER 31, 2019

Brandywine Holdings I, Inc.
Brandywine Realty Trust
R. Randle Scarborough
Steven L. Shapiro
Hirschman Family Trust
Trust UTW of Theodore Geffner
Gloria Kantor
Helen Geffner
TRC Associates Limited Partnership
D. Kent Dahlke
Kenneth L. Hatfield
Michael G. Tombari
James J. Gorman
Christopher J. Knauer
The Jon Q. Reynolds and Ann S. Reynolds Family Trust
The Revocable Trust Declaration of Thomas K. Terrill and Susan Jean Terrill
The Redford Family Survivor's Trust
The Judith B. Brown 1992 Trust
The Peter M. Reynolds and Christina A. Reynolds Family Trust
C. Thomas Martz
Karen Leigh Brown
Tara Lynne Brown
Kristen Ann Stinnett-Brown
The Reynolds Family Partners

GENERAL PARTNER

Brandywine Realty Trust

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

The following description summarizes certain terms of the shares of beneficial interest of Brandywine Realty Trust. This description does not purport to be complete and is qualified in its entirety by reference to our Declaration of Trust, as amended, and our Bylaws, as amended, each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit is a part. We encourage you to read our Declaration of Trust, as amended, and our Bylaws, as amended, and the applicable provisions of Maryland law for additional information. Unless the context requires otherwise, all references to “we”, “us,” “our” and “Brandywine” in this section refer solely to Brandywine Realty Trust and not to its subsidiaries.

General

Brandywine’s Declaration of Trust provides that Brandywine is authorized to issue up to 420,000,000 shares of beneficial interest (which we refer to in this Exhibit as shares) consisting of 400,000,000 common shares, par value \$.01 per share, which are referred to herein as Brandywine’s “common shares,” and 20,000,000 preferred shares, par value \$.01 per share, which are referred to herein as Brandywine’s “preferred shares.”

Brandywine’s Declaration of Trust may be amended from time to time by Brandywine’s Board of Trustees, without shareholder approval, to increase or decrease the aggregate number of authorized shares or the number of shares of any class. The authorized common shares and undesignated preferred shares are generally available for future issuance without further action by Brandywine’s shareholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which Brandywine’s shares may be listed or traded.

Both Maryland statutory law governing real estate investment trusts formed under Maryland law (the “Maryland REIT Law”) and Brandywine’s Declaration of Trust provide that none of its shareholders will be personally liable, by reason of status as a shareholder, for any of Brandywine’s obligations.

Brandywine’s Declaration of Trust provides that, subject to the provisions of any class or series of preferred shares then outstanding and to the mandatory provisions of applicable law, shareholders are entitled to vote only on the following matters:

- election or removal of trustees;
- amendments to the Declaration of Trust (other than amendments to increase or decrease the number of authorized shares or the number of shares of any class) and amendments to the Bylaws;
- a determination by the Board of Trustees to cause Brandywine to invest in commodities contracts (other than interest rate futures intended to hedge against interest rate risk), engage in securities trading (as compared to investment activity) or hold properties primarily for sale to customers in the ordinary course of business; and
- certain mergers of Brandywine with another entity.

Except with respect to these matters, no action taken by Brandywine’s shareholders at any meeting binds the Board of Trustees.

Shares

Common Shares of Beneficial Interest

Each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders, including the election of trustees. There is no cumulative voting in the election of trustees. The common shareholders vote as single class.

In the future, Brandywine may issue a series of preferred shares that votes together with the common shares as a single class. Subject to such preferential rights as may be determined by the Board of Trustees in future issuances of preferred shares, holders of common shares are entitled to receive such distributions in cash, property or other assets of Brandywine as may be declared from time to time by the Board of Trustees.

Holders of common shares have no conversion, exchange or redemption rights or preemptive rights to subscribe to any Brandywine securities. All outstanding common shares are fully paid and nonassessable. In the event of any liquidation, dissolution or winding-

up of Brandywine's affairs, subject to such preferential rights as may be determined by the Board of Trustees in future issuances of preferred shares, holders of common shares will be entitled to share ratably in any of Brandywine's assets remaining after provision for payment of liabilities to creditors. All common shares have equal dividend, distribution, liquidation and other rights.

Brandywine's common shares are listed on the New York Stock Exchange under the symbol "BDN." The transfer agent and registrar for the common shares is currently Computershare Limited.

Preferred Shares of Beneficial Interest

If Brandywine issues preferred shares, the shares will be fully paid and non-assessable. Prior to the issuance of a new series of preferred shares, Brandywine will file with the State Department of Assessments and Taxation of Maryland Articles Supplementary that will become part of Brandywine's Declaration of Trust and that will set forth the terms of the new series, including: (i) the title and stated value of shares of such series; (ii) the number of authorized shares of such series; (iii) the voting rights, dividend entitlements and rights in liquidation, dissolution or winding up, if any, of shares of such series; and (iv) the redemption, conversion and exchange rights and obligations, if any, of shares of such series; and (v) any other specific terms, preferences, rights, limitations or restrictions of shares of such series.

Restrictions on Transfer

In order for Brandywine to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"), not more than 50% in value of its outstanding shares may be owned, directly or indirectly, by five or fewer individuals (defined in the Code to include certain entities such as qualified pension plans) during the last half of a taxable year and shares must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of twelve months (or during a proportionate part of a shorter taxable year).

Because Brandywine's Board of Trustees believes it is important for Brandywine to continue to qualify as a REIT, the Declaration of Trust, subject to certain exceptions, contains provisions that restrict the number of shares that a person may own and that are designed to safeguard Brandywine against an inadvertent loss of REIT status. In order to prevent any shareholder from owning shares in an amount that would cause more than 50% in value of the outstanding shares to be held by five or fewer individuals, the Board of Trustees, pursuant to authority granted in Brandywine's Declaration of Trust, has passed a resolution that, subject to certain exceptions, provides that no person may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.8% in value of the outstanding shares. This limitation is referred to herein as the "ownership limit." Brandywine's Board of Trustees, subject to limitations, retains the authority to increase the ownership limit and establish exemptions from the ownership limit.

In addition, pursuant to Brandywine's Declaration of Trust, no purported transfer of shares may be given effect if the transfer would result in ownership of all of the outstanding shares by fewer than 100 persons (determined without any reference to the rules of attribution) or result in Brandywine being "closely held" within the meaning of Section 856(h) of the Code. These restrictions are referred to herein as the "ownership restrictions." In the event of a purported transfer or other event that would, if effective, result in the ownership of shares in violation of the ownership limit or the ownership restrictions, such transfer would be deemed void and such shares automatically would be exchanged for "excess shares" authorized by the Declaration of Trust, according to rules set forth in the Declaration of Trust, to the extent necessary to ensure that the purported transfer or other event does not result in the ownership of shares in violation of the ownership limit or the ownership restrictions.

Holders of excess shares are not entitled to voting rights (except to the extent required by law), dividends or distributions. If, after the purported transfer or other event resulting in an exchange of shares for excess shares and prior to the discovery by Brandywine of such exchange, dividends or distributions are paid with respect to shares that were exchanged for excess shares, then such dividends or distributions would be repayable to Brandywine upon demand. While outstanding, excess shares would be held in trust by Brandywine for the benefit of the ultimate transferee of an interest in such trust, as described below. While excess shares are held in trust, an interest in that trust may be transferred by the purported transferee or other purported holder with respect to such excess shares only to a person whose ownership of the shares would not violate the ownership limit or the ownership restrictions, at which time the excess shares would be exchanged automatically for shares of the same type and class as the shares for which the excess shares were originally exchanged. Brandywine's Declaration of Trust contains provisions that are designed to ensure that the purported transferee or other purported holder of the excess shares may not receive in return for such a transfer an amount that reflects any appreciation in the shares for which such excess shares were exchanged during the period that such excess shares were outstanding. Any amount received by a purported transferee or other purported holder in excess of the amount permitted to be received would be required to be turned over to Brandywine.

Brandywine's Declaration of Trust also provides that excess shares shall be deemed to have been offered for sale to Brandywine, or its designee, which shall have the right to accept such offer for a period of 90 days after the later of: (1) the date of the purported transfer or event which resulted in an exchange of shares for such excess shares; and (2) the date the Board of Trustees determines that a purported transfer or other event resulting in an exchange of shares for such excess shares has occurred if Brandywine does not receive notice of any such transfer. The price at which Brandywine may purchase such excess shares would be equal to the

lesser of: (1) in the case of excess shares resulting from a purported transfer for value, the price per share in the purported transfer that caused the automatic exchange for such excess shares or, in the case of excess shares resulting from some other event, the market price of such shares on the date of the automatic exchange for excess shares; or (2) the market price of such shares on the date that Brandywine accepts the excess shares. Any dividend or distribution paid to a proposed transferee on excess shares prior to the discovery by Brandywine that such shares have been transferred in violation of the provisions of the Declaration of Trust shall be repaid to Brandywine upon its demand. If the foregoing restrictions are determined to be void or invalid by virtue of any legal decision, statute, rule or regulation, then the intended transferee or holder of any excess shares may be deemed, at Brandywine's option, to have acted as Brandywine's agent and on Brandywine's behalf in acquiring or holding such excess shares and to hold such excess shares on Brandywine's behalf.

Brandywine's Board of Trustees may waive the ownership restrictions if evidence satisfactory to the trustees and its tax counsel or tax accountants is presented showing that such waiver will not jeopardize Brandywine's status as a REIT under the Code. As a condition of such waiver, Brandywine's Board of Trustees may require that an intended transferee give written notice to Brandywine, furnish such undertakings, agreements and information as may be required by Brandywine's Board of Trustees and/or an undertaking from the applicant with respect to preserving Brandywine's status. Any transfer of shares or any security convertible into shares that would create a direct or indirect ownership of shares in excess of the ownership limit or result in the violation of the ownership restrictions will be void with respect to the intended transferee and will result in excess shares as described above.

Neither the ownership restrictions nor the ownership limit will be removed automatically even if the REIT provisions of the Code are changed so as no longer to contain any ownership concentration limitation or if the ownership concentration limitation is increased.

The Declaration of Trust expressly provides that the ownership limit and ownership restrictions shall not preclude the settlement of any transaction entered into through the facilities of the New York Stock Exchange, any successor exchange or quotation system thereto, or any other exchange or quotation system over which shares may be traded from time to time. The fact that the settlement of any transaction occurs shall not negate the effect of any other provision in of the Declaration of Trust providing for ownership limit or the ownership restrictions and any transferee in such a transaction shall be subject to all of such other provisions.

All persons who own, directly or by virtue of the applicable attribution provisions of the Code, more than 4.0% of the value of any class of outstanding shares, must give written notice to Brandywine containing the information specified in the Declaration of Trust by January 31 of each year. In addition, each such shareholder shall provide to Brandywine such additional information as Brandywine may request in order to determine the effect of such person's beneficial or constructive ownership of shares on Brandywine's status as a REIT.

The ownership limit could have the effect of delaying, deferring or preventing a transaction or a change in control of Brandywine that might involve a premium price for the common shares or otherwise be in the best interest of Brandywine's shareholders.

Exhibit 21

List of Subsidiaries

AAPOP 2, L.P., a Delaware limited partnership

B Chestnut LP, a Delaware limited partnership

BDN Four Points LP, a Delaware limited partnership

BDN Four Points Land LP, a Delaware limited partnership

BDN Four Points Preserve LP, a Delaware limited partnership

BDN Millennium LP, a Delaware limited partnership

BDNNOVA Momentum LP, a Delaware limited partnership

BDN Old Eagle School I, LP, a Delaware limited partnership

BDN Old Eagle School II, LP, a Delaware limited partnership

BDN Old Eagle School III, LP, a Delaware limited partnership

BDN Old Eagle School IV, LP, a Delaware limited partnership

BDN Old Eagle School V, LP, a Delaware limited partnership

BDN Old Eagle School VI, LP, a Delaware limited partnership

BDN Old Eagle School VII, LP, a Delaware limited partnership

BDN Quarry Lake II, LP, a Delaware limited partnership

BDN Radnor Hospitality Property I, LP, a Delaware limited partnership

BDN Radnor Hospitality Property II, LP, a Delaware limited partnership

BDN Radnor Property I, LP, a Delaware limited partnership

BDN Radnor Property II, LP, a Delaware limited partnership

BDN Real Estate Fund I LP, a Delaware limited partnership

BDN 250 King of Prussia I, LP, a Delaware limited partnership

BDN 250 King of Prussia II, LP, a Delaware limited partnership

Brandywine Acquisition Partners LP, a Delaware limited partnership

Brandywine Austin Properties I LP, a Texas limited partnership

Brandywine Byberry LP, a Delaware limited partnership

Brandywine Central, L.P., a Pennsylvania limited partnership

Brandywine Cira Chestnut I LP, a Delaware limited partnership

Brandywine Cira Garage I LP, a Delaware limited partnership

Brandywine Cira, L.P., a Pennsylvania limited partnership

Brandywine Cira South LP, a Delaware limited partnership

Brandywine Cira Walnut I LP, a Delaware limited partnership

Brandywine Commerce I LP, a Delaware limited partnership

Brandywine Commerce II LP, a Delaware limited partnership

Brandywine F.C., L.P., a Pennsylvania limited partnership

Brandywine Garza Office I, LP, a Delaware limited partnership

Brandywine Garza Office II, LP, a Delaware limited partnership

Brandywine Garza Office III, LP, a Delaware limited partnership

Brandywine Grande B, L.P., a Delaware limited partnership

Brandywine Grande C, L.P., a Delaware limited partnership

Brandywine Greensboro Drive LP, a Delaware limited partnership

Brandywine International Drive LP, a Delaware limited partnership

Brandywine Industrial Partnership, L.P., a Delaware limited partnership

Brandywine Metroplex, L.P., a Pennsylvania limited partnership

Brandywine Midatlantic, LP, a Delaware limited partnership

Brandywine Office Investors LP, a Delaware limited partnership

Brandywine Operating Partnership, L.P., a Delaware limited partnership

Brandywine Opportunity Fund, LP, a Delaware limited partnership

Brandywine P.M., L.P., a Pennsylvania limited partnership

Brandywine Properties Management LP, a Texas limited partnership

Brandywine TB Florig, L.P., a Pennsylvania limited partnership

Brandywine TB I, L.P., a Pennsylvania limited partnership

Brandywine TB II, L.P., a Pennsylvania limited partnership

Brandywine TB VI, L.P., a Pennsylvania limited partnership

Brandywine TB VII, L.P., a Pennsylvania limited partnership

Brandywine Wood Oak LP, a Delaware limited partnership

Brandywine 145 King of Prussia, LP, a Pennsylvania limited partnership

Brandywine 1177 Beltline Associates, L.P., a Texas limited partnership

Brandywine 3001-3003 JFK, LP, a Delaware limited partnership

Brandywine 3001-3003 JFK II, LP, a Delaware limited partnership

Brandywine 3025 JFK, LP, a Delaware limited partnership

Brandywine 3025 JFK II, LP, a Delaware limited partnership

Brandywine 3025 Market, LP, a Pennsylvania limited partnership

BT Plymouth LP, a Delaware limited partnership

C/N Leedom Limited Partnership II, a Pennsylvania limited partnership

Commerce Square Partners – Philadelphia Plaza, L.P., a Delaware limited partnership

Concord Airport Plaza Associates, LP, a California limited partnership

Cooperative Way Metro Owner LLC, a Delaware limited liability company

Eight/Oliver Brandywine Partner, L.P., a Pennsylvania limited partnership

e-Tenants.com Holding, L.P., a Pennsylvania limited partnership

Five/Oliver Brandywine Partner, L.P., a Pennsylvania limited partnership

Four Tower Bridge Associates, a Pennsylvania limited partnership

G&I VII Barton Creek LP, a Delaware limited partnership

G&I VII Barton Skyway LP, a Delaware limited partnership

G&I VII Cielo, LP a Delaware limited partnership

G&I VII Encino Trace I LP, a Delaware limited partnership

G&I VII Encino Trace II LP, a Delaware limited partnership

G&I VII Four Points LP, a Delaware limited partnership

G&I VII Lantana, LP a Delaware limited partnership

G&I VII River Place LP, a Delaware limited partnership

Iron Run Limited Partnership V, a Pennsylvania Limited Partnership

Newtech IV Limited Partnership, a Pennsylvania limited partnership

New Two Logan, LP, a Pennsylvania limited partnership

OLS Office Partners, L.P., a Delaware limited partnership

One Rockledge Associates Limited Partnership, a Massachusetts limited partnership

Philadelphia Plaza – Phase II LP, a Pennsylvania limited partnership

Radnor Center Associates, a Pennsylvania limited partnership

Radnor Properties Associates-II, L.P., a Pennsylvania limited partnership

Radnor Properties-SDC, L.P., a Delaware limited partnership

Radnor Properties-200 RC Holdings, L.P., a Delaware limited partnership

Radnor Properties-200 RC, L.P., a Delaware limited partnership

Radnor Properties-201 KOP, L.P., a Delaware limited partnership

Radnor Properties-555 LA, L.P., a Delaware limited partnership

TB-BDN Plymouth Apartments, LP, a Delaware limited partnership

TB-BDN Plymouth Apartments Holdings, LP, a Delaware limited partnership

Two Logan Holdings LP, a Pennsylvania limited partnership

Two Logan Square Associates, a Pennsylvania limited partnership

Tower Bridge Inn Associates, a Pennsylvania limited partnership

Witmer Operating Partnership I, L.P., a Delaware limited partnership

405 Colorado Holdings LP, a Delaware limited partnership

618 Market Street LP, a Delaware limited partnership

1919 Market Street LP, a Delaware limited partnership

2100 Market Street LP, a Delaware limited partnership

2928 Walton Road LP, a Pennsylvania limited partnership

3000 Market LP, a Delaware limited partnership

3020 Market Holding LP, a Delaware limited partnership

3020 Market Operating LP, a Delaware limited partnership

Interstate Center Associates, a Virginia general partnership

Plymouth TFC, General Partnership, a Pennsylvania general partnership

Campus Crest at Philadelphia, GP, a Delaware general partnership

1919 Market Street Ventures, a Delaware general partnership

BDN Management Inc., a Delaware corporation

Brandywine Holdings, I, Inc., a Pennsylvania corporation

Brandywine Properties I Limited Inc., a Delaware corporation

Brandywine Realty Services Corporation, a Pennsylvania corporation

Brandywine Resources I Inc., a Delaware corporation

Southpoint Land Holdings, Inc., a Pennsylvania corporation

Valleybrooke Land Holdings, Inc., a Pennsylvania corporation

B Chestnut GP LLC, a Delaware limited liability company

BCC 1010 Wayne Avenue LLC, a Delaware limited liability company

BCC 1100 Wayne Avenue LLC, a Delaware limited liability company

BCC 8484 Georgia Avenue LLC, a Delaware limited liability company

BDN Austin Properties LLC, a Delaware limited liability company

BDN Austin Properties II LLC, a Delaware limited liability company

BDN Brokerage LLC, a Pennsylvania limited liability company

BDN Four Points GP LLC, a Delaware limited liability company

BDN Four Points Land GP LLC, a Delaware limited liability company

BDN Four Points Preserve GP LLC, a Delaware limited liability company

BDN GC Services LLC, a Delaware limited liability company

BDN GP Real Estate Fund I LLC, a Delaware limited liability company

BDN Investment Holdings, LLC, a Delaware limited liability company

BDN Lending, LLC, a Pennsylvania limited liability company

BDN Management Holdings, LLC, a Delaware limited liability company

BDN Millennium GP, LLC, a Delaware limited liability company

BDN Millennium Holding Company, LLC, a Delaware limited liability company

BDN NoMA LLC, a Delaware limited liability company

BDN Old Eagle School I GP, LLC, a Delaware limited liability company

BDN Old Eagle School II GP, LLC, a Delaware limited liability company

BDN Old Eagle School III GP, LLC, a Delaware limited liability company

BDN Old Eagle School IV GP, LLC, a Delaware limited liability company

BDN Old Eagle School V GP, LLC, a Delaware limited liability company

BDN Old Eagle School VI GP, LLC, a Delaware limited liability company

BDN Old Eagle School VII GP, LLC, a Delaware limited liability company

BDN Properties I LLC, a Delaware limited liability company

BDN Quarry Lake II GP, LLC, a Delaware limited liability company

BDN Radnor Holding Company, LLC, a Delaware limited liability company

BDN Radnor Hospitality Holding Company, LLC, a Delaware limited liability company

BDN Radnor Hospitality Property II GP, LLC, a Delaware limited liability company

BDN Radnor Property II GP, LLC, a Delaware limited liability company

BDN Venture LLC, a Delaware limited liability company

BDN-West Elm Holding LLC, a Pennsylvania limited liability company

BDN 250 King of Prussia II GP, LLC, a Delaware limited liability company

BDN 250 King of Prussia Holding Company, LLC, a Delaware limited liability company

BDNSY Mezz Sub, LLC, a Delaware limited liability company

BOI Pacific Ridge LLC, a Delaware limited liability company

BRE/Logan I, L.L.C., a Delaware limited liability company

BRE/Logan II, L.L.C., a Delaware limited liability company

Brandywine Austin LLC, a Delaware limited liability company

Brandywine Austin Properties LLC, a Delaware limited liability company

Brandywine Boulders, LLC, a Delaware limited liability company

Brandywine Brokerage Services, LLC, A New Jersey limited liability company

Brandywine Byberry LLC, a Delaware limited liability company

Brandywine Calverton LLC, a Delaware limited liability company

Brandywine Charlottesville LLC, a Virginia limited liability company

Brandywine Cira Brokerage LLC, d Delaware limited liability company

Brandywine Cira Chestnut LLC, a Delaware limited liability company

Brandywine Cira Garage LLC, a Delaware limited liability company

Brandywine Cira Garage Holding LLC, a Delaware limited liability company

Brandywine Cira Garage Holding MM LLC, a Delaware limited liability company

Brandywine Cira, LLC, a Pennsylvania limited liability company

Brandywine Cira PO Developer LLC, a Delaware limited liability company

Brandywine Cira South GP LLC, a Delaware limited liability company

Brandywine Cira Walnut LLC, a Delaware limited liability company

Brandywine Commerce I GP LLC, a Delaware limited liability company

Brandywine Commerce II GP LLC, a Delaware limited liability company

Brandywine Commerce Sub I LLC, a Delaware limited liability company

Brandywine Commerce Sub II LLC, a Delaware limited liability company

Brandywine Continental LLC, a Delaware limited liability company

Brandywine Croton, LLC, a Pennsylvania limited liability company

Brandywine Dabney, L.L.C., a Delaware limited liability company

Brandywine F.C., L.L.C., a Pennsylvania limited liability company

Brandywine Garza, LLC., a Delaware limited liability company

Brandywine Garza Office I GP, LLC, a Delaware limited liability company

Brandywine Garza Office II GP, LLC, a Delaware limited liability company

Brandywine Garza Office III GP, LLC, a Delaware limited liability company

Brandywine Gateway LLC, a NJ limited liability company

Brandywine Grande B, L.L.C., a Delaware limited liability company

Brandywine Grande C LLC, a Delaware limited liability company

Brandywine Greentree V, LLC, a Delaware limited liability company

Brandywine Interstate 50, L.L.C., a Delaware limited liability company

Brandywine Lake Merritt LLC, a Delaware limited liability company

Brandywine - Main Street, LLC, a Delaware limited liability company

Brandywine Metroplex LLC., a Pennsylvania limited liability company

Brandywine Midatlantic, LLC, a Delaware limited liability company

Brandywine One Logan LLC, a Pennsylvania limited liability company

Brandywine One Rodney Square, L.L.C., a Delaware limited liability company

Brandywine P.M., L.L.C., a Pennsylvania limited liability company

Brandywine Piazza, L.L.C., a New Jersey limited liability company

Brandywine Plaza Ridge I, LLC, a Delaware limited liability company

Brandywine Plaza 1000, L.L.C., a New Jersey limited liability company

Brandywine Promenade, L.L.C., a New Jersey limited liability company

Brandywine Radnor 200 Holdings LLC, a Delaware limited liability company

Brandywine Radnor Center LLC, a Pennsylvania limited liability company

Brandywine Research LLC, a Delaware limited liability company

Brandywine TB Florig, LLC, a Pennsylvania limited liability company

Brandywine TB I, L.L.C., a Pennsylvania limited liability company

Brandywine TB I, GP L.L.C., a Pennsylvania limited liability company

Brandywine TB VI, L.L.C., a Pennsylvania limited liability company

Brandywine TB VII, L.L.C., a Pennsylvania limited liability company

Brandywine Tysons LLC, a Delaware limited liability company

Brandywine Wisconsin Avenue Financing LLC, a Delaware limited liability company

Brandywine Witmer, L.L.C., a Pennsylvania limited liability company

Brandywine 55 US Avenue LLC, a New Jersey limited liability company

Brandywine 145 King of Prussia, LLC, a Pennsylvania limited liability company

Brandywine 300 Delaware, LLC, a Delaware limited liability company

Brandywine 1177 Beltline Associates GP, LLC, a Delaware limited liability company

Brandywine 2201 Co-Way LLC a Delaware limited liability company

Brandywine 2201 Co-Way II LLC, a Delaware limited liability company

Brandywine 3001 Market, LLC, a Delaware limited liability company

Brandywine 3001-3003 HoldCo, LLC, a Delaware limited liability company

Brandywine 3001-3003 JFK II, LLC, a Delaware limited liability company

Brandywine 3025 JFK II, LLC, a Delaware limited liability company

Brandywine 3025 Market Holdings, LLC, a Delaware limited liability company

BT Plymouth GP, LLC, a Delaware limited liability company

Chestnut Venture LLC, a Delaware limited liability company

Christiana Center Operating Company I LLC, a Delaware limited liability company

Christiana Center Operating Company II LLC, a Delaware limited liability company

Christiana Center Operating Company III LLC, a Delaware limited liability company

e-Tenants LLC, a Delaware limited liability company

G&I VI 7150 Windsor MZ LLC, a Delaware limited liability company

G&I VI 7310 Tilghman MZ LLC, a Delaware limited liability company

G&I VI 7310 Tilghman FE LLC, a Delaware limited liability company

G&I VI 7248 Tilghman GP LLC, a Delaware limited liability company

G&I VI 7248 Tilghman LP LLC, a Delaware limited liability company

G&I VI 6575 Snowdrift GP LLC, a Delaware limited liability company

G&I VI 6575 Snowdrift LP LLC, a Delaware limited liability company

G&I VI 7350 Tilghman MZ LLC, a Delaware limited liability company

G&I VI 655/755 Business Center MZ LLC, a Delaware limited liability company

G&I VI 655/755 Business Center FE LLC, a Delaware limited liability company

G&I VI 1155 Business Center MZ LLC, a Delaware limited liability company

G&I VI 1155 Business Center FE LLC, a Delaware limited liability company

G&I VI 700/800 Business Center MZ LLC, a Delaware limited liability company

G&I VI 700/800 Business Center FE LLC, a Delaware limited liability company

G&I VI 630 Dresher MZ LLC, a Delaware limited liability company

G&I VI 630 Dresher FE LLC, a Delaware limited liability company

G&I VI 650 Dresher MZ LLC, a Delaware limited liability company

G&I VI 650 Dresher FE LLC, a Delaware limited liability company

G&I VI 300 Welsh 1/2 MZ LLC, a Delaware limited liability company

G&I VI 300 Welsh 1/2 FE LLC, a Delaware limited liability company

G&I VI One Greenwood MZ LLC, a Delaware limited liability company

G&I VI One Greenwood FE LLC, a Delaware limited liability company

G&I VI Two Greenwood MZ LLC, a Delaware limited liability company

G&I VI Two Greenwood FE LLC, a Delaware limited liability company

G&I VI Three Greenwood MZ LLC, a Delaware limited liability company

G&I VI Three Greenwood FE LLC, a Delaware limited liability company

G&I VI 500 Office Center MZ LLC, a Delaware limited liability company

G&I VI 500 Office Center FE LLC, a Delaware limited liability company

G&I VI 501 Office Center MZ LLC, a Delaware limited liability company

G&I VI 501 Office Center FE LLC, a Delaware limited liability company

G&I VI 321/323 Norristown MZ LLC, a Delaware limited liability company

G&I VI 321/323 Norristown FE LLC, a Delaware limited liability company

G&I VI 220 Commerce MZ LLC, a Delaware limited liability company

G&I VI 220 Commerce FE LLC, a Delaware limited liability company

G&I VI 520 Virginia MZ LLC, a Delaware limited liability company

G&I VI 520 Virginia FE LLC, a Delaware limited liability company

G&I VI Interchange Office LLC, a Delaware limited liability company

G&I VII Austin Office LLC, a Delaware limited liability company

G&I VII Barton Creek GP LLC, a Delaware limited liability company

G&I VII Barton Skyway GP LLC, a Delaware limited liability company

G&I VII Cielo GP LLC, a Delaware limited liability company

G&I VII Encino Trace I GP LLC, a Delaware limited liability company

G&I VII Encino Trace II GP LLC, a Delaware limited liability company

G&I VII Four Points GP LLC, a Delaware limited liability company

G&I VII Lantana GP LLC, a Delaware limited liability company

G&I VII River Place GP LLC, a Delaware limited liability company

Gateway EH, LLC, a New Jersey limited liability company

Gateway EH 4/5, LLC, a New Jersey limited liability company

HSRE-Campus Crest IX, LLC, a Delaware limited liability company

MAP Ground Lease Venture LLC, a Delaware limited liability company

MAP Mezzanine Borrower LLC, a Delaware limited liability company

MAP Ground Lease Owner LLC, a Delaware limited liability company

Mid-Atlantic Property Holdings LLC, a Delaware limited liability company

New Two Logan GP, LLC, a Pennsylvania limited liability company

Radnor GP, L.L.C., a Delaware limited liability company

Radnor GP-SDC, L.L.C., a Delaware limited liability company

Radnor GP-200 RC, L.L.C., a Delaware limited liability company

Radnor GP-201 KOP, L.L.C., a Delaware limited liability company

Radnor GP-555 LA, L.L.C., a Delaware limited liability company

PJP Building Two, L.C., a Virginia limited liability company

PJP Building Six, L.C., a Virginia limited liability company

PJP Building Seven, L.C., a Virginia limited liability company

TB-BDN Plymouth Apartments Holdings GP, LLC, a Delaware limited liability company

Walnut Street Hospitality LLC, a Delaware limited liability company

25 M Street Holdings LLC, a Delaware limited liability company

405 Colorado Holdings GP LLC a Delaware limited liability company

618 Market Holdco General Partner LLC, a Delaware limited liability company

618 Market Mezz Holdco LLC, a Delaware limited liability company

720 Blair Mill Road LLC, a Delaware limited liability company

1919 Market Holdco General LLC, a Delaware limited liability company

2100 Market Holdco General Partner LLC, a Delaware limited liability company

2100 Market Mezz Holdco LLC, a Delaware limited liability company

2251 Corporate Park Metro Owner LLC, a Delaware limited liability company

2291 Wood Oak Metro Owner LLC, a Delaware limited liability company

2411 Dulles Corner Metro Owner LLC, a Delaware limited liability company

2355 Dulles Corner Metro Owner LLC, a Delaware limited liability company

2928 Walton LLC, a Delaware limited liability company

3000 Market Mezz LLC, a Delaware limited liability company

3000 Market Mezz Holdco LLC, a Delaware limited liability company

3000 Market Holdco General Partner, LLC, a Delaware limited liability company

3020 Market Holding GP LLC, a Delaware limited liability company

3130 Fairview LLC, a Delaware limited liability company

3141 Fairview LLC, a Delaware limited liability company

4040 LLC, a Virginia limited liability company

13880 Dulles Corner Metro Owner LLC, a Delaware limited liability company

13825 Sunrise Valley Metro Owner LLC, a Delaware limited liability company

1000 Chesterbrook Boulevard Partnership, a Pennsylvania general partnership

Atlantic American Properties Trust, a Maryland real estate investment trust

BOI Herndon Trust, a Maryland real estate investment trust

BOI President's Plaza Trust, a Maryland real estate investment trust

BOI Rancho Bernardo Bluffs Trust, a Maryland real estate investment trust

Brandywine Capital Trust I, a Delaware statutory trust

Brandywine Capital Trust II, a Delaware statutory trust

Broadmoor Austin Associates, a Texas joint venture

Coppel Associates, a Texas joint venture

Seven Tower Bridge Associates, a Pennsylvania limited partnership

Seven Tower Bridge Real Estate Investment Trust, a Maryland real estate investment trust

Brandywine – AI Venture LLC, a Delaware limited liability company

G&I VI Interchange Office LLC, a Delaware limited liability company

G&I VII Austin Office LLC, a Delaware limited liability company

Herndon Innovation Center Metro Portfolio Venture LLC, a Delaware limited liability company

Iron Run Venture II LLC, a Delaware limited liability company

One Rockledge Associates Limited Partnership, a Massachusetts limited partnership

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-216822, 333- 158590, 333-52952) and on form S-8 (Nos. 333-14243, 333-28427, 333-52957, 333-123446, 333-125311, 333-131171, 333-141906, 333-142752, 333-142754, 333-167266, 333-218117) of Brandywine Realty Trust of our report dated March 2, 2020 relating to the financial statements and financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

March 2, 2020

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-216822-01) of Brandywine Operating Partnership, L.P. of our report dated March 2, 2020 relating to the financial statements and financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

March 2, 2020

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS AMENDED**

I, Gerard H. Sweeney, certify that:

1. I have reviewed this annual report on Form 10-K of Brandywine Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2020

/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 annual report on Form 10-K of Brandywine Realty Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2020

/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 annual report on Form 10-K of Brandywine Operating Partnership, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2020

/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 annual report on Form 10-K of Brandywine Operating Partnership, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2020

/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 Annual Report of Brandywine Realty Trust (the "Company") on Form 10-K for the year ended December 31, 2019 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: March 2, 2020

* 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 Annual Report of Brandywine Realty Trust (the "Company") on Form 10-K for the year ended December 31, 2019 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: March 2, 2020

* 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 Annual Report of Brandywine Operating Partnership, L.P. (the "Partnership") on Form 10-K for the quarter ended December 31, 2019 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: March 2, 2020

* 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 Annual Report of Brandywine Operating Partnership, L.P. (the "Partnership") on Form 10-K for the year ended December 31, 2019 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: March 2, 2020

* 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.

MATERIAL FEDERAL INCOME TAX CONSIDERATIONS

The following discussion describes the material U.S. federal income tax considerations relating to the purchase, ownership and disposition of Brandywine Realty Trust's ("**Brandywine**") common shares, preferred shares and debt securities and debt securities of the Operating Partnership, and the qualification and taxation of Brandywine as a REIT under the Internal Revenue Code of 1986, as amended (the "**Code**"). This discussion reflects changes to the U.S. federal income tax laws made by legislation commonly referred to as the Tax Cuts and Jobs Act (the "**TCJA**"), which was signed into law on December 22, 2017. The TCJA is a far-reaching and complex revision to the U.S. federal income tax laws with disparate and, in some cases, countervailing impacts on different categories of taxpayers and industries, and it is anticipated that it will require subsequent rulemaking and the finalization of proposed guidance in a number of areas.

Because this is a summary that is intended to address only material U.S. federal income tax considerations relating to the ownership and disposition of Brandywine's common shares, preferred shares or debt securities and debt securities of the Operating Partnership that will apply to all holders, this summary may not contain all the information that may be important to you. As you review this discussion, you should keep in mind that:

- the tax consequences to you may vary depending on your particular tax situation;
- special rules that are not discussed below may apply to you if, for example, you are a tax-exempt organization, a broker-dealer, a non-U.S. person, a trust, an estate, a regulated investment company, a REIT, a financial institution, an insurance company, a holder of debt securities or shares through a partnership or other pass-through entity, a person that holds debt securities or shares as part of a straddle, conversion or other integrated transaction, a person liable for the alternative minimum tax, a U.S. Shareholder or U.S. Holder (each as defined below) whose "functional currency" is not the U.S. dollar, an entity treated as a U.S. corporation by virtue of the inversion rules, or otherwise subject to special tax treatment under the Code;
- this summary does not address state, local or non-U.S. tax considerations;
- this summary deals only with our shareholders and debt holders that hold common shares, preferred shares or debt securities as "capital assets" within the meaning of Section 1221 of the Code;
- tax rules are subject to change, potentially with retroactive effect; and
- this discussion is not intended to be, and should not be construed as, tax advice.

You are urged both to review the following discussion and to consult with your own tax advisor to determine the effect of ownership and disposition of our common shares, preferred shares or debt securities and debt securities of the Operating Partnership on your individual tax situation, including any state, local or non-U.S. tax consequences.

The information in this summary is based on the Code, current, temporary and proposed Treasury regulations, the legislative history of the Code, current administrative interpretations and practices of the Internal Revenue Service (the "**IRS**"), including its practices and policies as endorsed in private letter rulings, which are not binding on the IRS, and existing court decisions. Future legislation, regulations, administrative interpretations and court decisions could change current law or adversely affect existing interpretations of current law. Any change could apply retroactively. We have not obtained any rulings from the IRS concerning the status of Brandywine as a REIT or of the Operating Partnership as a partnership. Therefore, it is possible that the IRS could challenge the statements in this summary, which do not bind the IRS or the courts, and that a court could agree with the IRS.

Taxation of the Company

Qualification of Brandywine as a REIT

Brandywine first elected to be taxed as a REIT for the taxable year ended December 31, 1986. A REIT generally is not subject to federal income tax on the income that it distributes to its shareholders if it meets the applicable REIT distribution requirements and other requirements for qualification.

We believe that we are organized and have operated in such a manner so as to qualify as a REIT, but there can be no assurance that we have qualified or will remain qualified as a REIT.

Qualification and taxation as a REIT depends on our ability to meet, on a continuing basis, through actual operating results, distribution levels, and diversity of stock ownership, various qualification requirements imposed upon REITs by the Code. Our ability to qualify as a REIT also requires that we satisfy certain asset tests, some of which depend upon the fair market values of assets directly or indirectly owned by us. Such values may not be susceptible to a precise determination. While we intend to continue to operate in a manner that will allow us to qualify as a REIT, no assurance can be given that the actual results of our operations for any taxable year will satisfy such requirements for qualification and taxation as a REIT.

Taxation of Brandywine as a REIT

If we qualify for taxation as a REIT, we generally will not be subject to federal corporate income taxes on that portion of our ordinary income or capital gain that we distribute currently to our shareholders, because the REIT provisions of the Code generally allow a REIT a deduction for distributions paid to its shareholders. This deduction substantially eliminates the “double taxation” on earnings (taxation at both the corporate level and shareholder level) that generally results from investment in a corporation. However, even if we qualify for taxation as a REIT, we will be subject to federal income tax as follows:

- We will be taxed at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains;
- Under certain circumstances, for tax years beginning before January 1, 2018, we may be subject to the “alternative minimum tax” on our items of tax preference, if any;
 - If we have net income from prohibited transactions (which are, in general, certain sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business) such income will be subject to a 100% tax (See “-Sale of Partnership Property”);
 - If we elect to treat property that we acquire in connection with a foreclosure of a mortgage loan or leasehold as “foreclosure property,” we may thereby avoid the 100% tax on gain from a resale of that property (if the sale would otherwise constitute a prohibited transaction), but the income from the sale or operation of the property (and any other non-qualifying income from foreclosure property) may be subject to corporate income tax at the highest applicable rate (35% for tax years beginning on or before December 31, 2017 and 21% for tax years beginning after that date);
- If we should fail to satisfy the 75% gross income test or the 95% gross income test (each as discussed below), and nonetheless have maintained our qualification as a REIT because certain other requirements have been met, we will be subject to a 100% tax on the net income attributable to the greater of the amount by which we fail the 75% or 95% test, multiplied by a fraction intended to reflect our profitability;
- If we fail to satisfy any of the REIT asset tests, as discussed below, by more than a *de minimis* amount, but our failure is due to reasonable cause and not due to willful negligence and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to the greater of \$50,000 or the highest applicable rate for corporate taxpayers (35% for tax years beginning on or before December 31, 2017 and 21% for tax years beginning after that date) of the net income generated by the non-qualifying assets during the period in which we failed to satisfy the asset tests;
- If we fail to satisfy any provision of the Code that would result in our failure to qualify as a REIT (other than a gross income or asset test requirement) and that violation is due to reasonable cause and not due to willful negligence, we may retain our REIT qualification, but we will be required to pay a penalty of \$50,000 for each such failure;
- We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet record-keeping requirements intended to monitor our compliance with rules relating to the composition of our shareholders, as described below in “-Requirements for Qualification as a REIT”;
- If we should fail to distribute during each calendar year at least the sum of (a) 85% of our REIT ordinary income for such year, (b) 95% of our REIT capital gain net income for such year and (c) any undistributed taxable income from prior years, we would be subject to a 4% excise tax on the excess of such required distribution over the sum of (i) the amounts actually distributed plus (ii) retained amounts on which corporate level tax is paid by us;
- We may elect to retain and pay income tax on our net long-term capital gain, and in that case, a shareholder would include its proportionate share of our undistributed long-term capital gain in its income and would be allowed a credit for its proportionate share of the tax we paid;
- A 100% excise tax may be imposed on some items of income and expense that are directly or constructively paid between us, our tenants and/or our taxable REIT subsidiaries if and to the extent that the Internal Revenue Service successfully adjusts the reported amounts of these items;
- If we acquire appreciated assets from a C corporation (a corporation generally subject to corporate level tax) in a transaction in which the adjusted tax basis of the assets in our hands is determined by reference to the adjusted tax basis of the assets in the hands of the C corporation, we may be subject to tax on such appreciation at the highest corporate income tax rate then applicable if we subsequently recognize gain on a disposition of such assets during the five-year period following their acquisition from the C corporation, unless the C corporation elects to treat the assets as if they were sold for their fair market value at the time of our acquisition; and
- Income earned by any of our taxable REIT subsidiaries will be subject to tax at regular corporate rates.

Requirements for Qualification as a REIT

We elected to be taxable as a REIT for U.S. federal income tax purposes for our taxable year ended December 31, 1986. In order to have so qualified, we must have met and continue to meet the requirements discussed below, relating to our organization, sources of income, nature of assets and distributions of income to shareholders.

The Code defines a REIT as a corporation, trust or association:

- 1.that is managed by one or more trustees or directors;
- 2.the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest;
- 3.that would be taxable as a domestic corporation but for the special Code provisions applicable to REITs;
- 4.that is neither a financial institution nor an insurance company subject to certain provisions of the Code;
- 5.the beneficial ownership of which is held by 100 or more persons;
- 6.in which, during the last half of each taxable year, not more than 50% in value of the outstanding shares is owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include specified entities), after applying certain attribution rules;
- 7.that makes an election to be taxable as a REIT, or has made this election for a previous taxable year which has not been revoked or terminated, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status;
- 8.that uses a calendar year for federal income tax purposes and complies with the record keeping requirements of the Code and the Treasury regulations; and
- 9.that meets other applicable tests, described below, regarding the nature of its income and assets and the amount of its distributions.

Conditions (1) through (4) must be satisfied during the entire taxable year, and condition (5) must be satisfied during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months.

We have previously issued common shares in sufficient proportions to allow us to satisfy requirements (5) and (6) (the “100 Shareholder” and “five-or-fewer” requirements). In addition, our Declaration of Trust provides restrictions regarding the transfer of our shares that are intended to assist us in continuing to satisfy the requirements described in conditions (5) and (6) above. However, these restrictions may not ensure that we will, in all cases, be able to satisfy the requirements described in conditions (5) and (6) above. In addition, we have not obtained a ruling from the Internal Revenue Service as to whether the provisions of our Declaration of Trust concerning restrictions on transfer and conversion of common shares to “Excess Shares” will allow us to satisfy conditions (5) and (6). If we fail to satisfy such share ownership requirements, our status as a REIT will terminate. However, if the failure to meet the share ownership requirements is due to reasonable cause and not due to willful neglect, we may avoid termination of our REIT status by paying a penalty of \$50,000.

To monitor compliance with the share ownership requirements, we are required to maintain records regarding the actual ownership of our shares. To do so, we must demand written statements each year from the record holders of certain percentages of our shares in which the record holders are to disclose the actual owners of the shares (the persons required to include in gross income the dividends paid by us). A list of those persons failing or refusing to comply with this demand must be maintained as part of our records. Failure by us to comply with these record-keeping requirements could subject us to monetary penalties. If we satisfy these requirements and have no reason to know that condition (6) is not satisfied, we will be deemed to have satisfied such condition. A shareholder that fails or refuses to comply with the demand is required by Treasury regulations to submit a statement with its tax return disclosing the actual ownership of the shares and other information.

Qualified REIT Subsidiaries

The Code provides that a corporation that is a “qualified REIT subsidiary” shall not be treated as a separate corporation, and all assets, liabilities and items of income, deduction and credit of a “qualified REIT subsidiary” shall be treated as assets, liabilities and items of income, deduction and credit of the REIT. A “qualified REIT subsidiary” is a corporation, all of the capital stock of which is owned by the REIT, that has not elected to be a “taxable REIT subsidiary” (discussed below). In applying the requirements described herein, all of our “qualified REIT subsidiaries” will be ignored, and all assets, liabilities and items of income, deduction and credit of such subsidiaries will be treated as our assets, liabilities and items of income, deduction and credit. These subsidiaries, therefore, will not be subject to federal corporate income taxation, although they may be subject to state and local taxation.

In the event that a qualified REIT subsidiary or another entity that is a disregarded subsidiary for U.S. federal income tax purposes ceases to be wholly owned by us (for example, if any equity interest in the subsidiary is acquired by a person other than us or another disregarded subsidiary of us), the subsidiary’s separate existence would no longer be disregarded for U.S. federal income tax purposes. Instead, it would have multiple owners and would be treated as either a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect our ability to satisfy the various asset and gross income tests

applicable to REITs, including the requirement that REITs generally may not own, directly or indirectly, more than 10% of the value or voting power of the outstanding securities of another corporation. See “-Asset Tests” and “-Income Tests.”

Taxable REIT Subsidiaries

A REIT may generally jointly elect with a subsidiary corporation, whether or not wholly owned, to treat the subsidiary as a “taxable REIT subsidiary.” In addition, if a taxable REIT subsidiary owns, directly or indirectly, securities representing 35% or more of the vote or value of a subsidiary corporation, that subsidiary will also be treated as a taxable REIT subsidiary. A taxable REIT subsidiary is a corporation subject to U.S. federal income tax, and state and local income tax where applicable, as a regular “C” corporation. We generally may not own more than 10%, as measured by voting power or value, of the securities of a corporation that is not a qualified REIT subsidiary unless we and such corporation elect to treat such corporation as a taxable REIT subsidiary. Overall, no more than 20% of the value of a REIT’s assets (25% for taxable years beginning before January 1, 2018) may consist of stock or securities of one or more taxable REIT subsidiaries.

Income earned by a taxable REIT subsidiary is not attributable to us. Rather, the stock issued by a taxable REIT subsidiary to us is an asset in our hands, and we treat dividends paid to us from such taxable REIT subsidiary, if any, as income. This income can affect our income and asset tests calculations, as described below. As a result, income that might not be qualifying income for purposes of the income tests applicable to REITs could be earned by a taxable REIT subsidiary without affecting our status as a REIT. For example, a taxable REIT subsidiary of ours can perform some impermissible tenant services without causing us to receive impermissible tenant services income under the REIT income tests.

However, several provisions regarding the arrangements between a REIT and its taxable REIT subsidiaries ensure that a taxable REIT subsidiary will be subject to an appropriate level of U.S. federal income taxation. Further, the rules impose a 100% excise tax on certain transactions between a taxable REIT subsidiary and its parent REIT or the REIT’s tenants that are not conducted on an arm’s-length basis. The 100% tax also will apply to “redetermined services income,” meanings non-arm’s-length income of a taxable REIT subsidiary attributable to services provided to, or on behalf of, its parent REIT (other than services provided to the REIT’s tenants, which are potentially taxed as “redetermined rents”). A taxable REIT subsidiary may also engage in other activities that, if conducted by us other than through a taxable REIT subsidiary, could result in the receipt of non-qualified income or the ownership of non-qualified assets.

For taxable years beginning after December 31, 2017, taxpayers are subject to a limitation on their ability to deduct net business interest generally equal to 30% of adjusted taxable income, subject to certain exceptions. This provision may limit the ability of our taxable REIT subsidiaries to deduct interest, which could increase their taxable income.

Ownership of Partnership Interests by a REIT

A REIT that is a partner in a partnership is deemed to own its proportionate share of the assets of the partnership and is deemed to receive the income of the partnership attributable to such share. In addition, the character of the assets and gross income of the partnership retains the same character in the hands of the REIT (except that, for purposes of the 10% of value asset test described below, our proportionate share of the partnership’s assets is based on our proportionate interest in the equity and certain debt securities issued by the partnership, as described in the Code). Accordingly, our proportionate share of the assets, liabilities and items of income of the Operating Partnership are treated as assets, liabilities and items of income of ours for purposes of applying the requirements described herein. Brandywine has control over the Operating Partnership and most of the partnership and limited liability company subsidiaries of the Operating Partnership and intends to operate them in a manner that is consistent with the requirements for qualification of Brandywine as a REIT.

Income Tests

In order to qualify as a REIT, Brandywine must generally satisfy two gross income requirements on an annual basis. First, at least 75% of our gross income (excluding gross income from prohibited transactions) for each taxable year must be derived directly or indirectly from the following: investments relating to real property or mortgages on real property, including “rents from real property”; dividends received from other REITs; interest income derived from mortgage loans secured by real property (including certain types of mortgage-backed securities); interest on mortgage loans secured by both real and personal property if the fair market value of such personal property does not exceed 15% of the total fair market value of all property securing the loans; gains from the sale of real estate assets (except for gain from a nonqualified publicly offered REIT debt instrument (as defined below)); and income from certain kinds of temporary investments. Second, at least 95% of our gross income (excluding gross income from prohibited transactions) for each taxable year must be derived from the same items which qualify under the

75% gross income test, and from dividends, interest and gain from the sale or disposition of securities, which need not have any relation to real property.

Rents received by a REIT will qualify as “rents from real property” in satisfying the gross income requirements described above only if several conditions are met.

- The amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term “rents from real property” solely by reason of being based on a fixed percentage or percentages of gross receipts or sales.
- Rents received from a tenant will not qualify as “rents from real property” in satisfying the gross income tests if the REIT, or a direct or indirect owner of 10% or more of the REIT, directly or constructively, owns 10% or more of such tenant (a “Related Party Tenant”). However, rental payments from a taxable REIT subsidiary will qualify as rents from real property even if we own more than 10% of the total value or combined voting power of the taxable REIT subsidiary if at least 90% of the property is leased to unrelated tenants and the rent paid by the taxable REIT subsidiary is substantially comparable to the rent paid by the unrelated tenants for comparable space.
- Rent attributable to personal property leased in connection with a lease of real property will not qualify as “rents from real property” if such rent exceeds 15% of the total rent received under the lease.
- For rents received to qualify as “rents from real property,” we generally must not operate or manage the property or furnish or render services to tenants, except through an “independent contractor” who is adequately compensated and from whom the REIT derives no income, or through a taxable REIT subsidiary. The “independent contractor” requirement, however, does not apply to the extent the services provided by the REIT are “usually or customarily rendered” in connection with the rental of space for occupancy only, and are not otherwise considered “rendered to the occupant.” In addition, a *de minimis* rule applies with respect to non-customary services. Specifically, if the value of the non-customary service income with respect to a property (valued at no less than 150% of the direct costs of performing such services) is 1% or less of the total income derived from the property, then all rental income except the non-customary service income will qualify as “rents from real property.” A taxable REIT subsidiary may provide services (including non-customary services) to a REIT’s tenants without “tainting” any of the rental income received by the REIT, and it will be able to manage or operate properties for third parties and generally engage in other activities unrelated to real estate.

We do not anticipate receiving rent that is based in whole or in part on the income or profits of any person (except by reason of being based on a fixed percentage or percentages of gross receipts or sales consistent with the rules described above). We also do not anticipate receiving more than a *de minimis* amount of rents from any Related Party Tenant or rents attributable to personal property leased in connection with real property that will exceed 15% of the total rents received with respect to such real property.

We provide services to our properties that we own through the Operating Partnership, and we believe that all of such services will be considered “usually or customarily rendered” in connection with the rental of space for occupancy only so that the provision of such services will not jeopardize the qualification of rent from the properties as “rents from real property.” In the case of any services that are not “usual and customary” under the foregoing rules, we intend to employ an “independent contractor” or a taxable REIT subsidiary to provide such services.

The Operating Partnership may receive certain types of income that will not qualify under the 75% or 95% gross income tests. In particular, dividends received from a taxable REIT subsidiary will not qualify under the 75% test. We believe, however, that the aggregate amount of such items and other non-qualifying income in any taxable year will not cause Brandywine to exceed the limits on non-qualifying income under either the 75% or 95% gross income tests.

If Brandywine fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, Brandywine may nevertheless qualify as a REIT for such year if it is entitled to relief under certain provisions of the Code. These relief provisions will be generally available if (1) the failure to meet such tests was due to reasonable cause and not due to willful neglect, (2) we have attached a schedule of the sources of our income to our return and (3) any incorrect information on the schedule was not due to fraud with intent to evade tax. In addition, we must also file a disclosure schedule with the IRS after we determine that we have not satisfied one of the gross income tests. It is not possible, however, to state whether in all circumstances Brandywine would

be entitled to the benefit of these relief provisions. As discussed above in “-Taxation of Brandywine as a REIT,” even if these relief provisions apply, a tax would be imposed based on the non-qualifying income.

Asset Tests

At the close of each quarter of each taxable year, Brandywine must satisfy the following five tests relating to the nature of our assets:

First, at least 75% of the value of our total assets must be represented by some combination of “real estate assets,” cash or cash items, U.S. government securities, and, under some circumstances, stock or debt instruments purchased with new capital. For this purpose, “real estate assets” include interests in real property, such as land, buildings, leasehold interests in real property, stock of other REITs, certain kinds of mortgage-backed securities and mortgage loans, and: (i) personal property leased in connection with real property to the extent that the rents from personal property are treated as “rent from real property” for purposes of the 75% income test, and (ii) debt instruments issued by publicly offered REITs. Assets that do not qualify for purposes of the 75% test are subject to the additional asset tests described below, while securities that do qualify for purposes of the 75% test are generally not subject to the additional asset tests.

Second, the value of any one issuer’s securities we own may not exceed 5% of the value of our total assets.

Third, we may not own more than 10% of the vote or value of any one issuer’s outstanding securities. The 5% and 10% tests do not apply to our interests in the Operating Partnership, non-corporate subsidiaries, taxable REIT subsidiaries and any qualified REIT subsidiaries, and the 10% value test does not apply with respect to certain “straight debt” securities.

The safe harbor under which certain types of securities are disregarded for purposes of the 10% value limitation includes (1) straight debt securities (including straight debt securities that provide for certain contingent payments); (2) any loan to an individual or an estate; (3) any rental agreement described in Section 467 of the Code, other than with a “related person”; (4) any obligation to pay rents from real property; (5) certain securities issued by a State or any political subdivision thereof, or the Commonwealth of Puerto Rico; (6) any security issued by a REIT; and (7) any other arrangement that, as determined by the Secretary of the Treasury, is excepted from the definition of a security. In addition, for purposes of applying the 10% value limitation, (a) a REIT’s interest as a partner in a partnership is not considered a security; (b) any debt instrument issued by a partnership is not treated as a security if at least 75% of the partnership’s gross income is from sources that would qualify for the 75% REIT gross income test and (c) any debt instrument issued by a partnership is not treated as a security to the extent of the REIT’s interest as a partner in the partnership.

Fourth, not more than 20% (25% for taxable years beginning before January 1, 2018) of the value of our assets may be represented by securities of one or more taxable REIT subsidiaries.

Fifth, not more than 25% of the value of our total assets may be represented by “nonqualified publicly offered REIT debt instruments.” “Nonqualified publicly offered REIT debt instruments” are debt instruments issued by publicly offered REITs that are not secured by a mortgage on real property.

We may own, directly or indirectly, common shares of certain entities that have elected or will elect to be treated as a real estate investment trusts (“Captive REITs”). Provided that each of the Captive REITs continues to qualify as a REIT (including satisfaction of the ownership, income, asset and distribution tests discussed herein) the common shares of the Captive REITs will qualify as real estate assets under the 75% test. However, if any Captive REIT fails to qualify as a REIT in any year, then the common shares of such Captive REIT will not qualify as real estate assets under the 75% test. In addition, if we own, directly or indirectly, more than 10% of the common shares of each Captive REIT, Brandywine would not satisfy the 10% test if any Captive REIT were to fail to qualify as a REIT. Accordingly, Brandywine’s qualification as a REIT depends upon the ability of any more than 10% owned Captive REIT to continue to qualify as a REIT.

After initially meeting the asset tests at the close of any quarter, Brandywine will not lose its status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If the failure to satisfy the asset tests results from an acquisition of securities or other property during a quarter, the failure can be cured by disposition of sufficient non-qualifying assets within 30 days after the close of that quarter. We intend to maintain adequate records of the value of our assets to ensure compliance with the asset tests, and to take such other action within 30 days after the close of any quarter as may be required to cure any noncompliance. However, there can be no assurance that such other action will always be successful. If we fail to cure any noncompliance with the asset tests within such time period, our status as a REIT would be lost.

The Code provides relief from certain failures to satisfy the REIT asset tests. If the failure relates to the 5% test or 10% test, and if the failure is *de minimis* (does not exceed the lesser of \$10 million or 1% of our assets as of the end of the quarter), we may avoid the loss of our REIT status by disposing of sufficient assets to cure the failure within 6 months after the end of the quarter in which the failure was identified. For failures to meet the asset tests that are more than a *de minimis* amount, we may avoid the loss of our REIT status if: (1) the failure was due to reasonable cause, (2) we file a disclosure schedule at the end of the quarter in which the failure was identified, (3) we dispose of sufficient assets to cure the failure within 6 months after the end of the quarter and (4) we pay a tax equal to the greater of \$50,000 or the highest corporate tax rate multiplied by the net income generated by the non-qualifying assets.

Annual Distribution Requirements

In order to qualify as a REIT, Brandywine is required to distribute dividends (other than capital gain dividends) to our shareholders in an amount at least equal to (1) the sum of (a) 90% of its "REIT taxable income" (computed without regard to the dividends paid deduction and the REIT's net capital gain or loss) and (b) 90% of the net income (after tax), if any, from foreclosure property, minus (2) certain "excess" non-cash income as defined in the Code. These distributions must be paid in the taxable year to which they relate, or in the following taxable year if such distributions are declared in October, November or December of the taxable year, are payable to shareholders of record on a specified date in any such month, and are actually paid before the end of January of the following year.

Such distributions are treated as both paid by us and received by our shareholders on December 31 of the year in which they are declared.

For taxable years beginning after December 31, 2017, unless it elects otherwise, Brandywine's deduction for net business interest expense will generally be limited to 30% of its taxable income, as adjusted for certain items of income, gain, deduction or loss. Any business interest deduction that is disallowed due to this limitation may be carried forward to future taxable years. If Brandywine, the Operating Partnership or the Subsidiary Partnerships (as defined below) are subject to this interest expense limitation, Brandywine's REIT taxable income for a taxable year may be increased. Taxpayers that conduct certain real estate businesses may elect not to have this interest expense limitation apply to them, provided that they use an alternative depreciation system to depreciate certain property. Each of Brandywine, the Operating Partnership and the Subsidiary Partnerships may be eligible to make this election. If any such entity makes this election, although it would not be subject to the interest expense limitation described above, its depreciation deductions may be reduced and, as a result, Brandywine's REIT taxable income for a taxable year may be increased.

In addition, at our election, a distribution for a taxable year may be declared before we timely file our tax return for the year provided we pay such distribution with or before our first regular dividend payment after such declaration, and such payment is made during the 12-month period following the close of such taxable year. Such distributions are taxable to our shareholders in the year in which paid, even though the distributions relate to our prior taxable year for purposes of the 90% distribution requirement.

To the extent that we distribute at least 90%, but less than 100%, of our net taxable income, we will be subject to tax at ordinary corporate tax rates on the retained portion. In addition, we may elect to retain, rather than distribute our net long-term capital gains and pay tax on such gains. In this case, we would elect to have our shareholders include their proportionate share of such undistributed long-term capital gains in their income and receive a corresponding credit for their proportionate share of the tax paid by us. Our shareholders would then increase their adjusted basis in our shares by the difference between the amount included in their long-term capital gains and the tax deemed paid with respect to their shares.

If we should fail to distribute during each calendar year (or, in the case of distributions with declaration and record dates falling in the last three months of the calendar year, by the end of January following such calendar year) at least the sum of (1) 85% of our REIT ordinary income for such year, (2) 95% of our REIT net capital gain income for such year and (3) any undistributed taxable income from prior periods, we would be subject to a 4% excise tax on the excess of such required distribution over the sum of (a) the amounts actually distributed plus (b) retained amounts on which corporate level tax is paid by us.

Brandywine intends to make timely distributions sufficient to satisfy the annual distribution requirements. In this regard, the limited partnership agreement of the Operating Partnership authorizes Brandywine, as general partner, to operate the partnership in a manner that will enable it to satisfy the REIT requirements and avoid the imposition of any federal income or excise tax liability. It is possible that we, from time to time, may not have sufficient cash or other liquid assets to meet the 90% distribution requirement. This could arise, for example, when there is an expenditure of cash for nondeductible items such as principal

amortization or capital expenditures. In addition, because we may deduct capital losses only to the extent of our capital gains, our REIT taxable income may exceed our economic income. In order to meet the 90% distribution requirement, we may borrow or may cause the Operating Partnership to arrange for short-term or possibly long-term borrowing to permit the payment of required distributions, or we may pay dividends in the form of taxable in-kind distributions of property, including potentially, our shares.

Under certain circumstances, Brandywine may be able to rectify a failure to meet the distribution requirement for a given year by paying “deficiency dividends” to shareholders in a later year that may be included in Brandywine’s deduction for distributions paid for the earlier year. Thus, Brandywine may be able to avoid losing its REIT qualification or being taxed on amounts distributed as deficiency dividends. However, Brandywine will be required to pay to the IRS interest and a penalty based upon the amount of any deduction taken for deficiency dividends.

Failure to Qualify

The Code provides relief for many failures to satisfy the REIT requirements. In addition to the relief provisions for failures to satisfy the income and asset tests (discussed above), the Code provides additional relief for other failures to satisfy REIT requirements. If the failure is due to reasonable cause and not due to willful neglect, and we elect to pay a penalty of \$50,000 for each failure, we can avoid the loss of our REIT status.

If Brandywine fails to qualify for taxation as a REIT in any taxable year and the relief provisions do not apply, it will be subject to tax (including, for tax years beginning before January 1, 2018, any applicable corporate alternative minimum tax) on its taxable income at regular corporate rates. Distributions to shareholders in any year in which Brandywine fails to qualify will not be deductible to us. In such event, to the extent of Brandywine’s current and accumulated earnings and profits, all distributions to shareholders will be taxable to them as dividends, and, subject to certain limitations of the Code, corporate distributees may be eligible for the dividends received deduction. Under current law, such dividends will generally be taxable to individual domestic shareholders at the 20% rate for qualified dividends provided that applicable holding period requirements are met. Non-corporate shareholders, including individuals, generally may deduct up to 20% of dividends from a REIT, other than capital gain dividends and dividends treated as qualified dividend income, for taxable years beginning after December 31, 2017 and before January 1, 2026 for purposes of determining their U.S. federal income tax (but not for purposes of the 3.8% Medicare tax), subject to certain limitations. If we fail to qualify as a REIT, such shareholders may not claim this deduction with respect to dividends paid by us. Unless entitled to relief under specific statutory provisions, Brandywine also will be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances Brandywine would be entitled to such statutory relief.

Prohibited Transactions

Net income derived from a prohibited transaction is subject to a 100% tax. The term “prohibited transaction” generally includes a sale or other disposition of property (other than foreclosure property) that is held primarily for sale to customers in the ordinary course of a trade or business. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances of a particular transaction. We intend to hold properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing, owning and operating properties, and to make occasional sales of properties as are consistent with our investment objectives. No assurance can be given that any property that we sell will not be treated as property held for sale to customers, or that we can comply with certain safe-harbor provisions of the Code that would prevent the imposition of the 100% tax. The 100% tax does not apply to gains from the sale of property that is held through a taxable REIT subsidiary or other taxable corporation, although such income will be subject to tax in the hands of that corporation at regular corporate tax rates.

Foreclosure Property

Foreclosure property is real property (including interests in real property) and any personal property incident to such real property (1) that is acquired by a REIT as a result of the REIT having bid on the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after there was a default (or default was imminent) on a lease of the property or a mortgage loan held by the REIT and secured by the property, (2) for which the related loan or lease was made, entered into or acquired by the REIT at a time when default was not imminent or anticipated and (3) for which such REIT makes an election to treat the property as foreclosure property. REITs generally are subject to tax at the maximum corporate rate (35% for tax years beginning on or before December 31, 2017 and 21% for tax years beginning after that date) on any net income from foreclosure property, including any gain from the disposition of the foreclosure property, other than income that

would otherwise be qualifying income for purposes of the 75% gross income test. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% tax on gains from prohibited transactions described above, even if the property is held primarily for sale to customers in the ordinary course of a trade or business.

Hedging

We may enter into hedging transactions with respect to one or more of our assets or liabilities. Hedging transactions could take a variety of forms, including interest rate swaps or cap agreements, options, futures contracts, forward rate agreements or similar financial instruments. Except to the extent provided by Treasury regulations, any income from a hedging transaction (i) made in the normal course of our business primarily to manage risk of interest rate or price changes or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred by us to acquire or own real estate assets or (ii) entered into primarily to manage the risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75% or 95% gross income tests (or any property which generates such income or gain), which is clearly identified as such before the close of the day on which it was acquired, originated or entered into, including gain from the disposition of such a transaction, will not constitute gross income for purposes of the 95% gross income test and the 75% gross income test. To the extent we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both the 75% and 95% gross income tests. We intend to structure any hedging transactions in a manner that does not jeopardize our ability to qualify as a REIT.

If Brandywine has entered into a hedging transaction described in (i) or (ii), and a portion of the hedged indebtedness or property is extinguished or disposed of and, in connection with such extinguishment or disposition, Brandywine enters into a new clearly identified hedging transaction (a “New Hedge”), income from the applicable hedge and income from the New Hedge (including gain from the disposition of such New Hedge) will not be treated as gross income for purposes of the 95% and 75% gross income tests.

Tax Aspect of Investments in the Operating Partnership and the Subsidiary Partnerships

The following discussion summarizes certain Federal income tax considerations applicable to Brandywine’s investment in the Operating Partnership and the Operating Partnership’s investments in subsidiary partnerships, limited liability companies, and joint ventures (referred to collectively as the “**Subsidiary Partnerships**”).

General

We may hold investments through entities that are classified as partnerships for U.S. federal income tax purposes, including our interest in the Operating Partnership and the equity interests in the Subsidiary Partnerships. In general, partnerships are “pass-through” entities that are not subject to U.S. federal income tax. Rather, partners are allocated their proportionate shares of the items of income, gain, loss, deduction and credit of a partnership, and are subject to tax on these items without regard to whether the partners receive a distribution from the partnership. We will include in our income our proportionate share of these partnership items of the Operating Partnership and the Subsidiary Partnerships for purposes of the various REIT income tests and in the computation of our REIT taxable income. Moreover, for purposes of the REIT asset tests, we will include our proportionate share of assets held by the Operating Partnership and the Subsidiary Partnerships. Consequently, to the extent that we hold, directly or indirectly through another “pass-through” entity, an equity interest in a partnership, the partnership’s assets and operations may affect our ability to qualify as a REIT.

Among the allocable share of deductions that Brandywine would receive are interest deductions of the Operating Partnership and its Subsidiary Partnerships. The TCJA limits a taxpayer’s interest expense deduction to the sum of 30% of adjusted taxable income, business interest, and certain other amounts. Adjusted taxable income does not include items of income or expense not allocable to a trade or business, business interest or expense, the new deduction for qualified business income, NOLs, and for years prior to 2022, deductions for depreciation, amortization, or depletion. For partnerships, the interest deduction limitation is applied at the partnership level, subject to certain adjustments to the partners for unused deduction limitation at the partnership level. The interest deduction limitation applies to taxable years beginning after December 31, 2017.

The TCJA allows a real property trade or business to elect out of this interest limitation so long as it uses a 40-year recovery period for nonresidential real property, a 30-year recovery period for residential rental property, and a 20-year recovery period for related improvements described below. Disallowed interest expense is carried forward indefinitely (subject to special rules for partnerships).

For taxpayers that do not use the TCJA's real property trade or business exception to the business interest deduction limitations, the TCJA maintains the current 39-year and 27.5-year straight line recovery periods for nonresidential real property and residential rental property, respectively, and provides that tenant improvements for such taxpayers are subject to a general 15-year recovery period. Also, the TCJA temporarily allows 100% expensing of certain new or used tangible property through 2022, phasing out at 20% for each following year (with an election available for 50% expensing of such property if placed in service during the first taxable year ending after September 27, 2017). The changes apply, generally, to property acquired after September 27, 2017 and placed in service after September 27, 2017.

Classification of the Operating Partnership and the Subsidiary Partnerships as Partnerships

The investment by us in partnerships involves special tax considerations, including the possibility of a challenge by the IRS to the status of the Operating Partnership or any of the Subsidiary Partnerships as a partnership, as opposed to an association taxable as a corporation, for U.S. federal income tax purposes. If any of these entities were treated as an association for U.S. federal income tax purposes, it would be taxable as a corporation and, therefore, could be subject to an entity-level tax on its income. In such a situation, the character of our assets and items of our gross income would change and could preclude us from satisfying the REIT asset tests or the REIT income tests as discussed in “-Taxation of the Company-Asset Tests” and “-Taxation of the Company-Income Tests” above, and in turn could prevent us from qualifying as a REIT. See “-Taxation of the Company -Failure to Qualify” above, for a discussion of the effect of our failure to meet these tests for a taxable year. In addition, any change in the status of any of the Operating Partnership and the Subsidiary Partnerships for tax purposes might be treated as a taxable event, in which case we could have taxable income that is subject to the REIT distribution requirements without receiving any cash.

Treasury regulations provide that a domestic business entity not otherwise organized as a corporation (an “Eligible Entity”) may elect to be treated as a partnership or disregarded entity for federal income tax purposes. Generally, an Eligible Entity will be classified as a partnership or disregarded entity (depending on its number of owners) for federal income tax purposes unless it elects otherwise. The Operating Partnership and the Subsidiary Partnerships (other than those Subsidiary Partnerships that have elected to be treated as taxable REIT subsidiaries) intend to claim classification as partnerships or disregarded entities under these Treasury regulations. As a result, we believe that the Operating Partnership and the Subsidiary Partnerships (other than those Subsidiary Partnerships that have elected to be treated as taxable REIT subsidiaries) will be classified as partnerships or disregarded entities for U.S. federal income tax purposes. We have not requested and do not intend to request a ruling from the IRS that the Operating Partnership or the Subsidiary Partnerships will be classified as partnerships for U.S. federal income tax purposes.

To be partnerships for U.S. federal income tax purposes, the Operating Partnership and the Subsidiary Partnerships generally must not be “publicly traded partnerships.” A publicly traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market (or a substantial equivalent). A publicly traded partnership is generally treated as a corporation for U.S. federal income tax purposes, but will not be so treated if, for each taxable year beginning after December 31, 1987 in which it was classified as a publicly traded partnership, at least 90% of the partnership's gross income consisted of specified passive income, including real property rents (which includes rents that would be qualifying income for purposes of the 75% gross income test, with certain modifications that make it easier for the rents to qualify for the 90% passive income exception), gains from the sale or other disposition of real property, interest, and dividends (the “90% passive income exception”).

Treasury regulations provide limited safe harbors from treatment as a publicly traded partnership. We expect that the Operating Partnership and the Subsidiary Partnerships will fall within one of the “safe harbors” for the partnership to avoid being classified as a publicly traded partnership. However, the ability to satisfy the requirements of some of these safe harbors depends on the results of the actual operations of the relevant entities and accordingly no assurance can be given that any such partnership would not be treated as a publicly traded partnership. Even if a partnership failed to meet one of the safe harbors, it generally will not be treated as a corporation if it qualifies for the 90% passive income exception discussed immediately above.

Partnership Allocations

Although a partnership agreement generally will determine the allocation of income and losses among partners, such allocations will be disregarded for tax purposes if they do not comply with the provisions of Section 704(b) of the Code and the Treasury regulations promulgated thereunder, which require that partnership allocations respect the economic arrangement of the partners. If an allocation is not recognized for U.S. federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and

circumstances relating to the economic arrangement of the partners with respect to such item. The Operating Partnership's allocations of taxable income and loss are intended to comply with the requirements of Section 704(b) of the Code and the Treasury regulations promulgated thereunder.

Tax Allocations With Respect to Contributed Properties

Pursuant to Section 704(c) of the Code, items of income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for U.S. federal income tax purposes in a manner such that the contributor is charged with or benefits from the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of such unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution. Such allocations are solely for federal income tax purposes and do not affect other economic or legal arrangements among the partners.

Our Operating Partnership has entered into transactions involving the contribution to the Operating Partnership of appreciated property, and the Operating Partnership may enter into such transactions in the future. The partnership agreement of the Operating Partnership requires allocations of income, gain, loss and deduction attributable to contributed property to be made in a manner that is consistent with Section 704(c) of the Code. Treasury regulations issued under Section 704(c) give partnerships a choice of several methods of allocating taxable income with respect to contributed properties. Depending upon the method chosen, (1) our tax depreciation deductions attributable to those properties may be lower than they would have been if our Operating Partnership had acquired those properties for cash and (2) in the event of a sale of such properties, we could be allocated gain in excess of our corresponding economic or book gain. These allocations may cause us to recognize taxable income in excess of cash proceeds received by us, which might adversely affect our ability to comply with the REIT distribution requirements or result in our shareholders recognizing additional dividend income without an increase in distributions.

Depreciation

The Operating Partnership's assets include a substantial amount of appreciated property contributed by its partners. Assets contributed to a partnership in a tax-free transaction generally retain the same depreciation method and recovery period as they had in the hands of the partner who contributed them to the partnership. Accordingly, a substantial amount of the Operating Partnership's depreciation deductions for its real property are based on the historic tax depreciation schedules for the properties prior to their contribution to the Operating Partnership. The properties are being depreciated over a range of 15 to 40 years using various methods of depreciation which were determined at the time that each item of depreciable property was placed in service. In certain instances where a partnership interest rather than real property is contributed to the Partnership, the real property may not carry over its recovery period but rather may, similarly, be subject to the lengthier recovery period.

Basis in Operating Partnership Interest

Our adjusted tax basis in each of the partnerships in which we have an interest generally (1) will be equal to the amount of cash and the basis of any other property contributed to such partnership by us, (2) will be increased by (a) our allocable share of such partnership's income and (b) our allocable share of any indebtedness of such partnership, and (3) will be reduced, but not below zero, by our allocable share of (a) such partnership's loss and (b) the amount of cash and the tax basis of any property distributed to us and by constructive distributions resulting from a reduction in our share of indebtedness of such partnership.

If our allocable share of the loss (or portion thereof) of any partnership in which we have an interest would reduce the adjusted tax basis of our partnership interest in such partnership below zero, the recognition of such loss will be deferred until such time as the recognition of such loss (or portion thereof) would not reduce our adjusted tax basis below zero. To the extent that distributions to us from a partnership, or any decrease in our share of the nonrecourse indebtedness of a partnership (each such decrease being considered a constructive cash distribution to the partners), would reduce our adjusted tax basis below zero, such distributions (including such constructive distributions) would constitute taxable income to us. Such distributions and constructive distributions normally would be characterized as long-term capital gain if our interest in such partnership has been held for longer than the long-term capital gain holding period (currently 12 months).

Sale of Partnership Property

Generally, any gain realized by a partnership on the sale of property held by the partnership for more than 12 months will be long-term capital gain, except for any portion of such gain that is treated as depreciation or cost recovery recapture. However,

under requirements applicable to REITs under the Code, our share as a partner of any gain realized by the Operating Partnership on the sale of any property held as inventory or other property held primarily for sale to customers in the ordinary course of a trade or business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. See *-Taxation of the Company-Prohibited Transactions.*”

Partnership Audit Rules.

Congress recently revised the rules applicable to federal income tax audits of partnerships (such as the Operating Partnership) and the collection of any tax resulting from any such audits or other tax proceedings, generally for taxable years beginning after December 31, 2017. Under the new rules, a partnership itself may be liable for a tax computed by reference to the hypothetical increase in partner-level taxes (including interest and penalties) resulting from an adjustment of partnership tax items on audit, regardless of changes in the composition of the partners (or their relative ownership) between the year under audit and the year of the adjustment. The new rules also include an elective alternative method under which the additional taxes resulting from the adjustment are assessed against the affected partners, subject to a higher rate of interest than otherwise would apply. Although it is uncertain how these new rules will be implemented, it is possible that they could result in partnerships in which we directly or indirectly invest being required to pay additional taxes, interest and penalties as a result of an audit adjustment, and we, as a direct or indirect partner of those partnerships could be required to bear the economic burden of those taxes, interest and penalties even though we, as a REIT, may not otherwise have been required to pay additional corporate-level taxes as a result of the related audit adjustment. The changes created by these new rules are sweeping and, in many respects, dependent on the promulgation of future regulations or other guidance by the U.S. Treasury. Investors are urged to consult with their tax advisors with respect to those changes and their potential impact on their investment in our shares.

Taxation of Shareholders

As used herein, a “U.S. Shareholder” means a beneficial owner of our common shares or preferred shares, who is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (a) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

As used herein, a “non-U.S. Shareholder” means a beneficial owner of our common shares or preferred shares that is not a “U.S. Shareholder” and that is not a partnership (or other entity treated as a partnership for U.S. federal income tax purposes).

If a partnership holds common shares or preferred shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding common shares or preferred shares, you should consult your tax advisor with regard to the U.S. federal, state, local and non-U.S. tax consequences particular to your ownership of our common shares or preferred shares.

Taxation of Taxable U.S. Shareholders

Taxation of Ordinary Dividends on Shares

As long as Brandywine qualifies as a REIT, distributions made to Brandywine’s taxable U.S. Shareholders out of current or accumulated earnings and profits (and not designated as capital gain dividends) (“**Ordinary Dividends**”) will be dividends taxable to such U.S. Shareholders as ordinary income and will not be eligible for the dividends received deduction for corporations. However, for taxable years prior to 2026, individual shareholders generally are allowed to deduct 20% of the aggregate amount of Ordinary Dividends distributed by us that are “qualified REIT dividends,” subject to certain limitations. Pursuant to the Treasury regulations, in order for a dividend paid by a REIT to be eligible to be treated as a “qualified REIT dividend,” the shareholder must meet two holding period-related requirements. First, the shareholder must hold the REIT shares for a minimum of 46 days during the 91-day period that begins 45 days before the date on which the REIT share becomes ex-dividend with respect to the dividend. Second, the qualifying portion of the REIT dividend is reduced to the extent that the shareholder is under

an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property. The 20% deduction does not apply to REIT capital gain dividends or to REIT dividends that we designate as “qualified dividend income.” Like most of the other changes made by the TCJA applicable to non-corporate taxpayers, the 20% deduction will expire on December 31, 2025 unless Congress acts to extend it. Prospective investors should consult their tax advisors concerning these limitations on the ability to deduct all or a portion of dividends received on shares of our common shares or preferred shares.

Dividends received from REITs are generally not eligible for taxation at the preferential rates for qualified dividends received by individual shareholders. We may designate a distribution as qualified dividend income to the extent of (1) qualified dividend income we receive during the current year (for example, dividends received from our taxable REIT subsidiaries), plus (2) income on which we have been subject to corporate level tax during the prior year (for example, undistributed REIT taxable income), plus (3) any income attributable to the sale of a built in gain asset that was acquired from a C corporation in a carry-over basis transaction less the tax paid on that income. To the extent that we designate a dividend as qualified dividend income, an individual will be taxable at preferential rates (currently a 20% maximum federal rate, but see the discussion below “Taxation of Taxable U.S. Shareholders-Tax Rates Applicable to Individual Shareholders under the TCJA” below) on such qualified dividend income provided certain holding period requirements are met. However, we expect that ordinary dividends paid by Brandywine generally will not be eligible for treatment as qualified dividend income to any significant extent.

Capital Gain Distributions

Distributions that are designated as long-term capital gain dividends will be taxed as long-term capital gains (to the extent they do not exceed our actual net capital gain for the taxable year) without regard to the period for which the U.S. Shareholder has held its shares of beneficial interest. In general, U.S. Shareholders will be taxable on long-term capital gains, currently at a maximum rate of 20% (but see the discussion below “Taxation of Taxable U.S. Shareholders-Tax Rates Applicable to Individual Shareholders under the TCJA” below), except that the portion of such gain that is attributable to depreciation recapture will be taxable at the maximum rate of 25%. However, corporate shareholders may be required to treat up to 20% of certain capital gain dividends as ordinary income.

We may elect under the applicable provisions of the Code to retain and pay tax on our net capital gains. In such event U.S. Shareholders will be taxable on the U.S. Shareholders’ proportionate share of such undistributed capital gains. Each U.S. Shareholder would then receive a credit, for use on their return, in the amount of the U.S. Shareholders’ proportionate share of the capital gains tax paid by us. If the credit results in an amount owed to a U.S. Shareholder, such U.S. Shareholder would receive a refund. A U.S. Shareholder’s basis in our shares will be increased by the amount of the shareholder’s allocable share of any retained capital gains less the shareholder’s allocable share of the tax paid by us on such capital gains.

Dividends Generally

Effective for distributions paid and treated as being paid in taxable years beginning after December 31, 2015, the aggregate amount of dividends that Brandywine may designate as “capital gain dividends” or “qualified dividend income” with respect to any taxable year may not exceed the dividends paid by Brandywine with respect to such taxable year, including dividends that are paid in the following taxable year and treated as having been paid with respect to such taxable year by being (1) declared before Brandywine timely files its tax return for such taxable year and (2) paid with or before the first regular dividend payment after such declaration.

Non-Dividend Distributions

Distributions in excess of current and accumulated earnings and profits (“**Non-Dividend Distributions**”) will not be taxable to a U.S. Shareholder to the extent that they do not exceed the adjusted basis of the U.S. Shareholder’s shares, but rather will reduce the adjusted basis of such shares. To the extent that Non-Dividend Distributions exceed the adjusted basis of a U.S. Shareholder’s shares, such distributions will be included in income as long-term capital gain (or short-term capital gain, generally, if the shares have been held for 12 months or less) assuming the shares are a capital asset in the hands of the U.S. Shareholder. In determining the extent to which a distribution on our shares constitutes a dividend for tax purposes, the earnings and profits of Brandywine will be allocated first to distributions with respect to the preferred shares and second to distributions with respect to common shares. Therefore, depending on our earnings and profits, distributions with respect to the preferred shares (as compared to distributions with respect to our common shares) are more likely to be treated as dividends than as a return of capital or a distribution in excess of basis.

Dividends Paid in Common Shares

We are allowed to satisfy the REIT distribution requirements with respect to certain taxable years by distributing up to 90% of our dividends in the form of common shares rather than cash. In the event that we pay a portion of a dividend in common shares, taxable U.S. Shareholders would be required to pay tax on the full amount of the dividend (including the fair market value of any common shares received) and the amount of the tax may exceed the amount of cash received. For taxable years prior to 2026, individual shareholders generally are allowed to deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations.

Timing of Distributions

Any distribution declared by us in October, November or December of any year payable to a shareholder of record on a specified date in any such month shall be treated as both paid by Brandywine and received by the shareholder on December 31 of such year, provided that the distribution is actually paid by Brandywine not later than the end of January of the following calendar year. Shareholders may not include in their individual income tax returns any of Brandywine's losses.

Sale or Exchange of Common and Preferred Shares

In general, a U.S. Shareholder will recognize capital gain or loss on the disposition of common or preferred shares equal to the difference between the sales price for such shares and the adjusted tax basis for such shares. In general, a U.S. Shareholder's adjusted tax basis will equal the U.S. Shareholder's acquisition cost, increased by the U.S. Shareholder's allocable share of any retained capital gains, less the U.S. Shareholder's allocable share of the tax paid by us on such retained capital gains, and reduced by Non-Dividend Distributions.

In general, capital gains recognized by individuals and other non-corporate U.S. Shareholders upon the sale or disposition of shares of our shares currently will be subject to a maximum U.S. federal income tax rate of 20%, if our shares are held for more than 12 months, and will be taxed at ordinary income rates (of up to 39.6% for tax years beginning on or before December 31, 2017 and 37% for tax years beginning after that date (but see the discussion below "Taxation of Taxable U.S. Shareholders-Tax Rates Applicable to Individual Shareholders under the TCJA" regarding the sunset of the 37% rate) if our shares are held for 12 months or less. Gains recognized by U.S. Shareholders that are corporations are subject to U.S. federal income tax at a maximum rate of 21% (and 35% for tax years beginning on or before December 31, 2017), whether or not classified as long-term capital gains.

Capital losses recognized by a U.S. Shareholder upon the disposition of our shares held for more than one year at the time of disposition will be considered long-term capital losses, and are generally available only to offset capital gain income of the U.S. Shareholder but not ordinary income (except in the case of individuals, who may offset up to \$3,000 of ordinary income each year). However, any loss upon a sale or exchange of shares by a U.S. Shareholder who has held such shares for six months or less (after applying certain holding period rules) will be treated as a long-term capital loss to the extent such shareholder has received distributions from us required to be treated as long-term capital gain.

If a U.S. Shareholder recognizes a loss upon a subsequent disposition of our shares in an amount that exceeds a prescribed threshold, it is possible that the provisions of Treasury regulations involving "reportable transactions" could apply, with a resulting requirement to separately disclose the loss generating transactions to the IRS. While these regulations are directed towards "tax shelters," they are written broadly, and apply to transactions that would not typically be considered tax shelters. Significant penalties apply for failure to comply with these requirements. You should consult your tax advisor concerning any possible disclosure obligation with respect to the receipt or disposition of our shares, or transactions that might be undertaken directly or indirectly by us. Moreover, you should be aware that we and other participants in transactions involving us (including our advisors) might be subject to disclosure or other requirements pursuant to these regulations.

Medicare Tax on Investment Income

Certain U.S. Shareholders who are individuals, estates or trusts and whose income exceeds certain thresholds must pay a 3.8% Medicare tax on "net investment income" which includes, among other things, dividends on shares, interest on debt securities and capital gains from the sale or other disposition of shares or debt securities, subject to certain exceptions. The temporary 20% deduction allowed by Section 199A of the Code, as added by the TCJA, with respect to ordinary REIT dividends received by non-corporate taxpayers is allowed only for purposes of Chapter 1 of the Code and thus is apparently not allowed as a deduction allocable to such dividends for purposes of determining the amount of net investment income subject to the 3.8% Medicare tax,

which is imposed under Chapter 2A of the Code. Prospective investors should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of our common shares, preferred shares or debt securities.

Passive Activity Losses and Investment Interest Limitations

Distributions from us and gain from the disposition of shares will not be treated as passive activity income and, therefore, U.S. Shareholders will not be able to apply any “passive losses” against such income. Distributions from us (to the extent they do not constitute a return of capital or capital gain dividends) will generally be treated as investment income for purposes of the investment interest limitation. A shareholder may elect to treat capital gain dividends and capital gains from the disposition of shares as investment income for purposes of the investment interest limitation, but in such event a shareholder will be taxed at ordinary income rates on such amounts.

Redemption of Preferred Shares

Our preferred shares are redeemable by us under certain circumstances. A redemption of preferred shares will be treated under Section 302 of the Code as a distribution taxable as a dividend (to the extent of our current and accumulated earnings and profits) at ordinary income rates, unless the redemption satisfies one of the tests set forth in Section 302(b) of the Code and is therefore treated as a sale or exchange of the redeemed shares. The redemption will be treated as a sale or exchange if it (i) is “substantially disproportionate” with respect to the U.S. Shareholder, (ii) results in a “complete termination” of the U.S. Shareholder’s share interest in our company or (iii) is “not essentially equivalent to a dividend” with respect to the U.S. Shareholder, all within the meaning of Section 302(b) of the Code.

In determining whether any of these tests has been met, there must be taken into account not only any preferred shares owned by the U.S. Shareholder, but also such U.S. Shareholder’s ownership of our common shares, other series of preferred shares and any options to acquire any of the foregoing. The U.S. Shareholder also must take into account any such securities (including options) which are considered to be owned by such holder by reason of the constructive ownership rules set forth in Sections 318 and 302(c) of the Code. If a particular U.S. Shareholder owns (actually or constructively) no common shares or an insubstantial percentage of common shares or preferred shares, based upon current law, it is probable that the redemption of the preferred shares from such holder would be considered “not essentially equivalent to a dividend.” However, because the determination as to whether any of the alternative tests of Section 302(b) of the Code will be satisfied with respect to any particular holder of preferred shares depends upon the facts and circumstances at the time the determination must be made, prospective holders of preferred shares are advised to consult their own tax advisors to determine such tax treatment.

If a redemption of preferred shares is not treated as a distribution taxable as a dividend to a particular U.S. Shareholder, it will be treated as a taxable sale or exchange by that U.S. Shareholder. As a result, the U.S. Shareholder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (i) the amount of cash and the fair market value of any property received (less any portion thereof attributable to accumulated and declared but unpaid dividends, which will be taxable as a dividend to the extent of our current and accumulated earnings and profits) and (ii) the U.S. Shareholder’s adjusted tax basis in the shares. Such gain or loss will be capital gain or loss if the shares were held as a capital asset, and will be long-term gain or loss if such shares were held for more than one year.

If the redemption is treated as a distribution taxable as a dividend, the amount of the distribution will be measured by the amount of cash and the fair market value of any property received by the U.S. Shareholder. The U.S. Shareholder’s adjusted tax basis in the preferred shares redeemed will be transferred to any other shareholdings of the U.S. Shareholder in Brandywine. If the U.S. Shareholder of the preferred shares owns no other shares, under certain circumstances, such basis may be transferred to a related person, or it may be lost entirely.

Information Reporting and Backup Withholding Applicable to U.S. Shareholders

In general, Brandywine will report to its U.S. Shareholders and the IRS the amount of distributions paid (unless the U.S. Shareholder is an exempt recipient) during each calendar year, and the amount of tax withheld, if any. Under the backup withholding rules, a U.S. Shareholder may be subject to backup withholding at the rate of 24% (and 28% for tax years beginning on or before December 31, 2017) with respect to distributions paid unless such U.S. Shareholder (a) comes within certain exempt categories and, when required, demonstrates this fact, or (b) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. A U.S. Shareholder that does not provide us with their correct taxpayer identification number may also be subject to penalties imposed by the IRS. In addition, we may be required to withhold a portion of capital gain distributions to any U.S. Shareholder

who fail to certify their non-foreign status to Brandywine. See “-Taxation of Non-U.S. Shareholders.” Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the shareholder’s income tax liability, provided the required information is furnished to the IRS.

Tax Rates Applicable to Individual Shareholders under the TCJA

Long-term capital gains (*i.e.*, generally capital gains with respect to assets held for more than one year) and “qualified dividends” received by an individual generally are subject to federal income tax at a maximum rate of 20%. Short-term capital gains (*i.e.*, generally capital gains with respect to assets held for one year or less) generally are subject to federal income tax at ordinary income rates. Because we are not generally subject to federal income tax on the portion of our REIT taxable income or capital gains distributed to our shareholders, our dividends generally are not eligible for the 20% maximum tax rate on qualified dividends. Instead, our ordinary dividends generally are taxed at the higher tax rates applicable to ordinary income, the maximum rate of which is 37% for tax years beginning after December 31, 2017 (the rate was 39.6% for tax years beginning before that date) and before January 1, 2026. However, for taxable years beginning prior to January 1, 2026, individual shareholders are generally allowed to deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations, which would reduce the maximum marginal effective tax rate for individuals on the receipt of such ordinary dividends to 29.6%. The 20% maximum tax rate for long-term capital gains and qualified dividends generally applies to:

- your long-term capital gains, if any, recognized on the disposition of our shares;
- our distributions designated as long-term capital gain dividends (except to the extent attributable to real estate depreciation, in which case such distributions are subject to a 25% tax rate to such extent);
- our dividends attributable to dividends received by us from non-REIT corporations, such as taxable REIT subsidiaries; and
- our dividends to the extent attributable to income upon which we have paid corporate income tax (e.g., to the extent that we distribute less than 100% of our taxable income).

Taxation of Tax-Exempt Shareholders

U.S. tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, generally are exempt from U.S. federal income taxation. However, they are subject to taxation on their unrelated business taxable income (“**UBTI**”). Distributions by us to a shareholder that is a tax-exempt entity should generally not constitute UBTI, as defined in Section 512(a) of the Code provided that the tax-exempt entity has not financed the acquisition of its shares with “acquisition indebtedness” within the meaning of the Code and the shares are not otherwise used in an unrelated trade or business of the tax-exempt entity. Tax-exempt U.S. Shareholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans exempt from U.S. federal income taxation under sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Code, respectively, are subject to different UBTI rules, which generally will require them to characterize distributions from us as UBTI.

In certain circumstances, a pension trust (1) that is described in Section 401(a) of the Code, (2) is tax exempt under section 501(a) of the Code and (3) that owns more than 10% of our shares could be required to treat a percentage of the dividends from us as UBTI if we are a “pension-held REIT.” We will not be a pension-held REIT unless (1) either (A) one pension trust owns more than 25% of the value of our shares or (B) a group of pension trusts, each individually holding more than 10% of the value of our shares, collectively owns more than 50% of such shares and (2) we would not have qualified as a REIT but for the fact that Section 856(h)(3) of the Code provides that shares owned by such trusts shall be treated, for purposes of the requirement that not more than 50% of the value of the outstanding shares of a REIT is owned, directly or indirectly, by five or fewer “individuals” (as defined in the Code to include certain entities), as owned by beneficiaries of the trust rather than the trust itself. Certain restrictions on ownership and transfer of our shares should generally prevent a tax-exempt entity from owning more than 10% of the value of our shares, or us from becoming a pension-held REIT.

Tax-exempt U.S. Shareholders are urged to consult their tax advisors regarding the U.S. federal, state, local and foreign tax consequences of the acquisition, ownership and disposition of our shares.

Taxation of Non-U.S. Shareholders

The rules governing U.S. federal income taxation of non-U.S. Shareholders are complex and no attempt is made herein to provide more than a summary of such rules. Prospective non-U.S. Shareholders should consult with their own tax advisors to determine

the impact of U.S. federal, state and local income and estate tax laws with regard to an investment in our shares, including any reporting requirements.

Ordinary Dividends

The portion of Ordinary Dividends received by non-U.S. Shareholders that are not attributable to gain from sales or exchanges by us of United States real property interests and which are not effectively connected with a U.S. trade or business of the non-U.S. Shareholder generally will be subject to a withholding tax equal to 30% of the gross amount of the distribution unless an applicable tax treaty reduces or eliminates that tax. Under some treaties, however, the lower rates generally applicable to dividends do not apply to dividends from REITs. We intend to withhold United States income tax at the rate of 30% on the gross amount of any such Ordinary Dividends paid to a non-U.S. Shareholder unless (1) a lower treaty rate applies and the non-U.S. Shareholder files with us a properly completed IRS Form W-8BEN or W-8BEN-E (or other applicable form) claiming the benefits of the lower treaty rate or (2) the non-U.S. Shareholder files with us an IRS Form W-8ECI claiming that the distribution is effectively connected with a U.S. trade or business.

In general, non-U.S. Shareholders will not be considered to be engaged in a U.S. trade or business solely as a result of their ownership of our shares. If income from the investment in our shares is treated as effectively connected with the non-U.S. Shareholder's conduct of a United States trade or business, the non-U.S. Shareholder generally will be subject to a tax at graduated rates, in the same manner as U.S. Shareholders are taxed with respect to such distributions (and may also be subject to the 30% branch profits tax in the case of a non-U.S. Shareholder that is a foreign corporation).

Non-Dividend Distributions

Unless our shares constitute a U.S. real property interest (“**USRPI**”), any Non-Dividend Distributions will not be taxable to a non-U.S. Shareholder to the extent that such distributions do not exceed the adjusted basis of the shareholder's shares, but rather will reduce the adjusted basis of the shareholder in such shares. To the extent that Non-Dividend Distributions exceed the adjusted basis of a non-U.S. Shareholder's shares, such distributions will give rise to tax liability if the non-U.S. Shareholder would otherwise be subject to tax on any gain from the sale or disposition of its shares, as described below (See “-Taxation of Non-U.S. Shareholders-Dispositions of our Shares”). If it cannot be determined at the time a distribution is made whether or not such distribution will be in excess of current and accumulated earnings and profits, the distributions will be subject to withholding at the same rate as Ordinary Dividends. Because we generally cannot determine at the time we make a distribution whether or not the distribution will exceed our current and accumulated earnings and profits, we normally will withhold tax on the entire amount of any distribution at the same rate as we would withhold on Ordinary Dividends. However, amounts thus withheld are refundable to the non-U.S. Shareholder if it is subsequently determined that such distribution was, in fact, in excess of our current and accumulated earnings and profits.

If our shares constitute a USRPI, as described below (See “-Taxation of Non-U.S. Shareholders-Dispositions of our Shares”), Non-Dividend Distributions by us in excess of the non-U.S. Shareholder's adjusted tax basis in our shares will be taxed under the Foreign Investment in Real Property Tax Act of 1980 (“**FIRPTA**”) at the rate of tax, including any applicable capital gains rates, that would apply to a U.S. Shareholder of the same type (e.g., an individual or a corporation, as the case may be), and the collection of the tax will be enforced by a refundable withholding at a rate of 15% (increased from 10% effective February 17, 2016) of the Non-Dividend Distribution.

Our shares will not be treated as a USRPI when held, directly or indirectly, by a “qualified shareholder” and, therefore, FIRPTA will not apply to such shares. However, certain investors in a qualified shareholder that owns more than 10% of our shares (directly or indirectly) that are not themselves qualified shareholders may be subject to FIRPTA withholding. A “qualified shareholder” is a foreign entity that (A)(i) is eligible for the benefits of a comprehensive income tax treaty with the United States that includes an exchange of information program and the principal class of interest of which is listed and regularly traded on one or more recognized stock exchanges (as defined in such comprehensive income tax treaty) or (ii) is a foreign partnership that is created or organized under foreign law as a limited partnership in a jurisdiction that has an agreement for the exchange of information with respect to taxes with the United States and has a class of limited partnership units which is regularly traded on the New York Stock Exchange or Nasdaq Stock Market and the value of such class of limited partnership units is greater than 50% of the value of all of the partnership units of the foreign partnership, (B) is a qualified collective investment vehicle and (C) maintains records on the identity of each person who, at any time during the foreign person's taxable year, holds directly 5% or more of the class of interest described in (A)(i) or (ii). A “qualified collective investment vehicle” is a foreign person that (x) under the comprehensive income tax treaty described in (A)(i) or (ii) of the prior sentence would be eligible for a reduced rate of withholding with respect to dividends paid by a REIT even if such person owned more than 10% of the REIT, (y) is a

publicly traded partnership that is a withholding foreign partnership and would be treated as a United States real property holding corporation if it were a United States corporation or (iii) which is designated as a qualified collective investment vehicle by the Secretary of the Treasury and is either (A) fiscally transparent or (B) required to include dividends in its gross income but is entitled to a deduction for distributions to its equity investors. Additionally, qualified foreign pension funds will not be subject to FIRPTA withholding. The rules concerning qualified shareholders and qualified foreign pension funds are complex and investors who believe they may be qualified shareholders or qualified foreign pension funds should consult with their own tax advisors to find out if these rules are applicable to them.

Capital Gain Distributions

Except as discussed below with respect to 10% or less holders of regularly traded classes of shares, distributions that are attributable to gain from sales or exchanges by us of United States real property interests will be taxed to a non-U.S. Shareholder under the provisions of FIRPTA. Under FIRPTA, distributions attributable to gain from sales of United States real property interests are taxed to a non-U.S. Shareholder as if such gain were effectively connected with a United States trade or business. Individuals who are non-U.S. Shareholders will be required to report such gain on a U.S. federal income tax return and such gain will be taxed at the normal capital gain rates applicable to U.S. individual shareholders (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). Also, distributions subject to FIRPTA may be subject to a 30% branch profits tax in the hands of a foreign corporate shareholder not entitled to treaty relief. Brandywine is required by applicable Treasury regulations to withhold 21% of any distribution that could be designated by us as a capital gains dividend. The amount is creditable against the non-U.S. Shareholder's U.S. tax liability.

However, distributions attributable to gain from sales or exchanges by us of United States real property interests are treated as ordinary dividends (not subject to the 21% withholding tax under FIRPTA) if the distribution is made to a non-U.S. Shareholder with respect to any class of shares which is "regularly traded" on an established securities market located in the United States and if the non-U.S. Shareholder did not own more than 10% of such class of shares at any time during the taxable year. Such distributions will generally be subject to a 30% U.S. withholding tax (subject to reduction under applicable treaty) and a non-U.S. Shareholder will not be required to report the distribution on a U.S. tax return. In addition, the branch profits tax will not apply to such distributions. See "-Taxation of Non-U.S. Shareholders-Ordinary Dividends."

Although the law is not clear on the matter, it appears that amounts we designate as undistributed capital gains in respect of the stock held by U.S. Shareholders generally should be treated with respect to non-U.S. Shareholders in the same manner as actual distributions by us of capital gain dividends. Under that approach, the non-U.S. Shareholders would be able to offset as a credit against their U.S. federal income tax liability resulting therefrom their proportionate share of the tax paid by us on the undistributed capital gains, and to receive from the IRS a refund to the extent that their proportionate share of this tax paid by us were to exceed their actual U.S. federal income tax liability. If we were to designate a portion of our net capital gain as undistributed capital gain, a non-U.S. Shareholder is urged to consult its tax advisor regarding the taxation of such undistributed capital gain.

Dividends Paid in Common Shares

We are allowed to satisfy the REIT distribution requirements with respect to certain taxable years by distributing up to 90% of our dividends in the form of common shares rather than cash. In the event that we pay a portion of a dividend in common shares, we may be required to withhold U.S. tax with respect to such dividend, including in respect of all or a portion of such dividend that is payable in common shares.

Dispositions of Our Shares

Unless our shares constitute a USRPI, gain recognized by a non-U.S. Shareholder upon a sale of shares generally will not be taxed under FIRPTA. Gain not subject to FIRPTA will nonetheless be taxable in the United States to a non-U.S. Shareholder if (1) investment in the shares is effectively connected with the non-U.S. Shareholder's United States trade or business, in which case the non-U.S. Shareholder will be subject to the same treatment as U.S. Shareholders with respect to such gain or (2) the non-U.S. Shareholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains.

Our shares will not be treated as a USRPI if Brandywine is a "domestically controlled REIT" (also referred to in the applicable Treasury regulations as a "domestically controlled qualified investment entity"), defined generally as a REIT in which at all times during a specified testing period less than 50% in value of the shares of beneficial interest was held directly or indirectly by foreign persons. It is currently anticipated that we will be a "domestically controlled REIT," and therefore the sale of shares

by a non-U.S. Shareholder will not be subject to taxation under FIRPTA. However, because the shares may be traded, we cannot be sure that we will continue to be a “domestically controlled REIT.” Further, even if we are a domestically controlled REIT, pursuant to “wash sale” rules under FIRPTA, a non-U.S. Shareholder may incur tax under FIRPTA to the extent such non-U.S. Shareholder disposes of our shares within a certain period prior to a capital gain distribution and directly or indirectly (including through certain affiliates) reacquires our shares within certain prescribed periods.

However, a non-U.S. shareholder will not incur tax under FIRPTA on a sale of common or preferred shares if (1) our preferred shares or common shares are “regularly traded” on an established securities market within the meaning of applicable Treasury regulations and (2) the non-U.S. Shareholder did not actually, or constructively under specified attribution rules under the Code, own more than 10% of our preferred shares or common shares at any time during the shorter of the five-year period preceding the disposition or the holder’s holding period.

If gain on the sale of our shares is subject to taxation under FIRPTA, the non-U.S. Shareholder will be subject to the same treatment as a U.S. Shareholder with respect to such gain, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals, and the purchaser of the shares could be required to withhold 15% (increased from 10% effective February 17, 2016) of the purchase price and remit such amount to the IRS.

Information Reporting and Backup Withholding Applicable to Non-U.S. Shareholders

We must report annually to the IRS and to each non-U.S. Shareholder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. Shareholder resides under the provisions of an applicable income tax treaty.

Payments of dividends or of proceeds from the disposition of stock made to a non-U.S. Shareholder may be subject to information reporting and backup withholding unless such holder establishes an exemption, for example, by properly certifying its non-United States status on an IRS Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that a non-U.S. Shareholder is a United States person.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the shareholder’s income tax liability, provided the required information is furnished to the IRS.

Additional Withholding Requirements under “FATCA”

Under Sections 1471 through 1474 of the Code (such Sections commonly referred to as “FATCA”), payments of dividends to a non-U.S. Shareholder will be subject to 30% withholding tax if the non-U.S. Shareholder fails to provide the withholding agent with documentation sufficient to show that it is compliant with the FATCA or otherwise exempt from withholding under FATCA. Generally, such documentation is provided on an executed IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable. If a dividend payment is both subject to withholding under FATCA and subject to withholding tax discussed above, the withholding under FATCA may be credited against, and therefore reduce, such other withholding tax. Based upon proposed Treasury regulations, which may be relied upon by taxpayers until the final Treasury regulations are issued, the FATCA withholding that was to be effective on January 1, 2019 with respect to payments of the gross proceeds no longer applies. Non- U.S. Shareholders should consult their tax advisors to determine the applicability of this legislation in light of their individual circumstances.

State, Local and Foreign Tax Consequences

Brandywine, the Operating Partnership, the Subsidiary Partnerships and Brandywine’s shareholders may be subject to state, local and foreign taxation in various jurisdictions, including those in which it or they transact business or reside. The state, local and foreign tax treatment of Brandywine, the Operating Partnership, the Subsidiary Partnerships and Brandywine’s shareholders may not conform to the U.S. federal income tax consequences discussed above. Any foreign taxes incurred by us would not pass through to shareholders as a credit against their U.S. federal income tax liability. Prospective shareholders should consult their own tax advisors regarding the effect of state, local and foreign tax laws on an investment in our shares.

Legislative or Other Actions Affecting REITs

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. No assurance can be given as to whether, when, or in what form, the U.S. federal income tax laws applicable to us and our shareholders may be enacted. Changes to the U.S. federal tax laws and interpretations of U.S. federal tax laws could adversely affect an investment in our shares.

Taxation of Holders of Debt Securities

This section describes the material U.S. federal income tax consequences of owning the debt securities that Brandywine Realty Trust or Brandywine Operating Partnership may offer. This summary is for general information only and is not tax advice. The tax consequences of owning any particular issue of debt securities will be discussed in the applicable prospectus supplement.

As used herein, a “U.S. Holder” means a beneficial owner of our debt securities, who is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (a) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

As used herein, a “non-U.S. Holder” means a beneficial owner of our debt securities that is not a “U.S. Holder,” and that is not a partnership (or other entity treated as a partnership for U.S. federal income tax purposes).

If a partnership holds debt securities, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding debt securities, you should consult your tax advisor.

Pursuant to the TCJA, for taxable years beginning after December 31, 2017 (and for taxable years beginning after December 31, 2018 for instruments issued with original issue discount (“**OID**”)), an accrual method taxpayer that reports revenues on an applicable financial statement generally must recognize income for U.S. federal income tax purposes no later than the taxable year in which such income is taken into account as revenue in an applicable financial statement of the taxpayer. To the extent this rule is inconsistent with the rules described in the subsequent discussion, this rule supersedes such discussion. Thus, this rule could potentially require such a taxpayer to recognize income for U.S. federal income tax purposes with respect to the debt securities prior to the time such income would be recognized pursuant to the rules described in the subsequent discussion. The Treasury Department released proposed Treasury regulations that would exclude from this rule any item of gross income for which a taxpayer uses a special method of accounting required by certain sections of the Internal Revenue Code, including income subject to the timing rules for OID and *de minimis* OID, income under the contingent payment debt instrument rules, income under the variable rate debt instrument rules, and market discount (including *de minimis* market discount). The proposed Treasury regulations will be effective for taxable years beginning after the date the final Treasury regulations are published. In the interim, taxpayers may rely on the proposed Treasury regulations in certain cases. You should consult your tax advisors regarding the potential applicability of these rules to your investment in the debt securities.

Taxation of U.S. Holders

Interest

The stated interest on debt securities generally will be taxable to a U.S. Holder as ordinary income at the time that it is paid or accrued, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

Original Issue Discount

If you own debt securities issued with OID, you will be subject to special tax accounting rules, as described in greater detail below. In that case, you should be aware that you generally must include OID in gross income (as ordinary income) in advance of the receipt of cash attributable to that income, regardless of your method of accounting for U.S. federal income tax purposes. However, you generally will not be required to include separately in income cash payments received on the debt securities, even if denominated as interest, to the extent those payments do not constitute “qualified stated interest,” as defined below. If we

determine that a particular debt security will be an OID debt security, we will disclose that determination in the prospectus supplement relating to those debt securities.

A debt security with an “issue price” that is less than the “stated redemption price at maturity” (generally the sum of all payments to be made on the debt security other than “qualified stated interest”) generally will be issued with OID in an amount equal to that difference if that difference is at least 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity of the debt security. The “issue price” of each debt security in a particular offering generally will be the first price at which a substantial amount of that particular offering is sold to the public. The term “qualified stated interest” means stated interest that is unconditionally payable in cash or in property, other than debt instruments of the issuer, and the interest to be paid meets all of the following conditions:

- it is payable at least once per year;
- it is payable over the entire term of the debt security; and
- it is payable at a single fixed rate or, subject to certain conditions, based on one or more interest indices.

If we determine that particular debt securities of a series will bear interest that is not qualified stated interest, we will disclose that determination in the prospectus supplement relating to those debt securities.

If you own a debt security issued with “*de minimis*” OID, which is discount that is not OID because it is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity of the debt security, you generally must include the *de minimis* OID in income at the time principal payments on the debt securities are made in proportion to the amount paid. Any amount of *de minimis* OID that you have included in income will be treated as capital gain.

Certain of the debt securities may contain provisions permitting them to be redeemed prior to their stated maturity at our option and/or at your option. OID debt securities containing those features may be subject to rules that differ from the general rules discussed herein. If you are considering the purchase of OID debt securities with those features, you should carefully examine the applicable prospectus supplement and should consult your own tax advisor with respect to those features because the tax consequences to you with respect to OID will depend, in part, on the particular terms and features of the debt securities.

If you own OID debt securities with a maturity upon issuance of more than one year you generally must include OID in income in advance of the receipt of some or all of the related cash payments using the “constant yield method” described in the following paragraphs. This method takes into account the compounding of interest. If you own OID debt securities with a maturity upon issuance of more than five years, certain rules that apply to applicable high yield discount obligations may apply to the debt securities, in which case you should carefully examine the applicable prospectus and should consult your own tax advisor regarding the U.S. federal income tax consequences to you of holding and disposing of those debt securities.

The amount of OID that you must include in income if you are the initial holder of an OID debt security is the sum of the “daily portions” of OID with respect to the debt security for each day during the taxable year or portion of the taxable year in which you held that debt security (“**accrued OID**”). The daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID allocable to that accrual period. The “accrual period” for an OID debt security may be of any length and may vary in length over the term of the debt security, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of:

- the debt security’s “adjusted issue price” at the beginning of the accrual period multiplied by its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period, over
- the aggregate of all qualified stated interest allocable to the accrual period.

OID allocable to a final accrual period is the difference between the amount payable at maturity, other than a payment of qualified stated interest, and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The “adjusted issue price” of a debt security at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period, determined without regard to the amortization of any acquisition or bond premium, as described below, and reduced by any payments made on the debt security (other than

qualified stated interest) on or before the first day of the accrual period. Under these rules, you will generally have to include in income increasingly greater amounts of OID in successive accrual periods. We are required to provide information returns stating the amount of OID accrued on debt securities held by persons of record other than corporations and other exempt holders.

Floating rate debt securities are subject to special OID rules. In the case of an OID debt security that is a floating rate debt security, both the “yield to maturity” and “qualified stated interest” will be determined solely for purposes of calculating the accrual of OID as though the debt security will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the debt security on its date of issue or, in the case of certain floating rate debt securities, the rate that reflects the yield to maturity that is reasonably expected for the debt security. Additional rules may apply if either:

- the interest on a floating rate debt security is based on more than one interest index; or
- the principal amount of the debt security is indexed in any manner.

This discussion does not address the tax rules applicable to debt securities with an indexed principal amount. If you are considering the purchase of floating rate OID debt securities or securities with indexed principal amounts, you should carefully examine the prospectus supplement relating to those debt securities, and you should consult your own tax advisor regarding the U.S. federal income tax consequences to you of holding and disposing of those debt securities.

You may elect to treat all interest on any debt securities as OID and calculate the amount includible in gross income under the constant yield method described above. For purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. You must make this election for the taxable year in which you acquired the debt security, and you may not revoke the election without the consent of the IRS. You should consult with your own tax advisor about this election.

Market Discount

If you purchase debt securities, other than OID debt securities, for an amount that is less than their stated redemption price at maturity, or, in the case of OID debt securities, their adjusted issue price, the amount of the difference will be treated as “market discount” for U.S. federal income tax purposes, unless that difference is less than a specified *de minimis* amount. Under the market discount rules, you will be required to treat any principal payment on, or any gain on the sale, exchange, retirement, redemption or other disposition of, the debt securities as ordinary income to the extent of the market discount that you have not previously included in income and are treated as having accrued on the debt securities at the time of their payment or disposition. In addition, you may be required to defer, until the maturity of the debt securities or their earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness attributable to the debt securities. You may elect, on a debt security-by-debt security basis, to deduct the deferred interest expense in a tax year prior to the year of disposition. You should consult your own tax advisor before making this election. Any market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the debt securities, unless you elect to accrue on a constant interest method. You may elect to include market discount in income currently as it accrues, on either a ratable or constant interest method, in which case the rule described above regarding deferral of interest deductions will not apply. Your election to include market discount in income currently, once made, applies to all market discount obligations acquired by you on or after the first taxable year to which your election applies and may not be revoked without the consent of the IRS. You should consult your own tax advisor before making this election.

Acquisition Premium and Amortizable Bond Premium

If you purchase OID debt securities for an amount that is greater than their adjusted issue price but equal to or less than the sum of all amounts payable on the debt securities after the purchase date other than payments of qualified stated interest, you will be considered to have purchased those debt securities at an “acquisition premium.” Under the acquisition premium rules, the amount of OID that you must include in gross income with respect to those debt securities for any taxable year will be reduced by the portion of the acquisition premium properly allocable to that year.

If you purchase debt securities (including OID debt securities) for an amount in excess of the sum of all amounts payable on those debt securities after the purchase date other than qualified stated interest, you will be considered to have purchased those debt securities at a “premium” and, if they are OID debt securities, you will not be required to include any OID in income. You generally may elect to amortize the premium over the remaining term of those debt securities on a constant yield method as an

offset to interest when includible in income under your regular accounting method. In the case of debt securities that provide for alternative payment schedules, bond premium is calculated by assuming that (a) you will exercise or not exercise options in a manner that maximizes your yield and (b) we will exercise or not exercise options in a manner that minimizes your yield (except that we will be assumed to exercise call options in a manner that maximizes your yield). If you do not elect to amortize bond premium, that premium will decrease the gain or increase the loss you would otherwise recognize on disposition of the debt security. Your election to amortize premium on a constant yield method will also apply to all taxable debt obligations held or subsequently acquired by you on or after the first day of the first taxable year to which the election applies. You may not revoke the election without the consent of the IRS. You should consult your own tax advisor before making this election.

Sale, Exchange or Retirement of Debt Securities

A U.S. Holder of debt securities will recognize gain or loss upon the sale, exchange, retirement, redemption or other taxable disposition of such debt securities in an amount equal to the difference between:

- the amount of cash and the fair market value of other property received in exchange for such debt securities, other than amounts attributable to accrued but unpaid qualified stated interest, which will be subject to tax as ordinary income to the extent not previously included in income; and
- the U.S. Holder's adjusted tax basis in such debt securities.

A U.S. Holder's adjusted tax basis in a debt security generally will equal the cost of the debt security to such holder (A) increased by the amount of OID or accrued market discount (if any) previously included in income by such holder and (B) decreased by (i) the amount of any payments other than qualified stated interest payments and (ii) any amortizable bond premium taken by such holder.

Any gain or loss recognized will generally be capital gain or loss, and such capital gain or loss will generally be long-term capital gain or loss if the debt security has been held by the U.S. Holder for more than one year. Long-term capital gain for non-corporate taxpayers is subject to reduced rates of U.S. federal income taxation (currently, a 20% maximum federal rate but see the discussion above "Taxation of Shareholders-Taxation of Taxable U.S. Shareholders-Tax Rates Applicable to Individual Shareholders under the TCJA"). The deductibility of capital losses is subject to certain limitations.

Medicare Tax on Investment Income

Certain U.S. Holders who are individuals, estates or trusts and whose income exceeds certain thresholds must pay a 3.8% Medicare tax on "net investment income" which includes, among other things, dividends on shares, interest on debt securities and capital gains from the sale or other disposition of shares or debt securities, subject to certain exceptions. Prospective investors should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of our debt securities.

Taxation of Tax-Exempt Holders of Debt Securities

Interest income accrued on the debt securities should not constitute unrelated business taxable income to a tax-exempt holder. As a result, a tax-exempt holder generally should not be subject to U.S. federal income tax on the interest income accruing on our debt securities. Similarly, any gain recognized by the tax-exempt holder in connection with a sale or other disposition of a debt security generally should not be unrelated business taxable income. However, if a tax-exempt holder were to finance its acquisition of the debt security with debt, a portion of the interest income and gain attributable to the debt security would constitute unrelated business taxable income pursuant to the "debt-financed property" rules. Tax-exempt holders should consult their own tax advisors to determine the potential tax consequences of an investment in our debt securities.

Taxation of Non-U.S. Holders of Debt Securities

The rules governing the U.S. federal income taxation of a non-U.S. Holder are complex and no attempt will be made herein to provide more than a summary of such rules. Non-U.S. Holders should consult their tax advisors to determine the effect of U.S. federal, state, local and foreign tax laws, as well as tax treaties, with regard to an investment in the debt securities.

Interest

Subject to the discussions of backup withholding and “FATCA” below, interest (including OID) paid to a non-U.S. Holder of debt securities will not be subject to U.S. federal withholding tax under the “portfolio interest exemption,” provided that:

- interest paid on debt securities is not effectively connected with a non-U.S. Holder’s conduct of a trade or business in the United States;
- the non-U.S. Holder does not actually or constructively own 10% or more of the capital or profits interest in the Operating Partnership (in the case of debt issued by the Operating Partnership), or 10% or more of the total combined voting power of all classes of stock of Brandywine entitled to vote (in the case of debt issued by Brandywine);
- the non-U.S. Holder is not
 - o a controlled foreign corporation that is related to the Operating Partnership or Brandywine, as applicable, or
 - o a bank that receives such interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and
- the beneficial owner of debt securities provides a certification, which is generally made on an IRS Form W-8BEN or W-8BEN-E, as applicable, or a suitable substitute form and signed under penalties of perjury, that it is not a United States person.

A payment of interest (including OID) to a non-U.S. Holder that does not qualify for the portfolio interest exemption and that is not effectively connected to a United States trade or business will be subject to U.S. federal withholding tax at a rate of 30%, unless a United States income tax treaty applies to reduce or eliminate withholding.

A non-U.S. Holder will generally be subject to tax in the same manner as a U.S. Holder with respect to payments of interest (including OID) if such payments are effectively connected with the conduct of a trade or business by the non-U.S. Holder in the United States and, if an applicable tax treaty requires, such interest is attributable to a United States permanent establishment maintained by the non-U.S. Holder. In some circumstances, such effectively connected income received by a non-U.S. Holder which is a corporation may be subject to an additional “branch profits tax” at a 30% base rate or, if applicable, a lower treaty rate.

To claim the benefit of a lower treaty rate or to claim exemption from withholding because the income is effectively connected with a United States trade or business, the non-U.S. Holder must provide a properly executed IRS Form W-8BEN or W-8BEN-E (in the case of a treaty), IRS Form W-8ECI (in the case of effectively connected income) or a suitable substitute form, as applicable, prior to the payment of interest. Such certificate must contain, among other information, the name and address of the non-U.S. Holder, as well as applicable U.S. and foreign tax identification numbers.

Non-U.S. Holders are urged to consult their own tax advisors regarding applicable income tax treaties, which may provide different rules.

Sale, Exchange or Retirement of Debt Securities

Subject to the discussions of backup withholding and “FATCA” below, a non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding tax on gain realized on the sale, exchange, retirement, redemption or other taxable disposition of debt securities unless:

- the non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met; or
- the gain is effectively connected with the conduct of a trade or business of the non-U.S. Holder in the United States and, if an applicable tax treaty requires, such gain is attributable to a United States permanent establishment maintained by such non-U.S. Holder.

A non-U.S. Holder will generally be subject to tax in the same manner as a U.S. Holder with respect to gain realized on the sale, exchange, retirement, redemption or other taxable disposition of debt securities if such gain is effectively connected with the conduct of a trade or business by the non-U.S. Holder in the United States and, if an applicable tax treaty requires, such gain is attributable to a United States permanent establishment maintained by the non-U.S. Holder. In certain circumstances, a non-

U.S. Holder that is a corporation may be subject to an additional “branch profits tax” at a 30% rate or, if applicable, a lower treaty rate on such income.

U.S. Federal Estate Tax

If you are an individual, your estate will not be subject to U.S. federal estate tax on the debt securities beneficially owned by you at the time of your death, provided that any payment to you on the debt securities, including OID, would be eligible for exemption from the 30% U.S. federal withholding tax under the “portfolio interest exemption” described above, without regard to the certification requirement.

Information Reporting and Backup Withholding Applicable to Holders of Debt Securities

U.S. Holders

Certain U.S. Holders may be subject to information reporting requirements on payments of interest (including OID) on debt securities and payments of the proceeds of the sale, exchange, retirement, redemption or other taxable disposition of debt securities, and backup withholding, currently imposed at a rate of 24%, may apply to such payments if the U.S. Holder:

- fails to furnish an accurate taxpayer identification number, or TIN, to the payor in the manner required;
- is notified by the IRS that it has failed to properly report payments of interest or dividends; or
- under certain circumstances, fails to certify, under penalties of perjury, that it has furnished a correct TIN and that it has not been notified by the IRS that it is subject to backup withholding.

Non-U.S. Holders

A non-U.S. Holder is generally not subject to backup withholding with respect to payments of interest (including OID) on debt securities if it certifies as to its status as a non-U.S. Holder under penalties of perjury or if it otherwise establishes an exemption, provided that the applicable withholding agent does not have actual knowledge or reason to know that the non-U.S. Holder is a United States person or that the conditions of any other exemptions are not, in fact, satisfied. Information reporting requirements, however, will generally apply to payments of interest (including OID) to non-U.S. Holders. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the non-U.S. Holder resides.

The payment of the proceeds from the disposition of debt securities to or through the United States office of any broker, United States or foreign, will be subject to information reporting and possible backup withholding unless the owner certifies as to its non-United States status under penalties of perjury or otherwise establishes an exemption, provided that the broker does not have actual knowledge or reason to know that the non-U.S. Holder is a United States person or that the conditions of any other exemption are not, in fact, satisfied.

The payment of the proceeds from the disposition of debt securities to or through a non-United States office of a non-United States broker that is not a “United States related person” generally will not be subject to information reporting or backup withholding. For this purpose, a “United States related person” includes:

- a controlled foreign corporation for U.S. federal income tax purposes;
- a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment, or for such part of the period that the broker has been in existence, is derived from activities that are effectively connected with the conduct of a United States trade or business; or
- a foreign partnership that at any time during the partnership’s taxable year is either engaged in the conduct of a trade or business in the United States or of which 50% or more of its income or capital interests are held by United States persons.

In the case of the payment of proceeds from the disposition of debt securities to or through a non-United States office of a broker that is either a United States person or a United States related person, the payment may be subject to information reporting unless

the broker has documentary evidence in its files that the owner is a non-U.S. Holder and the broker has no knowledge or reason to know to the contrary. Backup withholding will not apply to payments made through foreign offices of a broker that is a United States person or a United States related person, absent actual knowledge that the payee is a United States person.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a holder will be allowed as a refund or a credit against such holder's U.S. federal income tax liability, provided that the requisite procedures are followed.

Holders of debt securities are urged to consult their tax advisors regarding their qualification for exemption from backup withholding and the procedure for obtaining such an exemption, if applicable.

Additional Withholding Requirements under "FATCA"

Under Sections 1471 through 1474 of the Code (such Sections commonly referred to as "FATCA"), payments of interest (including OID) to a non-U.S. Holder may be subject to 30% withholding tax if the non-U.S. Holder fails to provide the withholding agent with documentation sufficient to show that it is compliant with the FATCA. Generally, such documentation is provided on an executed IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable. If interest is subject to 30% tax under FATCA, it will not be subject to the 30% tax described above under "-Taxation of Non-U.S. Holders of Debt Securities-Interest." Based upon proposed Treasury regulations, which may be relied upon by taxpayers until the final Treasury regulations are issued, the FATCA withholding that was to be effective on January 1, 2019 with respect to payments of the gross proceeds from the disposition of U.S. stock or securities no longer applies. Non-U.S. Holders should consult their tax advisors to determine the applicability of this legislation in light of their individual circumstances, including the possible application of an intergovernmental agreement between the United States and their country of residence that might provide for different rules.