

BRANDYWINE REALTY TRUST
Form DEF 14A
April 04, 2007
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SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

(Amendment No. _)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

BRANDYWINE REALTY TRUST

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Common Shares of Beneficial Interest

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:
Brandywine Realty Trust

(4) Date Filed:
April 4, 2007

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BRANDYWINE REALTY TRUST

555 East Lancaster Avenue

Radnor, PA 19087

(610) 325-5600

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 9, 2007

Dear Shareholder:

We invite you to attend our annual meeting of shareholders on Wednesday, May 9, 2007 at 10:00 a.m., local time, at The Four Seasons Hotel, One Logan Square, Philadelphia, Pennsylvania. At the meeting we will ask you to:

elect our Board of Trustees;

ratify the appointment of our independent registered public accounting firm for calendar year 2007;

approve the amendment and restatement of our 1997 Long-Term Incentive Plan; and

approve the 2007 Non-Qualified Employee Share Purchase Plan.

We will also transact such other business as may properly come before the meeting and at any adjournment or postponement of the meeting. The attached Proxy Statement provides information that you should consider when you vote your shares.

Only holders of record of our common shares at the close of business on March 23, 2007 are entitled to vote at the 2007 annual meeting or at any adjournment or postponement of the meeting.

Your vote is important to us. Whether or not you plan to attend the annual meeting, please vote your shares. You may vote your shares by marking, signing and dating the enclosed proxy card and returning it in the postage paid envelope provided. You may also vote your shares by telephone or through the internet by following the instructions set forth on the proxy card. If you attend the meeting, you may vote your shares in person, even if you have previously submitted a proxy in writing, by telephone or through the internet.

I look forward to seeing you at the meeting.

Sincerely,

Brad A. Molotsky, Senior Vice President, General Counsel and Secretary

April 4, 2007

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BRANDYWINE REALTY TRUST

555 East Lancaster Avenue

Radnor, PA 19087

(610) 325-5600

PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS

To be held on May 9, 2007

The Board of Trustees of Brandywine Realty Trust is soliciting proxies to be voted at the Annual Meeting of Shareholders to be held on Wednesday, May 9, 2007 at 10:00 a.m., local time, and at any adjournment or postponement of the Meeting. This Proxy Statement and the enclosed form of proxy are first being mailed to shareholders on or about April 4, 2007.

At the Meeting, we will ask the holders of record of our common shares of beneficial interest, par value \$.01 per share, as of the close of business on March 23, 2007 to vote on the proposals listed below and on any other matter that properly comes before the Meeting or any adjournment or postponement of the Meeting:

1. The election of 10 Trustees to serve as members of our Board of Trustees until the next annual meeting of shareholders and until their successors are elected and qualified;
2. Ratification of the Audit Committee's appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for calendar year 2007;
3. An amendment and restatement of our Amended and Restated 1997 Long-Term Incentive Plan; and
4. Approval of the 2007 Non-Qualified Employee Share Purchase Plan.

Our Board of Trustees knows of no other business that will be presented for consideration at the Meeting. If any other matter should be properly presented at the Meeting or any adjournment or postponement of the Meeting for action by the shareholders, the persons named in the accompanying proxy card will vote the proxy in accordance with their best judgment on such matter.

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INFORMATION ABOUT THE MEETING AND VOTING

What am I Voting on?

Our Board of Trustees is soliciting your vote for:

The election of 10 Trustees to serve as members of our Board of Trustees until the next annual meeting of shareholders and until their successors are elected and qualified.

Ratification of the Audit Committee's appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for calendar year 2007.

An amendment and restatement of our Amended and Restated 1997 Long-Term Incentive Plan to effectively merge the Prentiss Properties Trust 2005 Share Incentive Plan, which we assumed in our acquisition of Prentiss Properties Trust in January 2006, with and into our Amended and Restated 1997 Long-Term Incentive Plan.

Approval of the 2007 Non-Qualified Employee Share Purchase Plan.

If any other matter should be properly presented at the Meeting or any adjournment or postponement of the Meeting for action by the shareholders, the persons named in the accompanying proxy card will vote the proxy in accordance with their best judgment on such matter.

Who is Entitled to Vote?

Holders of common shares of record as of the close of business on March 23, 2007 are entitled to notice of and to vote at the Meeting. Common shares can be voted only if the shareholder is present in person or is represented by proxy at the Meeting. As of the record date, 87,302,191 common shares were issued and outstanding.

How Do I Vote?

You may have your common shares voted at the Meeting by submitting your proxy by any of the following methods:

Voting by Mail. If you choose to vote by mail, simply complete the enclosed proxy card, date and sign it, and return it in the postage-paid envelope provided. If you sign your proxy card and return it without marking any voting instructions, your shares will be voted: (1) FOR the election of all Trustee nominees; (2) FOR ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2007; (3) FOR the amendment and restatement of our Amended and Restated 1997 Long-Term Incentive Plan; and (4) FOR the 2007 Non-Qualified Employee Share Purchase Plan. If any other matter should be properly presented at the Meeting or any adjournment or postponement of the Meeting for action by the shareholders, the representatives holding proxies will vote the proxy in accordance with their best judgment on such matter.

Voting by Telephone. You may vote your shares by telephone by calling the toll-free telephone number provided on the proxy card. Telephone voting is available 24 hours a day, and the procedures are designed to authenticate votes cast by using a personal identification number located on the proxy card. The procedures allow you to appoint a proxy to vote your shares and to confirm that your instructions have been properly recorded. If you vote by telephone, you should not return your proxy card.

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Voting by Internet. You may vote your shares through the Internet by signing on to the website identified on the proxy card and following the procedures described in the website. Internet voting is available 24 hours a day, and the procedures are designed to authenticate votes cast by using a personal

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identification number located on the proxy card. The procedures allow you to appoint a proxy to vote your shares and to confirm that your instructions have been properly recorded. If you vote through the Internet, you should not return your proxy card. You may also attend the Meeting and vote your common shares in person. If you are a shareholder whose shares are held in street name (*i.e.*, in the name of a broker, bank or other record holder) you must either direct the record holder of your shares how to vote your shares or obtain a proxy, executed in your favor, from the record holder to be able to vote at the Meeting.

How You May Revoke or Change Your Vote

You may revoke your proxy at any time before it is voted at the Meeting by any of the following methods:

Submitting a later-dated proxy by mail, over the telephone or through the Internet.

Sending a written notice, including by telegram or telecopy, to our Secretary. You must send any written notice of a revocation of a proxy so as to be delivered before the taking of the vote at the Meeting to:

Brandywine Realty Trust

555 East Lancaster Avenue

Radnor, Pennsylvania 19087

Attention: Brad A. Molotsky, Secretary

Attending the Meeting and voting in person. Your attendance at the Meeting will not in and of itself revoke your proxy. You must also vote your shares at the Meeting. If your shares are held in the name of a bank, broker or other record holder, you must obtain a proxy, executed in your favor, from the record holder to be able to vote at the Meeting.

What Constitutes a Quorum?

A quorum of common shareholders is required to hold a valid meeting of shareholders. The holders of a majority of the outstanding common shares entitled to vote at the Meeting must be present in person or by proxy to constitute a quorum for the transaction of business at the Meeting. All valid proxies returned will be included in the determination of whether a quorum is present at the Meeting. Unless a quorum is present at the Meeting, no action may be taken at the Meeting except the adjournment thereof to a later time. Abstentions and broker non-votes are counted for purposes of determining a quorum. A broker non-vote occurs when a bank or broker holding shares for a beneficial shareholder does not vote on a particular proposal because the bank or broker does not have discretionary voting power with respect to the item and has not received voting instructions from the beneficial shareholder.

What Vote is Required to Approve Each Proposal?

Voting Rights Generally. Each Common Share is entitled to one vote on each matter to be voted on at the Meeting. Shareholders have no cumulative voting rights.

Election of Trustees. Trustees are elected by a plurality of the votes cast at the Meeting. Any shares not voted (whether by abstention, broker non-vote, or otherwise) will have no impact on the vote. Shares represented by proxies marked **For** will be counted in favor of all nominees, except to the extent the proxy withholds authority to vote for a specified nominee. Shares represented by proxies marked **Abstain** or withholding any authority to vote will not be counted in favor of any nominee. **IN THE ABSENCE OF SPECIFIC DIRECTION, SHARES REPRESENTED BY A PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES.**

Ratification of Appointment of Independent Registered Public Accounting Firm. Ratification of the Audit Committee's appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm

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for 2007 requires the affirmative vote of a majority of all votes cast. Abstentions will have the effect of a vote against the proposal. Broker non-votes will have no effect on the vote. IN THE ABSENCE OF SPECIFIC DIRECTION, SHARES REPRESENTED BY A PROXY WILL BE VOTED FOR THE RATIFICATION.

Amendment and Restatement of Amended and Restated 1997 Long Term Incentive Plan. Approval of the amendment and restatement of our Amended and Restated 1997 Long-Term Incentive Plan, as more fully described below in Proposal 3, requires the affirmative vote of a majority of all votes cast, provided that the total votes cast on the amendment and restatement must represent over fifty percent of all common shares entitled to vote on the proposal. For purposes of the NYSE requirement that the total votes cast represent over fifty percent of all common shares entitled to vote on the proposal, abstentions will be counted as votes cast and therefore as shares present and entitled to vote at the meeting, but broker non-votes will not. Abstentions will have the effect of a vote against the proposal. Broker non-votes will have no effect on the vote. IN THE ABSENCE OF SPECIFIC DIRECTION, SHARES REPRESENTED BY A PROXY WILL BE VOTED FOR THE AMENDMENT AND RESTATEMENT.

Approval of 2007 Non-Qualified Employee Share Purchase Plan. Approval of the 2007 Non-Qualified Employee Share Purchase Plan requires the affirmative vote of a majority of all votes cast, provided that the total votes cast on the 2007 Non-Qualified Employee Share Purchase Plan must represent over fifty percent of all common shares entitled to vote on the proposal. For purposes of the NYSE requirement that the total votes cast represent over fifty percent of all common shares entitled to vote on the proposal, abstentions will be counted as votes cast and therefore as shares present and entitled to vote at the meeting, but broker non-votes will not. Abstentions will have the effect of a vote against the proposal. Broker non-votes will have no effect on the vote. IN THE ABSENCE OF SPECIFIC DIRECTION, SHARES REPRESENTED BY A PROXY WILL BE VOTED FOR THE 2007 NON-QUALIFIED EMPLOYEE SHARE PURCHASE PLAN.

What are the Board's Recommendations?

The Board recommends that you vote FOR each of Proposal 1 (Election of Trustees), Proposal 2 (Ratification of Appointment of Independent Registered Public Accounting Firm), Proposal 3 (Amendment and Restatement of the Amended and Restated 1997 Long-Term Incentive Plan) and Proposal 4 (2007 Non-Qualified Employee Share Purchase Plan).

What if Other Items Come Up at the Meeting and I am Not There to Vote?

We are not presently aware of any matters to be presented at the Meeting other than those described in this proxy statement. When you return a signed and dated proxy card or provide your voting instructions by telephone or the Internet, you give the proxy holders (the names of which are listed on your proxy card) the discretionary authority to vote on your behalf on any other matter that is properly brought before the Meeting or any adjournment or postponement of the Meeting.

What Does it Mean if I Receive More Than One Proxy Card?

Some of your shares may be registered differently or are in more than one account. You should vote each of your accounts by telephone or the Internet or mail. If you mail proxy cards, please sign, date and return each proxy card to assure that all of your shares are voted. If you hold your shares in registered form and wish to combine your shareholder accounts in the future, you should contact our transfer agent, Computershare Shareholder Services, Inc., at P.O. Box 2500, Jersey City, New Jersey 07303-2598, phone (800) 317-4445. Combining accounts reduces excess printing and mailing costs, resulting in savings for us that benefit you as a shareholder.

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How Do I Submit a Shareholder Proposal for Next Year's Annual Meeting?

Shareholder proposals may be submitted for inclusion in our 2008 annual meeting proxy statement after the 2007 annual meeting, but must be received no later than December 2, 2007. Proposals should be sent via registered, certified, or express mail to: Brad A. Molotsky, Senior Vice President, General Counsel and Secretary, 555 East Lancaster Avenue, Radnor, Pennsylvania 19087. See also OTHER INFORMATION Shareholder Proposals for the 2008 Annual Meeting of Shareholders later in this proxy statement.

Will I Receive a Copy of the Annual Report and Form 10-K?

We have enclosed our Annual Report with this proxy statement. The Annual Report includes our audited financial statements, along with other financial information about us.

You can obtain, free of charge, a copy of our Form 10-K, which also includes the audited financial statements of Brandywine Operating Partnership, L.P., our operating partnership subsidiary, by:

accessing our Internet site at www.brandywinerealty.com and clicking on the Investor Relations link;

writing to our Secretary, Brad A. Molotsky, at 555 East Lancaster Avenue, Radnor, Pennsylvania 19087; or

telephoning us at: (610) 325-5600.

You can also obtain a copy of our Form 10-K and other periodic filings that we make with the SEC from the SEC's EDGAR database at www.sec.gov.

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Our business and affairs are managed under the direction of our Board of Trustees. Our Board has responsibility for establishing broad corporate policies and for our overall performance. Our Board currently consists of 10 Trustees (identified below), and these Trustees have been nominated for election to new terms.

The Trustees have no reason to believe that any of the nominees will be unable or unwilling to be a candidate for election at the time of the Meeting. If any nominee is unable or unwilling to serve on our Board, the persons named in the proxy will use their best judgment in selecting and voting for a substitute candidate or the Board may reduce the number of Trustees.

Each individual elected as a Trustee at the Meeting will serve until the next annual meeting of shareholders and until his successor is elected and qualified.

The Board of Trustees unanimously recommends that shareholders vote FOR the election of each of the nominees as Trustees.

Trustees

The following table identifies the Trustees nominated for election at the Meeting.

Name	Age	Position
Walter D Alessio	73	Non-Executive Chairman of the Board and Trustee
Anthony A. Nichols, Sr.	67	Chairman Emeritus and Trustee
Gerard H. Sweeney	50	President, Chief Executive Officer and Trustee
D. Pike Aloian	52	Trustee
Thomas F. August	58	Trustee
Donald E. Axinn	77	Trustee
Wyche Fowler	66	Trustee
Michael J. Joyce	65	Trustee
Charles P. Pizzi	56	Trustee
Michael V. Prentiss	63	Trustee

The following are biographical summaries of the Trustees nominated for election at the Meeting.

Walter D Alessio, Chairman of the Board and Trustee. Mr. D Alessio was first elected a Trustee on August 22, 1996 and was appointed our non-executive Chairman of the Board on March 25, 2004. Since October 2003, Mr. D Alessio has served as Vice Chairman of NorthMarq Capital, a real estate investment banking firm headquartered in Minneapolis and with offices in Philadelphia, Pennsylvania. From 1982 until September 2003, he served as Chairman and Chief Executive Officer of Legg Mason Real Estate Services, Inc., a mortgage banking firm headquartered in Philadelphia, Pennsylvania. Previously, Mr. D Alessio served as Executive Vice President of the Philadelphia Industrial Development Corporation and Executive Director of the Philadelphia Redevelopment Authority. He also serves as a director of Exelon, Independence Blue Cross, Pennsylvania Real Estate Investment Trust, Point Five Technologies, Inc. and the Greater Philadelphia Chamber of Commerce.

Anthony A. Nichols, Sr., Chairman Emeritus and Trustee. Mr. Nichols was elected Chairman of our Board on August 22, 1996. On March 25, 2004, Mr. Nichols became Chairman Emeritus of our Board. Mr. Nichols founded The Nichols Company, a private real estate development company, through a corporate joint venture with Safeguard Scientifics, Inc. and was President and Chief Executive Officer from 1982 through August 22, 1996. From 1968 to 1982, Mr. Nichols was Senior Vice President of Colonial Mortgage Service Company (now

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GMAC Mortgage Corporation) and President of Colonial Advisors (the advisor to P.N.B. Mortgage and Realty Trust). Mr. Nichols has been a member of the National Association of Real Estate Investment Trusts (NAREIT) and former member of the Board of Governors of the Mortgage Banking Association and Chairman of the Income Loan Committee of the regional Mortgage Bankers Association and the Executive Committee of the Greater Philadelphia Chamber of Commerce. He is Vice Chairman and Trustee of Saint Joseph's University and Chairman of the Development Committee. He is also a board member of Fox Chase Bank. He is Chairman of the Advisory Board for the Marine Corps Scarlet and Gold Committee. His memberships include the National Association of Industrial and Office Parks (NAIOP) and the Urban Land Institute (ULI). We have agreed with Mr. Nichols to use our reasonable efforts to nominate him as a Trustee for election at our annual meeting of shareholders for each of 2006 and 2007.

Gerard H. Sweeney, President, Chief Executive Officer and Trustee. Mr. Sweeney has served as our President and Chief Executive Officer since August 8, 1994 and as our President since November 9, 1988. He was first elected a Trustee on February 9, 1994. Mr. Sweeney has overseen our growth from four properties and a total market capitalization of less than \$10 million to over 300 properties and a total market capitalization of \$6 billion as of March 1, 2007. Prior to August 1994, in addition to serving as our President, Mr. Sweeney served as Vice President of LCOR, Incorporated (LCOR), a real estate development firm. Mr. Sweeney was employed by the Linpro Company (a predecessor of LCOR) from 1983 to 1994 and served in several capacities, including Financial Vice President and General Partner. During this time, Mr. Sweeney was responsible for the development, marketing, management, construction and financial oversight of a diversified portfolio consisting of urban high-rise, mid-rise, flex, warehouse and distribution facilities, retail and apartment complexes. Mr. Sweeney is a member of the Board of Governors of NAREIT, the Real Estate Roundtable and ULI. Mr. Sweeney is Chairman of the Board of the Schuylkill River Development Corporation, Vice Chairman of the Board of WHY? and a member of the Board of the Pennsylvania Academy of the Fine Arts and Thomas Jefferson University.

D. Pike Aloian, Trustee. Mr. Aloian was first elected a Trustee on April 19, 1999. Mr. Aloian is a Managing Director of Rothschild Realty Inc., a real estate investment management firm based in New York that specializes in providing growth capital to public and private real estate companies. At Rothschild, Mr. Aloian is responsible for originating investment opportunities, for negotiating and structuring transactions and for monitoring the investments over their respective lives. Mr. Aloian is a director of EastGroup Properties, Merritt Properties, Advance Realty Group, Denholtz Holdings, LLC and Victory Real Estate Investments, LLC. He is an adjunct professor of the Columbia University Graduate School of Business. Mr. Aloian graduated from Harvard College in 1976 and received an MBA from Columbia University in 1980. Mr. Aloian was initially elected to our Board in April 1999 in connection with our issuance to Five Arrows Realty Securities III L.L.C. (Five Arrows) of a series of preferred shares of beneficial interest and warrants exercisable for common shares.

Thomas F. August, Trustee. Mr. August was first elected a Trustee effective January 5, 2006. Immediately prior to this date, Mr. August served as President, Chief Executive Officer and a Trustee of Prentiss Properties Trust (Prentiss). Mr. August served in such capacities since October of 1999 when he became Chief Executive Officer of Prentiss. Prior to that time he was President and Chief Operating Officer of Prentiss since Prentiss' initial public offering in October 1996. From 1992 to 1996, Mr. August served as President and Chief Operating Officer of a Prentiss affiliate, Prentiss Properties Limited, Inc. From 1987 to 1992, Mr. August served as Executive Vice President and Chief Financial Officer of Prentiss' predecessor company. From 1985 to 1987, Mr. August served in executive capacities with Cadillac Fairview Urban Development, Inc. Prior to joining Cadillac Urban in 1985, Mr. August was Senior Vice President of Finance for Oxford Properties, Inc., in Denver, Colorado, an affiliate of a privately-held Canadian real estate firm. Previously, he was a Vice President of Citibank, responsible for real estate lending activities in the Midwest. Mr. August holds a Bachelor of Arts degree from Brandeis University and an MBA degree from Boston University. Mr. August serves on the Board of Directors of DCT Industrial Trust Inc. In our merger agreement with Prentiss, we agreed to use our best efforts to nominate Mr. August as a Trustee for election at our annual meeting of shareholders for each of 2006 and 2007.

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Donald Everett Axinn, Trustee. Mr. Axinn was first elected a Trustee on October 6, 1998. Mr. Axinn is the founder and chairman of the Donald E. Axinn Companies, an investment firm and developer of office and industrial parks throughout the New York metropolitan area. He has published two novels and nine books of poetry, and has produced a film, SPIN, from his novel of the same name. He currently serves on the Board of Trustees of Cold Spring Harbor Laboratory, and is a member of the Advisory Council for Woodrow Wilson International Center for Scholars at the Smithsonian Institution. He has served on the board of The American Academy of Poets, the advisory board for Poet Laureate Robert Pinsky, and was recently Chairman of The Nature Conservancy, Long Island Chapter. A graduate of Middlebury College and holder of a master's degree in Humanities, he has also been awarded five honorary doctorates. Mr. Axinn has also served as an associate dean of Arts and Sciences at Hofstra University. In 1983, he co-founded the Interfaith Nutrition Network, which provides shelters and kitchens for the homeless and hungry on Long Island.

Wyche Fowler, Trustee. Mr. Fowler was first elected a Trustee on September 1, 2004. Mr. Fowler served as a member of the U.S. House of Representatives (1977-1986) and U.S. Senate (1987-1992) and as ambassador to Saudi Arabia (1996-2001). Mr. Fowler received an A.B. degree in English from North Carolina's Davidson College in 1962 and a J.D. from Emory University in 1969. Mr. Fowler serves on a number of corporate and academic boards, including the Philadelphia Stock Exchange, Global Green, Shubert Theatres, NY and Davidson College, and Mr. Fowler is board chair of the Middle East Institute, a nonprofit research foundation in Washington, D.C.

Michael J. Joyce, Trustee. Mr. Joyce was first elected a Trustee on June 1, 2004. From 1995 until his retirement from Deloitte in May 2004, Mr. Joyce served as Managing Partner for New England of Deloitte, an international accounting firm. Prior to that, he was, for ten years, Managing Partner for Philadelphia of Deloitte. Mr. Joyce serves as Chairman of the Board of A.C. Moore Arts and Crafts, Inc. and as a director of Allegheny Technologies Inc. and also serves on the Board of Overseers of the Boston Symphony Orchestra.

Charles P. Pizzi, Trustee. Mr. Pizzi was first elected a Trustee on August 22, 1996. Mr. Pizzi is the President and Chief Executive Officer of Tasty Baking Company, a position he assumed on October 7, 2002. Mr. Pizzi served as President and Chief Executive officer of the Greater Philadelphia Chamber of Commerce from 1989 until October 4, 2002. Mr. Pizzi is a director of Tasty Baking Company and serves on a variety of civic, educational, charitable and other boards, including the boards of Drexel University, Philadelphia Stock Exchange, Federal Reserve Bank of Philadelphia and Independence Blue Cross.

Michael V. Prentiss, Trustee. Mr. Prentiss was first elected a Trustee effective January 5, 2006. Immediately prior to this date, Mr. Prentiss served as Chairman of the Board of Prentiss. Prior to October of 1999, Mr. Prentiss was the Chief Executive Officer of Prentiss and served in such capacity since Prentiss' initial public offering in October 1996. Mr. Prentiss, who founded Prentiss, has over 28 years experience in real estate development, acquisitions and investment management. From 1987 to 1992, he served as President and Chief Executive Officer of Prentiss' predecessor company, and from 1992 to 1999, he served as its Chairman and Chief Executive Officer. From 1978 to 1987, Mr. Prentiss served as President of Cadillac Urban Development, Inc., Executive Vice President and member of the Board of Directors of The Cadillac Fairview Corporation Limited, and a member of Cadillac Fairview's Executive Committee. Cadillac Urban was the largest business unit of Cadillac Fairview, responsible for all of its office, mixed-use and suburban office park development activity in the U.S. and Canada. Prior to 1978, Mr. Prentiss was President of Ackerman Development Company. Mr. Prentiss is a Baker Scholar graduate of Harvard Graduate School of Business Administration. He holds a Bachelor of Science degree in Civil Engineering and a Bachelor of Arts degree in Business Administration from Washington State University. In our merger agreement with Prentiss, we agreed to use our best efforts to nominate Mr. Prentiss as a Trustee for election at our annual meeting of shareholders for each of 2006 and 2007.

Committees of the Board of Trustees

Our Board of Trustees has standing Audit, Corporate Governance, Compensation and Executive Committees.

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The table below provides 2006 membership and meeting information for each of the Board Committees.

Name	Audit	Corporate Governance	Compensation	Executive
Walter D. Alessio		X	X	X
Anthony A. Nichols, Sr.				X
Gerard H. Sweeney				X
D. Pike Aloian	X	X		
Thomas F. August				
Donald E. Axinn		X ⁽¹⁾		X ⁽¹⁾
Wyche Fowler		X		
Michael J. Joyce	X		X	
Charles P. Pizzi	X		X	
Michael V. Prentiss				
2006 Meetings	13	3	10	

- (1) The Board appointed Mr. Axinn to the Corporate Governance Committee on October 16, 2006 and to the Executive Committee on December 19, 2006.

Audit Committee. Our Audit Committee assists our Board in overseeing: (i) the integrity of our financial statements; (ii) our compliance with legal and regulatory requirements; (iii) the independence and qualifications of our independent registered public accounting firm; and (iv) the performance of our internal audit function and independent registered public accounting firm. Our Board adopted the Audit Committee's charter in December 1999 and approved amendments to the charter most recently in 2004. We attach a copy of the Audit Committee charter, as amended, to this Proxy Statement as *Appendix A*. The charter is also available on our website (www.brandywinerealty.com). Our *Code of Business Conduct and Ethics* includes information regarding procedures established by our Audit Committee for the submission of complaints about our accounting or auditing matters. The *Code of Business Conduct and Ethics* is available on our website (www.brandywinerealty.com). The Audit Committee met 13 times in 2006. In addition, the Audit Committee met two times in 2007 with PricewaterhouseCoopers LLP, our independent registered public accounting firm, to discuss the 2006 audit and our internal control over financial reporting.

Our Audit Committee currently consists of Messrs. Aloian (Chair), Joyce and Pizzi, each of whom is independent within the meaning of the Securities and Exchange Commission (SEC) regulations, the listing standards of the New York Stock Exchange and our *Corporate Governance Principles*. Each member of the Audit Committee is financially literate, knowledgeable and qualified to review financial statements. Each of Messrs. Aloian and Joyce is qualified as an audit committee financial expert within the meaning of SEC regulations. Our Board reached its conclusion as to the qualifications of each of Messrs. Aloian and Joyce based on his education and experience in analyzing financial statements of a variety of companies. In addition to serving on our Audit Committee, Mr. Joyce currently serves on the audit committees of two other public companies (A.C. Moore Arts and Crafts, Inc. and Allegheny Technologies Inc.). Mr. Joyce also served on the audit committee of Heritage Property Investment Trust, Inc. prior to the 2006 acquisition of this company by a third party. Consistent with New York Stock Exchange listing standards, our Board had determined that his concurrent service on these committees does not impair his ability to serve effectively on our Audit Committee.

As part of the Audit Committee's role to establish procedures for the receipt of complaints regarding accounting, internal controls over financial reporting and auditing matters, we established a hotline for the anonymous submission of concerns regarding questionable accounting or auditing matters. Any matters reported through the hotline that involve accounting, internal controls over financial reporting or auditing matters, or any fraud involving management or persons who have a significant role in our internal controls over financial reporting, will be reported to the Chairman of our Audit Committee. Our current hotline number is (877) 888-0002.

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Corporate Governance Committee. Our Corporate Governance Committee is responsible for: (i) identifying individuals qualified to become Board members and recommending to our Board the nominees for election to the Board; (ii) recommending to our Board any changes in our *Corporate Governance Principles*; (iii) leading our Board in its annual review of Board performance, and making recommendations to the Board regarding Board organization, membership, function and effectiveness, as well as committee structure, membership, function and effectiveness; (iv) recommending to our Board Trustee nominees for each Board committee; (v) reviewing our efforts to promote diversity among Trustees, officers, employees and contractors; (vi) arranging for an orientation for all Trustees; and (vii) assessing succession planning, including assisting the Board in identifying and evaluating potential successors to the President and Chief Executive Officer. The charter of the Corporate Governance Committee is available on our website (www.brandywinerealty.com). The Corporate Governance Committee met three times in 2006.

Our Corporate Governance Committee currently consists of Messrs. Fowler (Chair), Aloian, Axinn and D Alessio. Each member of the Corporate Governance Committee is independent within the meaning of the listing standards of the New York Stock Exchange and our *Corporate Governance Principles*.

Compensation Committee. Our Compensation Committee is authorized to determine compensation for our senior executives. Our Compensation Committee has a charter, which is available on our website (www.brandywinerealty.com). Our Compensation Committee met 10 times in 2006.

Our Compensation Committee currently consists of Messrs. Pizzi (Chair), D Alessio and Joyce. Each member of our Compensation Committee is independent within the meaning of the listing standards of the New York Stock Exchange and our *Corporate Governance Principles*.

Under its charter, our Compensation Committee:

approves our goals and objectives relating to our President and Chief Executive Officer's compensation, evaluates our President and Chief Executive Officer's performance in light of such goals and objectives, and sets our President and Chief Executive Officer's compensation level based on this evaluation;

approves the salaries and bonuses of our other executive officers either (i) with the title Executive Vice President, (ii) with the title Senior Vice President or Vice President, in either case who hold a position as either Managing Director, Chief Financial Officer, General Counsel or Chief Administrative Officer or (iii) who report directly to our President and Chief Executive Officer, taking into account the recommendation of our President and Chief Executive Officer and such other information as the Committee believes appropriate;

administers our equity incentive compensation plans, including restricted shares and other equity-based awards under these plans;

exercises sole authority to retain, and terminate, any third party consultants to assist in the evaluation of Trustee, chief executive officer or senior executive compensation and exercises sole authority to approve such consultant's fees and other retention terms; and

assesses the appropriate structure and amount of compensation for the Trustees.

The Committee does not delegate its authority to approve the compensation of our senior executives and Trustees and the Compensation Committee has sole authority to retain third party consultants to assist in the evaluation of Trustee and senior executive compensation. During 2006, 2005 and 2004, our Compensation Committee engaged SMG Advisory Group LLC for assistance in benchmarking executive compensation and advice on compensation for executives and Trustees. In overseeing SMG, our Compensation Committee instructed them to recommend a fair, reasonable and balanced executive compensation program that motivates and rewards executive management for performance while closely aligning the interests of executive management with those of our shareholders. See *Executives and Executive Compensation Compensation Committee Processes and Procedures*.

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Executive Committee. Our Executive Committee has been delegated all powers of our Board except the power to: (i) declare dividends on shares of beneficial interest; (ii) issue shares of beneficial interest (other than as permitted by the Bylaws); (iii) recommend to shareholders any action that requires shareholder approval; (iv) amend our Bylaws; and (v) approve any merger or share exchange which does not require shareholder approval. Our Executive Committee did not meet in 2006 or 2005.

Our Executive Committee currently consists of Messrs. D Alessio, Axinn, Nichols and Sweeney.

Meetings of Trustees and Annual Meeting of Shareholders

Our Board of Trustees held 10 meetings in 2006. In 2006, each incumbent Trustee attended at least 75% of the aggregate of the total number of meetings of the Board and meetings held by all committees on which he served. In addition, our Board holds informational sessions with our President and Chief Executive Officer. During 2006, the Board held three informational sessions. Our non-management Trustees also hold meetings without management. During 2006 our non-management Trustees held four such meetings.

It is our policy that all Trustees attend annual meetings of shareholders except where the failure to attend is due to unavoidable circumstances or conflicts. All of the Trustees attended our annual meeting of shareholders on May 2, 2006.

Trustee Independence; Independence Determination

No Trustee qualifies as independent unless our Board affirmatively determines that the Trustee has no material relationship with us, directly or as a partner, share owner or officer of an organization that has a relationship with us.

Our Board has adopted standards that are set forth in our *Corporate Governance Principles*. These standards meet the listing standards of the New York Stock Exchange and assist our Board in its evaluation of each Trustee's independence. Consistent with New York Stock Exchange listing standards, these standards provide that a Trustee who has any of the following relationships or arrangements will not qualify as independent:

The Trustee is, or has been within the last three years, an employee of ours, or an immediate family member of the Trustee is, or has been within the last three years, an executive officer of ours.

The Trustee has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from us (excluding compensation in the form of Board fees and Board committee fees, whether paid in cash or shares).

(A) The Trustee or an immediate family member is a current partner of a firm that is our internal or external auditor; (B) the Trustee is a current employee of such a firm; (C) the Trustee has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (D) the Trustee or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on our audit within that time.

The Trustee or an immediate family member of the Trustee is, or has been within the last three years, employed as an executive officer of another company where any of our present executive officers at the same time serves or served on that company's compensation committee.

The Trustee is a current employee, or an immediate family member of the Trustee is a current executive officer, of a company that has made payments to, or received payments from, us for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues.

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In its assessment of Trustee independence, our Board considers all commercial, charitable and other business relationships and transactions that any Trustee or member of his immediate family may have with us or with any of our affiliates, including those reported under *Transactions with Related persons* and *Consulting Agreements with Trustees* below. Our Board applies the same criteria for assessing independence for purposes of each of the Audit Committee, Corporate Governance Committee and Compensation Committee. In addition, no member of the Audit Committee may accept directly or indirectly any consulting, advisory or other compensatory fee from us (other than fees for service as a Trustee and member of Board committees) or be an affiliate of us.

Our Board has affirmatively determined that each of Messrs. Aloian, Axinn, D'Alessio, Fowler, Joyce and Pizzi is independent under the standards of the New York Stock Exchange and those set forth in our *Corporate Governance Principles* and that the Audit Committee, Corporate Governance Committee and Compensation Committee are comprised exclusively of independent Trustees.

Our Board did not determine Mr. Nichols to be independent because of his status as a former executive with us and did not determine Mr. Sweeney to be independent because of his position as our President and Chief Executive Officer. In addition, our Board did not determine either Mr. Prentiss or Mr. August to be independent. In its assessment of each of Messrs. Prentiss and August, the Board considered the post-employment benefits to which each is entitled under his employment agreement with Prentiss and his consulting agreement with us. We identify the primary benefits to which they are entitled under *Consulting Agreements with Trustees* below.

Prior to August 31, 2006, we owned a fifty percent economic interest in an office property known as 101 Paragon Drive in Montvale, New Jersey and the remaining fifty percent interest in this property was owned by one of our Trustees, Mr. Axinn. In February 2006, our Board authorized the sale of this property to an unrelated third party in an arm's-length transaction. Closing of the sale occurred on August 31, 2006. Our Board viewed the sale of this property as an attractive opportunity for us (primarily because of the sales price and the location of this property outside of our core markets). Our Board, taking into account Mr. Axinn's pre-existing contractual interest in this property and the absence of any affiliation between either us or Mr. Axinn with the third party purchaser, concluded that the sale of this property did not adversely impact Mr. Axinn's independence.

Corporate Governance

Governance Compliance: Our policies and practices comply with the listing requirements of the New York Stock Exchange and the requirements of the Sarbanes-Oxley Act of 2002. Our Board and Corporate Governance Committee regularly evaluate our approach to corporate governance in light of changing regulatory requirements and evolving best practices.

Our Board has adopted clear corporate governance policies as reflected in our *Corporate Governance Principles*.

A majority of our Trustees are independent of us and our management, and all members of the Audit Committee, Compensation Committee and Corporate Governance Committee are independent.

The Chairman of our Board is independent.

Our non-management Trustees meet regularly without the presence of management.

The charters of our Board committees clearly establish their respective roles and responsibilities.

Our Board has adopted a Code of Business Conduct and Ethics that applies to all of our Trustees, officers and employees.

We have a hotline available to all employees, and our Audit Committee has established procedures for the anonymous submission of any employee complaint, including those relating to accounting, internal controls or auditing matters.

Our Board and Board Committees undertake an annual performance self-evaluation.

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Additional information on our corporate governance is provided in the following paragraphs and elsewhere in this proxy statement.

Lead Independent Trustee: Mr. D Alessio, Chairman of the Board, is our lead independent Trustee, with responsibility to preside at executive sessions of non-management Trustees, oversee the agenda of Board meetings and be available to shareholders and other parties interested in communicating with our non-management Trustees.

Executive and Trustee Share Ownership Requirements: We maintain minimum share ownership requirements for our executives and Trustees. Officers are required to own, within five years of their election as an officer but no earlier than May 2007, common shares (or common share equivalents under our deferred compensation plan) having a market value at least equal to the following multiples of their base salary: (i) President and Chief Executive Officer: six times salary; (ii) each Executive Vice President who is a Senior Managing Director and each Executive or Senior Vice President who is any of Chief Financial Officer, Chief Investment Officer, General Counsel or Chief Administrative Officer: four times salary; and (iii) each Executive Vice President, Senior Vice President or Vice President who does not hold a position included in the foregoing clause (ii): the lesser of (x) 50% of the aggregate dollar amount of bonuses awarded in the form of Company equity awards (such as restricted shares) during the period following appointment as officer and (y) 1.5 multiplied by his or her base salary. Trustees are required to own, within four years of joining the Board but no earlier than May 3, 2008, common shares having a market value at least equal to three times their \$35,000 annual base compensation except if the Trustee is restricted from personal ownership of common shares under an employment policy of the Trustee's employer.

Succession Planning: Our Board, primarily through our Corporate Governance Committee, assesses succession planning for management and leadership, with a primary focus on succession in the event of the unexpected incapacity of our President and Chief Executive Officer. Our *Corporate Governance Principles* provide that our President and Chief Executive Officer should at all times make available to the Board, on a confidential basis, his recommendations and evaluations of potential successors.

Code of Conduct: We maintain a *Code of Business Conduct and Ethics*, a copy of which is available on our website (www.brandywinerealty.com), applicable to our Trustees, officers and employees. The *Code of Business Conduct and Ethics* reflects and reinforces our commitment to integrity in the conduct of our business. Any waiver of the Code for executive officers or Trustees may only be made by the Board or by the Audit Committee (which is composed solely of independent Trustees) and will be disclosed promptly as required by law or stock exchange regulation. In addition to the strictures on our personnel included in our *Code of Business Conduct and Ethics*, we notify our vendors of our commitment to the highest ethical standards and the restrictions in our Code on improper payments and gratuities to our personnel.

Availability of Committee Charters and Corporate Governance Principles: Each of the charters of the Audit, Compensation and Corporate Governance Committees, our *Corporate Governance Principles* and our *Code of Business Conduct and Ethics* is available on our website (www.brandywinerealty.com) and we will also make available in print copies of any of these documents to any shareholder, without charge, upon request.

Trustee Nominations

In making its recommendations as to nominees for election to our Board, the Corporate Governance Committee may consider, in its sole judgment, recommendations of our President and Chief Executive Officer, other Trustees, senior executives, shareholders and third parties. The Corporate Governance Committee may also retain third-party search firms to identify candidates. Shareholders desiring to recommend nominees should submit their recommendations in writing to Walter D Alessio, Chairman of the Board c/o, Brandywine Realty Trust, 555 East Lancaster Avenue, Radnor, Pennsylvania 19087. Recommendations from shareholders should

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include pertinent information concerning the proposed nominee's background and experience. Our Board's *Corporate Governance Principles* set forth qualifications for Trustee nominees and include a nominee's:

personal ethics, integrity and values;

inquiring and independent mind;

practical wisdom and mature judgment;

broad training and experience at the policy making level in business, government, education or technology;

willingness to devote the required amount of time to fulfill the duties and responsibilities of Board membership;

commitment to serve on the Board over a period of years in order to develop knowledge about our operations; and

involvement in activities or interests that do not create a conflict with the nominee's responsibilities to us and our shareholders.

The Corporate Governance Committee also considers such other factors as it deems appropriate, including the current composition of the Board. The Corporate Governance Committee has not adopted any criteria for evaluating a candidate for nomination to the Board that differ depending on whether the candidate is nominated by a shareholder versus by a Trustee, member of management or other third parties.

If the Corporate Governance Committee decides, on the basis of its preliminary review of a candidate, to proceed with further consideration of the candidate, members of the Committee, as well as other members of the Board as appropriate, interview the candidate. After completing its evaluation, the Corporate Governance Committee makes a recommendation to the full Board, which makes the final determination whether to nominate or appoint the candidate as a new Trustee. Our President and Chief Executive Officer, as a Trustee, participates in the Board's determination.

Communications with the Board

Shareholders and other parties interested in communicating directly with our lead independent Trustee (Mr. D. Alessio) or with our non-management Trustees as a group may do so by writing to Lead Independent Trustee, Brandywine Realty Trust, 555 East Lancaster Avenue, Radnor, Pennsylvania 19087. In addition, any shareholder or interested party who wishes to communicate with our Board or any specific Trustee, including non-management Trustees, may write to Board of Trustees, c/o Brandywine Realty Trust, at our headquarters' address.

Depending on the subject matter, management will:

forward the communication to the Trustee or Trustees to whom it is addressed. (For example, if the communication received deals with questions or complaints regarding accounting, it will be forwarded by management to the Chairman of our Audit Committee for review);

attempt to handle the inquiry directly (for example, where the communication is a request for information about us or our operations that does not appear to require direct attention by the Board or an individual Trustee); or

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not forward the communication if it is primarily commercial in nature or relates to an improper or irrelevant topic. At each meeting of the Board, the Chairman of the Board will present a summary of all communications (if any) received since the last meeting of the Board that were not forwarded and will make those communications available to any Trustee upon request.

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The following table and footnotes provide information on the 2006 compensation of our Trustees (other than our President and Chief Executive Officer, who is not separately compensated for his service on the Board). In the paragraph following the table and footnotes we describe our standard compensation arrangements for service on the Board and Board committees.

Trustee Compensation

Name	Fees			Total (\$)
	Earned or Paid in Cash (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	All Other Compensation (\$)	
Walter D. Alessio	\$ 106,519	\$ 25,567	\$ 3,455 ⁽³⁾	\$ 135,541
Anthony A. Nichols, Sr.	\$ 48,500	\$ 25,567	\$ 260,097 ⁽⁴⁾	\$ 334,164
D. Pike Aloian	\$ 80,519	\$ 25,567	\$ 3,455 ⁽³⁾	\$ 109,541
Thomas F. August	\$ 48,500	\$ 8,891	\$ 150,962 ⁽⁵⁾	\$ 208,353
Donald E. Axinn	\$ 52,500	\$ 25,567	\$ 3,455 ⁽³⁾	\$ 81,522
Wyche Fowler	\$ 63,000	\$ 23,483	\$ 3,455 ⁽³⁾	\$ 89,938
Michael J. Joyce	\$ 69,514	\$ 25,567	\$ 3,236 ⁽³⁾	\$ 98,317
Charles P. Pizzi	\$ 79,500	\$ 25,567	\$ 3,455 ⁽³⁾	\$ 108,522
Michael V. Prentiss	\$ 42,505	\$ 8,891	\$ 671,125 ⁽⁶⁾	\$ 722,521

- (1) Represents the aggregate amount of all fees earned or paid in cash for services as a Trustee in 2006, including the annual retainer fee, Board and Board Committee meeting fees and Committee Chair fees, and includes any portion of the fees that a Trustee elected to defer under our Deferred Compensation Plan, which we describe below under Nonqualified Deferred Compensation. The following Trustees deferred a portion of their 2006 cash compensation into their deferred share accounts under our Deferred Compensation Plan:

Name	2006 Cash Deferred
Wyche Fowler	\$ 48,500
Thomas F. August	\$ 48,500

- (2) This column represents the dollar amount that we recognized for financial statement purposes with respect to our 2006 fiscal year for the fair value of Stock Awards, in accordance with SFAS 123R. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Stock Awards consist of restricted common shares awarded annually to our Trustees (other than our President and Chief Executive Officer). On May 2, 2006, each Trustee (other than our President and Chief Executive Officer) received an award of restricted common shares with a grant date fair value of \$40,000. These restricted common shares vest in three equal annual installments. Each restricted common share entitles the holder to receive cash distributions and voting rights equivalent to the distribution and voting rights on a common share that is not subject to any restrictions. A restricted common share is subject to forfeiture in the event that the Trustee terminates service on the Board prior to the applicable vesting date for reasons other than death, disability or a change of control of us. The following table shows the aggregate number of Stock Awards (consisting of unvested restricted common shares) owned by each of our Trustees (other than our President and Chief Executive Officer) as of December 31, 2006:

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Name	Total Number of Unvested Restricted Common Shares
Walter D. Alessio	2,372
Anthony A. Nichols, Sr.	2,372
D. Pike Aloian	2,372
Thomas F. August	1,447
Donald E. Axinn	2,372
Wyche Fowler	2,289
Michael J. Joyce	2,372
Charles P. Pizzi	2,372
Michael V. Prentiss	1,447

- (3) Represents the aggregate dollar amount of dividends paid in 2006 on unvested restricted common shares.
- (4) Represents (i) \$207,500 on account of consulting services provided by Mr. Nichols under his consulting agreement with us; (ii) \$35,000 in payments that we made to or for the benefit of Mr. Nichols under his consulting agreement for tax advice, financial planning and community participation; (iii) \$3,455 in dividends paid in 2006 on unvested restricted common shares; and (iv) \$14,142 in health and life insurance premiums. We have summarized below under *Consulting Agreements with Trustees* our consulting agreement with Mr. Nichols. The amounts shown above do not include \$200,712 that was distributed to Mr. Nichols in 2006 from his account under our *Deferred Compensation Plan*.
- (5) Represents (i) \$100,778 on account of office space (including rents and tenant improvements) that we provide to Mr. August under his consulting agreement with us; (ii) \$24,690 on account of secretarial services that we provide to Mr. August under his consulting agreement with us; (iii) \$7,250 on account of consulting services provided by Mr. August under his consulting agreement with us; (iv) \$1,273 in dividends paid in 2006 on unvested restricted common shares; and (v) \$16,971 in health and life insurance premiums. We have summarized below under *Consulting Agreements with Trustees* our consulting agreement with Mr. August.
- (6) Represents (i) \$480,679 for the cost for use of a private aircraft that we provide to Mr. Prentiss as a continuing benefit under his employment agreement with Prentiss Properties Trust that we assumed in our acquisition of Prentiss Properties Trust; (ii) \$107,663 on account of office space (including rents and tenant improvements) that we provide to Mr. Prentiss under his consulting agreement with us; (iii) \$64,453 on account of secretarial services that we provide to Mr. Prentiss under his consulting agreement with us; (iv) \$1,273 in dividends paid in 2006 on unvested restricted common shares; (v) \$1,000 on account of consulting services provided by Mr. Prentiss under his consulting agreement with us; and (vi) \$16,057 in health and life insurance premiums. We have summarized below under *Consulting Agreements with Trustees* our consulting agreement with Mr. Prentiss.

In 2006, our Trustees (other than our President and Chief Executive Officer) received the following compensation for their service as Trustees:

\$35,000 annual fee payable in cash or common shares, at each Trustee's election;

\$40,000 annually in restricted common shares that vest in three equal annual installments (valued at the closing price of the common shares on the date of our annual meeting of shareholders);

\$1,500 for participation in each meeting and informational session of the Board;

\$1,000 for participation by a member of a Board committee in each meeting of the committee;

\$45,000 annual fee for the Chair of the Board; \$15,000 annual fee for the Chair of the Audit Committee; \$10,000 annual fee for the Chair of the Compensation Committee; and \$10,000 annual fee for the Chair of the Corporate Governance Committee.

Our Trustees are also reimbursed for expenses of attending Board and Board committee meetings. In addition, our *Corporate Governance Principles* encourage our Trustees to attend continuing education programs

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for directors and provide for reimbursement of the reasonable costs of attending such programs. Trustees may elect to defer the receipt of all or a portion of their \$35,000 annual fee and \$1,500 per Board meeting fee into our Deferred Compensation Plan.

Consulting Agreements with Trustees

Mr. Nichols. On January 5, 2006, we entered into an agreement with Mr. Nichols that amended the agreement that we entered into with him in March 2004. This amendment provides for Mr. Nichols : (i) assistance in our integration activities with respect to the Prentiss organization, as and to the extent requested by our President and Chief Executive Officer or our Board and (ii) consultation and advice for special research projects, business development initiatives and strategic planning, as and to the extent requested by our President and Chief Executive Officer or our Board. We agreed to compensate Mr. Nichols for his services at the rate of \$500 per hour. For 2006 we paid Mr. Nichols \$207,500 for such services. The amendment does not reduce the benefits to which Mr. Nichols is entitled under our March 2004 agreement with him and extends the term of his engagement with us from December 31, 2006 until December 31, 2007. The benefits to which Mr. Nichols is entitled primarily consist of: (i) our agreement to use commercially reasonable efforts to cause him to be nominated for election to the Board at each annual meeting of shareholders held prior to December 31, 2007; (ii) our agreement to pay him compensation for service on the Board in the same amount that we pay a non-employee Trustee for service on the Board; (iii) our agreement to pay him \$15,000 per year for financial planning services and \$20,000 per year for community participation services, in each case through December 31, 2007; and (iv) our agreement to provide him with health care and life insurance benefits through December 31, 2010.

Mr. Prentiss. On January 5, 2006, we entered into a consulting agreement with Mr. Prentiss. The agreement: (i) has a three-year term; (ii) provides for Mr. Prentiss consulting services to us for \$1,000 per year; (iii) restricts for one year (up to two years for certain activities) the types of activities that Mr. Prentiss may engage in; (iv) provides for not less than 3,300 square feet of office space for Mr. Prentiss; and (v) provides for secretarial support for Mr. Prentiss. Mr. Prentiss will continue to be entitled to benefits under the employment agreement that he entered into with Prentiss Properties Trust prior to our merger with Prentiss. These benefits include Mr. Prentiss continued entitlement to health, vision, dental, prescription drug and disability insurance coverages at our expense for three years from the merger. These benefits also include the right of Mr. Prentiss to up to 100 hours per year of flight time on a Challenger 300 aircraft during the three-year period and the right to purchase the aircraft at the end of this period for \$100,000. In addition, if any payments made to Mr. Prentiss in connection with the merger would result in an excise tax imposed by either Section 4999 or Section 409A of the Internal Revenue Code, he would be entitled to receive from us a tax reimbursement payment that would put him in the same financial position after-tax that he would have been in if the excise tax did not apply to such amount.

Mr. August. On January 5, 2006, we entered into a consulting agreement with Mr. August. The agreement: (i) has a three-year term; (ii) provides for Mr. August s consulting services to us for \$1,000 per year plus \$500 per hour of consulting services provided; (iii) restricts for one year (up to two years for certain activities) the types of activities that Mr. August may engage in; (iv) provides for not less than 2,500 square feet of office space for Mr. August; and (v) provides for secretarial support for Mr. August. Mr. August will continue to be entitled to benefits under the employment agreement that he entered into with Prentiss Properties Trust prior to our merger with Prentiss. These benefits include Mr. August s continued entitlement to health, vision, dental, prescription drug and disability insurance coverages at our expense for three years from the merger. In addition, if any payments made to Mr. August in connection with the merger would result in an excise tax imposed by either Section 4999 or Section 409A of the Internal Revenue Code, he would be entitled to receive from us a tax reimbursement payment that would put him in the same financial position after-tax that he would have been in if the excise tax did not apply to such amount.

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Compensation Committee Interlocks and Insider Participation

The Compensation Committee of our Board is currently comprised of Charles P. Pizzi (Chair), Walter D. Alessio and Michael J. Joyce, none of whom is or has been an officer or employee of the Company. In addition, none of our executive officers serves as a member of the board of directors or compensation committee of any company that has an executive officer serving as a member of our Board.

Transactions with Related Persons

Employee Share Purchase Loans. In 1998 and 2001, our Board authorized us to make loans totaling \$7.0 million solely to enable our employees to purchase common shares. The loans matured on or before October 15, 2006 and no loans have been outstanding after October 15, 2006. During 2006, the largest outstanding principal amounts of loans under the program to our executive officers were \$300,003 (Mr. Sweeney) and \$9,991 (Mr. Redd). The loans were full recourse and were secured by the common shares purchased with the loan proceeds. Interest accrued on the loans at the lower of the interest rate borne on borrowings under our revolving credit facility or a rate based on the dividend payments on our common shares and was payable quarterly. For the quarter ended September 30, 2006, this rate was 5.4% per annum.

Loans We Acquired through Prentiss Merger. Through our acquisition of Prentiss we acquired three loans made by Prentiss to two of its executives who are now our executives. Prentiss loaned Christopher M. Hipps \$127,667 on June 1, 2002 and loaned Daniel K. Cushing \$74,583 on January 1, 2002. Prentiss made these loans to assist these executives with moving expenses when they relocated to assume new management positions. The loans contain forgiveness provisions with the purpose of securing the continued and future employment services of these executives. One-fifth of the unpaid principal amount of each loan was or will be forgiven on each of the first five anniversaries of the loan grant provided the executive is not in default and his employment has not terminated. In 2006 \$25,533 was forgiven on the loan to Mr. Hipps and \$14,917 was forgiven on the loan to Mr. Cushing. In addition, Prentiss loaned Mr. Cushing \$500,000 on June 14, 2002, interest free, to purchase a home in California. This loan is non-recourse, is secured by the home purchased and is due on the earlier of (i) termination of Mr. Cushing's employment, (ii) the sale of the home and (iii) June 14, 2012.

Sale of 101 Paragon Drive. Prior to August 31, 2006, we owned a fifty percent economic interest in an office property known as 101 Paragon Drive in Montvale, New Jersey and the remaining fifty percent interest in this property was owned by one of our Trustees, Mr. Axinn. In February 2006, our Board authorized the sale of this property to an unrelated third party in an arm's-length transaction for a gross sales price of \$18,350,000. Closing of the sale occurred on August 31, 2006.

Policies and Procedures for Review, Approval or Ratification of Transactions with Related Persons

Our Audit Committee's charter provides for review by the Audit Committee of related party transactions. In addition, our Declaration of Trust, which is our corporate charter, provides for approval of transactions in which any of our Trustees has an interest by a majority of our Trustees who have no interest in the transaction. Therefore, related party transactions with a Trustee require both review by our Audit Committee and approval by a majority of our Trustees who have no interest in the transaction. Our Audit Committee charter and our corporate charter do not state criteria or standards that our Trustees must follow in approving related party transactions. Accordingly, our Trustees consider related party transactions in light of their fiduciary duties to act in an informed and careful manner and in the best interest of us and our shareholders. Since January 1, 2006, there have been no related party transactions where the policies and procedures in the Audit Committee charter and our corporate charter have not been followed.

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EXECUTIVES AND EXECUTIVE COMPENSATION

Executive Officers

The following are biographical summaries of our executive officers who are not Trustees:

Howard M. Sipzner (age 45) is our Executive Vice President and Chief Financial Officer. Mr. Sipzner was appointed to his position in December 2006 and became an officer with us in January 2006. Mr. Sipzner joined us from Equity One, Inc., a real estate investment trust, in North Miami Beach, Florida, where he served as Executive Vice President and Chief Financial Officer from 2004 and as Chief Financial Officer and treasurer from 1999 to 2004. Mr. Sipzner received a Bachelor of Arts from Queens College, City University of New York, and an MBA from the Harvard Business School.

George D. Sowa (age 47) is our Executive Vice President and Senior Managing Director. He also provides operational oversight for our Pennsylvania West and Pennsylvania North regions. Mr. Sowa joined us on April 13, 1998. Prior to joining us, Mr. Sowa was employed by Keating Development Company, a real estate development firm, from 1997 to 1998, as a development manager. Mr. Sowa was also employed by Linpro/LCOR, Incorporated as Director of Development/Operations from 1989 to 1997. Mr. Sowa received a Bachelor of Science degree from Cornell University and holds a real estate license in New Jersey and Pennsylvania. Mr. Sowa serves on the Executive Committee and board of NJ NAIOP, and is on the board of the Chamber of Commerce of Southern New Jersey, the Regional Planning Partnership and the Evergreens.

Robert K. Wiberg (age 51) is our Executive Vice President and Senior Managing Director responsible for the Metropolitan D.C. region of the company. He also provides operational oversight for our Richmond Virginia, Southwest and Northern California regions. Mr. Wiberg joined us on January 5, 2006 upon consummation of our merger with Prentiss. Prior to consummation of the merger, he served as Executive Vice President and Managing Director of the Mid-Atlantic region of Prentiss. His responsibilities at Prentiss included the development, acquisitions, leasing, construction, property management and asset management activities in this region. Mr. Wiberg has worked in the Prentiss Washington, D.C. office since 1988, and prior to that served as a development officer in the Prentiss Los Angeles, Atlanta and Dallas offices. Mr. Wiberg holds an MBA from the University of California at Berkeley, a Master of City and Regional Planning degree from Harvard University, and a Bachelor of Arts degree from Cornell University. He has served on the Board of Directors of the Northern Virginia Chapter of the NAIOP and holds a Virginia real estate license.

Christopher M. Hipps (age 45) is our Executive Vice President and Managing Director Southwest region. Mr. Hipps joined us on January 5, 2006 upon consummation of our merger with Prentiss. Prior to consummation of the merger, he served as Executive Vice President and Managing Director of the Southwest region of Prentiss. Mr. Hipps served as Managing Director of the Prentiss Southwest region since January 1, 2002. Prior to becoming Managing Director of the Southwest region, Mr. Hipps served as the Managing Director of the former West region of Prentiss. Mr. Hipps holds a Texas real estate license and has been involved in various organizations such as the National Association of Industrial and Office Parks and the Real Estate Council. He received a Bachelor of Business Administration from Southern Methodist University.

Michael J. Cooper (age 48) is our Senior Vice president and Managing Director Metropolitan D.C. region. Mr. Cooper joined us on January 5, 2006 upon consummation of our merger with Prentiss. Prior to consummation of the merger, he served as Senior Vice President of the Mid-Atlantic region of Prentiss overseeing the region's development, acquisition, and certain asset management activities. Mr. Cooper joined Prentiss in 1996 and has held various positions of increasing responsibility in its Mid-Atlantic region. Before joining Prentiss, Mr. Cooper held positions as a regional director of BetaWest, Inc, a national development and asset management firm operating in Northern Virginia. Mr. Cooper holds a Virginia real estate license, serves on the Executive Committee and Board of Directors for Northern Virginia NAIOP and is an officer and board member of the Western Alliance for Rail to Dulles. He received a bachelor's degree in engineering from Princeton University.

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Daniel K. Cushing (age 46) is our Senior Vice President and Managing Director Northern California region. Mr. Cushing joined us on January 5, 2006 upon consummation of our merger with Prentiss. Prior to consummation of the merger, he served as the Senior Vice President and Managing Director of the Northern California region of Prentiss and served in such capacity since January 1, 2002. His responsibilities included acquisitions, development, leasing, construction, property management, facilities management and business development. Mr. Cushing joined Prentiss in 1985 and held a variety of increasingly senior roles in Dallas, Washington, D.C. and Chicago. As Prentiss Senior Vice President of development/acquisitions he was responsible for various suburban development projects and acquisitions. He holds a Bachelor of Science degree in Civil Engineering from the University of Illinois.

H. Jeffrey DeVuono (age 41) is our Senior Vice President and Managing Director Urban region. Mr. DeVuono joined us in January of 1997. Prior to joining us, Mr. DeVuono worked for LCOR, Inc., a private development company that had a previous association with us, where he held a variety of positions, all of which related to asset management. Prior to joining LCOR, Mr. DeVuono was a sales representative for Cushman & Wakefield of Philadelphia. Mr. DeVuono serves on the board of the Pennsylvania Economy League, University City District, Philadelphia Academies, The Center for Emerging Visual Artists, Bartram's Gardens and is a committee member of Crossing the Finish Line. He is also a member of CoreNet, NAREIT, NAIOP, and the University of Pennsylvania's Wharton School Zell/Laurie Real Estate Center. Mr. DeVuono is a graduate of LaSalle University.

Gregory S. Imhoff (age 50) is our Senior Vice President and Chief Administration Officer. Mr. Imhoff joined us on January 5, 2006 upon consummation of our merger with Prentiss. Prior to consummation of the merger, he served as the Senior Vice President, General Counsel, Chief Administrative Office and Corporate Secretary of Prentiss and provided professional services to Prentiss since 1990. Immediately before joining Prentiss, Mr. Imhoff was the General Counsel for The Watson & Taylor Companies and prior to that time he was a Senior Consultant for Deloitte. Mr. Imhoff sits on the Board of the University of Notre Dame Alumni Association of Dallas and the Finance Committee of the Parish Episcopal School of Dallas, and is a member of the Dallas Bar Association, State Bar of Texas and the State Bar of Wisconsin.

Brad A. Molotsky (age 42) is our Senior Vice President, General Counsel and Secretary. Mr. Molotsky became our General Counsel and Secretary in October 1997 and became a Senior Vice President in December 2004. Prior to joining us, Mr. Molotsky was an attorney at Pepper Hamilton LLP, Philadelphia, Pennsylvania. Mr. Molotsky is a member of NAREIT and the Real Estate Roundtable Building Security Taskforce, a board member of the Philadelphia Chapter of the NAIOP, the JCC of Southern New Jersey and the Cherry Hill Business Partnership and a Committee member of the Philadelphia Ronald McDonald House.

Anthony S. Rimikis (age 58) is our Senior Vice President Development Services. Mr. Rimikis became one of our executives on October 13, 1997. Previously he was Vice President for Emmes Realty Services of New York where he had responsibility for that firm's construction activities in New Jersey and Maryland. Mr. Rimikis holds an undergraduate degree in marketing from the Wharton School of the University of Pennsylvania, and an MBA in finance from LaSalle University. He is an adjunct assistant professor at the Drexel University's Richard P. Goodwin School of Professional Studies and also serves on the Technical Advisory Committee for the university. He holds the Certified Commercial Investment Member (CCIM) designation, is a licensed real estate broker in New Jersey, and serves on the Executive Committee of the Philadelphia Chapter of the Urban Land Institute, and also co-chairs the Educational Committee. Mr. Rimikis also serves on the Construction Industry Committee benefiting the Boy Scouts of America.

David Ryder (age 51) is our Senior Vice President and Managing Director Western Pennsylvania region. Mr. Ryder joined us in March of 2004 and has served as our Senior Vice President since that date. From 1981 to 2004 Mr. Ryder was employed by CB Richard Ellis as a Producing Agent, specializing in the representation of tenants and owners who either occupy or own office buildings in the suburban Philadelphia office market.

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Mr. Ryder holds a Bachelor or Arts degree (with a major in English literature and a minor in business administration) from the University of New Hampshire. He serves on the boards of the Chester County Chamber of Business & Industry and the National Transplant Assistance Fund.

Darryl M. Dunn (age 40) is our Vice President, Chief Accounting Officer and Treasurer. Mr. Dunn was appointed to his position with us on January 9, 2007. Mr. Dunn joined us from Talk America Holdings, Inc., a communications service provider headquartered in New Hope, Pennsylvania where he served as corporate controller from January 3, 2006 until December 14, 2006. From December 1997 until July 29, 2005, Mr. Dunn served in various positions at Amkor Technology, Inc., a subcontractor of semiconductor packaging and test services headquartered in Chandler, Arizona, including Vice President and Corporate Controller from May 1, 2001 until July 29, 2005. Mr. Dunn is a licensed certified public accountant with the Commonwealth of Pennsylvania and holds a Bachelor of Science degree in accounting from Widener University.

William D. Redd (age 51) is our Vice President and Managing Director Virginia region. Mr. Redd became an officer with us on June 1, 1999. Prior to joining us, Mr. Redd was a partner from 1988 until 1999 with Childress Klein Properties, a privately-held real estate firm headquartered in Charlotte, North Carolina. From 1985 until 1988, Mr. Redd was with Trammell Crow Company. Mr. Redd holds a law degree from the University of Virginia and a Bachelor of Arts degree from Hampden-Sydney College. He has served on the Board of Directors for the Children's Museum of Richmond, Richmond Real Estate Group and Greater Richmond Association of Commercial Real Estate. Mr. Redd holds a Virginia real estate license.

Philip M. Schenkel (age 43) is our Vice President and Managing Director Northern Pennsylvania region. Mr. Schenkel joined us in 1998 and became a Vice President in December 2000. Prior to joining us, Mr. Schenkel was employed by Atlantic American Properties, a real estate development and management firm, where he served as an Asset Manager from 1997 to 1998. Mr. Schenkel was employed by Bell Atlantic Properties, as an Asset Manager and a Regional Director of Leasing, from 1990 to 1997. Mr. Schenkel holds a Bachelor of Science degree from Franklin and Marshall College.

Compensation Discussion and Analysis

Through the following questions and answers we explain all material elements of our executive compensation:

What are the objectives of our executive compensation programs?

Our corporate goal is to maximize our total return to our shareholders through quarterly distributions and share price appreciation. Towards this goal, we seek to compensate our executives at levels that are competitive with peer companies so that we may attract, retain and motivate high quality executives. We also design our compensation programs to reflect our corporate performance and to reward the performance of individual executives.

In January 2006 we consummated our merger with Prentiss Properties Trust. This merger combined approximately 512 Prentiss employees with 310 Brandywine employees. Our 2006 executive compensation, including year-end bonuses and long-term equity grants awarded in February 2007, reflects our effort to harmonize the historic approaches to executive compensation of each of these two organizations, primarily by increasing the percentage of the cash component of the compensation of executives who joined us from Prentiss and by increasing the percentage of the equity component of the compensation of our executives whose tenure with us predates the merger.

What are the principal components of our executive compensation programs?

Overview: Our executive compensation programs consist of three principal components: (i) a base salary; (ii) a performance-based annual bonus, payable in cash, common shares or common share equivalents; and (iii) long-term equity-based incentive compensation. Generally, as an executive s

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responsibilities increase, our Compensation Committee allocates a greater portion of total compensation to annual bonus and long-term equity-based incentive compensation. We believe this allocation approach reflects our pay-for-performance compensation philosophy because of the greater influence of our most senior executives on our annual and long-term business results. We describe each of these principal components below. We also maintain a deferred compensation plan that provides our executives the opportunity to defer portions of their compensation and discuss this plan below under the table Nonqualified Deferred Compensation.

Relationship of the principal components: We have allocated the three principal components of our executive compensation programs in a manner that we believe optimizes each executive's contribution to us. We have not established specific formulae for making the allocation although we have developed a framework for compensation for 2007 and future years that contemplates that (i) the annual base salary for our President and Chief Executive Officer will generally range from 10% to 25% of his total compensation, (ii) his annual bonus, payable in cash or common equity, will generally range from 150% to 250% of his annual base salary and (iii) his long-term equity-based incentive compensation will generally range from 250% to 500% of his annual base salary. Our framework for executive compensation for 2007 and future years for our other executive officers contemplates that (i) their annual base salaries will generally range from 25% to 35% of their total compensation, (ii) their annual bonuses, payable in cash or common equity, will generally range from 50% to 100% of their annual base salaries and (iii) their long-term equity-based incentive compensation will generally range from 150% to 200% of their annual base salaries.

Base Salary: Salaries are based on a combination of factors, primarily the performance of the executive, his or her level of responsibility and experience, salaries of peer executives at peer companies and the recommendations of our President and Chief Executive Officer. Although our Compensation Committee annually reviews salaries of our executive officers, our Compensation Committee does not automatically adjust base salaries if it concludes that adjustments to other components of the executive's compensation would be more appropriate. For example, the base salary of Mr. Sweeney for 2006 remained unchanged from 2005. On February 9, 2007 the Compensation Committee approved the following changes to the annual base salaries of the Named Executive Officers:

Executive	2007 Salary ⁽¹⁾	Percentage Increase over 2006 Base Salary
Gerard H. Sweeney	\$ 600,000	38.9%
Brad A. Molotsky	\$ 326,000	20.6%
George D. Sowa	\$ 270,000	22.3%
Robert K. Wiberg	\$ 270,000	8.0% ⁽²⁾

- (1) 2007 salary increases became effective as of March 1, 2007. For purposes of computing the percentage increases shown in the above table, each executive's 2006 expense allowance has been included in his 2006 base salary. Executive base salaries are now inclusive of the expense allowance.
- (2) Mr. Wiberg's salary was increased to \$250,000 on January 5, 2006 upon consummation of our merger with Prentiss.

Annual Bonus: Historically, our Compensation Committee has awarded annual bonuses within two months after the completion of each fiscal year. The Committee has required that each executive officer take a minimum of 25% of his or her annual bonus in common shares (or common share equivalents under our Deferred Compensation Plan). Additionally, each executive has the ability to take all or a portion of the balance of his or her year-end bonus in excess of 25% in common shares (or common share equivalents under our Deferred Compensation Plan) at a 15% discount to the market price of the common shares on the award date. The Compensation Committee has provided that any executive who, at the time of award of the year-end bonus, meets the share ownership requirements applicable to him or her, as set forth in our Corporate Governance Principles, is not required to take any portion of his or her year-end bonus in common shares (or common share equivalents) and is entitled to the 15% discount on any shares or share

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equivalents taken. We have summarized our share ownership requirements above under the caption "Corporate Governance - Executive and Trustee Share Ownership Requirements." Each of our Named Executive Officers currently meets the requirements applicable to him.

Long-Term Incentive Compensation (Restricted Common Shares and Restricted Performance Shares): At the same time that our Compensation Committee has historically awarded annual bonuses, the Committee has granted executives and other employees restricted common shares that vest in equal installments over five years. The holder of restricted common shares is entitled to vote the shares and to receive distributions on the shares from the date of award. Vesting of the restricted common shares has not been subject to performance-based conditions and vesting would accelerate upon a change of control. In February 2007, our Compensation Committee awarded restricted performance shares rather than restricted common shares and, for our executive officers, set vesting over a seven, rather than a five, year period. The Committee awarded performance shares, rather than common shares, to afford eligible recipients the opportunity to defer the performance shares into our Deferred Compensation Plan. Each performance share is entitled to the cash equivalent of dividends on a common share, and the holder of a performance share is entitled to receive an unrestricted common share upon the vesting of the performance share. Vesting of performance shares is not subject to performance-based conditions and would accelerate upon a change of control.

Long-Term Incentive Compensation (Outperformance Program Awards): In August 2006, our Compensation Committee approved our 2006 Long-Term Outperformance Program. This program provides for payments by us (in the form of common shares and restricted common shares) to executive-participants only if, and based on the extent to which, our total shareholder return (i.e., share price appreciation plus dividends) over a three-year measurement period exceeds stated percentage hurdles. We discuss the hurdles and other features of the Outperformance Program below under the caption "2006 Long-Term Outperformance Program."

Long-Term Incentive Compensation (Options): Our Compensation Committee has authority under our 1997 Long-Term Incentive Plan (and an incentive plan that we assumed in our January 2006 merger with Prentiss Properties Trust) to award both non-qualified and incentive stock options. Our Compensation Committee has not awarded any options to executives since 2002 (excluding replacement options that we issued as part of, and in accordance with, our shareholder-approved merger with Prentiss Properties Trust to Prentiss employees in conversion of options previously granted to them) and has not previously awarded any incentive stock options.

What do we seek to reward and accomplish through our executive compensation programs?

We believe that our compensation programs, collectively, enable us to attract, retain and motivate high quality executives. We provide annual bonus awards primarily to motivate key employees to meet individualized annual performance targets that take into account and enhance our corporate performance. Individualized annual performance targets reflect the areas of responsibility of our executives, such as leasing, tenant services, acquisitions, dispositions, developments, financings and administration. In the case of our President and Chief Executive Officer, our Compensation Committee has also taken into account his vision and strategic direction in overseeing our merger with Prentiss and his stewardship of the combined organization since the closing of the merger. We evaluate our corporate performance by reference to our total shareholder return, funds from operations and investment and financing activities compared to both internal goals and peer company results. We design long-term incentive awards primarily to motivate and reward key employees over longer periods, ranging up to seven years. Through vesting and forfeiture provisions that we include in annual awards of restricted common shares and restricted performance shares and in long-term incentive compensation awarded under the 2006 Long-Term Outperformance Program we provide an additional incentive to executives to act in furtherance of our longer-term interests. An executive whose employment with us terminates before equity-based awards have vested, either because the executive has not performed in accordance with our expectations or because the executive chooses to leave, will generally forfeit the unvested portion of the award.

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Why have we selected each principal component of our executive compensation programs?

We have selected programs that we believe are commonly used by public companies, both within and outside of our industry, because we believe commonly used programs are well understood by our shareholders, employees, analysts and credit rating agencies. Moreover, we selected each program only after we first confirmed, with the assistance of outside professional advisors, that the program comports with settled legal and tax rules.

How do we determine the amount of each principal component of compensation to our executives?

Our Compensation Committee exercises judgment and discretion in setting compensation for our senior executives. The Committee exercises its judgment and discretion only after it has first reviewed industry data and peer company practices, addressed our compensation with an independent compensation consultant, evaluated the recommendations of our President and Chief Executive Officer and evaluated our corporate performance. The Compensation Committee has generally attempted to set our executive compensation as a whole within the middle range of comparative pay at peer group companies. See *To what extent do we benchmark total compensation and material elements of compensation and what are the benchmarks that we use?*

Several of our senior executives have employment agreements that provide for an annual salary and a minimum annual bonus, thereby limiting the discretion of the Committee with respect to them. With the exception of the employment agreement with our President and Chief Executive Officer (which does not provide for a minimum annual bonus) these agreements resulted from negotiations that pre-dated the commencement of their employment with us. See *Employment Agreements* below for a discussion of each of these employment agreements.

What specific items of corporate performance do we take into account in setting compensation policies and making compensation decisions?

Our corporate performance primarily impacts the annual bonuses and long-term incentive compensation that we provide our executive officers. We use or weight items of corporate performance differently in our annual bonus and long-term compensation awards and some items are more judgmental than others.

In awarding the 2006 annual bonus and February 2007 performance shares for our President and Chief Executive Officer, our Compensation Committee took into account his vision and strategic direction in overseeing our merger with Prentiss and his stewardship of the combined organization since the closing of the merger. The Committee also took into account (i) our funds from operations, (ii) our total shareholder return, (iii) new construction starts, (iv) property acquisitions, (v) capital recycling and Dallas sales, (vi) financings and (vii) operational matters. The Committee applied judgment and discretion in setting the compensation of our President and Chief Executive Officer and the allocation of compensation among different components.

Goals for executives in 2007 vary because the areas of responsibility of executives differ. Goals are generally developed around metrics tied to our growth and profitability, including increases in revenue, decreases in expenses, increases in tenant occupancies and tenant retention, completion of developments in accordance with budgets and timelines, execution of acquisitions and dispositions in accordance with targets, enhanced operational efficiencies and development of additional opportunities for our long-term growth.

Under our 2006 Long-Term Outperformance Program we will make payments only if, and based on the extent to which, our total shareholder return over a three-year measurement period exceeds stated percentage hurdles. One of these hurdles is the greater of an index-based return and 27%, and the other hurdle is 30%, in each case subject to adjustment if we undergo a change of control prior to the end of the measurement period. If shares are issued under this Program at the end of the measurement period, then 20% of the shares would be vested at issuance and the remaining 80% would be subject to vesting during the next two years. Vesting of the remaining 80% of the shares over such additional two-year period would

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be conditioned on the continued employment with us of the applicable executive and would not require the executive to meet any additional performance hurdles.

How do we determine when awards are granted, including awards of equity-based compensation?

Historically, our Compensation Committee has awarded annual bonuses and restricted common shares or performance shares within two months after the completion of each fiscal year, following review of pertinent fiscal year information and industry data. The date on which the Committee has met has varied from year to year, primarily based on the schedules of Committee members and the timing of compilation of data requested by the Committee.

Over the past four years our equity-based awards to executives have taken the form of restricted common shares or restricted performance shares and awards under our 2006 Long-Term Outperformance Program. The number of restricted common shares or restricted performance shares subject to an award has been computed by dividing the dollar value of the award by the closing market price of our common shares, as reported by the New York Stock Exchange, on the date of the award (i.e., the date the Committee has approved the award). For example, the number of restricted common shares awarded to an executive on February 10, 2006 was computed by dividing the dollar value of the award by the closing price of our shares on February 10, 2006. Similarly, the number of restricted performance shares awarded to an executive on February 9, 2007 was computed by dividing the dollar value of the award by the closing price of our shares on February 9, 2007. Our Compensation Committee completed its assessment of our 2006 Long-Term Outperformance Program on August 28, 2006, following a series of meetings to evaluate this Program, and granted awards under this Program on such date. Payments, if any, under this Program will be computed in accordance with a formula based on the excess of our total shareholder return over specified hurdles during a three-year measurement period.

Annual awards to our non-executive Trustees of the equity component of their compensation have been fixed in advance as the date of our annual meeting of shareholders, and the number of common shares awarded to each non-executive Trustee in payment of the annual equity awards is computed by dividing the amount of the awards (\$40,000 for the annual awards in 2006 and \$25,000 for the annual awards in 2005) by the closing price of our common shares on such annual meeting date, as reported by the New York Stock Exchange.

What factors do we consider in decisions to increase or decrease compensation materially?

Historically, we have generally not decreased the base salaries of our executive officers or reduced their incentive compensation targets. When an executive's performance falls short of our expectations then we believe our interests are best served by replacing the executive with an executive who performs at the level we expect. The factors that we consider in decisions to increase compensation include the individual performance of the executive and our corporate performance, as discussed above.

To what extent does our Compensation Committee consider compensation or amounts realizable from prior compensation in setting other elements of compensation?

The primary focus of our Compensation Committee in setting executive compensation is the executive's current level of compensation, including recent awards of long-term incentives, in the context of current levels of compensation for similarly situated executives at peer companies, taking into account the executive's performance and our corporate performance. The Committee has not adopted a formulaic approach for considering amounts realized by an executive from prior equity-based awards.

How do accounting considerations impact our compensation practices?

Prior to implementation of a compensation program and awards under the program, we evaluate the cost of the program and awards in light of our current budget and anticipated budget. We also review the design of compensation programs to assure that the recognition of expense for financial reporting purposes

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is consistent with our financial modeling. We designed our 2006 Long-Term Outperformance Program so that its overall cost fell within a budgeted dollar amount and so that awards under the Program would qualify for classification as equity awards under FAS 123R. Under FAS 123R the compensation cost recognized for an award classified as an equity award is fixed for the particular award and, absent modification, is not revised with subsequent changes in market prices of our common shares or other assumptions used for purposes of the valuation.

How do tax considerations impact our compensation practices?

Prior to implementation of a compensation program and awards under the program, we evaluate the federal income tax consequences, both to us and to our executives, of the program and awards. Before approving a program, our Compensation Committee receives an explanation from our outside professionals as to the tax treatment of the program and awards under the program and assurances from our outside professionals that the tax treatment should be respected by taxing authorities.

Section 162(m) of the Internal Revenue Code limits our tax deduction each year for compensation to each of our President and Chief Executive Officer and our four other highest paid executive officers to \$1 million unless, in general, the compensation is paid under a plan that is performance-related, non-discretionary and has been approved by our shareholders. Because we qualify as a REIT under the Code and are generally not subject to Federal income taxes to the extent that we make distributions to shareholders in amounts at least equal to our REIT taxable income, we have not attempted to structure compensation to be fully deductible under Section 162(m).

We adopted our Deferred Compensation Plan for executives to provide them with an opportunity to save for the future without paying a current tax on the deferred amounts.

What are our equity or other security ownership requirements for executives and our policies regarding hedging the economic risk of share ownership?

We maintain minimum share ownership requirements for our executives. Officers are required to own, within five years of their election as an officer but no earlier than May 2007, common shares (or common share equivalents under our Deferred Compensation Plan) having a market value at least equal to the following multiples of their base salary: (i) President and Chief Executive Officer: six times salary; (ii) each Executive Vice President who is a Senior Managing Director and each Executive or Senior Vice President who is any of our Chief Financial Officer, Chief Investment Officer, General Counsel or Chief Administrative Officer: four times salary; and (iii) each Executive Vice President, Senior Vice President or Vice President who does not hold a position included in the foregoing clause (ii): the lesser of (x) 50% of the aggregate dollar amount of bonuses awarded in the form of equity awards (such as restricted shares) during the period following appointment as officer and (y) 1.5 multiplied by his or her base salary.

We do not have a policy regarding hedging the economic risk of share ownership. Our insider trading policy requires that our General Counsel review and approve pledges of common shares by our executive officers.

Why have we entered into agreements with executive officers that provide for post-employment payments following a change-in-control?

We believe it is in our best interest to have agreements with our senior executives that maintain their focus on, and commitment to, us notwithstanding a potential merger or other change of control. The agreements with our executive officers (other than our President and Chief Executive Officer) condition the executive's entitlement to severance following a change of control upon a so-called double trigger. Under a double-trigger, the executive is entitled to severance only if, within a specified period following the change of control, the terms of his or her employment are adversely changed. The entitlement of our President and Chief Executive Officer to severance following a change of control is not conditioned on an adverse change in his employment terms, although he would be entitled to severance following a change of control only if he were to elect to resign.

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We currently have employment agreements with our President and Chief Executive Officer, our Executive Vice President and Chief Financial Officer, our Vice President and Chief Accounting Officer and five of our other executive officers (Messrs. Wiberg, Cooper, Cushing, Hipps and Imhoff) who entered into agreements with us as part of our merger with Prentiss Properties Trust. These agreements provide for post-employment severance absent a change of control if we terminate the applicable executive (other than for cause) prior to the expiration of the stated employment term. We believe this approach provides us with the flexibility to terminate the applicable executive at any time and for any reason while providing the executive with the benefit of his or her bargained for compensation.

To what extent do we benchmark total compensation and material elements of compensation and what are the benchmarks that we use?

In evaluating executive compensation, the Compensation Committee compares the elements of total compensation to compensation provided by peer groups of publicly-traded real estate companies. The Compensation Committee periodically reviews and updates the companies within the peer groups. The Compensation Committee uses peer group data primarily as a frame of reference to set executive compensation as a whole within the middle range of comparative pay at the peer group companies. For 2006, the Compensation Committee reviewed three groupings of executive compensation data, as shown in the following lists. The groupings were selected to provide different frames of reference, with Group I comprised primarily of companies that invest in office properties; Group II comprised of REITs in various sectors; and Group III comprised of a subset of office companies.

Group I:

Alexandria Real Estate Equities Inc.
 AMB Property Corp.
 American Financial Realty Trust
 Arden Realty Group, Inc.
 Boston Properties Inc.
 CarrAmerica Realty Corporation
 Corporate Office Properties Trust Inc.
 Douglas Emmett, Inc.
 Duke Realty Corp.

Equity Office Properties Trust
 Highwoods Properties Inc.
 Kilroy Realty Corp.
 Liberty Property Trust
 Mack-Cali Realty Corp.
 Maguire Properties Inc.
 Reckson Associates Realty Corp.
 SL Green Realty Corp.
 Trizec Properties, Inc.

Group II:

Alexandria Real Estate Equities Inc.
 American Financial Realty Trust
 Archstone-Smith Trust
 Arden Realty Group, Inc.
 Boston Properties, Inc.
 Brookfield Properties Corporation
 Capital Trust, Inc.
 CarrAmerica Realty Corporation
 Cousins Properties Incorporated
 Crescent Real Estate Equities Company
 Douglas Emmett, Inc.
 Duke Realty Corp.
 Equity Office Properties Trust
 Equity Residential
 Federal Realty Investment Trust
 FelCor Lodging Trust Inc.
 First Industrial Realty Trust Inc.
 Glenborough Realty Trust Inc.

Highwoods Properties Inc.
 Kilroy Realty Corp.
 Liberty Property Trust
 Mack-Cali Realty Corp.
 Maguire Properties Inc.
 New Plan Excel Realty Trust Inc.
 Pan Pacific Retail Properties Inc.
 Parkway Properties Inc.
 Post Properties Inc.
 PS Business Parks Inc.
 Realty Income Corp.
 Simon Property Group Inc.
 SL Green Realty Corp.
 The Macerich Company
 Trizec Properties, Inc.
 Vornado Realty Trust
 Washington Real Estate Investment Trust

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Group III:

Alexandria Real Estate Equities Inc.
Arden Realty Group, Inc.
Douglas Emmett, Inc.
Highwoods Properties Inc.

Kilroy Realty Corp.
Mack-Cali Realty Corp.
Maguire Properties Inc.

Do we have a policy regarding the recovery of awards or payments if corporate performance measures upon which awards or payments are based are restated or adjusted in a manner that would reduce the size of an award or payment?