

BRANDYWINE REALTY TRUST
Form 8-K/A
January 19, 2006

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

FORM 8-K/A

CURRENT REPORT

Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 5, 2006

BRANDYWINE REALTY TRUST

(Exact name of issuer as specified in charter)

MARYLAND

(State or Other Jurisdiction of
Incorporation or Organization)

001-9106

(Commission file number)

23-2413352

(I.R.S. Employer Identification
Number)

**401 Plymouth Road, Suite 500
Plymouth Meeting, Pennsylvania 19462**
(Address of principal executive offices)

(610) 325-5600

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K/A filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Table of Contents

Item 9.01 Financial Statements and Exhibits

Signature

Exhibit Index

EX-23.1 CONSENT OF PRICEWATERHOUSECOOPERS LLP

On January 10, 2006, we filed a current report on Form 8-K (the "January 5 Form 8-K") to report the January 5, 2006 completion of our acquisition of Prentiss Properties Trust ("Prentiss") pursuant to the Agreement and Plan of Merger dated as of October 3, 2005 (the "Merger Agreement") that we attached as an exhibit to our Current Report on Form 8-K filed with the SEC on October 4, 2005. In conjunction with the consummation of the mergers (collectively, the "Merger") through which we acquired Prentiss, designees of The Prudential Insurance Company of America ("Prudential") acquired those properties of Prentiss that we identified in our October 4 Current Report as the "Prudential Properties."

In the January 5 Form 8-K, we stated that we would file the required pro forma financial information by amendment to the January 5 Form 8-K. By this Form 8-K/A, we are amending the January 5 Form 8-K to include the required pro forma financial information.

Item 9.01 Financial Statements and Exhibits

Listed below are the pro forma financial information and exhibits filed as part of this report:

(a) Pro Forma Financial Information

The pro forma financial information of Brandywine Realty Trust is filed as part of this Current Report on Form 8-K/A.

(b) Exhibits

EX-23.1 CONSENT OF PRICEWATERHOUSECOOPERS LLP

Signatures

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

BRANDYWINE REALTY TRUST

Date: January 19, 2006

By: /s/ Gerard H. Sweeney

Name: Gerard H. Sweeney
Title: President and Chief Executive Officer

Unaudited Pro Forma Consolidated Financial Statements

On October 3, 2005, we, together with Brandywine Operating Partnership, L.P., and Prentiss agreed to combine our businesses by merging Prentiss into a subsidiary that we formed (the "Merger") under the terms of the agreement and plan of merger attached as Exhibit 2.1 to our current report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on October 4, 2005.

In our current report on Form 8-K that we filed with the SEC on January 10, 2006, we provided information on the consideration paid in the merger and the current sale of the properties that we referred to as the "Prudential Properties."

The accompanying unaudited pro forma consolidated financial statements have been prepared based on certain pro forma adjustments to the historical consolidated financial statements of the Trust and Prentiss as of September 30, 2005 and for the nine months then ended and for the year ended December 31, 2004 to give effect to certain material transactions already completed or contemplated by Brandywine and Prentiss separately or as part of the REIT Merger/Prudential Acquisition including the following:

Brandywine

- Impact of material acquisitions completed in 2004 □ the acquisition of The Rubenstein Company, L.P. ("Rubenstein") portfolio in September 2004;
- Financing and capital transactions (including equity offerings) completed in connection with financing these 2004 acquisitions; and
- Redemption of Brandywine preferred securities in 2004.

Prentiss

- Impact of material acquisitions completed in 2004/2005;
- Completed dispositions of properties including certain of the properties in Chicago, Illinois; Southfield, Michigan; and Dallas, Texas to which Prentiss had committed in 2005 to a plan to sell;
- Financing and capital transactions completed in connection with financing these acquisitions or the use of proceeds from sales;

- Certain reclassifications to Prentiss's historical financial statement presentations to conform with Brandywine's financial statement presentation; and
- Redemption of Prentiss preferred securities in 2004.

REIT Merger/Prudential Acquisition

- Impact of Prudential Acquisition; and
- Effects of Merger including financing transactions, issuance of common shares by Brandywine, issuance of Class A units by Brandywine Operating Partnership, L.P. (the "Operating Partnership"), assumption of debt and application of purchase accounting.

Note Issuance

- The issuance of \$300 million of unsecured notes by the Operating Partnership with a maturity of December 2010 (the "2010 Notes") and the use of the proceeds therefrom to reduce borrowings under our revolving credit facility.

The historical consolidated financial statements of the Trust are contained in its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other information on file with the SEC and incorporated by reference into this document. Certain historical consolidated financial statements of Prentiss are included in Exhibit 99.1 and Exhibit 99.2 of Brandywine's Current Report on Form 8-K and the Operating Partnership's Current Report on Form 8-K, each dated December 14, 2005, which are incorporated by reference herein. The unaudited pro forma consolidated financial statements should be read in conjunction with, and are qualified in their entirety by, the notes thereto and the historical consolidated financial statements of both the Trust and Prentiss, including the respective notes thereto.

The accompanying unaudited pro forma consolidated balance sheet as of September 30, 2005 has been prepared as if the completed or proposed transactions described above occurred as of that date. The accompanying unaudited pro forma consolidated statements of operations for the year ended December 31, 2004 and for the nine months ended September 30, 2005 have been prepared as if the completed or proposed transactions described above had occurred as of January 1, 2004. The unaudited pro forma consolidated financial statements do not purport to be indicative of the financial position or results of operations that would actually have been achieved had the completed or proposed transactions described above occurred on the dates indicated or which may be achieved in the future.

In the opinion of Brandywine's management, all significant adjustments necessary to reflect the effects of the completed or proposed transactions described above that can be factually supported within the SEC rules and regulations covering the preparation of pro forma financial statements have been made. The pro forma adjustments and the purchase price allocation as presented are based on estimates and certain information that is currently available to Brandywine's management. Such pro forma adjustments and the purchase price allocation could change as additional information becomes available, as estimates are refined or as additional events occur. Brandywine's management does not anticipate that there will be any significant changes in the total purchase price as presented in these unaudited pro forma consolidated financial statements.

The unaudited pro forma consolidated financial statements do not give effect to (i) any transaction other than those described above, (ii) the results of operations of the Trust or Prentiss since September 30, 2005, (iii) certain cost savings and one-time charges expected to result from the transactions described above whose effects are not reflected in the historical financial statements of the Trust or Prentiss and (iv) the results of final valuations of the assets and liabilities of Prentiss, including property and intangible assets. We are currently developing plans to integrate the operations of the companies, which may involve various costs and other charges that may be material. We will also revise the allocation of the purchase price when additional information becomes

available. The pro forma consolidated financial information does not purport to be indicative of the financial position or results of operations as of the date of this Current Report on Form 8-K/A, as of the effective date of the Merger and the Prudential Acquisition, for any period ending at the effective date of the Merger and the Prudential Acquisition or as of any other future date or period. The foregoing matters could cause both Brandywine's pro forma financial position and results of operations, and the Trust's actual future financial position and results of operations, to differ materially from those presented in the following unaudited pro forma consolidated financial statements.

BRANDYWINE REALTY TRUST
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
As of September 30, 2005
(in thousands)

Prentiss

	Brandywine Historical	Prentiss Historical	Reclassific ations (A)	Dispositions (B)	Prentiss as Adjusted	Prudential Acquisition (C)	Pro Forma Adjustments (C)	Note Issuance (D)	Brandywine Pro Forma
ASSETS									
Real estate investments:									
Operating properties	\$ 2,568,070	\$ 1,961,601	\$ 205,314	\$	\$ 2,166,915	\$ (525,534)	\$ 480,101	\$	\$ 4,689,552
Accumulated depreciation	(373,127)	(211,686)	(71,521)		(283,207)	76,748	206,459		(373,127)
Operating real estate investments, net	2,194,943	1,749,915	133,793		1,883,708	(448,786)	686,560		4,316,425
Properties and related assets held for sale		321,365		(53,425)	267,940		78,780		346,720
Construction-in-progress	240,749	38,871			38,871	(38,871)			240,749
Land held for development	86,086	63,786			63,786	(24,916)	24,062		149,018
Total real estate investments, net	2,521,778	2,173,937	133,793	(53,425)	2,254,305	(512,573)	789,402		5,052,912
Cash and cash equivalents	23,340	8,813			8,813	676,513	(676,513)		32,153
Escrowed cash	16,174	44,949			44,949				61,123
Accounts receivable, net	7,955	45,141	(35,457)		9,684				17,639
Accrued rent receivable, net	42,977		35,457		35,457	(11,462)	(23,995)		42,977
Marketable securities		5,208			5,208				5,208
Investment in real estate ventures	13,335	7,139			7,139		44,422		64,896
Deferred costs, net	34,624	253,137	(190,893)		62,244	(13,830)	(42,647)	2,300	42,691
Intangible assets, net	81,275		42,011		42,011		281,172		404,458
Other assets	52,457	7,462	15,089		22,551				75,008
Total assets	\$ 2,793,915	\$ 2,545,786	\$	\$ (53,425)	\$ 2,492,361	\$ 138,648	\$ 371,841	\$ 2,300	\$ 5,799,065
LIABILITIES, BENEFICIARIES EQUITY AND PARTNERS EQUITY									
Mortgage notes payable	\$ 504,669	\$ 1,356,630	\$ (358,660)	\$ (204,184)	\$ 793,786	\$ (78,585)	\$ (96,282)	\$	\$ 1,123,588
Unsecured notes	636,582							299,976	936,558
Unsecured credit facility	340,000		358,660	142,185	500,845		622,182	(297,676)	1,165,351
Accounts payable and accrued expenses	60,294	85,487	(30,199)		55,288				115,582
Distributions payable	27,712	28,476			28,476		(28,476)		27,712
Tenant security deposits and deferred rents	21,621		16,974		16,974				38,595

Edgar Filing: BRANDYWINE REALTY TRUST - Form 8-K/A

Acquired below market leases, net	36,013		11,439		11,439	(1,311)	26,323		72,464
Liabilities related to properties held for sale		14,480		(2,615)	11,865				11,865
Other liabilities	3,825	385	1,786		2,171				5,996
Total liabilities	1,630,716	1,485,458		(64,614)	1,420,844	(79,896)	523,747	2,300	3,497,711
Minority Interest	38,333	87,118			87,118	(3,670)	47,937		169,718
Beneficiaries' equity:									
Preferred shares	43	74,825			74,825		(74,825)		43
Common shares	562	496			496		(155)		903
Additional paid in capital	1,370,197	977,664			977,664		28,765		2,376,626
Cumulative earnings	404,656		648,349	11,189	659,538	222,214	(881,752)		404,656
Accumulated other comprehensive income (loss)	(2,810)	7,710			7,710		(7,710)		(2,810)
Cumulative distributions	(647,782)	(87,485)	(648,349)		(735,834)		735,834		(647,782)
Total beneficiaries' equity	1,124,866	973,210		11,189	984,399	222,214	(199,843)		2,131,636
Total liabilities and beneficiaries' equity	\$ 2,793,915	\$ 2,545,786	\$	[(53,425)]	\$ 2,492,361	\$ 138,648	\$ 371,841	\$ 2,300	\$ 5,799,065

The accompanying notes are an integral part of the unaudited pro forma consolidated financial statements.

BRANDYWINE REALTY TRUST
UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
For the year ended December 31, 2004
(in thousands, except per share data)

	Brandywine			Prentiss							Brandywine Pro Forma	
	Brandywine Historical	Preferred Redemption / Acquisitions (E)	Brandywine as Adjusted	Prentiss Historical	Reclassifications (A)	Acquisitions (F)	Dispositions (G)	Prentiss as Adjusted	Prudential Acquisitions (C)	Pro Forma Adjustments (C)		
Revenue:												
Rents	\$ 275,631	\$ 45,864	\$ 321,495	\$ 296,132	\$ (39,210)	\$ 44,002	\$ □	\$ 300,924	\$ (59,830)	\$ 2,798	(J)	\$ 565,387
Tenant reimbursements	37,572	9,725	47,297	□	32,046	3,569	□	35,615	(6,956)	□		75,956
Other	10,389	□	10,389	13,864	6,400	12	□	20,276	(26)	□		30,639
Total revenue	323,592	55,589	379,181	309,996	(764)	47,583	□	356,815	(66,812)	2,798		671,982
Operating Expenses												
Property operating expenses	89,857	19,445	109,302	76,977	9,998	15,210	□	102,185	(16,115)	□		195,372
Real estate taxes	31,062	7,247	38,309	27,219	□	4,379	□	31,598	(6,602)	□		63,305
Depreciation and amortization	79,904	30,371	110,275	75,707	□	17,067	□	92,774	(17,614)	22,503	(K)	207,938
Administrative expenses	15,100	□	15,100	21,801	(9,998)	□	□	11,803	□	□		26,903
Total operating expenses	215,923	57,063	272,986	201,704	□	36,656	□	238,360	(40,331)	22,503	(L)	493,518
Operating income (loss)	107,669	(1,474)	106,195	108,292	(764)	10,927	□	118,455	(26,481)	(19,705)		178,464
Other Income (Expense):												
Interest income	2,469	□	2,469	□	764	□	□	764	(5)	□		3,228
Interest expense	(55,061)	(15,440)	(70,501)	(63,362)	□	(16,422)	16,881	(62,903)	4,788	(24,725)	(M)	(153,341)
Loss on investment in securities	□	□	□	(420)	□	□	□	(420)	□	□		(420)
Loss from impairment of mortgage loan	□	□	□	(2,900)	□	□	□	(2,900)	□	□		(2,900)
Equity in income of real estate ventures	2,024	□	2,024	2,429	□	100	□	2,529	□	□		4,553
Net gain on sale of real estate	2,975	□	2,975	1,222	□	□	□	1,222	□	□		4,197
Income (loss) before minority interest	60,076	(16,914)	43,162	45,261	□	(5,395)	16,881	56,747	(21,698)	(44,430)		33,781
Minority Interest attributable to continuing operations	(2,472)	520	(1,952)	(2,002)	□	(185)	(716)	(2,903)	921	2,350	(N)	(1,584)
Income (loss) from continuing operations	57,604	(16,394)	41,210	43,259	□	(5,580)	16,165	53,844	(20,777)	(42,080)		32,197
Income allocated to preferred shares	(9,720)	□	(9,720)	(10,052)	□	□	□	(10,052)	□	10,052	(O)	(9,720)
Preferred share redemption/conversion	4,500	(4,500)	□	□	□	□	□	□	□	□		□

Edgar Filing: BRANDYWINE REALTY TRUST - Form 8-K/A

benefit (charge)

Income (loss) allocated to common shares	\$ 52,384	\$ (20,894)	\$ 31,490	\$ 33,207	\$ □ (5,580)	\$ 16,165	\$ 43,792	\$ (20,777)	\$ (32,028)	\$ 22,477
--	-----------	-------------	-----------	-----------	--------------	-----------	-----------	-------------	-------------	-----------

Per unit data (Q):

Basic earnings per common unit from continuing operations	\$ 1.10									\$ 0.26
Diluted earnings per common unit from continuing operations	\$ 1.09									\$ 0.26
Weighted average number of common units outstanding	47,782								(P)	87,369
Weighted average number of common and dilutive common equivalent shares outstanding	48,019								(P)	87,606

The accompanying notes are an integral part of the unaudited pro forma consolidated financial statements.

BRANDYWINE REALTY TRUST
UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
For the nine months ended September 30, 2005
(in thousands, except per share data)

	<u>Brandywine</u>		<u>Prentiss</u>				<u>Pro</u>			
	<u>Brandywine</u>	<u>Prentiss</u>	<u>Reclassific</u>	<u>Acquisition</u>	<u>Dispositions</u>	<u>as</u>	<u>Prudential</u>	<u>Forma</u>		<u>Brandywine</u>
	<u>Historical</u>	<u>Historical</u>	<u>tions (A)</u>	<u>(H)</u>	<u>(I)</u>	<u>Adjusted</u>	<u>(C)</u>	<u>Adjustments</u>		<u>Pro</u>
								<u>(C)</u>		<u>Forma</u>
Revenue:										
Rents	\$ 244,232	\$ 244,605	\$ (31,045)	\$ 11,903	\$	\$ 225,463	\$ (45,584)	\$ 1,677	(J)	\$ 425,788
Tenant reimbursements	34,922	□	25,840	1,595	□	27,435	(4,962)	□		57,395
Other	10,612	10,054	4,932	□	□	14,986	(228)	□		25,370
Total revenue	289,766	254,659	(273)	13,498	□	267,884	(50,774)	1,677		508,553
Operating Expenses										
Property operating expenses	84,652	66,745	8,646	3,630	□	79,021	(12,816)	□		150,857
Real estate taxes	29,121	23,784	□	1,127	□	24,911	(4,165)	□		49,867
Depreciation and amortization	84,790	64,354	□	5,012	□	69,366	(13,908)	17,789	(K)	158,037
Administrative expenses	13,616	20,715	(8,646)	□	□	12,069	□	□		25,685
Total operating expenses	212,179	175,598	□	9,769	□	185,367	(30,889)	17,789	(L)	384,446
Operating income (loss)	77,587	79,061	(273)	3,729	□	82,517	(19,885)	(16,112)		124,107
Other Income (Expense):										
Interest income	2,174	□	273	□	□	273	(40)	□		2,407
Interest expense	(53,366)	(54,688)	□	(4,612)	11,130	(48,170)	3,032	(18,544)	(M)	(117,048)
Equity in income of real estate ventures	2,296	(148)	□	2,216	□	2,068	□	□		4,364
Net gain on sale of real estate	4,640	□	□	□	□	□	□	□		4,640
Income (loss) before minority interest	33,331	24,225	□	1,333	11,130	36,688	(16,893)	(34,656)		18,470
Minority Interest attributable to continuing operations	(1,160)	(487)	□	72	(458)	(873)	695	455	(N)	(883)
Income (loss) from continuing operations	32,171	23,738	□	1,405	10,672	35,815	(16,198)	(34,201)		17,587
Income allocated to preferred shares	(5,994)	(5,807)	□	□	□	(5,807)	□	5,807	(O)	(5,994)

Income (loss) allocated to common shares	\$ 26,177	\$ 17,931	\$	\$ 1,405	\$ 10,672	\$ 30,008	\$ (16,198)	\$ (28,394)	\$ 11,593
--	-----------	-----------	----	----------	-----------	-----------	-------------	-------------	-----------

Per share data

(Q):									
Basic earnings per common share from continuing operations	\$ 0.47								\$ 0.13
Diluted earnings per common share from continuing operations	\$ 0.47								\$ 0.13
Weighted average number of common shares outstanding	55,734							(P)	89,816
Weighted average number of common and dilutive common equivalent shares outstanding	55,969							(P)	90,050

The accompanying notes are an integral part of the unaudited pro forma consolidated financial statements.

BRANDYWINE REALTY TRUST**Notes to Unaudited Pro Forma Consolidated Financial Statements**

(A) Represents the reclassification of certain Prentiss balances as described below:

Balance Sheet:

- Tenant improvements and associated accumulated depreciation balances were classified by Prentiss as a component of □Deferred charges and other assets, net□. These balances have been reclassified to □Operating properties□ to conform to Brandywine□s financial statement presentation.
- Accrued rents receivable were classified by Prentiss as a component of □Accounts Receivable, net□. This balance has been reclassified to □Accrued rent receivable, net□ to conform to Brandywine□s financial statement presentation.
- Above market leases and other intangible assets were classified by Prentiss as a component of □Deferred charges and other assets, net□. These balances have been reclassified to □Intangible assets, net□ to conform to Brandywine□s financial statement presentation.
- Other assets were classified by Prentiss as a component of □Deferred charges and other assets, net□. These balances have been reclassified to □Other assets□ to conform to Brandywine□s financial statement presentation.

Edgar Filing: BRANDYWINE REALTY TRUST - Form 8-K/A

- Unsecured debt obligations were classified by Prentiss as a component of □Mortgages and notes payable□. These balances have been reclassified to □Unsecured credit facility□ to conform to Brandywine□s financial statement presentation.
- Tenant security deposits and deferred rents were classified by Prentiss as a component of □Accounts payable and other liabilities□. This balance has been reclassified to □Tenant security deposits and deferred rents□ to conform to Brandywine□s financial statement presentation.
- Acquired below market leases, net of accumulated amortization, were classified by Prentiss as a component of □Accounts payable and other liabilities□. This balance has been reclassified to □Acquired below market leases, net□ to conform to Brandywine□s financial statement presentation.
- A negative cash balance was classified by Prentiss as a component of □Accounts payable and other liabilities□. This balance has been reclassified to □Other liabilities□ to conform to Brandywine□s financial statement presentation.
- Cumulative earnings were classified by Prentiss as a component of □Distributions in excess of earnings□. This balance has been reclassified to □Cumulative earnings□ to conform to Brandywine□s financial statement presentation.

Statements of Operations:

- Prentiss includes lease termination fees as a component of □Rental income.□ These amounts have been reclassified to □Other revenue□ to conform to Brandywine□s financial statement presentation.
- Tenant reimbursements were included by Prentiss as a component of □Rental income□. These amounts have been reclassified to □Tenant reimbursements□ to conform to Brandywine□s financial statement presentation.
- Interest income was included by Prentiss as a component of □Service business and other income□. These amounts have been reclassified to □Interest income□ to conform to Brandywine□s financial statement presentation.

Notes to Unaudited Pro Forma Consolidated Financial Statements □ **Continued**

- Administrative expenses related to the management services business were included by Prentiss in □Expenses of service business□. These amounts have been reclassified to □Property operating expenses□ to conform to Brandywine□s financial statement presentation.

(B) Dispositions

Subsequent to September 30, 2005, Prentiss sold six properties (the □Dispositions□) as detailed below. Prentiss recorded gains from the sale of the Dispositions totaling approximately \$23.5 million. The sales proceeds totaling \$74.3 million along with additional borrowings of \$142.2 million from Prentiss□s revolving credit facility were used to defease two separate mortgage loans with a combined principal balance of \$204.2 million and to fund \$12.3 million of debt extinguishment costs.

Dispositions	Market	Month of Disposition	Number of Buildings	Net Rentable Square Feet (in thousands)	Assets (in thousands)	Liabilities (in thousands)	Net Proceeds (in thousands)
Chicago Industrial	Chicago, Illinois	Oct-05	4	682	\$16,696	\$1,471	\$30,000
Lakeview Center	Dallas, Texas	Oct-05	1	101	8,254	326	12,800
One Northwestern	Southfield, Michigan	Oct-05	1	242	28,475	818	31,500
			6	1,025	\$53,425	\$2,615	\$74,300

The pro forma consolidated balance sheet is presented as if each of the Dispositions was sold as of September 30, 2005. The properties related to the Prudential Acquisition have not been reclassified as held for sale because the Prudential Acquisition was contingent upon the approval of the Merger.

- (C) In the merger, each Prentiss common share (other than shares held by Prentiss in the Prentiss deferred compensation plan, which converted solely into Brandywine common shares) was converted into the right to receive:

- \$21.50 in cash, and
□ 0.69 of a Brandywine common share.

For purposes of the unaudited pro forma consolidated balance sheet presentation, the total purchase price is based on the number of outstanding Prentiss common shares, Prentiss Properties Acquisition Partners, L.P. (□Prentiss Operating Partnership□) common units, restricted shares and share options outstanding at September 30, 2005, as adjusted below, and an average trading price per Brandywine common share of \$29.54. The average trading price is based on the average of the high and low trading prices for each of the two trading days before, the day of, and the two trading days after the merger was announced (September 29, September 30, October 3, October 4 and October 5, 2005).

Notes to Unaudited Pro Forma Consolidated Financial Statements □ **Continued**

The calculation of the pro forma outstanding Prentiss common shares and Prentiss Operating Partnership units included in the calculation of the merger consideration is as follows:

	<u>Shares</u>	<u>Units</u>
Issued and outstanding common Prentiss shares and operating partnership units at September 30, 2005 (excluding treasury)	46,267,384	1,797,479
Common shares in treasury at September 30, 2005 to be issued as part of Prentiss's deferred compensation plan	61,398	□
Shares issued subsequent to September 30, 2005	69,770	□
Series D Convertible Preferred Shares converted into Prentiss common share prior to the Merger	2,823,585	□
Units converted to shares by Unitholders subsequent to September 30, 2005	2,500	(2,500)
Shares expected to be issued prior to the Merger relating to Prentiss's employee share ownership plan, incentive share grants and Trustee share grants	168,986	□
Total shares/units outstanding as of merger date	<u>49,393,623</u>	<u>1,794,979</u>

Prentiss had outstanding options that had been granted to its employees and trustees. The terms of the Merger provide for a cash settlement or exchange of these options for Brandywine options. These pro forma financial statements assume the holders received a cash settlement for all options and such amounts are financed with additional borrowings. As such neither shares nor related options relating to these grants are reflected in the outstanding basic or diluted shares.

As of September 30, 2005, Prentiss had 2,823,585 Series D preferred shares outstanding which were convertible into Prentiss common shares at a rate of \$26.50 per share. The holder of these shares converted the preferred shares into Prentiss common shares in November 2005 and these pro forma financial statements reflect such conversion.

In the Merger, the Prentiss shareholders and unitholders received their respective transaction consideration as follows (the Prudential Acquisition closed immediately after the Merger):

	<u>Merger Cash Consideration</u>	<u>Implied Share Value</u>	<u>Total</u>
Prentiss Shareholders	\$ 21.50	\$ 21.50 (a)	\$ 43.00
Prentiss Unitholders	\$ □	\$ 43.00 (b)	\$ 43.00

	<u>Shares</u>	<u>Units</u>
Prentiss shares/units outstanding	49,393,623	1,794,979
Exchange ratio	0.690	1.380 (c)
Brandywine shares/units issued	<u>34,081,600</u>	<u>2,477,072</u>

Notes to Unaudited Pro Forma Consolidated Financial Statements □ **Continued****Total**

(in thousands)			
Value (d)	\$ 1,006,770	\$ 73,173	\$ 1,079,943
Cash merger consideration	1,061,963	□	1,061,963
Total issued to holders	\$ 2,068,733	\$ 73,173	\$ 2,141,906

- (a) Using implied conversion value of \$31.1594 per Brandywine common share
- (b) Using 0.69 shares per unit plus merger cash consideration to shareholders using an implied conversion value of \$31.1594
- (c) Represents the exchange ratio for Prentiss units to Operating Partnership units
- (d) Valued at \$29.54 per Brandywine share/unit for accounting purposes, representing the average trading price based on average of the high and low trading prices for each of the two trading days before, the day of, and the two trading days after the Merger was announced (October 3, 2005).

Total purchase consideration is as follows (in thousands):

Total value of Brandywine shares/units issued and cash merger consideration	\$ 2,141,906
Cash consideration received from the Prudential Acquisition	(676,513)
Assumed cash settlement for Prentiss options outstanding	8,392
Assumption of Prentiss, as adjusted for dispositions, mortgage notes payable at book value	793,786
Assumption of Prentiss, as adjusted for dispositions, unsecured credit facilities at book value	500,845
Adjustment to reflect the mortgage notes payable assumed in the Prudential Acquisition	(78,585)
Reversal of Prentiss's historical fair value adjustments to notes payable	(3,836)
Adjustment to record Prentiss mortgages and unsecured notes payable at fair value	11,572
Assumption of Prentiss's accounts payable and other liabilities at book value	114,774
Adjustment to record the fair value of acquired below market leases	36,451
Fair value of Prentiss's other minority interests	58,212
Estimated fees and other expenses related to the Merger	95,846
Total purchase price of assets acquired	\$ 3,002,850

The calculation of the estimated fees and other expenses related to the Merger is as follows (in thousands):

Advisory fees	\$ 14,250
Legal, accounting and other fees and costs	4,750
Share registration and issuance costs	1,000
Debt issuance, debt prepayment and debt assumption fees	21,198
Real estate transfer taxes	14,248
Termination, severance, change in control and other employee related costs	40,400
Total	\$ 95,846

Notes to Unaudited Pro Forma Consolidated Financial Statements □ **Continued**

Brandywine has allocated the purchase price to the estimated post transaction fair value of the net assets acquired and liabilities assumed as follows:

	Prentiss as Adjusted	Prudential Acquisition (C-1)	Prentiss as Further Adjusted	Post Transaction Fair Value	Pro Forma Adjustments	
ASSETS						
Real estate investments:						
Operating properties	\$ 2,166,915	\$ (525,534)	\$ 1,641,381	\$ 2,121,482	\$ 480,101	C-2
Accumulated depreciation	(283,207)	76,748	(206,459)	□	206,459	C-3
Operating real estate investments, net	1,883,708	(448,786)	1,434,922	2,121,482	686,560	
Properties and related assets held for sale, net	267,940	□	267,940	346,720	78,780	
Construction-in-progress	38,871	(38,871)	□	□	□	
Land held for development	63,786	(24,916)	38,870	62,932	24,062	
Total real estate investments, net	2,254,305	(512,573)	1,741,732	2,531,134	789,402	
Cash and cash equivalents	8,813	676,513	685,326	8,813	(676,513)	C-4
Escrowed cash	44,949	□	44,949	44,949	□	
Accounts receivable, net	9,684	□	9,684	9,684	□	
Accrued rent receivable, net	35,457	(11,462)	23,995	□	(23,995)	C-5
Marketable securities	5,208	□	5,208	5,208	□	
Investment in real estate ventures	7,139	□	7,139	51,561	44,422	C-6
Deferred costs, net	62,244	(13,830)	48,414	5,767	(42,647)	C-7
Intangible assets, net	42,011	□	42,011	323,183	281,172	C-8
Other assets	22,551	□	22,551	22,551	□	
Total assets	\$ 2,492,361	\$ 138,648	\$ 2,631,009	\$ 3,002,850	\$ 371,841	
LIABILITIES AND BENEFICIARIES □						
EQUITY						
Mortgage notes payable	\$ 793,786	\$ (78,585)	\$ 715,201	\$ 618,919	\$ (96,282)	C-9
Unsecured notes	□	□	□	□	□	
Unsecured credit facility	500,845	□	500,845	1,123,027	622,182	C-10
Accounts payable and accrued expenses	55,288	□	55,288	55,288	□	
Distributions payable	28,476	□	28,476	□	(28,476)	C-11
Tenant security deposits and deferred rents	16,974	□	16,974	16,974	□	
Acquired below market leases, net	11,439	(1,311)	10,128	36,451	26,323	C-12
Liabilities related to properties held for sale	11,865	□	11,865	11,865	□	
Other liabilities	2,171	□	2,171	2,171	□	
Total liabilities	1,420,844	(79,896)	1,340,948	1,864,695	523,747	
Minority interest	87,118	(3,670)	83,448	131,385	47,937	C-13
Beneficiaries' equity:						
Preferred shares	74,825	□	74,825	□	(74,825)	C-14
Common shares	496	□	496	341	(155)	C-14

Edgar Filing: BRANDYWINE REALTY TRUST - Form 8-K/A

Additional paid in capital	977,664	□	977,664	1,006,430	28,765C-14
Cumulative earnings	659,538	222,214	881,752	□)
Accumulated other comprehensive loss	7,710	□	7,710	□	(881,752C-14)
Cumulative distributions	(735,834)	□	(735,834)	□	(7,710C-14)
Total beneficiaries' equity	984,399	222,214	1,206,613	1,006,770	735,834C-14
Total liabilities and beneficiaries' equity	\$ 2,492,361	\$ 138,648	\$ 2,631,009	\$ 3,002,850	(199,843)

-
- C-1 Adjustment to eliminate the historical carrying amount of assets and liabilities related to assets acquired by Prudential at the time of the Merger. Amount presented as cash and cash equivalents represents the cash consideration from Prudential.
- C-2 Fair market value adjustment to Prentiss's real estate assets held for investment based on Brandywine's purchase price allocation.

Notes to Unaudited Pro Forma Consolidated Financial Statements □ **Continued**

- C-3 Adjustment to eliminate Prentiss's historical accumulated depreciation.
- C-4 Adjustment to reflect the assumption that the cash consideration from the Prudential Acquisition is used as a source to fund the closing of the Merger.
- C-5 Adjustment to eliminate Prentiss's straight-line rent balance.
- C-6 Prentiss's investments in operating joint ventures have been adjusted to their estimated fair value as of September 30, 2005. The same valuation methods used for the direct owned real estate assets of Prentiss were used in calculating this adjustment.
- C-7 Adjustment to eliminate Prentiss's capitalized debt issuance costs and capitalized leasing costs totaling \$48.4 million and to reflect the capitalization of issuance costs associated with debt issued and assumed in the Merger of \$5.8 million.

- C-8 Adjustment to Prentiss's historical balance of intangible assets are as follows:

Elimination of historical Prentiss intangible amounts	\$ (42,011)
Recognition of intangible value of acquired in place leases / tenant relationships	266,288
Recognition of asset associated with the acquired in place leases that have above market lease rates	56,895
	<u>281,172</u>
	<u>\$ 281,172</u>

- C-9 Adjustments to □Prentiss as Further Adjusted□ balance of mortgage notes payable are as follows:

Elimination of historical Prentiss mortgage notes payable that were repaid subsequent to September 30, 2005 or at closing of the Merger	\$ (104,018)
Elimination of historical Prentiss fair value adjustment on mortgage notes payable	(3,836)
Reflects the estimated fair value adjustment based on Brandywine's estimates of the interest rates that would be available to Brandywine for the issuance of debt with similar terms and remaining maturities. The interest rates on the assumed debt are considered to be above market.	11,572
	<u>(96,282)</u>
	<u>\$ (96,282)</u>

- C-10 Net borrowings under lines of credit are assumed to: (i) fund the aggregate cash merger consideration of \$1,062.0 million; (ii) other estimated fees and other expenses of the Merger aggregating \$95.8 million; (iii) fund the assumed payment of Prentiss's accrued dividend payable as of September 30, 2005 of \$28.5 million; (iv) fund the assumed cash redemption of outstanding Prentiss options of approximately \$8.4 million; and (v) fund the repayment of mortgage notes payable of \$104.0 million. Brandywine: (i) borrowed \$750 million on an unsecured facility with a term of 364 days from the closing of the Merger; (ii) use proceeds of \$676.5 million from the Prudential Acquisition; and (iii) used its existing revolving line of credit. The \$750 million unsecured facility is expected to be repaid from the proceeds of long term financings.

- C-11 Adjustment to reflect the payment of accrued dividends before closing.

Notes to Unaudited Pro Forma Consolidated Financial Statements □ **Continued**

C-12 Adjustment to eliminate Prentiss's historical liability for acquired below market leases of \$10.1 million and to reflect the recognition of a liability associated with the acquired in place leases that have below market lease rates of \$36.5 million.

C-13 Adjustment to reflect the change in minority interest in the Operating Partnership based on the value of Class A units issued to Prentiss unitholders and the fair market value of minority interest holders in other consolidated partnerships, as follows (in thousands):

	Prentiss Operating Partnership Units	Other minority interests	Total
	<u> </u>	<u> </u>	<u> </u>
Historical carrying value of minority interest at September 30, 2005	\$ 34,856	\$ 52,262	\$ 87,118
Prudential Acquisition	□	(3,670)	(3,670)
Adjustment to fair value	38,317	9,620	47,937
	<u> </u>	<u> </u>	<u> </u>
Fair value in pro forma	\$ 73,173	\$ 58,212	\$ 131,385
	<u> </u>	<u> </u>	<u> </u>

C-14 Adjustments represent the elimination of historical Prentiss balances and the issuance of Brandywine common shares in the Merger. The Brandywine common shares issued are valued as follows.

Number of shares assumed to be issued	34,081,600
Par value, \$0.01 par value per share	\$ 341
Additional paid in capital	1,006,340
	<u> </u>
Total value of shares issued	\$ 1,006,770

(D) Reflects the proceeds of the sale of 2010 Notes, net of assumed issuance costs of \$2.3 million, and the repayment of borrowings under the revolving credit facility made from such proceeds.

(E) On September 21, 2004, Brandywine completed the acquisition of 100% of the partnership interests in Rubenstein (the "Rubenstein Acquisition"). Pro forma information relating to the Rubenstein Acquisition is presented as if the acquisition and the related financing transactions occurred on January 1, 2004. Through the acquisition, Brandywine acquired 14 office properties (the "Rubenstein Properties") located in Pennsylvania and Delaware that contain approximately 3.5 million net rentable square feet. The results of Rubenstein's operations have been included in the Operating Partnership's consolidated financial statements since that date.

The aggregate consideration for the Rubenstein Acquisition was \$631.3 million including \$29.3 million of closing costs, debt prepayment penalties and debt premiums that are included in the basis of the assets acquired. The consideration was paid with \$540.4 million of cash, \$79.3 million of debt assumed, \$1.6 million of other liabilities assumed, and 343,006 Operating Partnership Class A Units valued at \$10.0 million. The value of the debt assumed was based on prevailing market rates at the time of acquisition. The value of the Operating Partnership Class A Units was based on the average trading price of Brandywine common shares immediately prior to closing.

The unaudited pro forma consolidated financial information gives effect to:

- The Rubenstein Acquisition;
- Brandywine's September 2004 issuance of 7,750,000 common shares used to fund the Rubenstein Acquisition;
-

The Operating Partnership's repayment of an existing \$100 million term loan facility in September 2004;

Notes to Unaudited Pro Forma Consolidated Financial Statements □ **Continued**

- The Operating Partnership's issuance in October 2004 of \$275.0 million of its 2009 4.5% unsecured notes and \$250.0 million of its 2014 5.4% unsecured notes in an underwritten public offering. The Operating Partnership received net proceeds, after discounts, of approximately \$520.1 million. Brandywine fully and unconditionally guaranteed the payment of principal and interest on the Notes. In anticipation of the issuance of the Notes, Brandywine entered into treasury lock agreements with notional amounts totaling \$194.8 million with an expiration of 5 years at an all-in rate of 4.8% and with notional amounts totaling \$188.0 million with an expiration of 10 years at an all-in rate of 5.6%. Upon issuance of the Notes, Brandywine terminated the treasury lock agreements at a total cost of \$3.2 million that will be amortized to interest expense over the life of the respective Notes;
 - The Operating Partnership's sale in December 2004 of \$113.0 million aggregate principal amount of its 2008 unsecured notes (the "2008 Notes") to a group of institutional investors. The 2008 Notes bear interest from their date of issuance at the fixed rate of 4.34% per annum and mature on December 14, 2008;
 - Actual repayments on Brandywine's revolving credit facility of \$200.0 million in October 2004 as a result of the above transactions to decrease interest expense; and
 - Elimination of a preferred share redemption/conversion benefit of \$4.5 million relating to the redemption of previously outstanding preferred shares of Brandywine in 2004.
- (F) During the year ended December 31, 2004, Prentiss acquired six office buildings totaling approximately 2.1 million net rentable square feet that are included in Prentiss's income from continuing operations (collectively, the "2004 Acquired Properties"). Two additional properties totaling approximately 0.2 million net rentable square feet were acquired by Prentiss in 2004, the operations of which are now classified in income from discontinued operations. During 2005, Prentiss acquired seven office buildings totaling approximately 1.2 million net rentable square feet (collectively, the "2005 Acquired Properties," and together with the 2004 Acquired Properties, the "Acquired Properties"). Information related to the Acquired Properties is included in the table below:

	<u>Market</u>	<u>Month of Acquisition</u>	<u>Number of Buildings</u>	<u>Net Rentable Square Feet (in thousands)</u>	<u>Acquisition Price (in thousands)</u>
2004 Acquired Properties					
Cityplace Center	Dallas, Texas	Apr-04	1	1,296	\$123,335
The Bluffs	San Diego, California	May-04	1	69	17,739
Great America Parkway	Santa Clara, California	May-04	3	306	34,817
2101 Webster	Oakland, California	Oct-04	1	459	65,674
			<u>6</u>	<u>2,130</u>	<u>\$241,565</u>
2005 Acquired Properties					
President's Plaza	Herndon, Virginia	Feb-05	2	197	\$51,818
Tysons International Partners	Tysons Corner, Virginia	May-05	2	456	103,222
1333 Broadway	Oakland, California	Jul-05	1	238	40,027
Concord Airport Plaza	Concord, California	Aug-05	2	350	69,457
			<u>7</u>	<u>1,241</u>	<u>\$264,524</u>

Acquired Properties	13	3,371	\$506,089
	<u> </u>	<u> </u>	<u> </u>
	14		

Notes to Unaudited Pro Forma Consolidated Financial Statements □ **Continued**

Aggregate consideration for the Acquired Properties was paid with borrowings under Prentiss's revolving credit facility of \$327.4 million, debt assumed of \$116.0 million, the issuance of Prentiss Operating Partnership common units valued at \$21.2 million and contributions from limited partners of \$41.5 million. The value of the debt assumed was based on prevailing market rates at the time of acquisition. The value of the Prentiss Operating Partnership common units was based on the closing price of Prentiss common shares on the acquisition date.

The operating results for the 2004 Acquired Properties since the date of acquisition are already included in Prentiss's historical results from operations. The pro forma amounts below represent the additional amounts necessary to reflect the results of the Acquired Properties for the period from January 1, 2004 through the acquisition date for the 2004 Acquired Properties and for the entire year ended December 31, 2004 for the 2005 Acquired Properties.

Pro forma information for Prentiss acquisitions for the year ended December 31, 2004

	2004 Acquired Properties				2005 Acquired Properties				Pro Forma Adjustments	Total Acquisitions	
	Cityplace Center	The Bluffs	Great America Parkway	2101 Webster	President Plaza	Tysons International Partners	1333 Broadway	Concord Airport Plaza			
Revenue:											
Rents	\$ 12,895	\$ 446	\$	□ \$ 7,070	\$ 4,102	\$ 11,209	\$ 5,649	\$ 7,238	\$ (4,607)	F-1	\$ 44,002
Tenant reimbursements	□	□	□	665	114	769	311	1,710	□		3,569
Other	12	□	□	□	□	□	□	□	□		12
Total revenue	12,907	446	□	7,735	4,216	11,978	5,960	8,948	(4,607)		47,583
Operating Expenses											
Property operating expenses	2,873	205	106	3,579	1,021	3,302	2,811	2,763	(1,450)	F-2	15,210
Real estate taxes	1,096	69	128	671	393	982	459	581	□		4,379
Depreciation and amortization	□	□	□	□	□	□	□	□	17,067	F-3	17,067
Administrative expenses	□	□	□	□	□	□	□	□	□		□
Total operating expenses	3,969	274	234	4,250	1,414	4,284	3,270	3,344	15,617		36,656
Operating income	8,938	172	(234)	3,485	2,802	7,694	2,690	5,604	(20,224)		10,927
Other Income (Expense):											
Interest income	□	□	□	□	□	□	□	□	□		□
Interest expense	□	□	□	□	□	□	□	□	(16,422)	F-4	(16,422)
Loss on investment in securities	□	□	□	□	□	□	□	□	□		□
Loss from impairment of mortgage loan	□	□	□	□	□	□	□	□	□		□
Equity in income of real estate ventures	□	□	□	□	□	□	□	□	100	F-5	100

Edgar Filing: BRANDYWINE REALTY TRUST - Form 8-K/A

Net gain on sale of real estate										
Income before minority interest	8,938	172	(234)	3,485	2,802	7,694	2,690	5,604	(36,546)	(5,395)
Minority Interest attributable to continuing operations									(185) F-6	(185)
Income from continuing operations	\$ 8,938	\$ 172	\$ (234)	\$ 3,485	\$ 2,802	\$ 7,694	\$ 2,690	\$ 5,604	\$ (36,731)	\$ (5,580)

Notes to Unaudited Pro Forma Consolidated Financial Statements □ Continued

F-1	<p>Reflects adjustments to revenue resulting from the new lease executed with 7-Eleven, Inc. upon Prentiss's acquisition of Cityplace Center. Cityplace Center was 100% leased by 7-Eleven, Inc. under a master lease agreement with the previous owner, an affiliate of 7-Eleven, Inc. 7-Eleven, Inc. sublet approximately 42% of the building's net rentable feet. Concurrent with the acquisition of Cityplace, 7-Eleven, Inc. executed a three year lease for annual rental revenues of approximately \$10.3 million and Prentiss assumed the subleases. The historical revenues of Cityplace Center reflect 100% occupancy under the master lease agreement.</p> <p>Reflects the adjustment necessary to record rental income for in-place leases on a straight-line basis beginning January 1, 2004 and amortization of the above and below market lease values from the Acquired Properties over the remaining noncancelable term of the leases ranging from 1 to 11 years.</p>	<p>\$(6,437)</p> <p>1,830</p> <hr/> <p>\$(4,607)</p> <hr/>
F-2	<p>Reflects adjustments to exclude historical property management fees paid to third parties (through the dates of acquisition) because the Acquired Properties subsequent to acquisition are managed by an entity affiliated with Prentiss.</p>	
F-3	<p>Reflects adjustments to reflect depreciation and amortization related to the Acquired Properties. Purchase price allocated to buildings and improvements is amortized over their estimated useful lives of 40 years. Purchase price allocated to other tangible and intangible real estate related assets is amortized over the estimated useful lives ranging from 1 to 11 years.</p>	
F-4	<p>Reflects the additional interest costs for the year ended December 31, 2004 that would have been incurred had the Acquired Properties been acquired on January 1, 2004. The increased interest cost results from \$116.0 million of debt assumed with the Acquired Properties and \$327.4 million of borrowings under Prentiss's revolving credit facility. The increase in interest cost from the debt assumptions is partially offset in the pro forma adjustments by the amortization of the fair value adjustment to the debt assumed. Interest costs from additional borrowings under Prentiss's revolving credit facility are based on 30-day LIBOR of 4.10% plus 95 basis points. Each 1/8th of 1% increase in the annual interest rate of the revolving credit facility will increase interest expense by approximately \$0.3 million.</p>	
F-5	<p>On May 2, 2005, Prentiss completed a transaction in which it acquired the remaining 75% interest in the properties owned by Tysons International Partners, a joint venture that prior to the transaction was owned 25% by Prentiss and 75% by an unrelated third party. Concurrent with the acquisition of the remaining 75%, the results of operations were consolidated with and into the accounts of Prentiss. The adjustment reflects the elimination of equity in income from Tyson International Partners that was recognized by Prentiss prior to the acquisition.</p>	
F-6	<p>Reflects the allocation of earnings to the minority interests in the Prentiss Operating Partnership and subsidiaries of the Operating Partnership as a result of the pro forma adjustments based on weighted average minority interest ownership percentages for the period.</p>	

Notes to Unaudited Pro Forma Consolidated Financial Statements □ **Continued**

(G) As previously described in footnote (B) to the consolidated pro forma balance sheet, subsequent to September 30, 2005, Prentiss sold six properties containing approximately 1.0 million net rentable square feet (the □Dispositions□). In addition to the Dispositions, Prentiss disposed of 13 properties containing approximately 1.8 million net rentable square feet during the period January 1, 2004 through September 30, 2005 (which when combined with the Dispositions are referred to herein as the □Disposition Properties□). The operations of each of the Disposition Properties along with interest expense on mortgage loans collateralized by certain of the Disposition Properties are included in income from discontinued operations in the Prentiss historical consolidated statement of operations for the year ended December 31, 2004 and thus are excluded from income from continuing operations in the both the Prentiss historical consolidated statement of operations and the pro forma consolidated statement of operations for the year ended December 31, 2004.

The pro forma interest adjustment represents an interest expense savings for the period prior to sale, resulting from the extinguishment of debt obligations with \$313.7 million of proceeds from the Disposition Properties. The extinguishment of debt included the defeasance of two loans totaling approximately \$204.2 million along with related extinguishment cost of \$12.3 million and the repayment of \$97.2 million of Prentiss□ credit facility.

The pro forma adjustment to minority interest attributable to continuing operations reflects the allocation of earnings to the minority interests in the Prentiss Operating Partnership and subsidiaries of the Prentiss Operating Partnership as a result of the pro forma adjustments based on weighted average minority interest ownership percentages for the period.

(H) The operating results for the 2005 Acquired Properties since the dates of acquisition are already included in Prentiss□s historical results from operations. The pro forma amounts below represent the additional amounts necessary to reflect the results of the 2005 Acquired Properties for the period from January 1, 2005 through the acquisition dates for the 2005 Acquired Properties.

2005 Acquired Properties

	President□s Plaza	Tysons International Partners	1333 Broadway	Concord Airport Plaza	Pro Forma Adjustments	Total Acquisitions
Revenue:						
Rents	\$ 557	\$ 3,881	\$ 2,913	\$ 4,515	\$ 37 H-1	\$ 11,903
Tenant Reimbursements	23	330	117	1,125	□	1,595
Other	□	□	□	□	□	□
Total revenue	580	4,211	3,030	5,640	37	13,498
Operating Expenses						
Property operating expenses	141	1,017	1,481	1,406	(415) H-2	3,630
Real estate taxes	58	452	247	370	□	1,127
Depreciation and amortization	□	□	□	□	5,012 H-3	5,012
Administrative expenses	□	□	□	□	□	□
Total operating expenses	199	1,469	1,728	1,776	4,597	9,769
Operating Income	381	2,742	1,302	3,864	(4,560)	3,729
Other Income (Expense):						
Interest Income	□	□	□	□	□	□
Interest Expense	□	(8,831)	□	□	4,219 H-4	(4,612)
Equity in income of real estate ventures	□	□	□	□	2,216 H-5	2,216
Net gain on sale of real estate	□	□	□	□	□	□

Edgar Filing: BRANDYWINE REALTY TRUST - Form 8-K/A

Income before minority interest	381	(6,089)	1,302	3,864	1,875	1,333
Minority Interest attributable to continuing operations	□	□	□	□	72 H-6	72
Income from continuing operations	\$ 381	\$ (6,089)	\$ 1,302	\$ 3,864	\$ 1,947	\$ 1,405

H-1 Reflects the adjustment necessary to record rental income for in-place leases on a straight-line basis beginning January 1, 2004 and amortization of the above and below market lease values from the 2005 Acquired Properties over the remaining noncancelable term of the leases ranging from one to nine years.

Notes to Unaudited Pro Forma Consolidated Financial Statements □ Continued

H-2 Reflects adjustments to exclude historical property management fees paid to third parties (through the dates of acquisition) as the 2005 Acquired Properties will be managed by an affiliated entity.

H-3 Reflects depreciation and amortization related to the 2005 Acquired Properties. Purchase price allocated to buildings and improvements is amortized over estimated useful lives of 40 years. Purchase price allocated to other real estate assets is amortized over the estimated useful lives ranging from one to nine years.

H-4 Reflects the additional interest costs for the nine months ended September 30, 2005 that would have been incurred by Prentiss had the properties been acquired on January 1, 2005, offset by an adjustment to remove an \$8.8 million non-recurring charge resulting from early prepayment of debt in connection with the acquisition of Tysons International Properties. The increased interest cost results from \$68.3 million of debt assumed with the Acquired Properties and \$156.9 million of borrowings under Prentiss's revolving credit facility. The increase in interest cost from the debt assumptions is partially offset in the pro forma adjustments by the amortization of the fair value adjustment to the debt assumed. Interest costs from additional borrowings under Prentiss's revolving credit facility are based on 30-day LIBOR of 4.10% plus 95 basis points. Each 1/8th of 1% increase in the annual interest rate of the revolving credit facility will increase interest expense by approximately \$0.1 million.

H-5 Reflects the equity in income of Tysons International Properties before the acquisition.

H-6 Reflects the 49% minority interest in pro forma net income of the President's Plaza Properties and the 1333 Broadway Property. Also reflects the adjustment to minority interest due to holders of Prentiss Operating Partnership common units based on the pro forma net income change and the additional Operating Partnerships common units issued in the Concord Airport Plaza acquisition.

- (I) The operations of each of the Disposition Properties that were sold subsequent to December 31, 2004 along with interest expense on mortgage loans collateralized by the related Disposition Properties is included in income from discontinued operations in the Prentiss historical consolidated statement of operations for the nine months ended September 30, 2005 and thus is excluded from income from continuing operations in the both the Prentiss historical consolidated statement of operations and the pro forma consolidated statement of operations for the nine months ended September 30, 2005.

The pro forma interest adjustment represents an interest expense savings resulting from the extinguishment of debt obligations with \$203.8 million of proceeds from the Disposition Properties sold subsequent to December 31, 2004. The extinguishment of debt included the defeasance of two loans totaling approximately \$204.2 million along with related extinguishment cost of \$12.3 million. The incremental portion of the defeasance was financed with additional borrowings of \$12.7 million under Prentiss's credit facility.

The pro forma adjustment to minority interest attributable to continuing operations reflects the allocation of earnings to the minority interests in the Prentiss Operating Partnership and subsidiaries of the Prentiss Operating Partnership as a result of the pro forma adjustments based on weighted average minority interest ownership percentages for the period.

- (J) Rents are adjusted to: (i) remove Prentiss's historical straight-line rent adjustment; (ii) recognize the total minimum lease payments provided under the acquired leases on a straight-line basis over the remaining term as if the Merger had occurred on January 1, 2004; and (iii) include amortization of the asset and liability created at the merger date associated with acquired leases where the net present value was assumed to be favorable or unfavorable to relative estimated market rates as if the Merger had occurred on January 1, 2004.

Notes to Unaudited Pro Forma Consolidated Financial Statements □ **Continued**

(K) Represents the increase in depreciation and amortization expense as a result of the step-up in basis to record Prentiss's real estate at the estimated fair value as if the Merger had occurred on January 1, 2004 and the increase in amortization expense related to intangible assets associated with acquired leases that were recognized under purchase accounting. Allocations of the step-up to fair value were estimated between depreciable and non-depreciable components based on the asset type and market conditions. An estimated useful life of 40 years was assumed to compute the adjustment to real estate depreciation. For assets and liabilities associated with the value of in place leases, the amortization expense was calculated over the remaining terms of the leases.

(L) Management of Brandywine expects that the Merger will create operational and general and administrative cost savings, including property management costs, costs associated with corporate administrative functions and executive compensation. There can be no assurance that Brandywine will be successful in achieving these anticipated cost savings. No estimate of these expected future cost savings has been included in the pro forma financial statements. Such adjustments cannot be factually supported within the SEC rules and regulations governing the preparation of pro forma financial statements until such time as the operations of the two companies have been fully integrated.

(M) Adjustments to interest expense are as follows (in thousands):

	Principal Balance	Weighted Average Interest Rate	Impact on Pro forma Interest Expense	
			Year ended December 31, 2004	Nine Months ended September 30, 2005
Estimated incremental unsecured borrowing at LIBOR plus spread (see note C)	\$ 622,181	5.00%	\$ 31,109	\$ 23,332
Impact of the issuance of the 2010 Notes, including the amortization of the associated issuance costs (see note D)	299,976	5.77%	17,296	12,972
Repayment of unsecured revolving credit facility with proceeds from the 2010 Notes (see note D)	(297,676)	5.00%	(14,884)	(11,163)
Impact of secured loans prepaid after September 30, 2005	(104,019)	6.40%	(6,654)	(4,991)
Eliminate historical premium amortization on assumed debt			589	442
Add amortization of new debt premium in purchase accounting			(2,731)	(2,048)
			\$ 24,725	\$ 18,544

The pro forma increase in interest expense as a result of the issuance of new debt in the merger is calculated using current market rates (LIBOR of 4.10%) as if the borrowings had been outstanding as of January 1, 2004. Each 1/8th of 1% increase in the annual interest rate assumed with respect to the debt will increase the pro forma interest expense by \$0.8 million for the year ended December 31, 2004 and \$0.6 million for the nine months ended September 30, 2005.

Notes to Unaudited Pro Forma Consolidated Financial Statements □ **Continued**

(N) Adjustment to reflect the pro forma impact of minority interest attributable to continuing operations assuming all Prentiss Operating Partnership units to be converted to Brandywine Operating Partnership units had been outstanding as of January 1, 2004.

(O) During the year ended December 31, 2004 and the nine months ended September 30, 2005, Prentiss had outstanding Series D preferred shares which were convertible into Prentiss common shares at a rate of \$26.50 per share. The holder of these shares converted the preferred shares into Prentiss common shares in 2005 and these pro forma financial statements reflect such conversion as if it occurred on January 1, 2004, and the related preferred distributions have been removed. Also eliminated from the income allocated to preferred shares is a charge of approximately \$1.6 million relating to the redemption of previously outstanding preferred shares of Prentiss in 2004.

(P) The calculations of basic and diluted earnings from continuing operations attributable to common shares per share are as follows:

For the year ended December 31, 2004

	Brandywine Historical		Brandywine Pro Forma	
	Basic	Diluted	Basic	Diluted
Weighted average common shares outstanding	47,781,789	47,781,789	47,781,789	47,781,789
Pro forma adjustment for additional common shares issued in September 2004	□	□	5,505,464	5,505,464
Options and warrants	□	236,915	□	236,915
Pro forma adjustment for additional common shares issued as part of the Merger	□	□	34,081,600	34,081,600
Total weighted average common shares outstanding	47,781,789	48,018,704	87,368,853	87,605,768
Earnings (loss) per common share, continuing operations	\$ 1.10	\$ 1.09	\$ 0.26	\$ 0.26

Notes to Unaudited Pro Forma Consolidated Financial Statements □ **Continued**

For the nine months ended September 30, 2005

	Brandywine Historical		Brandywine Pro Forma	
	Basic	Diluted	Basic	Diluted
Weighted average common shares outstanding	55,734,114	55,734,114	55,734,114	55,734,114
Options and warrants	□	234,543	□	234,543
Pro forma adjustment for additional common shares issued as part of the Merger	□	□	34,081,600	34,081,600
Total weighted average common shares outstanding	55,734,114	55,968,657	89,815,714	90,050,257
Earnings (loss) per common share, continuing operations	\$ 0.47	\$ 0.47	\$ 0.13	\$ 0.13

Exhibit Index

Exhibit Number

Description

23.1

Consent of PricewaterhouseCoopers LLP