TELLURIAN INC. /DE/
Form 424B7
August 22, 2017
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Filed Pursuant to Rule 424(b)(7)

Registration Statement No. 333-216011

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered (1)(2)	Proposed maximum offering price per unit (3)	Proposed maximum aggregate offering price (3)	Amount of registration fee
Common stock, par value $0.01 per share	5,467,851 shares	$8.70	$47,542,964	(4)

(1) The securities that may be offered pursuant to the registration statement on Form S-3ASR (File No. 333-216011) filed with the Securities and Exchange Commission (the SEC) on February 10, 2017 (the Current Form S-3), include, pursuant to Rule 416 of the Securities Act of 1933, as amended (the Securities Act), such additional number of securities as may become issuable as a result of any stock split, stock dividend or similar event.

(2) GE Oil & Gas, LLC may offer and sell from time to time up to 5,467,851 shares of common stock of Tellurian Inc.

(3) Estimated solely for the purpose of calculating the amount of the registration fee required pursuant to Rule 457(c) under the Securities Act. The proposed maximum offering price per share and proposed maximum aggregate offering price are calculated using the average of the high and low prices of the common stock on the NASDAQ Capital Market on August 18, 2017. Payment of the registration fee at the time of filing of the Current Form S-3 was deferred pursuant to Rules 456(b) and 457(r) under the Securities Act. This Calculation of Registration Fee table shall be deemed to update the Calculation of Registration Fee table in the Current Form S-3.

(4) Pursuant to Rules 415(a)(6) and 457(p) under the Securities Act, the registrant is carrying forward to the Current Form S-3 $279,230,000 in aggregate offering price of securities and $32,392.76 in registration fees that were previously paid in connection with a registration statement on Form S-3 (Registration No. 333-214068) filed with the SEC on October 12, 2016 (the Prior Form S-3), which Prior Form S-3 was withdrawn. No securities were sold under the Prior Form S-3. As a result, the $5,510.23 registration fee for the 5,467,851 shares of common stock to be registered hereunder has been fully offset against the registration fees that were previously paid in connection with the Prior Form S-3, leaving $26,882.53 in registration fees for $231,687,036 in aggregate

offering price of securities under the Prior Form S-3 available to be offset against future registration fees.

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PROSPECTUS SUPPLEMENT

(to Prospectus dated February 10, 2017)

5,467,851 Shares

Tellurian Inc.

Common Stock

This prospectus supplement relates to the offer and sale, from time to time, of up to 5,467,851 shares of our common stock held by GE Oil & Gas, LLC, a Delaware limited liability company and a subsidiary of General Electric Company. We will not receive any proceeds from sales of common stock by the selling stockholder.

The selling stockholder may sell the shares of common stock offered by this prospectus supplement from time to time as it may determine through ordinary brokerage transactions, directly to market makers, in private sales, through dealers or agents or through any other means described in Plan of Distribution. The selling stockholder may sell the shares of common stock at prevailing market prices or at prices negotiated with buyers. The selling stockholder will be responsible for any commissions due to brokers, dealers or agents and similar fees and fees of counsel incurred by such selling stockholder. We will be responsible for all other offering expenses. We will not receive any of the proceeds from the sale by the selling stockholder of the shares of common stock offered by this prospectus supplement.

Our common stock is traded on the NASDAQ Capital Market under the ticker symbol TELL. On August 18, 2017, the closing price of our common stock as reported on the NASDAQ Capital Market was $8.78 per share.

INVESTING IN OUR SECURITIES INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY READ THE RISK FACTORS SECTION BEGINNING ON PAGE S-8 OF THIS PROSPECTUS SUPPLEMENT AND IN THE DOCUMENTS WE INCORPORATE BY REFERENCE INTO THIS PROSPECTUS SUPPLEMENT.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is August 22, 2017.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying base prospectus are part of a registration statement that we filed with the Securities and Exchange Commission (the SEC) using a shelf registration process. Under the shelf registration, the selling stockholder may sell up to 5,467,851 shares of our common stock.

We provide information to you about this offering in two separate documents that are bound together: (1) this prospectus supplement, which describes the specific details regarding this offering and (2) the accompanying base prospectus, which provides general information regarding us, our securities, and other information, some of which may not apply to this offering. If information in this prospectus supplement is inconsistent with the accompanying base prospectus, you should rely on this prospectus supplement. However, if any statement in one of these documents is inconsistent with a statement in a document incorporated by reference in this prospectus supplement having a later date, the statement in the document having the later date modifies or supersedes the earlier statement as our business, financial condition, results of operations and prospects may have changed since the earlier date.

You should read this prospectus supplement, together with the accompanying base prospectus, the documents incorporated by reference in this prospectus supplement and the accompanying base prospectus and any free writing prospectus that we have authorized for use in connection with this offering before making an investment decision. You should also read and consider the information in the documents referred to in the sections of this prospectus supplement and the accompanying base prospectus entitled Where You Can Find More Information and Incorporation of Certain Information by Reference.

We have not authorized anyone to provide you with any information other than that contained or incorporated by reference in this prospectus supplement, in the accompanying base prospectus or in any free writing prospectus that we have authorized for use in connection with this offering. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you.

Neither an offer to sell nor a solicitation of an offer to buy our common stock is being made in any jurisdiction in which an offer or solicitation is not permitted or in which the person making the offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make an offer or solicitation.

The information appearing in this prospectus supplement, the accompanying base prospectus, the documents incorporated by reference in this prospectus supplement, and in any free writing prospectus that we have authorized for use in connection with this offering is accurate only as of its respective date, regardless of the time of delivery of the respective document or of any sale of securities covered by this prospectus supplement. You should not assume that the information contained in or incorporated by reference in this prospectus supplement, in the accompanying base prospectus or in any free writing prospectus that we have authorized for use in connection with this offering, is accurate as of any date other than the respective dates thereof.

In this prospectus supplement, references to Tellurian, the Company, we, us or our refer to Tellurian Inc. (which February 10, 2017 was known as Magellan Petroleum Corporation) and its subsidiaries, unless the context suggests otherwise.

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WHERE YOU CAN FIND MORE INFORMATION

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and we file annual, quarterly, and other reports, proxy statements, and other information with the SEC. You may read and copy any document we file with the SEC at the SEC s public reference room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the public reference room. Our SEC filings are also available to the public at the SEC s website at http://www.sec.gov. Our website address is http://www.tellurianinc.com. However, information on our website will not be considered a part of this prospectus supplement.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to another document that we have filed with the SEC. You should read the information incorporated by reference because it is an important part of this prospectus supplement. We incorporate by reference the following information or documents that we have filed with the SEC:

- our Annual Report on Form 10-K for the fiscal year ended June 30, 2016 filed with the SEC on September 14, 2016, as amended by our Annual Report on Form 10-K/A for fiscal year ended June 30, 2016 filed with the SEC on October 27, 2016;

- our Quarterly Reports on Form 10-Q for the quarterly period ended September 30, 2016 filed with the SEC on November 14, 2016, for the quarterly period ended December 31, 2016 filed with the SEC on February 9, 2017, for the quarterly period ended March 31, 2017 filed with the SEC on May 10, 2017, and for the quarterly period ended June 30, 2017 filed with the SEC on August 9, 2017;

- our Current Reports on Form 8-K filed with the SEC on July 19, 2016, August 2, 2016, August 3, 2016, August 8, 2016, October 5, 2016, October 12, 2016, November 29, 2016, December 21, 2016, January 5, 2017, January 30, 2017, February 10, 2017 (except for sections (a) and (b) of Item 9.01 Financial Statements and Exhibits, which shall not be incorporated by reference, and which sections are amended and superseded by Item 9.01 in our Current Report on Form 8-K/A filed with the SEC on March 15, 2017), February 13, 2017, February 28, 2017, March 7, 2017, March 15, 2017, March 31, 2017, April 6, 2017, April 19, 2017, April 20, 2017, May 18, 2017, July 3, 2017 and August 11, 2017, and our Current Reports on Form 8-K/A filed with the SEC on October 20, 2016 and March 15, 2017; and

- the description of our common stock contained in the Form 8-K filed with the SEC on June 26, 2013, as the same may be further amended from time to time.

All reports and other documents filed by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this prospectus supplement and prior to the termination or completion of this offering shall be deemed to be incorporated by reference into this prospectus supplement and the accompanying base prospectus and shall be a part hereof from the date of filing of such reports and documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus supplement shall be deemed modified, superseded or replaced for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement, or in any subsequently filed document that also is deemed to be incorporated by reference in this prospectus supplement, modifies, supersedes or replaces such statement. Any statement so modified, superseded or replaced shall not be deemed, except as so modified, superseded or replaced, to constitute a part of this prospectus supplement. None of the information that we disclose under Items 2.02 or 7.01 of any Current Report on Form 8-K or any corresponding information, either furnished under Item 9.01 or included as an exhibit thereto, that we may from time to time furnish to the SEC will be incorporated by reference into, or otherwise included in, this prospectus supplement, except as otherwise expressly set forth in the relevant document. Subject to the foregoing, all information appearing in this prospectus supplement is qualified in its entirety by the information appearing in the documents incorporated by reference.

We will furnish to you, upon written or oral request, a copy of any or all of the documents that have been incorporated by reference, including exhibits to those documents. You may request a copy of those filings at no cost by writing or telephoning our corporate secretary at the following address and telephone number:

Tellurian Inc.

Attention: Corporate Secretary

1201 Louisiana Street, Suite 3100

Houston, Texas 77002

Telephone No.: (832) 962-4000

Except as provided above, no other information, including information on our website, is incorporated by reference in this prospectus supplement.

CAUTIONARY INFORMATION ABOUT FORWARD-LOOKING STATEMENTS

The information in this prospectus supplement, including information in documents incorporated by reference in this prospectus supplement, includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Exchange Act. All statements, other than statements of historical facts, that address activities, events, or developments with respect to our consolidated financial condition, results of operations, or economic performance that we expect, believe, or anticipate will or may occur in the future, or that address plans and objectives of management for future operations, are forward-looking statements. The words anticipate, assume, believe, budget, estimate, expect, forecast, intend, plan, project, will, and s
intended to identify forward-looking statements. These forward-looking statements relate to, among other things:

our businesses and prospects;

our ability to continue as a going concern;

planned or estimated capital expenditures;

availability of liquidity and capital resources;

our ability to obtain additional financing as needed;

expenses and projected cash burn rates;

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progress in developing the Company s principal project and the timing of that progress;

future values of that project or other interests or rights that the Company holds; and

government regulations, including our ability to obtain necessary governmental permits and approvals.

Our forward-looking statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments, and other factors that we believe are appropriate under the circumstances. These statements are subject to a number of known and unknown risks and uncertainties, which may cause our actual results and performance to be materially different from any future results or performance expressed or implied by the forward-looking statements. These risks and uncertainties are described in the Risk Factors sections of our filings with the SEC incorporated by reference in this prospectus supplement and include such factors as:

the uncertain nature of the demand for and price of natural gas;

risks related to shortages of liquefied natural gas (LNG) vessels worldwide;

technological innovation which may render our anticipated competitive advantage obsolete;

risks related to a terrorist or military incident involving an LNG carrier;

changes in legislation and regulations relating to the LNG industry, including environmental laws and regulations that impose significant compliance costs and liabilities;

uncertainties regarding our ability to maintain sufficient liquidity and capital resources to implement our projects;

our limited operating history;

our ability to attract and retain key personnel;

risks related to doing business in, and having counterparties in, foreign countries;

our reliance on the skill and expertise of third-party service providers;

- the ability of our vendors to meet their contractual obligations;

- risks and uncertainties inherent in management estimates of future operating results and cash flows;

- development risks, operational hazards, and regulatory approvals; and

- risks and uncertainties associated with litigation matters.

The forward-looking statements in this prospectus supplement speak as of the date hereof. Although we may from time to time voluntarily update our prior forward-looking statements, we disclaim any commitment to do so except as required by securities laws.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights certain information contained elsewhere in this prospectus supplement, the accompanying base prospectus and in the documents we incorporate by reference. This summary is not complete and does not contain all of the information that you should consider before investing in our securities. You should read this entire prospectus supplement, the accompanying base prospectus and any related free writing prospectus carefully, including the information referred to in the section entitled Risk Factors beginning on page S-8 of this prospectus supplement, as well as the other documents that we incorporate by reference into this prospectus supplement and the accompanying base prospectus, including our financial statements and the exhibits to the registration statement of which this prospectus supplement and the accompanying base prospectus is a part.

Our Business

Tellurian intends to create value for shareholders by developing low-cost natural gas-related infrastructure, profitably delivering natural gas to customers worldwide and pursuing value enhancing, complementary business lines in the energy industry. Tellurian owns all of the common stock of Tellurian Investments Inc., a Delaware corporation (Tellurian Investments), which indirectly owns a 100% ownership interest in each of Driftwood LNG LLC, a Delaware limited liability company, and Driftwood Pipeline LLC, a Delaware limited liability company, and directly owns a 100% membership interest in Tellurian Services LLC, a Delaware limited liability company (Tellurian Services).

Tellurian plans to own, develop and operate natural gas liquefaction facilities, storage facilities and loading terminals and is developing an LNG terminal facility (the Driftwood terminal) and an associated pipeline (the Driftwood pipeline) in Southwest Louisiana. The proposed Driftwood terminal will have a liquefaction capacity of approximately 26 million tonnes per annum (mtpa), situated on approximately 1,000 acres in Calcasieu Parish, Louisiana. The proposed terminal facility will include up to 20 liquefaction trains, three full containment LNG storage tanks, and three marine berths. In February 2016, Tellurian engaged Bechtel Oil, Gas and Chemicals, Inc. (Bechtel) to complete a Front-End Engineering and Design (FEED) study for the Driftwood terminal, which study was completed in June 2017. Based on such FEED study, Tellurian estimates construction costs for the Driftwood terminal of approximately $500 to $600 per mtpa ($13 to $16 billion) before owners costs, financing costs and contingencies.

Tellurian is developing the proposed Driftwood pipeline, a new 96-mile large diameter pipeline which will interconnect with 13 existing interstate pipelines throughout Southwest Louisiana to secure adequate natural gas feedstock for the Driftwood terminal. The Driftwood pipeline will be comprised of 48-inch, 42-inch, 36-inch and 30-inch diameter pipeline segments, and three compressor stations totaling approximately 270,000 horsepower, all as necessary to provide approximately 4.0 Bcf/d of average daily gas transportation service. In June 2016, Tellurian engaged Bechtel to complete a FEED study for the Driftwood pipeline, which study was completed in March 2017. Based on such FEED study, Tellurian estimates construction costs for the Driftwood pipeline of approximately $1.6 to $2.0 billion before owners costs, financing costs and contingencies.

Our Company

The Company was founded in 1957 and incorporated in Delaware in 1967 as Magellan Petroleum Corporation. We changed our corporate name to Tellurian Inc. shortly after completing a merger transaction with Tellurian Investments in February 2017. Our common stock has been trading on the NASDAQ Stock Market since 1972. It currently trades under the ticker symbol TELL.

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Our principal executive offices are located at 1201 Louisiana Street, Suite 3100, Houston, Texas 77002, and our telephone number is (832) 962-4000. We maintain a website at http://www.tellurianinc.com. The information contained in, or that can be accessed through, our website is not part of this prospectus supplement.

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THE OFFERING

The following summary describes the principal terms of the offering, but is not intended to be complete. See Selling Stockholder and Plan of Distribution in this prospectus supplement for a more detailed description of the selling stockholder, the terms and conditions of the distribution of the shares of common stock, and the offering. For a more detailed description of our common stock, see Description of Our Capital Stock in the accompanying base prospectus.

Common stock offered by the selling stockholder:	5,467,851 shares of common stock held by GE Oil & Gas, LLC (formerly known as GE Oil & Gas, Inc.) (GE), a Delaware limited liability company and a subsidiary of General Electric Company.
Offering price:	The shares being offered by the selling stockholder pursuant to this prospectus supplement are being offered from time to time at, or about, the then-prevailing market prices or at prices negotiated with buyers.
Common stock outstanding on August 18, 2017:	210,859,435 shares (1)
Common stock outstanding after this offering:	210,859,435 shares (1)
Use of proceeds:	We will not receive any proceeds from the sale of shares in this offering by the selling stockholder. See Use of Proceeds on page S-8 of this prospectus supplement.
NASDAQ Capital Market ticker symbol:	TELL
Risk factors:	Investing in our common stock involves a high degree of risk. Please see Risk Factors on page S-8 of this prospectus supplement and the other information included or incorporated by reference in this prospectus supplement or the accompanying base prospectus for a discussion of factors you should carefully consider before investing in our common stock.

(1) Excludes 34,307,713 shares of common stock reserved for issuance under our equity compensation plan as of August 18, 2017.

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RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully consider the risks set forth in the Risk Factors sections of the documents that we incorporate by reference into this prospectus supplement and the accompanying base prospectus. If any of the events described in such Risk Factors disclosures occurs or such risks otherwise materialize, our business, financial condition, results of operations, cash flows, or prospects could be materially adversely affected.

Resales of our common stock in the public market may cause the share price to fall.

Resales of a substantial number of shares of our common stock could depress the market price of our common stock. This offering of common stock by the selling stockholder could reduce the market price of the stock and could result in resales of our common stock by our other current stockholders. If our stockholders sell substantial amounts of our common stock in the public market, the market price of our common stock could fall.

Non-U.S. holders of our common stock, in certain situations, could be subject to U.S. federal income tax upon sale, exchange or disposition of our common stock.

It is likely that we are, and will remain for the foreseeable future, a U.S. real property holding corporation for U.S. federal income tax purposes because our assets consist primarily of United States real property interests as defined in the Internal Revenue Code of 1986, as amended, or the Code, and applicable Treasury regulations. As a result, under the Foreign Investment in Real Property Tax Act, or FIRPTA, certain non-U.S. investors may or may in the future be subject to U.S. federal income tax on any gain from the disposition of shares of our common stock, in which case they would also be required to file U.S. tax returns with respect to such gain. In general, whether these FIRPTA provisions apply depends on the amount of our common stock that such non-U.S. investors hold. In addition, such non-U.S. investors may or may in the future be subject to withholding if, at the time they dispose of their shares, our common stock is not regularly traded on an established securities market within the meaning of the applicable Treasury regulations. So long as our common stock continues to be regularly traded on an established securities market, only a non-U.S. investor who has owned, actually or constructively, more than 5% of our common stock at any time during the shorter of (i) the five-year period ending on the date of disposition and (ii) the non-U.S. investor s holding period for its shares may or may in the future be subject to U.S. federal income tax on the disposition of our common stock under FIRPTA. See Material United States Federal Income Tax Considerations to Non-U.S. Holders.

USE OF PROCEEDS

The proceeds from the sale or issuance of the shares of common stock that may be offered pursuant to this prospectus supplement will be received directly by the selling stockholder, and we will not receive any proceeds from the sale of these shares.

SELLING STOCKHOLDER

On August 2, 2016, Tellurian Investments, Magellan Petroleum Corporation, a Delaware corporation (Magellan), and River Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Magellan, entered into an Agreement and Plan of Merger (the Merger Agreement).

On November 23, 2016, Tellurian Investments entered into a preferred stock purchase agreement (the Preferred SPA) with GE pursuant to which Tellurian Investments issued to GE 5,467,851 shares of Series A convertible preferred stock of Tellurian Investments (the Tellurian Investments Preferred

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Shares). In connection with the Preferred SPA, Tellurian Investments and Magellan agreed to provide GE, as the holder of the Tellurian Investments Preferred Shares, with certain registration rights relating to the common stock of Magellan issuable to GE upon conversion or exchange of the Tellurian Investments Preferred Shares.

On February 10, 2017, upon the closing of the transactions contemplated by the Merger Agreement, each Tellurian Investments Preferred Share became convertible or exchangeable into either (i) one share of common stock of Tellurian or (ii) one share of a new class of Series B convertible preferred stock of Tellurian (the Series B Preferred Stock). On the same date, Magellan changed its name to Tellurian Inc.

On March 31, 2017, GE exchanged the Tellurian Investments Preferred Shares into an equal number of shares of Series B Preferred Stock pursuant to the terms of the Amended and Restated Certificate of Incorporation of Tellurian Investments.

Effective as of June 28, 2017, Tellurian and GE entered into a registration rights agreement pursuant to which the Company granted GE certain registration rights with respect to the shares of common stock of Tellurian issuable to GE upon conversion of the shares of Series B Preferred Stock as discussed above. On June 30, 2017, GE exercised its right to convert all such shares of Series B Preferred Stock into shares of common stock of Tellurian.

The resale of the shares of common stock issued to GE on June 30, 2017 is being registered with the SEC under the registration statement of which this prospectus supplement is a part. GE is referred to herein as the selling stockholder. The table below sets forth certain information regarding the selling stockholder and the shares of our common stock offered by it in this prospectus supplement.

	Ownership Before Offerings			**Ownership After Offerings (1)**	
Selling Stockholder	**Number of shares of common stock beneficially owned**	**Percentage of common stock beneficially owned**	**Total number of shares of common stock offered**	**Number of shares of common stock beneficially owned**	**Percentage of common stock beneficially owned**
GE Oil & Gas, LLC	5,467,851	2.6%	5,467,851	0	*%
Total	**5,467,851**	**2.6%**	**5,467,851**	**0**	***%**

* represents less than 1%.

(1) Represents the share ownership of the selling stockholder after completion of this offering based on the assumptions that (a) all 5,467,851 shares registered for resale by the registration statement of which this prospectus supplement is a part will be sold and (b) that no other shares of our common stock beneficially owned by the selling stockholder are acquired or are sold prior to the completion of this offering by the selling stockholder.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS TO NON-U.S. HOLDERS

The following summary is a description of the material U.S. federal income tax consequences relating to the purchase, ownership and disposition of our common stock by non-U.S. holders. The discussion is for general information only and does not consider all aspects of federal income taxation that

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may be relevant to the purchase, ownership and disposition of our common stock by a non-U.S. holder in light of its personal circumstances. In particular, this discussion does not address the federal income tax consequences of ownership of our common stock by investors that do not hold the stock as a capital asset within the meaning of Section 1221 of the Code, or the federal income tax consequences to beneficial owners subject to special treatment under the federal income tax laws, such as:

- dealers in securities;
- certain electing traders in securities;
- persons holding our common stock as part of a conversion, constructive sale, wash sale or other integrated transaction or a straddle or synthetic security;
- persons subject to the alternative minimum tax;
- certain former citizens or long-term residents of the United States;
- foreign governments or international organizations;
- financial institutions;
- controlled foreign corporations and passive foreign investment companies, and shareholders of such entities;
- insurance companies;
- entities that are tax-exempt for U.S. federal income tax purposes and retirement plans, individual retirement accounts and tax-deferred accounts; and
- pass-through entities, including partnerships and entities and arrangements classified as partnerships for U.S. federal tax purposes, and beneficial owners of pass-through entities.

Non-U.S. holders subject to the special circumstances described above may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not include any non-U.S. income tax laws or state or local tax laws that may be applicable to a particular investor and does not consider any aspects of U.S. federal estate or gift tax law.

You are a non-U.S. holder of our common stock if you are a beneficial owner of the stock and are not, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized or created in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of the source of such income; or
- a trust (i) if a court within the U.S. is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of the trust, or (ii) that has a valid election in place to be treated as a U.S. person for U.S. federal income tax purposes.

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If an entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax consequences of such partnership and the partners in such partnership generally will depend on the status of each of the partners and the activities of the partnership. Partners of partnerships considering the purchase of our common stock are encouraged to consult with their independent tax advisors.

This summary is based upon the Code, existing and proposed federal income tax regulations promulgated thereunder, administrative pronouncements and judicial decisions, all in effect as of the date hereof, all of which are subject to change, possibly on a retroactive basis. Such a change could affect the continuing validity of this discussion. There can be no assurance that the Internal Revenue Service, or the IRS, will not challenge one or more of the conclusions described herein, and we have not obtained, and do not intend to obtain, a ruling from the IRS with respect to the U.S. federal income tax consequences of purchasing, owning and disposing of our common stock. Any such change may adversely affect a non-U.S. holder.

IF YOU ARE CONSIDERING THE PURCHASE OF OUR COMMON STOCK, YOU ARE ENCOURAGED TO CONSULT WITH AN INDEPENDENT TAX ADVISOR REGARDING THE APPLICATION OF U.S. FEDERAL INCOME AND ESTATE TAX LAWS, AS WELL AS OTHER FEDERAL TAX LAWS AND THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION, TO YOUR PARTICULAR SITUATION.

Dividend Distributions

Any distributions with respect to the shares of our common stock, to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles), will constitute dividends for U.S. federal income tax purposes and will be subject to U.S. federal withholding tax at a 30% rate or such lower rate as specified by an applicable income tax treaty, provided that such dividends are not effectively connected with the non-U.S. holder s conduct of a U.S. trade or business. Distributions in excess of our current and accumulated earnings and profits (as determined under U.S. federal income tax principles) will first constitute a return of capital that is applied against and reduces the non-U.S. holder s adjusted tax basis in our common stock (determined on a share by share basis), and, to the extent such distribution exceeds the non-U.S. holder s adjusted tax basis, the excess will be treated as gain realized on the sale or other disposition of our common stock as described below under Sale, Exchange or Other Taxable Disposition of Stock.

Under the terms of an applicable U.S. income tax treaty (if any), the withholding tax might not apply, or might apply at a reduced rate. A non-U.S. holder who wishes to claim the benefit of an applicable income tax treaty is required to satisfy applicable certification and disclosure requirements (generally by providing our paying agent or a relevant withholding agent with an IRS Form W-8BEN or IRS Form W-8BEN-E). If a non-U.S. holder is eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty, such non-U.S. holder may obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Dividends that are effectively connected with the conduct of a non-U.S. holder s trade or business within the United States are not subject to U.S. federal withholding tax if such non-U.S. holder provides our paying agent or a relevant withholding agent with an IRS Form W-8ECI, but generally will be subject to U.S. federal income tax on a net-income basis at applicable graduated individual or corporate rates, unless an applicable income tax treaty provides otherwise. A foreign corporation may be subject to an additional branch profits tax (at a 30% rate or such lower rate as specified by an applicable income tax treaty) on its effectively connected earnings and profits attributable to such income.

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Sale, Exchange or Other Taxable Disposition of Stock

Subject to the discussions below under Information Reporting and Backup Withholding and Foreign Accounts, any gain realized by a non-U.S. holder upon the sale, exchange or other taxable disposition of shares of our common stock generally will not be subject to U.S. federal income tax unless:

- that gain is effectively connected with the non-U.S. holder s conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment maintained by the non-U.S. holder);

- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

- we are or have been a United States real property holding corporation (a USRPHC) for U.S. federal income tax purposes at any time during the shorter of (i) the five-year period ending on the date of disposition, and (ii) the non-U.S. holder s holding period for its shares of our common stock and, if shares of our common stock are regularly traded on an established securities market, the non-U.S. holder held, directly or indirectly, at any time during such period, more than 5% of our issued and outstanding common stock.

Gain described in the first bullet point above will be subject to U.S. federal income tax in the same manner as that of a U.S. person, unless an applicable income tax treaty provides otherwise. If such non-U.S. holder is a foreign corporation, such gain may also be subject to a branch profits tax (at a 30% rate or such lower rate as specified by an applicable income tax treaty) on its effectively connected earnings and profits attributable to such income. A non-U.S. holder described in the second bullet point above will be subject to a 30% U.S. federal income tax on the gain derived from the sale, which may be offset by certain U.S.-source capital losses.

It is likely that we are currently a USRPHC for U.S. federal income tax purposes and it is likely that we will remain one in the future. However, so long as our common stock continues to be regularly traded on an established securities market within the meaning of the applicable Treasury regulations, only a non-U.S. holder who holds or held more than 5% of our common stock at any time during the shorter of (i) the five-year period preceding the date of disposition and (ii) the holder s holding period (a greater-than-five-percent shareholder) will be subject to U.S. federal income tax on the disposition of our common stock. A greater-than-five-percent shareholder generally will be subject to U.S. federal income tax on the net gain derived from the sale in the same manner as a U.S. person, unless an applicable income tax treaty provides otherwise. Such a non-U.S. holder generally will be required to file a U.S. federal income tax return in respect of such gain. No withholding is required upon any sale or other taxable disposition of our common stock if it is regularly traded on an established securities market. If we are a USRPHC and our common stock ceases to be regularly traded on an established securities market, a non-U.S. holder will be subject to tax on any gain recognized on the sale or other taxable disposition of our common stock, and withholding, generally at a rate of 15%, on the gross proceeds thereof, regardless of such non-U.S. holder s percentage ownership of our common stock.

Information Reporting and Backup Withholding

We and other withholding agents must report annually to the IRS the amount of dividends or other distributions paid to non-U.S. holders on shares of our common stock and the amount of tax we and

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other withholding agents withhold on these distributions. Copies of the information returns reporting such distributions and any withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides, under the provisions of an applicable income tax treaty.

A non-U.S. holder will not be subject to backup withholding (the current rate of which is 28%) on reportable payments the non-U.S. holder receives on shares of our common stock if the non-U.S. holder provides proper certification (usually on an IRS Form W-8BEN or IRS Form W-8BEN-E) of its status as a non-U.S. person.

Information reporting and backup withholding generally are not required with respect to the amount of any proceeds from the sale or other disposition of shares of our common stock outside the United States through a foreign office of a foreign broker that does not have certain specified connections to the United States. However, information reporting will apply if a non-U.S. holder sells shares of our common stock outside the United States through a U.S. broker or a broker that is a controlled foreign corporation, a foreign person that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, or a foreign partnership that, at any time during its tax year, either is engaged in the conduct of a trade or business in the United States or has as partners one or more U.S. persons that, in the aggregate, hold more than 50% of the income or capital interests in the partnership. If a sale or other disposition is made through a U.S. office of any broker, the broker will be required to report to the IRS the amount of proceeds paid to the non-U.S. holder and to backup withhold on that amount unless the non-U.S. holder provides appropriate certification (usually on an IRS Form W-8BEN or IRS Form W-8BEN-E) to the broker certifying the non-U.S. holder s status as a non-U.S. person or other exempt status.

Any amounts withheld under the backup withholding rules will generally be allowed as a refund or a credit against a non-U.S. holder s U.S. federal income tax liability, provided the required information is properly furnished to the IRS on a timely basis.

Foreign Accounts

Sections 1471 through 1474 of the Code (commonly referred to as FATCA) generally impose a 30% withholding tax on withholdable payments, which include dividends on our common stock and gross proceeds from the disposition of our common stock paid to (i) a foreign financial institution (as defined in Section 1471 of the Code) unless it agrees to collect and disclose to the IRS information regarding direct and indirect U.S. account holders and (ii) a non-financial foreign entity unless it certifies certain information regarding substantial U.S. owners of the entity, which generally includes any U.S. person who directly or indirectly owns more than 10% of the entity. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules. Under U.S. Treasury regulations and IRS guidance, the withholding obligations described above apply to payments of dividends on our common stock, and will apply to payments of gross proceeds from a sale or other disposition of our common stock on or after January 1, 2019. Prospective non-U.S. holders should consult their own tax advisors with respect to the potential tax consequences of FATCA.

PLAN OF DISTRIBUTION

The selling stockholder may offer and sell shares of our common stock from time to time using this prospectus supplement. We will not receive any of the proceeds of the sales of these shares.

The selling stockholder may offer and sell shares directly to purchasers using this prospectus supplement. The selling stockholder may donate, pledge or otherwise transfer in a non-sale related

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transaction its shares to any person so long as the transfer complies with applicable securities laws. As a result, donees, pledgees, transferees and other successors in interest that receive such shares as a gift, distribution or other non-sale related transfer may offer shares of common stock under this prospectus supplement.

The selling stockholder may from time to time offer shares through brokers, dealers, agents or underwriters. Brokers, dealers, agents or underwriters participating in transactions may receive compensation in the form of discounts, concessions or commissions from the selling stockholder (and, if they act as agent for the purchaser of the shares, from that purchaser). Any brokerage commissions, underwriting discounts and similar selling expenses attributable to the sale of shares covered by this prospectus supplement by the selling stockholder will be borne by it. We will bear the other costs, fees and expenses incurred in connection with the registration of the offering of securities under this prospectus supplement.

Any brokers, dealers or agents who participate in the distribution of the shares by the selling stockholder may be deemed to be underwriters, and any profits on the sale of shares by them and any discounts, commissions or concessions received by any broker, dealer or agent may be deemed underwriting discounts and commissions under the Securities Act.

Another prospectus supplement or document incorporated by reference may be filed to disclose additional information with respect to any sale or other distribution of the shares.

The selling stockholder may act independently of us in making decisions with respect to the timing, manner and size of each sale. Sales may be made on the NASDAQ Capital Market or any other national securities exchange or quotation service on which the securities may be listed or quoted at the time of sale.

The shares may be sold according to any one or more of the methods described above. In addition, subject to compliance with applicable law, the selling stockholder may enter into option, derivative or hedging transactions with respect to the shares, and any related offers or sales of shares may be made under this prospectus supplement. In some circumstances, for example, the selling stockholder may write call options, put options or other derivative instruments (including exchange-traded options or privately negotiated options) with respect to the shares, or which it settles through delivery of the shares. These option, derivative and hedging transactions may require the delivery to a broker, dealer or other financial institution of shares offered under this prospectus supplement, and that broker, dealer or other financial institution may resell those shares under this prospectus supplement. The selling stockholder may offer and sell the shares under any other method permitted by applicable law.

If a material arrangement with any broker-dealer or other agent is entered into for the sale of any shares of common stock through a block trade, special offering, exchange distribution, secondary distribution, or a purchase by a broker or dealer, another prospectus supplement will be filed, if necessary, disclosing the material terms and conditions of these arrangements.

The selling stockholder may also sell its shares in accordance with Rule 144 under the Securities Act, or pursuant to other available exemptions from the registration requirements of the Securities Act, rather than pursuant to this prospectus supplement.

The selling stockholder may agree to indemnify any underwriter, broker, dealer or agent that participates in transactions involving sales of the shares against certain liabilities, including liabilities arising under the Securities Act.

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LEGAL MATTERS

Davis Graham & Stubbs LLP, Denver, Colorado, will pass upon the validity of the shares of common stock offered by the selling stockholder under this prospectus supplement.

EXPERTS

The consolidated financial statements of Tellurian Investments and subsidiaries as of December 31, 2016 and for the year ended December 31, 2016, and the financial statements of Tellurian Services as of April 9, 2016, December 31, 2015 and 2014 and for the period from January 1, 2016 through April 9, 2016 and for the years ended December 31, 2015 and 2014, incorporated in this prospectus supplement by reference to Tellurian Inc. s Current Report on Form 8-K/A dated March 15, 2017, have been audited by Deloitte & Touche LLP, independent registered public accounting firm, as stated in their reports dated March 15, 2017, respectively, each of which is herein incorporated by reference. Such financial statements have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Magellan as of June 30, 2016 and 2015, and for the fiscal years ended June 30, 2016 and 2015, have been audited by EKS&H LLLP, an independent registered public accounting firm, and are incorporated herein by reference in reliance on its report dated September 13, 2016, and upon its authority as an expert in accounting and auditing.

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PROSPECTUS

Tellurian Inc.

Common Stock

Preferred Stock

Warrants

Units

We may offer and sell from time to time common stock, preferred stock and warrants to purchase common stock or preferred stock, in one or more transactions. We may also offer and sell from time to time, in one or more transactions, such securities as may be issuable upon the conversion, exercise or exchange of preferred stock or warrants. Any securities registered hereunder may be sold separately or as units with the other securities registered hereunder.

This prospectus provides you with a description of our common stock and a general description of the other securities we may offer. A prospectus supplement containing specific information about the terms of the securities being offered and the offering, including the compensation of any underwriter, agent or dealer, will accompany this prospectus to the extent required. Any prospectus supplement may also add, update or change information contained in this prospectus. If information in any prospectus supplement is inconsistent with the information in this prospectus, then the information in that prospectus supplement will apply and will supersede the information in this prospectus. You should carefully read both this prospectus and any prospectus supplement, together with additional information described in Where You Can Find More Information and Incorporation of Certain Information by Reference, before you invest in our securities.

Our common stock is traded on the NASDAQ Capital Market under the ticker symbol TELL. On February 9, 2017, the closing price of our common stock as reported on the NASDAQ Capital Market was $14.21 per share. None of the other securities offered under this prospectus are publicly traded.

INVESTING IN OUR SECURITIES INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY READ THE RISK FACTORS SECTION BEGINNING ON PAGE 4 OF THIS PROSPECTUS.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is February 10, 2017.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the SEC) using a shelf registration process on Form S-3. See Where You Can Find More Information and Incorporation Certain Information by Reference. Under the shelf registration, we may sell any combination of the securities described in this prospectus in one or more offerings. This prospectus provides you with a description of our common stock and a general description of the other securities that we may offer. Each time that securities are sold pursuant to the Registration Statement, we will, to the extent required, provide a prospectus supplement that will contain specific information about the terms of the securities being offered and the offering. The prospectus supplement also may add, update or change information contained or incorporated by reference in this prospectus. We may also authorize one or more free writing prospectuses to be provided to you that may contain material information relating to these offerings and securities. You should read both this prospectus and any prospectus supplement or free writing prospectus together with additional information described in Where You Can Find More Information and Incorporation of Certain Information by Reference before you invest.

You should rely only on the information contained in this prospectus and in any relevant prospectus supplement or free writing prospectus, including any information incorporated herein or therein by reference. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information in this prospectus, any accompanying prospectus supplement, any free writing prospectus or any document incorporated by reference is accurate as of any date other than the date on its front cover. Our business, financial condition, results of operations and prospects may have changed since the date indicated on the front cover of such documents. Neither this prospectus nor any prospectus supplement or free writing prospectus constitutes an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor does this prospectus or a prospectus supplement or free writing prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

In this prospectus, references to Tellurian, the Company, the issuer, we, us or our refer to Tellurian Inc. (whic until February 10, 2017, known as Magellan Petroleum Corporation) and its subsidiaries, unless the context suggests otherwise.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational reporting requirements of the Securities and Exchange Act of 1934, as amended (the Exchange Act), and we file annual, quarterly, and other reports, proxy statements, and other information with the SEC. You may read and copy any document we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the Public Reference Room. Our SEC filings are also available to the public at the SEC s website at http://www.sec.gov. Our website address is http://www.tellurianinc.com. However, information on our website will not be considered a part of this prospectus.

We have filed with the SEC a registration statement on Form S-3 (together with all exhibits, amendments and supplements, the Registration Statement) of which this prospectus constitutes a part, under the Securities Act of 1933, as amended (the Securities Act). This prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules of the SEC. For further information pertaining to us, reference is made to the Registration Statement. Statements contained in this prospectus, any prospectus supplement or any document incorporated herein or therein by reference concerning the provisions of documents are necessarily summaries of such documents, and each such statement is qualified in its entirety by reference to the copy of the applicable document filed with the SEC. Copies of the Registration Statement are on file at the offices of the SEC, and may be inspected without charge at those offices, the address of which is set forth above, and copies may be obtained from the SEC at prescribed rates. The Registration Statement has been filed electronically through the SEC s Electronic Data Gathering, Analysis and Retrieval System and may be obtained through the SEC web site at http://www.sec.gov.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to another document that we have filed with the SEC. You should read the information incorporated by reference because it is an important part of this prospectus. Information in this prospectus supersedes information incorporated by reference that we filed with the SEC prior to the date of this prospectus, while information that we file later with the SEC will automatically update and supersede the information in this prospectus. We incorporate by reference the following information or documents that we have filed with the SEC:

- our Annual Report on Form 10-K for the fiscal year ended June 30, 2016 filed with the SEC on September 14, 2016, as amended by our Annual Report on Form 10-K/A for the fiscal year ended June 30, 2016 filed with the SEC on October 27, 2016;

- our Quarterly Reports on Form 10-Q for the quarterly period ended September 30, 2016 filed with the SEC on November 14, 2016, and for the quarterly period ended December 31, 2016 filed with the SEC on February 9, 2017;

- our Current Reports on Form 8-K filed with the SEC on July 19, 2016, August 2, 2016, August 3, 2016, August 8, 2016, October 5, 2016, October 12, 2016, November 29, 2016, December 21, 2016, January 5, 2017 and February 10, 2017, and our Current Report on Form 8-K/A filed with the SEC on October 20, 2016; and

- the description of our common stock contained in our Current Report on Form 8-K filed with the SEC on June 26, 2013, as the same may be further amended from time to time.

All reports and other documents filed by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and prior to the termination of this offering shall be deemed to be incorporated by reference into this prospectus and shall be a part hereof from the date of filing of such reports and documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus shall be deemed modified, superseded or replaced for purposes of this prospectus to the extent that a statement contained in this prospectus, or in any subsequently filed document that also is deemed to be incorporated by reference in this prospectus, modifies, supersedes or replaces such statement. Any statement so modified, superseded or replaced shall not be deemed,

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except as so modified, superseded or replaced, to constitute a part of this prospectus. None of the information that we disclose under Items 2.02 or 7.01 of any Current Report on Form 8-K or any corresponding information, either furnished under Item 9.01 or included as an exhibit thereto, that we may from time to time furnish to the SEC will be incorporated by reference into, or otherwise included in, this prospectus, except as otherwise expressly set forth in the relevant document. Subject to the foregoing, all information appearing in this prospectus is qualified in its entirety by the information appearing in the documents incorporated by reference.

We will furnish to you, upon written or oral request, a copy of any or all of the documents that have been incorporated by reference, including exhibits to those documents. You may request a copy of those filings at no cost by writing or telephoning our corporate secretary at the following address and telephone number:

Tellurian Inc.

Attention: Corporate Secretary

1201 Louisiana Street, Suite 3100

Houston, Texas 77002

Telephone No.: (832) 962-4000

Except as provided above, no other information, including information on our website, is incorporated by reference in this prospectus.

ABOUT TELLURIAN INC.

Tellurian plans to own, develop and operate natural gas liquefaction facilities, storage facilities and loading terminals (collectively, the LNG Facilities) and to pursue complementary business lines in the energy industry. Tellurian owns all of the common stock of Tellurian Investments Inc., a Delaware corporation (Tellurian Investments), which owns a 100% membership interest in Tellurian LNG LLC, a Delaware limited liability company (Tellurian LNG), a 100% membership interest in Tellurian Services LLC (f/k/a Parallax Services LLC), a Delaware limited liability company (Tellurian Services), and a 100% ownership interest in Tellurian LNG UK Ltd (Tellurian UK). The assets of Tellurian include its 100% ownership or membership interests in each of Tellurian Investments, Tellurian LNG, Tellurian Services and Tellurian UK, interests in Horse Hill-1 well and related licenses in the Weald Basin, onshore United Kingdom, an exploration block, NT/P82, in the Bonaparte Basin, offshore Northern Territory, Australia, and cash held for certain start-up and operating expenses.

Tellurian is planning on developing, through Tellurian LNG and Tellurian LNG s wholly owned subsidiaries, a liquefied natural gas (LNG) facility with liquefaction capacity of 26 million tonnes per annum on a single site in Calcasieu Parish, Louisiana (the Driftwood LNG Project). Assuming approximately two years of permitting work and receipt of the appropriate regulatory approvals and financing commitments necessary to commence construction, followed by a four-year construction schedule, the Driftwood LNG Project could deliver its first LNG as soon as 2022. Tellurian also plans to pursue business that is complementary to its LNG business.

The Company was founded in 1957 and incorporated in Delaware in 1967 as Magellan Petroleum Corporation. We changed our corporate name to Tellurian Inc. shortly after completing a merger transaction with Tellurian Investments in February 2017. The Company s common stock has been trading on the NASDAQ Stock Market since 1972. It currently trades under the ticker symbol TELL.

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Our principal executive offices are located at 1201 Louisiana Street, Suite 3100, Houston, Texas 77002, and our telephone number is (832) 962-4000. We maintain a website at http://www.tellurianinc.com. The information contained in, or that can be accessed through, our website is not part of this prospectus.

RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully consider the following risks, the risks set forth in the Risk Factors section of our Annual Report on Form 10-K for the fiscal year ended June 30, 2016, which is incorporated in this prospectus by reference, as well as the risk factors set forth in any applicable prospectus supplement and the other reports we file from time to time with the SEC that are incorporated by reference in this prospectus. If any of the events described in such Risk Factors disclosures occurs or such risks otherwise materialize, our business, financial condition, results of operations, cash flows, or prospects could be materially adversely affected.

Risks Relating to Tellurian s Business

Tellurian does not expect Tellurian Investments to generate sufficient cash to pay dividends until the completion of construction of the Driftwood LNG Project by Tellurian LNG and its wholly owned subsidiaries.

Tellurian s indirect ownership of 100% of the membership or ownership interests in each of Tellurian LNG, Tellurian Services LLC and Tellurian UK and cash held for certain start-up and operating expenses comprise substantially all of Tellurian s assets. Tellurian s cash flow and consequently its ability to distribute earnings is solely dependent upon the cash flow its subsidiaries receive from the Driftwood LNG Project and the transfer of funds in the form of distributions or otherwise. Tellurian LNG s ability to complete the Driftwood LNG Project, as discussed further below, is dependent upon its, its subsidiaries and Tellurian Investments ability to obtain necessary regulatory approvals and raise the capital necessary to fund the development of the project.

Tellurian s ability to pay dividends in the future is uncertain and will depend on a variety of factors including limitations on the ability of it or its subsidiaries to pay dividends under applicable law and/or the terms of debt or other agreements, and the judgment of the board of directors or other governing body of the relevant entity.

In addition, because Tellurian Investments business will have limited asset and geographic diversification, adverse developments in the natural gas and LNG industry, or to the Driftwood LNG Project, will have a greater impact on Tellurian Investments financial condition than if it maintained a more diverse asset and geographic profile.

Tellurian will be required to seek additional debt and equity financing in the future to complete the Driftwood LNG Project, and may not be able to secure such financing on acceptable terms, or at all.

Because Tellurian will be unable to generate any revenue from its operations and expects to be in the development stage for multiple years, Tellurian will need additional financing to provide the capital required to execute its business plan. Tellurian will need significant funding to develop the Driftwood LNG Project as well as for working capital requirements and other operating and general corporate purposes.

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There can be no assurance that Tellurian will be able to raise sufficient capital on acceptable terms, or at all. If such financing is not available on satisfactory terms, or is not available at all, Tellurian may be required to delay, scale back or eliminate the development of business opportunities, and its operations and financial condition may be adversely affected to a significant extent.

Debt financing, if obtained, may involve agreements that include liens on its assets and covenants limiting or restricting the ability to take specific actions, such as paying dividends or making distributions, incurring additional debt, acquiring or disposing of assets and increasing expenses. Debt financing would also be required to be repaid regardless of Tellurian s operating results.

In addition, the ability to obtain financing for the proposed Driftwood LNG Project is expected to be contingent upon, among other things, Tellurian s ability to enter into sufficient long-term commercial agreements prior to the commencement of construction. To date, Tellurian has not entered into any definitive third-party agreements for the proposed Driftwood LNG Project, and it may not be successful in negotiating and entering into such agreements.

Tellurian Investments and Tellurian LNG have a limited operating history.

Both Tellurian Investments and Tellurian LNG were formed in 2016, and only recently commenced development. Although Tellurian s current directors, managers and officers have prior professional and industry experience, Tellurian Investments and Tellurian LNG have a limited prior operating history, track record and historical financial information upon which you may evaluate prospects.

Tellurian LNG has not yet commenced the construction of the Driftwood LNG Project. Accordingly, Tellurian expects to incur significant additional costs and expenses through completion of development and construction of the Driftwood LNG Project. As a result, Tellurian expects operating losses will increase substantially in the remainder of 2016 and thereafter, and expects to continue to incur operating losses and experience negative operating cash flow through at least 2022.

Failure to retain and attract key executive officers and other skilled professional and technical employees could have an adverse effect on Tellurian s business, results of operations, financial condition, liquidity and prospects.

The success of Tellurian s business relies heavily on its executive officers. Should Tellurian s executive officers be unable to perform their duties on behalf of Tellurian, or should Tellurian be unable to retain or attract other members of management, Tellurian s business, results of operations, financial condition, liquidity and prospects could be materially impacted.

Tellurian will be subject to risks related to doing business in, and having counterparties based in, foreign countries.

Tellurian may engage in operations or make substantial commitments and investments, or enter into agreements with counterparties, located outside the United States, which would expose Tellurian to political, governmental, and economic instability and foreign currency exchange rate fluctuations.

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Any disruption caused by these factors could harm Tellurian s business, results of operations, financial condition, liquidity and prospects. Risks associated with operations, commitments and investments outside of the United States include but are not limited to risks of:

- currency fluctuations;
- war or terrorist attack;
- expropriation or nationalization of assets;
- renegotiation or nullification of existing contracts;
- changing political conditions;
- changing laws and policies affecting trade, taxation, and investment;
- multiple taxation due to different tax structures;
- general hazards associated with the assertion of sovereignty over areas in which operations are conducted; and
- the unexpected credit rating downgrade of countries in which Tellurian Investments LNG customers are based.

Because Tellurian s reporting currency is the United States dollar, any of the operations conducted outside the United States or denominated in foreign currencies would face additional risks of fluctuating currency values and exchange rates, hard currency shortages and controls on currency exchange. In addition, Tellurian would be subject to the impact of foreign currency fluctuations and exchange rate changes on its financial reports when translating its assets, liabilities, revenues and expenses from operations outside of the United States into U.S. dollars at then-applicable exchange rates. These translations could result in changes to the results of operations from period to period.

Tellurian Investments is currently classified as a United States real property holding company (USRPHC) under applicable tax laws, and non-U.S. investors may be subject to tax withholding and other tax consequences upon a disposition of their shares.

Tellurian Investments is a USRPHC under applicable tax laws, which subjects non-U.S. investors to tax withholding and other tax consequences upon a disposition of their shares. Tellurian will likely be classified in the same manner, which subjects non-U.S. investors to tax withholding and other tax consequences upon a disposition of their Tellurian shares. Non-U.S. investors should consult their tax advisors with respect to the application of this to their investment and other U.S. tax rules.

Tellurian Investments is a defendant in a lawsuit that could result in equitable relief and/or monetary damages that could have a material adverse effect on Tellurian s operating results and financial condition.

Tellurian Investments and Tellurian Services, along with each of Messrs. Houston and Daniels and certain entities in which each of them owned membership interests, as applicable, have been named as defendants in one recently initiated lawsuit. Although Tellurian Investments believes the

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plaintiffs claims are without merit, Tellurian Investments may not ultimately be successful and any potential liability Tellurian Investments may incur is not reasonably estimable. However, even if Tellurian Investments is successful in the defense of this litigation, Tellurian Investments could incur costs and suffer both an economic loss and an adverse impact on its reputation, which could have a material adverse effect on its business. In addition, any adverse judgment or settlement of the litigation could have an adverse effect on its operating results and financial condition.

Tellurian s estimated costs for the Driftwood LNG Project may not be accurate and are subject to change due to various factors.

Tellurian currently estimates that the construction costs for the Driftwood LNG Project will be between approximately $13 billion and $15 billion. However, cost estimates are only an approximation of the actual costs of construction and are before owners costs, financing costs, pipeline construction costs and contingencies. Moreover, cost estimates may change due to various factors, such as the final terms of any definitive request for services with its engineering, procurement and construction (EPC) service provider, as well as change orders, delays in construction, legal and regulatory requirements, site issues, increased component and material costs, escalation of labor costs, labor disputes, increased spending to maintain Tellurian s construction schedule and other factors.

The construction and operation of the Driftwood LNG Project remains subject to further approvals, and some approvals may be subject to further conditions, review and/or revocation.

The design, construction and operation of LNG export terminals is a highly regulated activity. The approval of the U.S. Federal Energy Regulatory Commission (FERC) under Section 3 of the Natural Gas Act, as well as several other material governmental and regulatory approvals and permits, is required in order to construct and operate an LNG terminal. Although the necessary authorizations to operate the proposed LNG Facilities may be obtained, such authorizations are subject to ongoing conditions imposed by regulatory agencies, and additional approval and permit requirements may be imposed.

Tellurian will be required to obtain governmental approvals and authorizations to implement its proposed business strategy, which includes the construction and operation of the Driftwood LNG Project. In particular, authorization from FERC and the U.S. Department of Energy is required to construct and operate the proposed LNG Facilities. In addition to seeking approval for export to countries with which the United States has a Free Trade Agreement (FTA), Tellurian will seek to obtain approval for export to non-FTA countries. There is no assurance that Tellurian will obtain and maintain these governmental permits, approvals and authorizations, and failure to obtain and maintain any of these permits, approvals or authorizations could have a material adverse effect on its business, results of operations, financial condition and prospects.

Tellurian will be dependent on third-party contractors for the successful completion of the Driftwood LNG Project, and these contractors may be unable to complete the Driftwood LNG Project.

There is limited recent industry experience in the United States regarding the construction or operation of large-scale liquefaction facilities. The construction of the Driftwood LNG Project is expected to take several years, will be confined to a limited geographic area and could be subject to delays, cost overruns, labor disputes and other factors that could adversely affect financial performance or impair Tellurian s ability to execute its scheduled business plan.

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Timely and cost-effective completion of the Driftwood LNG Project in compliance with agreed-upon specifications will be highly dependent upon the performance of third-party contractors pursuant to their agreements. However, Tellurian has not yet entered into definitive agreements with certain of the contractors, advisors and consultants necessary for the development and construction of the Driftwood LNG Project. Tellurian may not be able to successfully enter into such construction contracts on terms or at prices that are acceptable to it.

Further, faulty construction that does not conform to Tellurian s design and quality standards may have an adverse effect on Tellurian s business, results of operations, financial condition and prospects. For example, improper equipment installation may lead to a shortened life of Tellurian s equipment, increased operations and maintenance costs or a reduced availability or production capacity of the affected facility. The ability of Tellurian s third-party contractors to perform successfully under any agreements to be entered into is dependent on a number of factors, including force majeure events and such contractors ability to:

- design, engineer and receive critical components and equipment necessary for the Driftwood LNG Project to operate in accordance with specifications and address any start-up and operational issues that may arise in connection with the commencement of commercial operations;
- attract, develop and retain skilled personnel and engage and retain third-party subcontractors, and address any labor issues that may arise;
- post required construction bonds and comply with the terms thereof, and maintain their own financial condition, including adequate working capital;
- adhere to any warranties the contractors provide in their EPC contracts; and
- respond to difficulties such as equipment failure, delivery delays, schedule changes and failure to perform by subcontractors, some of which are beyond their control, and manage the construction process generally, including engaging and retaining third-party contractors, coordinating with other contractors and regulatory agencies and dealing with inclement weather conditions.

Furthermore, Tellurian may have disagreements with its third-party contractors about different elements of the construction process, which could lead to the assertion of rights and remedies under the related contracts, resulting in a contractor s unwillingness to perform further work on the relevant project. Tellurian may also face difficulties in commissioning a newly constructed facility. Any significant project delays in the development of the Driftwood LNG Project could materially and adversely affect Tellurian s business, results of operations, financial condition and prospects.

Tellurian s ability to generate cash is substantially dependent upon it entering into contracts with third parties and the performance of those customers under those contracts.

Tellurian has not yet entered into, and may never be able to enter into, satisfactory commercial arrangements with third-party customers for products and services at the Driftwood LNG Project.

Tellurian s business strategy may change regarding how and when the proposed Driftwood LNG Project s export capacity is marketed. Also, Tellurian s business strategy may change due to the

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inability to enter into agreements with customers or based on views regarding future prices, supply and demand of LNG, natural gas liquefaction capacity, and worldwide regasification capacity. If the efforts to market the proposed Driftwood LNG Project are not successful, Tellurian s business, results of operations, financial condition and prospects may be materially and adversely affected.

Tellurian LNG s construction and operations activities are subject to a number of development risks, operational hazards, regulatory approvals and other risks, which could cause cost overruns and delays and could have a material adverse effect on its business, results of operations, financial condition, liquidity and prospects.

Siting, development and construction of the Driftwood LNG Project will be subject to the risks of delay or cost overruns inherent in any construction project resulting from numerous factors, including, but not limited to, the following:

- Difficulties or delays in obtaining, or failure to obtain, sufficient debt or equity financing on reasonable terms;

- Failure to obtain all necessary government and third-party permits, approvals and licenses for the construction and operation of any of the contemplated LNG Facilities;

- Failure to obtain sale and purchase agreements that generate sufficient revenue to support the financing and construction of the Driftwood LNG Project;

- Difficulties in engaging qualified contractors necessary to the construction of the contemplated Driftwood LNG Project or other LNG Facilities;

- Shortages of equipment, material or skilled labor;

- Natural disasters and catastrophes, such as hurricanes, explosions, fires, floods, industrial accidents and terrorism;

- Unscheduled delays in the delivery of ordered materials;

- Work stoppages and labor disputes;

- Competition with other domestic and international LNG export terminals;

Unanticipated changes in domestic and international market demand for and supply of natural gas and LNG, which will depend in part on supplies of and prices for alternative energy sources and the discovery of new sources of natural resources;

Unexpected or unanticipated additional improvements; and

Adverse general economic conditions.

Delays beyond the estimated development periods, as well as cost overruns, could increase the cost of completion beyond the amounts that are currently estimated, which could require Tellurian to obtain additional sources of financing to fund the activities until the proposed Driftwood LNG Project is constructed and operational (which could cause further delays). Any delay in completion of the

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Driftwood LNG Project may also cause a delay in the receipt of revenues projected from the Driftwood LNG Project or cause a loss of one or more customers. As a result, any significant construction delay, whatever the cause, could have a material adverse effect on Tellurian s business, results of operations, financial condition, liquidity and prospects.

Technological innovation may render Tellurian s anticipated competitive advantage or its processes obsolete.

Tellurian s success will depend on its ability to create and maintain a competitive position in the natural gas liquefaction industry. In particular, although Tellurian plans to construct the Driftwood LNG Project using proven technologies that it believes provides it with certain advantages, Tellurian does not have any exclusive rights to any of the technologies that it will be utilizing. In addition, the technology Tellurian anticipates using in the Driftwood LNG Project may be rendered obsolete or uneconomical by legal or regulatory requirements, technological advances, more efficient and cost-effective processes or entirely different approaches developed by one or more of its competitors or others, which could materially and adversely affect Tellurian s business, results of operations, financial condition, liquidity and prospects.

Decreases in the demand for and price of natural gas could lead to reduced development of LNG projects worldwide.

Tellurian is subject to risks associated with the development, operation and financing of domestic LNG facilities. The development of domestic LNG facilities and projects are generally based on assumptions about the future price of natural gas and LNG and the conditions of the global natural gas and LNG markets. Natural gas and LNG prices have been, and are likely to remain in the future, volatile and subject to wide fluctuations that are difficult to predict. Such fluctuations may be caused by factors such as the competitive liquefaction capacity in North America; the international supply and receiving capacity of LNG; LNG tanker capacity; weather conditions; domestic and global demand for natural gas; the effect of government regulation on the production, transportation and sale of natural gas; oil and natural gas exploration and production activities; the development of and changes in the cost of alternative energy sources for natural gas and political and economic conditions worldwide.

Further, the development of liquefaction facilities takes a substantial amount of time, requires significant capital investment, may be delayed by unforeseen and uncontrollable factors and is dependent on the financial viability and ability of Tellurian to market LNG internationally.

Competition in the liquefied natural gas industry is intense, and some of Tellurian s competitors have greater financial, technological and other resources.

Tellurian plans to operate in the highly competitive area of liquefied natural gas production and faces intense competition from independent, technology-driven companies as well as from both major and other independent oil and natural gas companies and utilities.

Many competing companies have secured access to, or are pursuing development or acquisition of, LNG facilities to serve the North American natural gas market, including other proposed liquefaction facilities in North America. Tellurian may face competition from major energy companies and others in pursuing its proposed business strategy to provide liquefaction and export products and services at its proposed Driftwood LNG Project. In addition, competitors have and are developing additional LNG terminals in other markets, which also compete with the proposed LNG

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Facilities. Almost all of these competitors have longer operating histories, more development experience, greater name recognition, larger staffs and substantially greater financial, technical and marketing resources than Tellurian currently possesses. The superior resources that these competitors have available for deployment could allow them to compete successfully against Tellurian, which could have a material adverse effect on Tellurian s business, results of operations, financial condition, liquidity and prospects.

There may be shortages of LNG vessels worldwide, which could have a material adverse effect on Tellurian s business, results of operations, financial condition, liquidity and prospects.

The construction and delivery of LNG vessels requires significant capital and long construction lead times, and the availability of the vessels could be delayed to the detriment of Tellurian s business and customers due to the following:

- an inadequate number of shipyards constructing LNG vessels and a backlog of orders at these shipyards;
- political or economic disturbances in the countries where the vessels are being constructed;
- changes in governmental regulations or maritime self-regulatory organizations;
- work stoppages or other labor disturbances at the shipyards;
- bankruptcies or other financial crises of shipbuilders;
- quality or engineering problems;
- weather interference or catastrophic events, such as a major earthquake, tsunami, or fire; or
- shortages of or delays in the receipt of necessary construction materials.

A terrorist or military incident involving an LNG carrier could result in delays in, or cancellation of, construction or closure of the proposed LNG Facilities.

A terrorist or military incident involving an LNG carrier may result in delays in, or cancellation of, construction of new LNG facilities, including the proposed LNG Facilities, which would increase Tellurian s costs and decrease cash flows. A terrorist incident may also result in temporary or permanent closure of Tellurian s proposed LNG Facilities, including the Driftwood LNG Project, which could increase costs and decrease cash flows, depending on the duration of the closure. Operations at the proposed LNG Facilities, including the Driftwood LNG Project, could also become subject to increased governmental scrutiny that may result in additional security measures at a significant incremental cost. In addition, the threat of terrorism and the impact of military campaigns may lead to continued volatility in prices for natural gas that could adversely affect Tellurian s business and customers, including the ability of Tellurian s suppliers or customers to satisfy their respective obligations under Tellurian s commercial agreements.

Changes in legislation and regulations relating to the LNG industry could have a material adverse impact on Tellurian s business, results of operations, financial condition, liquidity and prospects.

Future legislation and regulations, such as those relating to the transportation and security of LNG exported from the proposed LNG Facilities through the Calcasieu Ship Channel, could cause additional expenditures, restrictions and delays in connection with the proposed LNG Facilities and their construction, the extent of which cannot be predicted and which may require Tellurian to limit substantially, delay or cease operations in some circumstances. Revised, reinterpreted or additional laws and regulations that result in increased compliance costs or additional operating costs and restrictions could have a material adverse effect on Tellurian s business, results of operations, financial condition, liquidity and prospects.

Tellurian s operations will be subject to a number of environmental laws and regulations that impose significant compliance costs, and existing and future environmental and similar laws and regulations could result in increased compliance costs or additional operating restrictions.

Tellurian s business will be subject to extensive federal, state and local regulations and laws, including regulations and restrictions on discharges and releases to the air, land and water and the handling, storage and disposal of hazardous materials and wastes in connection with the development, construction and operation of its liquefaction facilities. These regulations and laws will require Tellurian to maintain permits, provide governmental authorities with access to its facilities for inspection and provide reports related to its compliance. Violation of these laws and regulations could lead to substantial fines and penalties or to capital expenditures related to pollution control equipment that could have a material adverse effect on Tellurian s business, results of operations, financial condition, liquidity and prospects. Federal and state laws impose liability, without regard to fault or the lawfulness of the original conduct, for the release of certain types or quantities of hazardous substances into the environment. As the owner and operator of the Driftwood LNG Project, Tellurian could be liable for the costs of cleaning up hazardous substances released into the environment and for damage to natural resources.

In addition, future federal, state and local legislation and regulations may impose unforeseen burdens and increased costs on Tellurian s business that could have a material adverse effect on Tellurian s financial results, such as regulations regarding greenhouse gas emissions and the transportation of LNG.

The operation of the proposed Driftwood LNG Project may be subject to significant operating hazards and uninsured risks, one or more of which may create significant liabilities and losses that could have a material adverse effect on Tellurian s business, results of operations, financial condition, liquidity and prospects.

The plan of operations for the proposed Driftwood LNG Project is subject to the inherent risks associated with LNG operations, including explosions, pollution, release of toxic substances, fires, hurricanes and other adverse weather conditions, and other hazards, each of which could result in significant delays in commencement or interruptions of operations and/or result in damage to or destruction of the proposed Driftwood LNG Project and assets or damage to persons and property. In addition, operations at the proposed Driftwood LNG Project and vessels of third parties on which Tellurian s operations are dependent face possible risks associated with acts of aggression or terrorism.

Tellurian does not, nor does it intend to, maintain insurance against all of these risks and losses. Tellurian may not be able to maintain desired or required insurance in the future at rates that it considers reasonable. The occurrence of a significant event not fully insured or indemnified against could have a material adverse effect on Tellurian s business, contracts, financial condition, operating results, cash flow, liquidity and prospects.

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Financial projections by Tellurian Investments may not prove to be reflective of actual future results.

In connection with the merger, Tellurian Investments prepared and considered, among other things, internal financial forecasts for Tellurian Investments. These financial projections include assumptions regarding future revenue, EBITDA, capital expenditures and unlevered free cash flow. They speak only as of the date prepared and have not been, and will not be, updated. These financial projections were not provided with a view to public disclosure, are subject to significant economic, competitive, industry and other uncertainties and may not be achieved in full, at all or within projected timeframes. In addition, the failure to achieve projected results could have a material adverse effect on Tellurian s share price and financial position.

CAUTIONARY INFORMATION ABOUT FORWARD-LOOKING STATEMENTS

The information in this prospectus, including information in documents incorporated by reference in this prospectus, includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements, other than statements of historical facts, that address activities, events, or developments with respect to our financial condition, results of operations, or economic performance that we expect, believe, or anticipate will or may occur in the future, or that address plans and objectives of management for future operations, are forward-looking statements. The words anticipate, assume, believe, budget, estimate, expect, forecast, intend, may, plan, potential, project, should, will, would, and similar expressions are intended to identi forward-looking statements. These forward-looking statements relate to, among other things:

- our businesses and prospects;
- our ability to continue as a going concern;
- planned or estimated capital expenditures;
- availability of liquidity and capital resources;
- the ability to obtain additional financing as needed;
- revenues, expenses, and projected cash burn rates;
- progress in developing the Company s principal project and the timing of that progress;
- future values of that project or other interests or rights that the Company holds; and
- government regulations, including our ability to obtain necessary governmental permits and approvals.

Our forward-looking statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments, and other factors that we believe are appropriate under the circumstances. These statements are subject to a number of known and unknown risks and uncertainties, which may cause our actual results and performance to be materially different from any future results or performance expressed or implied by the forward-looking statements. These risks and uncertainties are described in the Risk Factors section and elsewhere in reports we file with the SEC incorporated by reference in this prospectus, and additional risk factors that may be set forth in any applicable prospectus supplement, and include such factors as:

- the uncertain nature of the demand for and price of natural gas;
- risks related to shortages of LNG vessels worldwide;
- technological innovation which may render our anticipated competitive advantage obsolete;
- risks related to a terrorist or military incident involving an LNG carrier;
- changes in legislation and regulations relating to the LNG industry, including environmental laws and regulations that impose significant compliance costs;
- uncertainties regarding our ability to maintain sufficient liquidity and capital resources to implement our projects or otherwise continue as a going concern;
- our limited operating history;
- our ability to attract and retain key personnel;
- risks related to doing business in, and having counterparties in, foreign countries;
- our reliance on the skill and expertise of third-party service providers;
- the ability of our vendors to meet their contractual obligations;
- the uncertain nature of the anticipated value and underlying prospects of our U.K. acreage position;
- the results and interpretation of 2-D and 3-D seismic data related to our NT/P82 interest in offshore Australia and our ability to sell or obtain an attractive farmout arrangement for NT/P82;

- risks and uncertainties inherent in management estimates of future operating results and cash flows;
- development risks, operational hazards, and regulatory approvals; and
- risks and uncertainties associated with litigation matters.

The forward-looking statements in this prospectus, or in any prospectus supplement, speak as of the date hereof, or thereof, as applicable. Although we may from time to time voluntarily update our prior forward-looking statements, we disclaim any commitment to do so except as required by securities laws.

USE OF PROCEEDS

Unless a prospectus supplement indicates otherwise, the net proceeds we receive from the sale of the securities offered by this prospectus will be used for general corporate purposes. Pending the application of the net proceeds from any particular offering, we intend to invest such proceeds in short- and intermediate-term, interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

Each time we issue securities, we will provide a prospectus supplement that will contain information about how we intend to use the proceeds from each such offering. We will bear all of the expenses of the offering of the securities, and such expenses will be paid out of our general funds, unless otherwise stated in the applicable prospectus supplement.

We cannot guarantee that we will receive any proceeds in connection with any offering hereunder because we may choose not to issue any of the securities covered by this prospectus.

PLAN OF DISTRIBUTION

We may sell securities under this prospectus and any relevant prospectus supplement to or through underwriters or dealers, directly to other purchasers or through agents. In addition, we may from time to time sell securities through a bidding or auction process, block trades, ordinary brokerage transactions or transactions in which a broker solicits purchasers. We may also use a combination of any of the foregoing methods of sale. We may distribute the securities from time to time in one or more transactions at a fixed price or prices (which may be changed from time to time), at market prices prevailing at the times of sale, at prices related to these prevailing market prices or at negotiated prices. We may offer securities in the same offering or in separate offerings. From time to time, we may exchange securities for indebtedness or other securities that we may have outstanding. In some cases, dealers acting for us may also purchase securities and re-offer them to the public by one or more of the methods described above.

Any person participating in the distribution of common stock registered under the Registration Statement that includes this prospectus will be subject to applicable provisions of the Exchange Act and applicable SEC rules and regulations, including, among others, Regulation M, which may limit the timing of purchases and sales of any of our common stock by any such person. Furthermore, Regulation M may restrict the ability of any person engaged in the distribution of our common stock to engage in market-making activities with respect to our common stock. These restrictions may affect the marketability of our common stock and the ability of any person or entity to engage in market-making activities with respect to our common stock.

Certain persons participating in an offering may engage in over-allotment, stabilizing transactions, short-covering transactions and penalty bids in accordance with Regulation M under the Exchange Act that stabilize, maintain or otherwise affect the price of the offered securities. If any such activities may occur, they will be described in the applicable prospectus supplement or a document incorporated by reference to the extent required.

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Offering

We will provide required disclosure concerning the terms of the offering of the securities in a prospectus supplement or information incorporated by reference, including, to the extent applicable:

- the name or names of underwriters, dealers or agents;
- the purchase price of the securities and the proceeds we will receive from the sale;
- any underwriting discounts, commissions, and other items constituting underwriters compensation;
- any over-allotment options under which underwriters may purchase additional securities from us;
- any commissions paid to agents;
- any discounts or concessions allowed or reallowed or paid to dealers; and
- any securities exchange or market on which the securities may be listed.

The distribution of securities may be effected, from time to time, in one or more transactions, including:

- underwritten offerings;
- block transactions (which may involve crosses) and transactions on the NASDAQ Capital Market or any other organized market where the securities may be traded;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its own account;
- ordinary brokerage transactions and transactions in which a broker-dealer solicits purchasers;
- sales at the market to or through a market maker or into an existing trading market, on an exchange or otherwise;

- sales in other ways not involving market makers or established trading markets, including direct sales to purchasers through registered direct offerings or otherwise; and

- any other method permitted pursuant to applicable law.

Dealers and agents participating in the distribution of the securities may be deemed to be underwriters, and compensation received by them on resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act. If such dealers or agents were deemed to be underwriters, they may be subject to statutory liabilities under the Securities Act. Unless otherwise indicated, any agent will be acting on a best efforts basis for the period of its appointment.

If underwriters are used in an offering, securities will be acquired by the underwriters for their own account and may be resold, from time to time, in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale, or under delayed delivery contracts or other contractual commitments. Securities may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. If an underwriter or underwriters are used in the sale of securities, an underwriting agreement will be executed with the underwriter or underwriters at the time an agreement for the sale is reached. The applicable prospectus supplement will set forth the managing underwriter or underwriters, as well as any other underwriter or underwriters, with respect to a particular underwritten offering of securities, and will set forth the terms of the transactions, including compensation of the underwriters and dealers and the public offering price, if applicable.

If a dealer is used in the sale of the securities, we or an underwriter will sell the securities to the dealer as principal. The dealer may then resell the securities to the public at varying prices to be determined by the dealer at the time of resale.

We may directly solicit offers to purchase the securities and may make sales of securities directly to institutional investors or others. These persons may be deemed to be underwriters within the meaning of the Securities Act with respect to any resale of the securities. To the extent required, the prospectus supplement or document incorporated by reference, as applicable, will describe the terms of any such sales, including the terms of any bidding or auction process, if used.

Underwriters, dealers and agents may be entitled under agreements that may be entered into with us to indemnification by us against specified liabilities, including liabilities incurred under the Securities Act, or to contribution by us to payments they may be required to make in respect of such liabilities. If required, the prospectus supplement or document incorporated by reference, as applicable, will describe the terms and conditions of such indemnification or contribution. Some of the agents, underwriters or dealers, or their affiliates, may be customers of, engage in transactions with or perform services for us, our subsidiaries or affiliates in the ordinary course of business.

In addition, we may enter into derivative transactions with third parties, in which case the third parties may sell securities covered by this prospectus and the applicable prospectus supplement or incorporated document and received by those parties in settlement of a derivative position.

To the extent required, this prospectus will be amended or supplemented from time to time to describe a specific plan of distribution.

Other than common stock, all securities sold under this prospectus will be new issues of securities with no established trading market. Any underwriters may make a market in these securities but will not be obligated to do so and may discontinue any market making at any time without notice. We cannot guarantee the liquidity of the trading markets for any securities.

DESCRIPTION OF OUR CAPITAL STOCK

Our restated certificate of incorporation authorizes us to issue 300,000,000 shares of common stock, $0.01 par value per share, and 50,000,000 shares of preferred stock, $0.01 per share. As of February 10, 2017, 199,382,948 shares of our common stock were issued and outstanding, net of 1,209,389 treasury shares held by us, and no shares of our preferred stock were issued and outstanding.

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The rights of the holders of our common stock and preferred stock are governed by the Delaware General Corporation Law (the DGCL), our restated certificate of incorporation and our amended and restated by-laws.

Common Stock

The following is a summary of the material terms of our common stock, and is qualified in its entirety by reference to the complete text of our restated certificate of incorporation and our amended and restated by-laws, each of which is incorporated by reference in this prospectus. See Where You Can Find More Information.

Voting Rights

Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. Cumulative voting in the election of directors is not permitted. Section 216 of the DGCL provides that, generally, unless otherwise provided in our certificate of incorporation or our by-laws or another section of the DGCL with respect to a specified action, all matters to be voted on by stockholders must be approved by the affirmative vote of the majority of shares present or represented by proxy at the meeting and entitled to vote, or, in the case of the election of directors, by a plurality of the votes of shares present or represented by proxy at the meeting and entitled to vote, in each case at a meeting at which a quorum is present. With respect to certain matters where the NASDAQ Capital Market shareholder approval requirements are applicable, the NASDAQ Capital Market rules require approval by a majority of the total votes cast on the proposal.

Dividend and Distribution Rights

Holders of outstanding shares of our common stock are entitled to dividends when, as, and if declared by our board of directors out of funds legally available for the payment of dividends. As a Delaware corporation, we may pay dividends out of surplus or, if there is no surplus, out of net profits for the fiscal year in which a dividend is declared and/or the preceding fiscal year. In the event of our liquidation, dissolution, or winding up of our affairs, holders of our common stock will be entitled to receive ratably our net assets available to the stockholders.

Preemptive, Conversion and Redemption Rights

Holders of our outstanding common stock have no conversion or redemption rights. In addition, holders of our common stock have no preemptive rights under the DGCL. However, TOTAL Delaware, Inc., a Delaware corporation and subsidiary of TOTAL S.A., has a right to purchase its pro rata portion of any new equity securities that Tellurian may issue to a third party on the same terms and conditions as such equity securities are offered and sold to such party, subject to certain exceptions. All of the issued and outstanding shares of our common stock are, and all unissued shares of our common stock, when offered and sold will be, duly authorized, validly issued, fully paid, and nonassessable. To the extent that additional shares of our common stock may be issued in the future, the relative interests of the then-existing stockholders may be diluted.

Trading Market

Our common stock is listed for trading on the NASDAQ Capital Market under the ticker symbol TELL. On February 9, 2017, the closing price of our common stock as reported on the NASDAQ Capital Market was $14.21 per share.

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Registrar and Transfer Agent

Our registrar and transfer agent for all shares of common stock is Broadridge Corporate Issuer Solutions, Inc.

Preferred Stock

Our restated certificate of incorporation authorizes our board of directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time one or more classes or series of preferred stock, covering up to an aggregate of 50,000,000 shares of preferred stock. Each class or series of preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by our board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights and redemption rights.

Anti-Takeover Provisions in our Restated Certificate of Incorporation and Amended and Restated By-Laws

Our restated certificate of incorporation and amended and restated by-laws also contain provisions that we describe in the following paragraphs, which may delay, defer, discourage, or prevent a change in control of us, the removal of our existing management or directors, or an offer by a potential acquirer to our stockholders, including an offer by a potential acquirer at a price higher than the market price for the stockholders shares.

Among other things, our restated certificate of incorporation and amended and restated by-laws:

- divide our board of directors into three classes serving staggered three-year terms, which could have the effect of increasing the length of time necessary to change the composition of a majority of the board of directors;

- provide that all vacancies on the board of directors, including newly created directorships, may, except as otherwise required by law, be filled by the vote of a majority of directors then in office;

- provide our board of directors with the ability to authorize currently undesignated preferred stock. This ability makes it possible for our board of directors to issue, without stockholder approval, preferred stock with voting or other rights or preferences designated by the board that could have the effect of impeding the success of any attempt to change control of us;

- establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures provide that notice of stockholder proposals must be timely given in writing to our corporate secretary prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal executive offices not less than 60 days prior to the meeting, provided that in the event that less than 70 days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder must be received not more than

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10 days following the date on which such notice of the meeting date was mailed or public disclosure given. Our by-laws specify the requirements as to the form and content of all stockholders notices. These requirements may preclude stockholders from bringing matters before the stockholders at an annual or special meeting;

provide that stockholders are not permitted to call special meetings of stockholders. Only our chairman of the board, president, and the board of directors are permitted to call a special meeting of stockholders; and

provide that our board of directors may alter, amend, or repeal our by-laws or approve new by-laws without further stockholder approval, and provide that a stockholder amendment to the by-laws requires a favorable vote of 66 ⅔% of the voting power of all outstanding voting stock.

Anti-Takeover Provisions of Delaware Law

We are subject to the anti-takeover provisions of Section 203 of the DGCL. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner.

Section 203 defines a business combination as a merger, asset sale, or other transaction resulting in a financial benefit to the interested stockholder. Section 203 defines an interested stockholder as a person who, together with affiliates and associates, owns, or, in some cases, within the three prior years, did own, 15% or more of the corporation s voting stock. Under Section 203, a business combination between us and an interested stockholder is subject to the three-year moratorium unless:

our board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder prior to the date the person attained that status;

	upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder,operations	$(0.15)	$0.13	$(0.24)	$0.26
Discontinued operations	(0.00)	(0.00)	0.04	(0.00)	
	$(0.15)	$0.12	$(0.20)	$0.26	
Dividends declared per common share	$0.44	$0.44	$0.44	$0.44	
Basic weighted average shares outstanding	90,540,237	55,681,668	89,923,528	55,562,384	
Diluted weighted	90,816,019	55,844,239	90,202,854	55,786,070	

average
shares
outstanding

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

BRANDYWINE REALTY TRUST

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

(unaudited, in thousands)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2006	**2005**	**2006**	**2005**
Net income (loss)	$ (11,556)	$ 8,930	$ (14,198)	$ 18,345
Other comprehensive income:				
Unrealized gain on derivative financial instruments	605		2,363	
Less: minority interest - consolidated real estate venture partner s share of unrealized gain on derivative financial instruments	(296)		(809)	
Realized gain on derivative financial instruments			3,266	
Reclassification of realized (gains)/losses on derivative financial instruments to operations, net	9	113	105	226
Unrealized gain (loss) on available-for-sale securities	(184)	45	(776)	237
Total other comprehensive income	134	158	4,149	463
Comprehensive income (loss)	$ (11,422)	$ 9,088	$ (10,049)	$ 18,808

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

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BRANDYWINE REALTY TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

	Six-month periods ended June 30,	
	2006	**2005**
Cash flows from operating activities:		
Net income (loss)	$ (14,198)	$ 18,345
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	95,051	41,657
Amortization:		
Deferred financing costs	1,274	1,293
Deferred leasing costs	5,184	4,057
Acquired above (below) market leases, net	(3,907)	(787)
Assumed lease intangibles	33,700	10,584
Deferred compensation costs	1,445	1,387
Straight-line rent	(15,916)	(6,500)
Provision for doubtful accounts	1,956	600
Real estate venture income in excess of distributions	(267)	(647)
Net gain on sale of interests in real estate	(2,608)	
Minority interest	(722)	703
Changes in assets and liabilities:		
Accounts receivable	5,937	3,631
Other assets	8,411	299
Accounts payable and accrued expenses	7,451	(10,399)
Tenant security deposits and deferred rents	9,976	(1,629)
Other liabilities	(6,053)	(89)
Net cash from operating activities	126,714	62,505
Cash flows from investing activities:		
Acquisition of Prentiss	(935,856)	
Acquisition of properties	(50,114)	(38,854)
Sales of properties, net	144,006	
Capital expenditures	(102,851)	(82,033)
Investment in marketable securtities	175	
Investment in unconsolidated Real Estate Ventures	(502)	(119)
Escrowed cash	(2,115)	(109)
Cash distributions from unconsolidated Real Estate Ventures in excess of equity in income	2,215	226
Leasing costs	(12,114)	(5,448)
Net cash from investing activities	(957,156)	(126,337)
Cash flows from financing activities:		
Proceeds from Credit Facility borrowings	310,000	118,000
Repayments of Credit Facility borrowings	(205,000)	(5,000)
Proceeds from mortgage notes payable	20,520	
Repayments of mortgage notes payable	(21,198)	(10,045)
Proceeds from term loan	750,000	
Repayments of term loan	(750,000)	
Proceeds from unsecured notes	847,818	
Proceeds from forward starting swap termination	3,266	
Repayments on employee stock loans	35	50
Debt financing costs	(6,987)	(146)

Exercise of stock options	8,011	10,432
Repurchases of Common Shares and minority interest units	(34,481)	(239)
Distributions paid to shareholders	(68,306)	(53,070)
Distributions to minority interest holders	(4,033)	(2,175)
Net cash from financing activities	849,645	57,807
Increase (decrease) in cash and cash equivalents	19,203	(6,025)
Cash and cash equivalents at beginning of period	7,174	15,346
Cash and cash equivalents at end of period	$ 26,377	$ 9,321
Supplemental disclosure:		
Cash paid for interest, net of capitalized interest	$ 52,881	$ 25,923
Supplemental disclosure of non-cash activity:		
Common shares issued in the Prentiss acquisition	1,021,269	
Operating Partnership units issued in the Prentiss acquisition	64,103	
Mortgage notes payable assumed in the Prentiss acquisition	$ 532,607	
Secured note payable assumed in the Prentiss acquiaition	$ 186,116	

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

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BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

1. THE COMPANY

Brandywine Realty Trust, a Maryland real estate investment trust (collectively with its subsidiaries, the Company), is a self-administered and self-managed real estate investment trust, or REIT, active in acquiring, developing, redeveloping, leasing and managing office and industrial properties. As of June 30, 2006, the Company owned 278 office properties, 23 industrial facilities and 1 mixed-use property (collectively, the Properties) containing an aggregate of approximately 30.3 million net rentable square feet. As of June 30, 2006, the Company owned economic interests in eleven unconsolidated real estate ventures that contain approximately 2.7 million net rentable square feet (the Real Estate Ventures) and in four consolidated real estate ventures that own 16 office properties containing approximately 1.6 million net rentable square feet. The Properties and the properties owned by the Real Estate Ventures are located in or areas surrounding Philadelphia, Pennsylvania; Wilmington, Delaware; Austin, Texas; Dallas, Texas; Richmond, Virginia; Northern and Southern California; Southern and Central New Jersey and Northern Virginia.

As more fully described in Note 3, on January 5, 2006, the Company acquired Prentiss Properties Trust (Prentiss) under an Agreement and Plan of Merger (the Merger Agreement) that the Company entered into with Prentiss on October 3, 2005.

The Company owns its assets through Brandywine Operating Partnership, L.P. a Delaware limited partnership (the Operating Partnership). The Company is the sole general partner of the Operating Partnership and, as of June 30, 2006, owned a 95.7% interest in the Operating Partnership. The Company conducts its third-party real estate management services business primarily through four management companies (collectively, the Management Companies), Brandywine Realty Services Corporation (BRSCO), BTRS, Inc., Brandywine Properties I Limited, Inc. (BPI), and Brandywine Properties Management, L.P. (BPM). BRSCO, BTRS, Inc. and BPI are taxable REIT subsidiaries. The Operating Partnership owns a 95% interest in BRSCO and the remaining 5% interest is owned by a partnership comprised of a current executive and former executive of the Company, each of whom is a member of the Company s Board of Trustees. The Company owns 100% of BTRS, Inc. BPM is a limited partnership that is 99% owned by Brandywine Acquisition Partners, L.P. The other 1% of BPM is owned by BPI.

As of June 30, 2006, the Management Companies were managing properties containing an aggregate of approximately 44.2 million net rentable square feet, of which approximately 30.3 million net rentable square feet related to Properties owned by the Company and approximately 13.9 million net rentable square feet related to properties owned by third parties and certain Real Estate Ventures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared by the Company without audit except as to the balance sheet as of December 31, 2005, which has been derived from audited data, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the included disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (consisting solely of normal recurring matters) for a fair statement of the financial position of the Company as of June 30, 2006, the results of its operations for the three- and six-month periods ended June 30, 2006 and 2005 and its cash flows for the six-month periods ended June 30, 2006 and 2005 have been included. The results of operations for such interim periods are not necessarily indicative of the results for a full year. These consolidated financial statements should be read in conjunction with the Company s consolidated financial statements and footnotes included in the Company s 2005 Annual Report on Form 10-K. Certain prior period amounts have been reclassified to conform to the current period presentation.

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Principles of Consolidation

The accompanying consolidated financial statements include all accounts of the Company, and its majority-owned and/or controlled subsidiaries. The portion of these entities not owned by the Company is presented as minority interest as of and during the periods consolidated. All intercompany accounts and transactions have been eliminated in consolidation.

When the Company obtains an economic interest in an entity, the Company evaluates the entity to determine if the entity is deemed a variable interest entity (VIE), and if the Company is deemed to be the primary beneficiary, in accordance with FASB Interpretation No. 46R, Consolidation of Variable Interest Entities (FIN 46R). The Company consolidates (i) entities that are VIEs where the Company is deemed to be the primary beneficiary and (ii) entities that are non-VIEs which the Company controls. Entities that the Company accounts for under the equity method (i.e., at cost, increased or decreased by the Company s share of earnings or losses, less distributions) include (i) entities that are VIEs where the Company is not deemed to be the primary beneficiary and (ii) entities that are non-VIEs which the Company does not control, but over which the Company has the ability to exercise significant influence. The Company will reconsider its determination of whether an entity is a VIE and who the primary beneficiary is if certain events occur that are likely to cause a change in the original determinations.

Use of Estimates

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

Operating Properties

Operating properties are carried at historical cost less accumulated depreciation and impairment losses. The cost of operating properties reflects their purchase price or development cost. Costs incurred for the acquisition and renovation of an operating property are capitalized to the Company s investment in that property. Ordinary repairs and maintenance are expensed as incurred. Major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, required us to separately report as discontinued operations the historical operating results attributable to operating properties sold or held for sale and the applicable gain or loss on the disposition of the properties. The consolidated statements of operations for prior periods are also adjusted to conform to this classification. In all cases, gains and losses are recognized using the full accrual method of accounting. Gains relating to transactions which do not meet the requirements of the full accrual method of accounting are deferred and recognized when the full accrual method of accounting criteria are met.

Purchase Price Allocation

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

Other intangible assets also include amounts representing the value of tenant relationships and in-place leases based on

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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the Company s evaluation of the specific characteristics of each tenant s lease and the Company s overall relationship with the respective tenant. The Company estimates the cost to execute leases with terms similar to the remaining lease terms of the in-place leases, including leasing commissions, legal and other related expenses. This intangible asset is amortized to expense over the remaining term of the respective leases. Company estimates of value are made using methods similar to those used by independent appraisers or by using independent appraisals. Factors considered by the Company in this analysis include an estimate of the carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. The Company also considers information obtained about each property as a result of its pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired. The Company also uses the information obtained as a result of its pre-acquisition due diligence as part of its consideration of FIN47, and when necessary, will record a conditional asset retirement obligation as part of its purchase price. In estimating carrying costs, the Company includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, which primarily range from three to twelve months.

Characteristics considered by the Company in allocating value to its tenant relationships include the nature and extent of the Company s business relationship with the tenant, growth prospects for developing new business with the tenant, the tenant s credit quality and expectations of lease renewals, among other factors. The value of tenant relationship intangibles is amortized over the remaining initial lease term and expected renewals, but in no event longer than the remaining depreciable life of the building. The value of in-place leases is amortized over the remaining non-cancelable term of the respective leases and any fixed-rate renewal periods.

In the event that a tenant terminates its lease, the unamortized portion of each intangible, including market rate adjustments, in-place lease values and tenant relationship values, would be charged to expense.

Revenue Recognition and Accounts Receivable

Rental revenue is recognized on the straight-line basis from the later of the date of the commencement of the lease or the date of acquisition of the property subject to existing leases, which averages minimum rents over the terms of the leases. The cumulative difference between lease revenue recognized under this method and contractual lease payment terms is recorded as accrued rent receivable on the accompanying balance sheets. The straight-line rent adjustment increased revenue by approximately $8.1 million and $15.6 million for the three- and six-month periods ended June 30, 2006 and approximately $3.1 million and $6.3 million for the three- and six-month periods ended June 30, 2005. Tenant receivables and accrued rent receivables are carried net of the allowances for doubtful accounts of $7.8 million as of June 30, 2006 and $4.9 million as of December 31, 2005. The allowance is based on management s evaluation of the collectability of receivables, taking into account tenant specific considerations as well as the overall credit of the tenant portfolio. The leases also typically provide for tenant reimbursement of a portion of common area maintenance and other operating expenses. Other income is recorded when earned and is primarily comprised of termination fees received from tenants, bankruptcy settlement fees, third party leasing commissions, and third party management fees. Other income includes net termination fees of $1.3 million and $1.9 million for the three- and six-month periods ended June 30, 2006, and $0.9 million and $4.9 million for the three- and six-month periods ended June 30, 2005. Deferred rents represent rental revenue received from tenants prior to their due dates.

Stock-based Compensation Plans

The Company maintains shareholder-approved equity incentive plans. The Compensation Committee of the Company s Board of Trustees authorizes awards under these plans. In May 2005, the Company s shareholders approved an amendment to the Amended and Restated 1997 Long-Term Incentive Plan (the 1997 Plan) that increased the number of common shares that may be issued or subject to award under the 1997 Plan from 5,000,000 to 6,600,000. The May 2005 amendment provided that 500,000 of the shares under the 1997 Plan are available solely for awards under options and share appreciation rights that have an exercise or strike price not less than the market price of the common shares on the date of award, and the remaining 6,100,000 shares are available for any type of award under the 1997 Plan. Incentive stock options may not be granted at exercise prices less than fair value of the shares at the time of grant. All options awarded by the Company to date are non-qualified stock options that generally vested over two to five years. As of June 30, 2006, 2.6 million shares remained available for future award under the 1997 Plan. As part of the Company s January 2006 acquisition of Prentiss, the Company assumed Prentiss three share incentive

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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plans. As of June 30, 2006, approximately 1,685,676 common shares remain available for issuance or subject to award under the assumed Prentiss share incentive plans; however, any such issuances or awards under the assumed Prentiss plan may be made only to those Company employees who had been employed by Prentiss immediately prior to the Company s acquisition of Prentiss or to those Company employees hired after the Prentiss acquisition.

On January 1, 2002, the Company began to expense the fair value of stock-based compensation awards granted subsequent to January 1, 2002, over the applicable vesting period as a component of general and administrative expenses in the Company s consolidated statements of income. In the three and six-month periods ended June 30, 2006 the Company recognized $669,000 and $1,445,000 of stock-based compensation expense. In the three and six-month periods ended June 30, 2005 the Company recognized and $696,000 and $1,387,000 of stock-based compensation expense.

For stock-based compensation awards granted prior to 2002, the Company accounted for stock options issued under the recognition and measurement provisions of APB No.25, *Accounting for Stock Issued to Employees and Related Interpretations*. Under this method, no stock-based compensation expense was recognized. Because stock options granted prior to 2002 vested over a three-year term, the resulting compensation cost based on the fair value of the awards on the date of grant, on a pro forma basis would have been expensed in 2003, 2004, and 2005. Accordingly, had the Company applied the fair value recognition provisions of SFAS 123, the net income applicable to common shares would remain the same on a pro forma basis for the three and six month periods ended June 30, 2006, and would have been reduced by $117,000 and $256,000 for the three and six month periods ended June 30, 2005, with no change in basic or diluted net income per share.

The Company s primary form of share-based compensation has been restricted shares issued under a shareholder approved equity incentive plan that authorizes various equity-based awards. As of June 30, 2006, 352,036 restricted shares were outstanding and vest over five years from the initial grant date. The remaining compensation expense to be recognized associated with the 352,036 restricted shares outstanding at June 30, 2006 was approximately $9.9 million. That expense is expected to be recognized over a weighted average remaining vesting period of 1.9 years. For the three month and six month periods ended June 30, 2006, the Company recognized $669,000 and $1,445,000 of compensation expense related to outstanding restricted shares. The following table summarizes the Company s restricted share activity for the six-months ended June 30, 2006:

	Shares	**Weighted Average Grant Date Fair value**
Non-vested at January 1, 2006	316,134	$ 25.62
Granted	240,136	30.34
Vested	(160,594)	26.20
Forfeited	(43,640)	28.32
Non-vested at June 30, 2006	352,036	$ 28.24

At June 30, 2006, the Company had 1,412,300 options outstanding under its shareholder approved equity incentive plan. No options were unvested as of June 30, 2006 and therefore there is no remaining unrecognized compensation expense associated with these options. Option activity as of June 30, 2006 and changes during the six months ended June 30, 2006 were as follows:

BRANDYWINE REALTY TRUST

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June 30, 2006

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in 000 s)
Outstanding at January 1, 2006	1,276,722	$26.82	2.15	1,888
Prentiss options converted to Company options as part of the Prentiss acquisition (see Note 3)	496,037	22.00	2.41	4,841
Exercised	(360,459)	21.87	0.61	3,565
Forfeited				
Outstanding at June 30, 2006	1,412,300	$26.39	2.20	7,580
Vested at June 30, 2006	1,412,300	$26.39	2.20	7,580
Exercisable at June 30, 2006	1,412,300	$26.39	2.20	7,580

There were no option awards granted to employees during the three-and six-month periods ended June 30, 2006 and 2005.

The Company has the ability and intent to issue shares upon stock option exercises. Historically, the Company has issued new common shares to satisfy such exercises.

Accounting for Derivative Instruments and Hedging Activities

The Company accounts for its derivative instruments and hedging activities under SFAS No. 133 (SFAS 133), *Accounting for Derivative Instruments and Hedging Activities*, and its corresponding amendments under SFAS No. 138, *Accounting for Certain Derivative Instruments and Hedging Activities An Amendment of SFAS 133*. SFAS 133 requires the Company to measure every derivative instrument (including certain derivative instruments embedded in other contracts) at fair value and record them in the balance sheet as either an asset or liability. For derivatives designated as fair value hedges, the changes in fair value of both the derivative instrument and the hedged item are recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of changes in the fair value of the derivative are reported in other comprehensive income. Changes in fair value of derivative instruments and ineffective portions of hedges are recognized in earnings in the current period. For the three- and six-month periods ended June 30, 2006 and 2005, the Company was not party to any derivative contract designated as a fair value hedge.

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

Income Taxes

The Company and a subsidiary REIT elect to be taxed as real estate investment trusts under Sections 856-860 of the Internal Revenue Code. In order to maintain its qualification as a REIT, the Company is required, among other things, to distribute at least 90% of its REIT taxable income to its shareholders and meet certain tests regarding the nature of its income and assets. As a REIT, the Company is not subject to federal income tax with respect to that portion of its income which meets certain criteria and is distributed annually to the shareholders. Accordingly, no provision for federal income taxes is included in the accompanying consolidated financial statements. The Company plans to continue to operate so that it meets the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. If the Company were to fail to meet these requirements, the Company would be subject to federal income tax. The Company is subject to certain state and local taxes. Provision for such taxes has been included in general and administrative expenses in the Company s consolidated statements of operations.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

Recent Accounting Pronouncements

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company s financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on description, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 becomes effective on January 1, 2007. The Company is currently evaluating the impact of adopting FIN 48 but does not expect it to have a material impact on the consolidated financial statements.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets, an Amendment of SFAS No. 140.* SFAS No. 156 requires separate recognition of a servicing asset and a servicing liability each time an entity undertakes an obligation to service a financial asset by entering into a service contract. This statement also requires that servicing assets and liabilities be initially recorded at fair value and subsequently adjusted to the fair value at the end of each reporting period. This statement is effective in fiscal years beginning after September 15, 2006. The Company does not expect the adoption of this standard on January 1, 2007 to have a material effect on the consolidated financial statements.

In February 2006, the FASB issued SFAS No.155, *Accounting for Certain Hybrid Financial Instruments An Amendment of FASB No. 133 and 140.* The purpose of SFAS No.155 is to simplify the accounting for certain hybrid financial instruments by permitting fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. SFAS No. 155 also eliminates the restriction on passive derivative instruments that a qualifying special-purpose entity may hold. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity s first fiscal year beginning after September 15, 2006. The Company does not expect the adoption of this standard on January 1, 2007 to have a material effect on the consolidated financial statements.

In October 2005, the FASB issued Staff Position No. 13-1 Accounting for Rental Costs Incurred during a Construction Period (FSP FAS 13-1). FSP FAS 13-1 addresses the accounting for rental costs associated with operating leases that are incurred during the construction period. FSP FAS 13-1 makes no distinction between the right to use a leased asset during the construction period and the right to use that asset after the construction period. Therefore, rental costs associated with ground or building operating leases that are incurred during a construction period shall be recognized as rental expense, allocated over the lease term in accordance with SFAS No. 13 and Technical Bulletin 85-3. The terms of FSP FAS 13-1 are not applicable to lessees that account for the sale or rental of real estate projects in accordance with SFAS No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects. FSP FAS 13-1 was effective for the first reporting period beginning after December 15, 2005. Retrospective application in accordance with SFAS 154 is permitted but not required. The adoption of FSP FAS 13-1 did not have a material effect on the consolidated financial statements of the Company.

In June 2005, the Emerging Issues Task Force issued EITF 04-05, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights (EITF 04-05). The scope of EITF 04-05 is limited to limited partnerships or similar entities that are not variable interest entities under FIN 46R. The Task Force reached a consensus that the general partners in a limited partnership (or similar entity) are presumed to control the entity regardless of the level of their ownership and, accordingly, may be required to consolidate the entity. This presumption may be overcome if the agreements provide the limited partners with either (a) the substantive ability to dissolve (liquidate) the limited partnership or otherwise remove the general partners without cause or (b) substantive participating rights. If it is deemed that the limited partners rights overcome the presumption of control by a general partner of the limited partnership, the general partner shall account for its investment in the limited partnership using the equity method of accounting. EITF 04-05 was effective immediately for all arrangements created or modified after June 29, 2005. For all other arrangements, application of EITF 04-05 is required effective for the first reporting period in fiscal years beginning after December 15, 2005 (i.e., effective January 1, 2006 for the Company) using either a cumulative-effect-type adjustment or using a retrospective application. The adoption of EITF 04-05 did not have an effect on the Company s consolidated financial statements.

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In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections (SFAS 154). SFAS 154 replaces APB No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements and establishes retrospective application as the required method for reporting a change in accounting principle. SFAS 154 provides guidance for determining whether a retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company adopted SFAS 154 on January 1, 2006 and this adoption had no effect on the Company s financial position and results of operations.

In March 2005, the FASB issued FIN 47, *Accounting for Conditional Asset Retirement Obligations*, an interpretation of FASB Statement No. 143, *Asset Retirement Obligations*. FIN 47 provides clarification of the term conditional asset retirement obligation as used in SFAS 143, defined as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the company. Under this standard, a company must record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. FIN 47 became effective in the Company s fiscal quarter ended December 31, 2005. The Company adopted FIN 47 as required effective December 31, 2005 and the initial application of FIN 47 did not have a material effect on the consolidated financial statements of the Company.

In December 2004, the FASB issued SFAS No. 123(R), Share-Based Payment (SFAS 123(R)). SFAS 123(R) is an amendment of SFAS 123 and requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements. The cost is required to be measured based on the fair value of the equity or liability instruments issued. SFAS 123(R) also contains additional minimum disclosures requirements including, but not limited to, the valuation method and assumptions used, amounts of compensation capitalized and modifications made. The effective date of SFAS 123(R) was subsequently amended by the SEC to be as of the beginning of the first interim or annual reporting period of the first fiscal year that begins on or after December 15, 2005, and allows several different methods of transition. The Company adopted SFAS 123(R) using the prospective method on January 1, 2006. This adoption did not have a material effect on our consolidated financial statements.

3. REAL ESTATE INVESTMENTS

As of June 30, 2006 and December 31, 2005, the carrying value of the Company s operating properties was as follows (amounts in thousands):

	June 30, 2006	December 31, 2005
Land	$744,027	$ 456,736
Building and improvements	3,642,178	1,951,252
Tenant improvements	302,355	152,073
	4,688,560	2,560,061
Less: accumulated depreciation	(467,969)	(390,333)
Operating real estate investments, net	$4,220,591	$ 2,169,728

Acquisitions and Dispositions

The Company s acquisitions are accounted for by the purchase method. The results of each acquired property are included in the Company s results of operations from their respective purchase dates.

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On January 5, 2006, the Company acquired Prentiss Properties Trust (Prentiss) under an Agreement and Plan of Merger (the Merger Agreement) that the Company entered into with Prentiss on October 3, 2005. In conjunction with the Company s acquisition of Prentiss, designees of The Prudential Insurance Company of America (Prudential) acquired certain of Prentiss properties that contain an aggregate of approximately 4.32 million net rentable square feet for a total consideration of approximately $747.7 million. Through its acquisition of Prentiss (and after giving effect to the Prudential acquisition of certain of Prentiss properties), the Company acquired a portfolio of 79 office properties (includes 13 properties that are owned by consolidated joint ventures and 7 properties that are owned by an unconsolidated joint venture) that contain an aggregate of 14.0 million net rentable square feet. The results of the operations of Prentiss have been included in the Company s condensed consolidated financial statements since January 5, 2006.

Subsequent to its acquisition of Prentiss and the related sale of certain properties to Prudential, the Company sold nine of these acquired properties that contain an aggregate of 1.7 million net rentable square feet. Two additional properties acquired in the acquisition of Prentiss are classified as held for sale at June 30, 2006.

The Company funded the approximately $1.05 billion cash portion of the merger consideration, related transaction costs and prepayments of approximately $543.3 million in Prentiss mortgage debt at the closing of the merger through (i) a $750 million unsecured term loan that matures on January 4, 2007; (ii) approximately $676.5 million of cash from Prudential s acquisition of certain of the Prentiss properties; and (iii) approximately $195.0 million through borrowing under a revolving credit facility.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

BRANDYWINE REALTY TRUST

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	At January 5, 2006
Real estate investments	
Land - operating	$ 282,584
Building and improvements	1,942,728
Tenant improvements	120,610
Construction in progress and land inventory	57,329
Total real estate investments acquired	2,403,251
Rent receivables	6,031
Other assets acquired:	
Intangible assets:	
In-place leases	187,907
Relationship values	98,382
Above-market leases	26,352
Total intangible assets acquired	312,641
Investment in real estate ventures	66,921
Investment in marketable securities	193,089
Other assets	8,868
Total other assets	581,519
Total assets acquired	2,990,801
Liabilities assumed:	
Mortgage notes payable	532,607
Unsecured notes	264,726
Security deposits and deferred rent	6,475
Other liabilities:	
Below-market leases	78,911
Other liabilities	43,995
Total other liabilities assumed	122,906
Total liabilities assumed	926,714
Minority interest	104,658
Net assets acquired	$ 1,959,429

In the acquisition of Prentiss, each then outstanding Prentiss common share was converted into the right to receive 0.69 of a Brandywine common share and $21.50 in cash (the Per Share Merger Consideration) except that 497,884 Prentiss common shares held in the Prentiss Deferred Compensation Plan converted solely into 720,737 Brandywine common shares. In addition, each then outstanding unit (each, a Prentiss OP Unit) of limited partnership interest in the Prentiss operating partnership subsidiary was, at the option of the holder, converted into Prentiss Common Shares with the right to receive the Per Share Merger Consideration or 1.3799 Class A Units of the Operating Partnership (Brandywine Class A Units). Accordingly, based on 49,375,723 Prentiss common shares outstanding and 139,000 Prentiss OP Units electing to receive merger consideration at closing of the acquisition, the Company issued 34,541,946 Brandywine common shares and paid an aggregate of approximately $1.05 billion in cash to the accounts of the former Prentiss shareholders. Based on 1,572,612 Prentiss OP Units outstanding at closing of the acquisition that did not elect to receive merger consideration, the Operating Partnership issued 2,170,047 Brandywine Class A Units. In addition, options issued by Prentiss that were exercisable for an aggregate of 342,662 Prentiss common shares were converted into options exercisable for an aggregate of 496,037 Brandywine common shares at a weighted average exercise price of $22.00 per share. Through the Company s acquisition of Prentiss we also assumed approximately $611.2 million in aggregate principal amount of Prentiss debt.

Each Brandywine Class A Unit that was issued in the merger is subject to redemption at the option of the holder. The Operating Partnership may, at its option, satisfy the redemption either for an amount, per unit, of cash equal to the then market price of one Brandywine common share (based on the prior ten-day trading average) or for one Brandywine common share.

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For purposes of computing the total purchase price reflected in the financial statements, the common shares, operating units, restricted shares and options that were issued in the Prentiss transaction were valued based on the average trading price per Brandywine common share of $29.54. The average trading price was 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 (i.e., September 29, September 30, October 3, October 4 and October 5).

The Company considered the provisions of FIN 47 for these acquisitions and where necessary, recorded a conditional asset retirement obligation as part of the purchase price. The aggregate asset retirement recorded in connection with the Prentiss acquisition was approximately $2.7 million.

Pro forma information relating to the acquisition of Prentiss is presented below as if Prentiss was acquired and the related financing transactions occurred on January 1, 2005. These pro forma results are not necessarily indicative of the results which actually would have occurred if the acquisition had occurred on the first day of the periods presented, nor does the pro forma financial information purport to represent the results of operations for future periods (in thousands, except per share amounts):

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2006	2005	2006	2005
	(unaudited)		(unaudited)	
Pro forma revenue	$170,971	$170,949	$337,731	$341,272
Pro forma loss from continuing operations	(11,489)	(40)	(17,034)	(666)
Pro forma loss allocated to common shares	(13,554)	(2,038)	(15,847)	(4,662)
Earnings per common share from continuing operations				
Basic as reported	$(0.15)	$0.13	$(0.24)	$0.26
Basic as pro forma	$(0.15)	$(0.02)	$(0.21)	$(0.05)
Diluted - as reported	$(0.15)	$0.13	$(0.24)	$0.26
Diluted - as pro forma	$(0.15)	$(0.02)	$(0.21)	$(0.05)
Earnings per common share				
Basic as reported	$(0.15)	$0.12	$(0.20)	$0.26
Basic as pro forma	$(0.15)	$(0.02)	$(0.18)	$(0.05)
Diluted - as reported	$(0.15)	$0.12	$(0.20)	$0.26
Diluted - as pro forma	$(0.15)	$(0.02)	$(0.18)	$(0.05)

During the six-month period ended June 30, 2006, the Company also acquired two office properties containing 238,107 net rentable square feet and 76.6 acres of developable land for an aggregate purchase price of $47.4 million. The Company sold two parcels of land containing 6.8 acres for an aggregate $4.9 million, realizing net gains totaling $2.6 million.

During the three-month period ended June 30, 2006, the Company acquired one office property containing 145,127 net rentable square feet for $24.0 million and 76.6 acres of developable land for an aggregate purchase price of $47.4 million. The Company sold two parcels of land containing 6.8 acres for an aggregate $4.9 million, realizing net gains totaling $2.6 million.

2005

During the six-month period ended June 30, 2005, the Company acquired one industrial property containing 385,884 net rentable square feet and 28.4 acres of developable land for an aggregate purchase price of $41.8 million.

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During the three-month period ended June 30, 2005, the Company acquired one industrial property containing 385,884 net rentable square feet and 21.5 acres of developable land for an aggregate purchase price of $30.3 million.

4. INVESTMENT IN UNCONSOLIDATED VENTURES

As of June 30, 2006, the Company had an aggregate investment of approximately $76.1 million in eleven unconsolidated Real Estate Ventures (net of returns of investment). The Company or Prentiss formed these ventures with unaffiliated third parties to develop office properties or to acquire land in anticipation of possible development of office properties. Nine of the Real Estate Ventures own 15 office buildings that contain an aggregate of approximately 2.7 million net rentable square feet, one Real Estate Venture developed a hotel property that contains 137 rooms and one Real Estate Venture is developing an office property located in Albemarle County, VA.

The Company also has investments in four real estate ventures that are variable interest entities under FIN No. 46R and of which the Company is the primary beneficiary.

The Company accounts for its non-consolidating interests in its Real Estate Ventures using the equity method. Non-consolidating ownership interests range from 6% to 50%, subject to specified priority allocations in certain of the Real Estate Ventures. The Company s investments, initially recorded at cost, are subsequently adjusted for the Company s share of the Real Estate Ventures income or loss and cash contributions and distributions.

The amounts reflected below (except for Company s share of equity and income) are based on the historical financial information of the individual Real Estate Ventures. One of the Real Estate Ventures, acquired in connection with the Prentiss acquisition, had a negative equity balance on a historical cost basis as a result of historical depreciation and distribution of excess financing proceeds. The Company reflected its acquisition of this Real Estate Venture interest at its relative fair value as of the date of the purchase of Prentiss. The difference between allocated cost and the underlying equity in the net assets of the investee is accounted for as if the entity were consolidated (i.e., allocated to the Company s relative share of assets and liabilities with an adjustment to recognize equity in earnings for the appropriate additional depreciation/amortization).

The following is a summary of the financial position of the Real Estate Ventures as of June 30, 2006 and December 31, 2005 (in thousands):

	June 30, 2006	**December 31, 2005**
Operating property, net of accumulated depreciation	$355,511	$ 286,601
Other assets	50,888	32,267
Liabilities	25,691	24,855
Debt	331,170	205,018
Equity	49,538	88,995
Company s investment in real estate ventures	76,113	13,331

In addition to its $76.1 million investment in the eleven unconsolidated Real Estate Ventures, the Company also has an investment of $2.3 million in Prentiss Properties Capital Trust I and Prentiss Properties Capital Trust II that is accounted for using the cost method of accounting. This investment, which is included in investment in unconsolidated ventures at June 30, 2006, was acquired by the Company as part of the Prentiss acquisition on January 5, 2006.

The following is a summary of results of operations of the Real Estate Ventures for the three- and six-month periods ended June 30, 2006 and 2005 (in thousands):

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	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2006	**2005**	**2006**	**2005**
Revenue	$32,391	$21,018	$52,115	$32,138
Operating expenses	13,453	12,520	21,447	17,450
Interest expense, net	8,190	2,821	13,184	5,606
Depreciation and amortization	7,870	2,224	12,743	4,442
Net income	2,878	3,453	4,741	4,640
Company s share of income (Company basis)	463	993	1,428	1,551

As of June 30, 2006, the Company had guaranteed repayment of approximately $0.6 million of loans for the Real Estate Ventures. The Company also provides customary environmental indemnities in connection with construction and permanent financing both for its own account and on behalf of the Real Estate Ventures.

5. INTANGIBLE ASSETS

As of June 30, 2006 and December 31, 2005, the Company s intangible assets were comprised of the following (in thousands):

	June 30, 2006		
	Total Cost	**Accumulated Amortization**	**Deferred Costs, net**
In-place lease value	$228,645	$ (37,683)	$190,962
Tenant relationship value	132,051	(12,891)	119,160
Above market leases acquired	39,014	(10,599)	28,415
Total	$399,710	$ (61,173)	$338,537

	December 31, 2005		
	Total Cost	**Accumulated Amortization**	**Deferred Costs, net**
In-place lease value	$47,965	$ (12,575)	$35,390
Tenant relationship value	37,845	(5,606)	32,239
Above market leases acquired	14,404	(3,936)	10,468
Total	$100,214	$ (22,117)	$78,097

6. MORTGAGE NOTES PAYABLE

The following table sets forth information regarding the Company s mortgage indebtedness outstanding at June 30, 2006 and December 31, 2005 (in thousands):

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Property / Location	June 30, 2006	December 31, 2005	Effective Interest Rate		Maturity Date
111 Arrandale Blvd	$1,012	$1,043	8.65%		Aug-06
429 Creamery Way	2,842	2,927	8.30%		Sep-06
Interstate Center	662	766	6.19%	(b)	Mar-07
440 & 442 Creamery Way	5,503	5,581	8.55%		Jul-07
Norriton Office Center	5,149	5,191	8.50%		Oct-07
481 John Young Way	2,328	2,360	8.40%		Nov-07
400 Commerce Drive	11,897	11,989	7.12%		Jun-08
Two Logan Square	71,919	72,468	5.78%	(a)	Jul-09
The Bluffs	10,700		6.00%	(a)	Jul-09
Pacific Ridge	14,500		6.00%	(a)	Aug-09
Pacific View/Camino	26,000		6.00%	(a)	Aug-09
Computer Associates Building	31,000		6.00%	(a)	Aug-09
200 Commerce Drive	5,876	5,911	7.12%	(a)	Jan-10
Presidents Plaza	30,900		6.00%		May-10
1333 Broadway	24,752		5.18%		May-10
The Ordway	46,524		7.95%		Aug-10
World Savings Center	27,701		7.91%		Nov-10
Plymouth Meeting Exec.	44,401	44,687	7.00%	(a)	Dec-10
Four Tower Bridge	10,695	10,763	6.62%		Feb-11
Arboretum I, II, III & V	22,999	23,238	7.59%		Jul-11
Midlantic Drive/Lenox Drive/DCC I	63,199	63,803	8.05%		Oct-11
Research Office Center	42,526		7.64%	(a)	Oct-11
Concord Airport Plaza	38,878		7.20%	(a)	Jan-12
Six Tower Bridge	14,916	15,083	7.79%		Aug-12
Newtown Square/Berwyn Park/Libertyview	63,894	64,429	7.25%		May-13
Southpoint III	5,194	5,431	7.75%		Apr-14
Tysons Corner	100,000		4.84%	(a)	Aug-15
Grande A	60,116	61,092	7.48%		Jul-27
Grande A		11,456	7.91%	(b)	Jul-27
Grande A		1,551	8.08%	(b)	Jul-27
Grande B	78,291	79,036	7.48%		Jul-27
Coppell Associates	16,600		5.75%		Mar-16
Coppell Associates	3,845		6.89%		Dec-13
Principal balance outstanding	884,819	488,805			
Plus: unamortized fixed-rate debt premiums	16,245	5,972			
Total mortgage indebtedness	$901,064	$494,777			

(a) Loans were assumed upon acquisition of the related property. Interest rates presented above reflect the market rate at the time of acquisition.

(b) For loans that bear interest at a variable rate, the rates in effect at June 30, 2006 have been presented.

The mortgage note payable balance of $13,500 for Corporate Lakes III, not included in the table above, is included in Mortgage notes payable and other liabilities held for sale on the balance sheet.

During the three-month periods ended June 30, 2006 and 2005, the Company s weighted-average interest rate on its mortgage notes payable was 6.1% and 7.1%, respectively.

7. UNSECURED NOTES

On March 28, 2006, the Operating Partnership consummated the public offering of (1) $300,000,000 aggregate principal amount of its unsecured floating rate notes due 2009 (the 2009 Notes), (2) $300,000,000 aggregate principal amount of its 5.75% notes due 2012 (the 2012 Notes) and (3) $250,000,000 aggregate principal amount of its 6.00% notes due 2016 (the 2016 Notes). The Company guaranteed the payment of principal and interest on the 2009 Notes, the 2012 Notes and the 2016 Notes.

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The following table sets forth information regarding the Company s unsecured notes outstanding (in thousands):

Year of Maturity	June 30, 2006	December 31, 2005	Maturity	Stated Interest Rate		Effective Interest Rate
2008	113,000	113,000	Dec-08	4.34	% (a)	4.34%
2009	300,000		Apr-09	Libor + 0.45	% (a)	5.60%
2009	275,000	275,000	Nov-09	4.50	% (a)	4.62%
2010	300,000	300,000	Dec-10	5.625	% (a)	5.61%
2012	300,000		Apr-12	5.75	% (a)	5.77%
2014	250,000	250,000	Nov-14	5.40	% (a)	5.53%
2016	250,000		Apr-16	6.00	% (a)	5.95%
2035	27,062		Mar-35	Libor + 1.25	% (b)	6.40%
2035	25,774		Apr-35	Libor + 1.25	% (b)	6.40%
2035	25,774		Jul-35	Libor + 1.25	% (b)	6.40%
Total face amount	$ 1,866,610	$ 938,000				
Less: unamortized discounts	(3,548)	(1,393)				
Total unsecured notes	$ 1,863,062	$ 936,607				

(a) Rates include the effect of amortization related to discounts and costs related to settlement of treasury lock agreements.

(b) Loans were assumed as part of the acquisition of Prentiss. Interest rates presented above reflect the market rate at time of acquisition.

The indenture relating to the $300 million 2009, $275 million 2009, $300 million 2010, $300 million 2012, $250 million 2014 and $250 million 2016 unsecured notes contains various financial restrictions and requirements, including (1) a leverage ratio not to exceed 60%, (2) a secured debt leverage ratio not to exceed 40%, (3) a debt service coverage ratio of greater than 1.5 to 1.0, and (4) an unencumbered asset value of not less than 150% of unsecured debt. In addition, the note purchase agreement relating to the 2008 unsecured notes contains covenants that are similar to the above covenants.

8. SECURED NOTE PAYABLE

As the result of a voluntary defeasance that was completed in the fourth quarter of 2005 by Prentiss, the Company has a secured note payable with a maturity date of February 2007. As of June 30, 2006, the outstanding balance on the secured note payable is $183.2 million. On October 7, 2005, Prentiss exercised the right to complete a voluntary defeasance of its $180.1 million PPREFI portfolio loan collateralized by certain properties acquired by the Company. Pursuant to the defeasance, Prentiss transferred the mortgage loan to an unrelated successor entity along with the proceeds necessary to acquire U.S. Treasury Securities sufficient to cover debt service including both interest and principal payments from the defeasance date through maturity of the loan. The U.S. Treasury Securities are included in investment in marketable securities on the balance sheet. The loan may be repaid at par beginning in November 2006. The Company intends to elect to prepay the loan at par when allowed to do so, at which point the Company expects to receive a portion of the proceeds of the sales of the securities in excess of the loan balance.

9. UNSECURED CREDIT FACILITY

The Company utilizes credit facility borrowings for general business purposes, including the acquisition, development and redevelopment of properties and the repayment of other debt. In December 2005, the Company replaced its then existing credit facility with a $600.0 million unsecured credit facility (the Credit Facility) that matures in December 2009, subject to a one-year extension option. Borrowings under the Credit Facility generally bear interest at LIBOR plus a spread over LIBOR ranging from 0.55% to 1.10% based on the Company s unsecured senior debt rating. The Company has the option to increase the Credit Facility to $800.0 million subject to the absence of any defaults and the

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Company s ability to acquire additional commitments from its existing lenders or new lenders. As of June 30, 2006, the Company had $195.0 million of borrowings and $23.4 million of letters of credit outstanding under the Credit Facility, leaving $381.6 million of unused availability. For the six-month periods ended June 30, 2006 and 2005, the weighted-average interest rate on the Company s unsecured credit facilities, including the effect of interest rate hedges, was 5.48% during 2006 and 4.06% during 2005.

The Credit Facility requires the maintenance of certain ratios related to minimum net worth, debt-to-total capitalization and fixed charge coverage and various non-financial covenants.

10. RISK MANAGEMENT AND USE OF FINANCIAL INSTRUMENTS

Risk Management

In the normal course of its on-going business operations, the Company encounters economic risk. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk on its interest-bearing liabilities. Credit risk is the risk of inability or unwillingness of tenants to make contractually required payments. Market risk is the risk of declines in the value of properties due to changes in rental rates, interest rates or other market factors affecting the valuation of properties held by the Company.

Use of Derivative Financial Instruments

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

The Company formally assesses, both at inception of the hedge and on an on-going basis, whether each derivative is highly-effective in offsetting changes in cash flows of the hedged item. If management determines that a derivative is not highly-effective as a hedge or if a derivative ceases to be a highly-effective hedge, the Company will discontinue hedge accounting prospectively.

Concentration of Credit Risk

Concentrations of credit risk arise when a number of tenants related to the Company s investments or rental operations are engaged in similar business activities, or are located in the same geographic region, or have similar economic features that would cause their inability to meet contractual obligations, including those to the Company, to be similarly affected. The Company regularly monitors its tenant base to assess potential concentrations of credit risk. Management believes the current credit risk portfolio is reasonably well diversified and does not contain any unusual concentration of credit risk. No tenant accounted for 5% or more of the Company s rents during the three- and six-month periods ended June 30, 2006 or 2005.

11. DISCONTINUED OPERATIONS

For the three- and six-month periods ended June 30, 2006, income from discontinued operations relates to nine properties that the Company sold during 2006 and two properties designated as held-for-sale as of June 30, 2006. These properties were acquired by the Company as part of its acquisition of Prentiss. The following table summarizes the balance sheet information for the two properties identified as held for sale at June 30, 2006 (in thousands):

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Real Estate Investments:	
Operating Properties	$74,564
Construction-in-progress	213
Accumulated depreciation	(2,238)
	72,539
Other assets	13,589
Total Assets Held for Sale	$86,128
Mortgage note payable and other liabilities	$15,411

The following table summarizes the revenue and expense information for properties classified as discontinued operations for the three- and six-month periods ended June 30, 2006 (in thousands):

	Three-month period ended June 30, 2006	Six-month period ended June 30, 2006
Revenue:		
Rents	$2,418	$9,115
Tenant reimbursements	487	1,698
Other	15	221
Total revenue	2,920	11,034
Expenses:		
Property operating expenses	1,151	3,343
Real estate taxes	404	1,552
Depreciation & amortization	1,052	2,056
Total operating expenses	2,607	6,951
Operating income	313	4,083
Interest income	12	12
Interest expense	(191)	(367)
Income from discontinued operations before gain on sale of interests in real estate and minority interest	134	3,728
Minority interest - partners share of consolidated real estate venture	(195)	(382)
Minority interest attributable to discontinued operations - LP units	(6)	(161)
Income (loss) from discontinued operations	$(67)	$3,185

For the three- and six-month periods ended June 30, 2005, income from discontinued operations relates to one property that the Company sold during 2005. The following table summarizes the revenue and expense information for the property classified as discontinued operations for the three- and six-month periods ended June 30, 2005 (in thousands):

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	Three-month period ended June 30, 2005	Six-month period ended June 30, 2005
Revenue:		
Rents	$ 132	$ 132
Tenant reimbursements	41	41
Other	6	6
Total revenue	179	179
Expenses:		
Property operating expenses	106	106
Real estate taxes	85	85
Depreciation & amortization	128	128
Total operating expenses	319	319
Operating income	(140)	(140)
Interest income		
Interest expense		
Income from discontinued operations before gain on sale of interests in real estate and minority interest	(140)	(140)
Minority interest attributable to discontinued operations - LP units	5	5
Loss from discontinued operations	$ (135)	$ (135)

Discontinued operations have not been segregated in the consolidated statements of cash flows. Therefore, amounts for certain captions will not agree with respective data in the consolidated statements of operations.

12. MINORITY INTEREST

On June 15, 2006, the Operating Partnership declared a $0.44 per unit cash distribution to holders of Class A Units totaling $1.8 million.

13. BENEFICIARIES EQUITY

On June 15, 2006, the Company declared a distribution of $0.44 per Common Share, totaling $39.8 million, which was paid on July 17, 2006 to shareholders of record as of July 6, 2006. On June 15, 2006, the Company declared distributions on its Series C Preferred Shares and Series D Preferred Shares to holders of record as of June 30, 2006. These shares are entitled to a preferential return of 7.50% and 7.375%, respectively. Distributions paid on July 17, 2006 to holders of Series C Preferred Shares and Series D Preferred Shares totaled $0.9 million and $1.1 million, respectively.

14. EARNINGS PER COMMON SHARE

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

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	Three-month periods ended June 30,			
	2006		2005	
	Basic	Diluted	Basic	Diluted
Income (loss) from continuing operations	$(11,489)	$(11,489)	$9,065	$9,065
Income (loss) from discontinued operations	(67)	(67)	(135)	(135)
Income allocated to Preferred Shares	(1,998)	(1,998)	(1,998)	(1,998)
Net income available to common shareholders	$(13,554)	$(13,554)	$6,932	$6,932
Weighted-average shares outstanding	90,540,237	90,540,237	55,681,668	55,681,668
Options		275,782		162,571
Total weighted-average shares outstanding	90,540,237	90,816,019	55,681,668	55,844,239
Earnings per Common Share:				
Continuing operations	$(0.15)	$(0.15)	$0.13	$0.13
Discontinued operations				
	$(0.15)	$(0.15)	$0.12	$0.12

	Six-month periods ended June 30,			
	2006		2005	
	Basic	Diluted	Basic	Diluted
Income (loss) from continuing operations	$(17,383)	$(17,383)	$18,480	$18,480
Income (loss) from discontinued operations	3,185	3,185	(135)	(135)
Income allocated to Preferred Shares	(3,996)	(3,996)	(3,996)	(3,996)
Net income available to common shareholders	$(18,194)	$(18,194)	$14,349	$14,349
Weighted-average shares outstanding	89,923,528	89,923,528	55,562,384	55,562,384
Options		279,326		223,686
Total weighted-average shares outstanding	89,923,528	90,202,854	55,562,384	55,786,070
Earnings per Common Share:				
Continuing operations	$(0.24)	$(0.24)	$0.26	$0.26
Discontinued operations	0.04	0.04		
	$(0.20)	$(0.20)	$0.26	$0.26

Securities (including Class A Units of the Operating Partnership) totaling 4,105,314 and 2,052,959 as of June 30, 2006 and 2005, respectively, were excluded from the earnings per share computations because their effect would have been antidilutive.

15. SEGMENT INFORMATION

The Company currently manages its portfolio within nine segments: (1) Pennsylvania West, (2) Pennsylvania North, (3) New Jersey, (4) Urban, (5) Virginia, (6) California North, (7) California South, (8) Mid-Atlantic and (9) Southwest. The Pennsylvania West segment includes properties in Chester, Delaware and Montgomery counties in the Philadelphia suburbs of Pennsylvania. The Pennsylvania North segment includes properties north of Philadelphia in Berks, Bucks, Cumberland, Dauphin, Lehigh and Montgomery counties. The New Jersey segment includes properties in counties in the southern part of New Jersey including Burlington, Camden and Mercer counties and in Bucks County, Pennsylvania. The Urban segment includes properties in the City of Philadelphia, Pennsylvania and the state of Delaware. The Virginia segment includes properties primarily in Albemarle, Chesterfield and Henrico

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counties, the City of Richmond and Durham, North Carolina. The California North segment includes properties in the City of Oakland and Concord. The California South segment includes properties in the City of Carlsbad and San Diego. The Mid-Atlantic segment includes properties in Northern Virginia and the City of Bethesda and Rockville, Maryland. The Southwest segment includes properties in Dallas and Travis counties of Texas. Corporate is responsible for cash and investment management, development of certain real estate properties during the construction period, and certain other general support functions.

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Segment information as of and for the three-month periods ended June 30, 2006 and 2005 is as follows (in thousands):

	Pennsylvania West	**Pennsylvania North**	**New Jersey**	**Urban**	**Virginia**	**California North**	**California South**	**Mid-Atlantic**	**Southwest**	**Corporate**	**Total**
As of June 30, 2006:											
Real estate investments, at cost:											
Operating properties	$ 898,696	$ 570,363	$ 593,132	$ 357,958	$ 244,534	$ 392,632	$ 95,605	$ 1,053,522	$ 482,118	$	$ 4,688,560
Construction-in-progress										327,975	327,975
Land held for development										124,787	124,787
As of December 31, 2005:											
Real estate investments, at cost:											
Operating properties	$ 867,089	$ 558,803	$ 562,832	$ 351,407	$ 219,930	$	$	$	$	$	$ 2,560,061
Construction-in-progress										273,240	273,240
Land held for development										98,518	98,518
For the three-months ended June 30, 2006:											
Total revenue	$ 29,921	$ 19,075	$ 24,390	$ 21,367	$ 8,109	$ 14,735	$ 2,911	$ 26,525	$ 20,555	$ 3,383	$ 170,971
Property operating expenses and real estate taxes	9,376	10,252	10,246	8,153	3,125	5,573	889	8,268	9,795	(31)	65,646
Net operating income	$ 20,545	$ 8,823	$ 14,144	$ 13,214	$ 4,984	$ 9,162	$ 2,022	$ 18,257	$ 10,760	$ 3,414	$ 105,325
For the three-months ended June 30, 2005:											
Total revenue	$ 27,059	$ 19,013	$ 24,623	$ 16,467	$ 7,111	$	$	$	$	$ 1,194	$ 95,467
Property operating expenses and real estate taxes	9,922	8,444	9,539	6,527	2,861						37,293
Net operating income	$ 17,137	$ 10,569	$ 15,084	$ 9,940	$ 4,250	$	$	$	$	$ 1,194	$ 58,174

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

Segment information as of and for the six-month periods ended June 30, 2006 and 2005 is as follows (in thousands):

	Pennsylvania West	Pennsylvania North	New Jersey	Urban	Virginia	California North
For the six-months ended June 30, 2006:						
Total revenue	$58,643	$38,360	$49,172	$40,640	$15,501	$28,244
Property operating expenses and real estate taxes	19,551	20,847	20,878	16,819	6,023	10,448
Net operating income	$39,092	$17,513	$28,294	$23,821	$9,478	$17,796
For the six-months ended June 30, 2005:						
Total revenue	$57,175	$38,475	$49,882	$32,427	$14,317	$
Property operating expenses and real estate taxes	20,204	17,622	20,212	13,065	5,726	
Net operating income	$36,971	$20,853	$29,670	$19,362	$8,591	$

	California South	Mid-Atlantic	Southwest	Corporate	Total
For the six-months ended June 30, 2006:					
Total revenue	$5,558	$52,391	$39,402	$6,416	$334,327
Property operating expenses and real estate taxes	1,529	15,837	18,719	(266)	130,385
Net operating income	$4,029	$36,554	$20,683	$6,682	$203,942
For the six-months ended June 30, 2005:					
Total revenue	$	$	$	$2,517	$194,793
Property operating expenses and real estate taxes					76,829
Net operating income	$	$	$	$2,517	$117,964

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

Net operating income is defined as total revenue less property operating expenses and real estate taxes. Below is a reconciliation of consolidated net operating income to net income (in thousands):

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2006	2005	2006	2005
Consolidated net operating income (loss)	$105,325	$58,174	$203,942	$117,964
Less:				
Interest income	2,573	284	5,223	662
Interest expense	(42,500)	(17,807)	(83,467)	(35,604)
Depreciation and amortization	(72,838)	(27,820)	(132,168)	(56,255)
Administrative expenses	(7,724)	(4,378)	(16,214)	(9,130)
Minority interest - partners share of consolidated real estate ventures	84		370	
Minority interest attributable to continuing operations - LP units	520	(381)	895	(708)
Plus:				
Equity in income of real estate ventures	463	993	1,428	1,551
Net gain on sales of interests in real estate	2,608		2,608	
Income (loss) from continuing operations	(11,489)	9,065	(17,383)	18,480
Income (loss) from discontinued operations	(67)	(135)	3,185	(135)
Net income (loss)	$(11,556)	$8,930	$(14,198)	$18,345

16. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

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

There have been lawsuits against owners and managers of multifamily and office properties asserting claims of personal injury and property damage caused by the presence of mold in residential units or office space. The Company has been named as a defendant in two lawsuits in the State of New Jersey that allege personal injury as a result of the presence of mold. In 2005, one lawsuit was dismissed by way of summary judgment with prejudice. Unspecified damages are sought on the remaining lawsuit. The Company has referred this lawsuit to its environmental insurance carrier and, as of the date of this Form 10-Q, the insurance carrier is tendering a defense to this claim.

Environmental

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

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

Related Party Transaction

The Company holds a fifty percent economic interest in an approximately 141,724 square foot office building located at 101 Paragon Drive, Montvale, New Jersey. The remaining fifty percent interest is held by Donald E. Axinn, one of the Company s Trustees. Although the Company and Mr. Axinn have each committed to provide one half of the $11.0 million necessary to repay the mortgage loan secured by this property, in February 2006, an unaffiliated third party entered into an agreement to purchase this property for $18.3 million. Closing is scheduled for the third quarter of 2006 and is subject to standard closing conditions.

Ground Rent

Future minimum rental payments under the terms of all non-cancelable ground leases under which the Company is the lessee are expensed on a straight-line basis regardless of when payments are due.

Other Commitments or Contingencies

As part of the Company s September 2004 acquisition of a portfolio of 14 properties (the TRC Acquisition), the Operating Partnership agreed to issue to the sellers up to a maximum of $9.7 million of Class A Units of the Operating Partnership if certain of the acquired properties achieve at least 95% occupancy prior to September 21, 2007. At June 30, 2006, the maximum amount payable under this arrangement was $3.3 million.

As part of the TRC acquisition, the Company acquired an interest in Two Logan Square, a 696,477 square foot office building in Philadelphia, Pennsylvania, primarily through a second and third mortgage secured by this property pursuant to which the Company receives substantially all cash flows from the property. The Company currently does not expect to take title to Two Logan Square until, at the earliest, September 2019. In the event that the Company takes title to Two Logan Square upon a foreclosure of its mortgages, the Company has agreed to make a payment to an unaffiliated third party with a residual interest as a fee owner of this property. The amount of the payment would be $0.6 million if the Company must pay a state and local transfer tax upon taking title, or $2.9 million if no transfer tax is payable upon the transfer.

As part of the Prentiss acquisition, TRC acquisition and several of our other acquisitions, the Company has agreed not to sell certain of the acquired properties. In the case of TRC, the Company agreed not to sell certain of the acquired properties for periods ranging from three to 15 years from the acquisition date as follows: 201 Radnor Financial Center, 555 Radnor Financial Center and 300 Delaware Avenue (three years); One Rodney Square and 130/150/170 Radnor Financial Center (10 years); and One Logan Square, Two Logan Square and Radnor Corporate Center (15 years). In the case of the Prentiss acquisition, we assumed the obligation of Prentiss not to sell Concord Airport Plaza before March 2018 and 6600 Rockledge before July 2008. The Company also owns 14 other properties that aggregate 1.0 million square feet and has agreed not to sell these properties for periods that expire through 2008. These agreements generally provide that we may dispose of the subject Properties only in transactions that qualify as tax-free exchanges under Section 1031 of the Code or in other tax deferred transactions. In the event that the Company sells any of the properties within the applicable restricted period in non-exempt transactions, the Company has agreed to pay significant tax liabilities that would be incurred by the parties who sold the applicable property.

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

BRANDYWINE REALTY TRUST

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

17. SHARE REPURCHASE PROGRAM

The Company repurchased 1,180,200 shares during the six month period ending June 30, 2006 for an aggregate consideration of $34.5 million under its share repurchase program. As of June 30, 2006, the Company may purchase an additional 2,319,800 shares under the plan. Repurchases may be made from time to time in the open market or in privately negotiated transactions, subject to market conditions and compliance with legal requirements. The share repurchase program does not contain any time limitation and does not obligate the Company to repurchase any shares. The Company may discontinue the program at any time.

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

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. This Quarterly Report on Form 10-Q and other materials filed by us with the SEC (as well as information included in oral or other written statements made by us) contain statements that are forward-looking, including statements relating to business and real estate development activities, acquisitions, dispositions, future capital expenditures, financing sources, governmental regulation (including environmental regulation) and competition. The words anticipate, believe, estimate, expect, intend, will, should and similar expressions, as they relate to us, are intended to identify forward-l statements. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be achieved. As forward-looking statements, these statements involve important risks, uncertainties and other factors that could cause actual results to differ materially from the expected results and, accordingly, such results may differ from those expressed in any forward-looking statements made by us or on our behalf. Factors that could cause actual results to differ materially from our expectations include, but are not limited to, changes in general economic conditions, changes in local real estate conditions (including changes in rental rates and the number of competing properties), changes in the economic conditions affecting industries in which our principal tenants compete, our failure to lease unoccupied space in accordance with our projections, our failure to re-lease occupied space upon expiration of leases, the bankruptcy of major tenants, changes in prevailing interest rates, the unavailability of equity and debt financing, unanticipated costs associated with the acquisition and integration of our acquisitions, unanticipated costs to complete and lease-up pending developments, impairment charges, increased costs for, or lack of availability of, adequate insurance, including for terrorist acts, demand for tenant services beyond those traditionally provided by landlords, potential liability under environmental or other laws, earthquakes and other natural disasters, the existence of complex regulations relating to our status as a REIT and to our acquisition, disposition and development activities, the adverse consequences of our failure to qualify as a REIT, the impact of newly adopted accounting principles on our accounting policies and on period-to-period comparisons of financial results and the other risks identified in the Risk Factors section and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2005. Given these uncertainties, we caution readers not to place undue reliance on forward-looking statements. We assume no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

OVERVIEW

As of June 30, 2006, we managed our portfolio within nine geographic segments: (1) Pennsylvania West, (2) Pennsylvania North, (3) New Jersey, (4) Urban, (5) Virginia, (6) California North, (7) California South, (8) Mid-Atlantic and (9) Southwest. We believe we have established an effective platform in these office and industrial markets for maximizing market penetration, optimizing operating economies of scale and creating long-term investment value.

Subsequent to our acquisition of Prentiss and the related sale of certain of Prentiss s properties to Prudential, we sold nine additional properties that contain an aggregate of 1.7 million net rentable square feet.

As of June 30, 2006, our portfolio consisted of 278 office properties, 23 industrial facilities and one mixed-use property that contain an aggregate of approximately 30.3 million net rentable square feet. We held economic interests in eleven unconsolidated real estate ventures that contain approximately 2.7 million net rentable square feet (the Real Estate Ventures) formed with third parties to develop or own commercial properties. In addition, as of June 30, 2006 we owned interests in four consolidated real estate ventures that own 16 office properties containing approximately 1.6 million net rentable square feet.

We receive income primarily from rental revenue (including tenant reimbursements) from our properties and, to a lesser extent, from the management of properties owned by third parties and from investments in the Real Estate Ventures.

Our financial performance is dependent upon the demand for office, industrial and other commercial space in our markets and upon prevailing interest rates.

We continue to seek revenue growth through an increase in occupancy of our portfolio and our investment strategies. Our occupancy was 91.6% at June 30, 2006, or 90.5% including four lease-up properties that we acquired in our September 2004 acquisition of a portfolio of 14 properties (the TRC Properties or the TRC acquisition).

The Prentiss acquisition and the TRC acquisition, and to a lesser extent, other property acquisitions have already or will materially impact our operations. Accordingly, the reported historical financial information for periods prior to these transactions is not believed to be fully indicative of our future operating results or financial condition.

Through our January 2006 acquisition of Prentiss, we acquired interests in properties that contain an aggregate of 14.0 million net rentable square feet. Through this acquisition, we also entered into new markets, including markets in California, Northern Virginia, Maryland, and Texas.

As we seek to increase revenue through our operating activities, our management also focuses on strategies to minimize operating risks, including (i) tenant rollover risk, (ii) tenant credit risk and (iii) development risk.

Tenant Rollover Risk:

We are subject to the risk that tenant leases, upon expiration, are not renewed, that space may not be relet, or that the terms of renewal or reletting (including the cost of renovations) may be less favorable to us than the current lease terms. Leases accounting for approximately 5.1% of our aggregate annualized base rents as of June 30, 2006 (representing approximately 5.1% of the net rentable square feet of the Properties) expire without penalty through the end of 2006. We maintain an active dialogue with our tenants in an effort to achieve a high level of lease renewals. Our retention rate for leases that were scheduled to expire in the six-month period ended June 30, 2006 was 83.0%. If we were unable to renew leases for a substantial portion of the space under expiring leases, or to promptly relet this space, at anticipated rental rates, our cash flow would be adversely impacted.

Tenant Credit Risk:

In the event of a tenant default, we may experience delays in enforcing our rights as a landlord and may incur substantial costs in protecting our investment. Our management regularly evaluates our accounts receivable reserve policy in light of its tenant base and general and local economic conditions. The accounts receivable allowances were $7.8 million or 8.8% of total receivables (including accrued rent receivable) as of June 30, 2006 compared to $4.9 million or 7.6% of total receivables (including accrued rent receivable) as of December 31, 2005.

Development Risk:

As of June 30, 2006, we had in development or redevelopment ten sites aggregating approximately 2.1 million square feet. We estimate the total cost of these projects to be $510.7 million and we had incurred $267.3 million of these costs as of June 30, 2006. We are actively marketing space at these projects to prospective tenants but can provide no assurance as to the timing or terms of any leases of space at these projects. As of June 30, 2006, we owned approximately 369 acres of undeveloped land. Risks associated with development of this land include construction cost increases or overruns and construction delays, insufficient occupancy rates, building moratoriums and inability to obtain zoning, land-use, building, occupancy and other required governmental approvals.

ACQUISITIONS AND DISPOSITIONS OF REAL ESTATE INVESTMENTS

On January 5, 2006, we acquired Prentiss under an Agreement and Plan of Merger that we entered into with Prentiss on October 3, 2005. In conjunction with our acquisition of Prentiss, designees of The Prudential Insurance Company of America (Prudential) acquired certain Prentiss properties that contain an aggregate of approximately 4.32 million net rentable square feet for total consideration of approximately $747.7 million. Through our acquisition of Prentiss (and after giving effect to the Prudential acquisition of certain Prentiss properties), we acquired a portfolio of 79 office properties (including 13 properties that are owned by consolidated real estate ventures and seven properties that are owned by unconsolidated real estate ventures) that contain an aggregate of 14.0 million net rentable square feet.

Subsequent to our acquisition of Prentiss and the related sale of properties to Prudential, through June 30, 2006, we sold nine additional properties acquired from Prentiss that contain an aggregate of 1.7 million net rentable square feet.

In our acquisition of Prentiss, each then outstanding Prentiss common share was converted into the right to receive 0.69 of a Brandywine common share and $21.50 in cash except that 497,884 Prentiss common shares held in the Prentiss

Deferred Compensation Plan converted solely into 720,737 Brandywine common shares. In addition, each then outstanding unit of limited partnership interest in Prentiss s operating partnership subsidiary was, at the option of the holder, converted into Prentiss Common Shares with the right to receive the per share merger consideration or 1.3799 Class A Units of our Operating Partnership. Accordingly, based on 49,375,723 Prentiss common shares outstanding and 139,000 Prentiss OP Units electing to receive merger consideration at closing of the acquisition, we issued 34,541,946 Brandywine common shares and paid an aggregate of approximately $1.05 billion in cash for the accounts of the former Prentiss shareholders. Based on 1,572,612 Prentiss OP Units outstanding at closing of the acquisition, we issued 2,170,047 Brandywine Class A Units. In addition, options issued by Prentiss that were exercisable for an aggregate of 342,662 Prentiss common shares were converted into options exercisable for an aggregate of 496,037 Brandywine common shares at a weighted average exercise price of $22.00 per share. Through our acquisition of Prentiss we assumed approximately $611.2 million in aggregate principal amount of Prentiss debt.

Each Brandywine Class A Unit that we issued in the merger is subject to redemption at the option of the holder. At our option, we may satisfy the redemption either for an amount, per unit, of cash equal to the then market price of one Brandywine common share (based on the prior ten-day trading average) or for one Brandywine common share.

During the six-month period ended June 30, 2006, we also acquired two office properties containing 238,107 net rentable square feet and 76.6 acres of developable land for an aggregate purchase price of $47.4 million. We sold two parcels of land containing 6.8 acres for an aggregate $4.9 million, realizing net gains totaling $2.6 million.

During the three-month period ended June 30, 2006, we acquired one office property containing 145,127 net rentable square feet for $24.0 million and 76.6 acres of developable land for an aggregate purchase price of $47.4 million. We sold two parcels of land containing 6.8 acres for an aggregate $4.9 million, realizing net gains totaling $2.6 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Our Annual Report on Form 10-K for the year ended December 31, 2005 contains a discussion of our critical accounting policies. There have been no significant changes in our critical accounting policies since December 31, 2005. See also Note 2 in our unaudited consolidated financial statements for the six-month period ended June 30, 2006 as set forth herein. Management discusses our critical accounting policies and management s judgments and estimates with our Audit Committee.

RESULTS OF OPERATIONS

Comparison of the Three-Month Periods Ended June 30, 2006 and 2005

The table below shows selected operating information for the Same Store Property Portfolio and the Total Portfolio. The Same Store Property Portfolio consists of 240 Properties containing an aggregate of approximately 18.0 million net rentable square feet that we owned for the entire three-month periods ended June 30, 2006 and 2005. This table also includes a reconciliation from the Same Store Property Portfolio to the Total Portfolio net income (i.e., all properties owned by us during the three-month periods ended June 30, 2006 and 2005) by providing information for the properties which were acquired, under development or placed into service and administrative/elimination information for the three-month periods ended June 30, 2006 and 2005 (in thousands).

Comparison of three-months ended June 30, 2006 to the three-months ended June 30, 2005

	Same Store Property Portfolio				**Prentiss Portfolio**		**Properties Acquired**		**Development Properties (a)**		**Administrative/ Eliminations (b)**		**Total Portfolio**			
(dollars in thousands)	**2006**	**2005**	**Increase/ (Decrease)**	**% Change**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**Increase/ (Decrease)**	**% Change**
Revenue:																
Cash rents	$77,074	$76,617	$457	1 %	$54,160	$	$2,213	$	$5,506	$1,645	$269	$244	$139,222	$78,506	$60,716	77 %
Straight-line rents	2,399	2,465	(66)	-3 %	2,802		146		2,790	589			8,137	3,054	5,083	166 %
Rents - FAS 141	718	158	560	354 %	1,572		(33)		(62)	(62)			2,195	96	2,099	2186 %
Total rents	80,191	79,240	951	1 %	58,534		2,326		8,234	2,172	269	244	149,554	81,656	67,898	83 %
Tenant reimbursements	9,651	11,138	(1,487)	-13 %	6,118		154		592	174	234	(275)	16,749	11,037	5,712	52 %
Other (c)	1,685	1,579	106	7 %	474		1		17	12	2,491	1,183	4,668	2,774	1,894	68 %
Total revenue	91,527	91,957	(430)	0 %	65,126		2,481		8,843	2,358	2,994	1,152	170,971	95,467	75,504	79 %
Operating Expenses:																
Property operating expenses	27,789	28,343	(554)	-2 %	19,855		751		3,358	1,462	(2,791)	(2,110)	48,962	27,695	21,267	77 %
Real estate taxes	9,135	8,649	486	6 %	6,273		218		978	913	80	36	16,684	9,598	7,086	74 %
Administrative expenses				0 %							7,724	4,378	7,724	4,378	3,346	76 %
Total property operating expenses	36,924	36,992	(68)	0 %	26,128		969		4,336	2,375	5,013	2,304	73,370	41,671	31,699	76 %
Subtotal	54,603	54,965	(362)	-1 %	38,998		1,512		4,507	(17)	(2,019)	(1,152)	97,601	53,796	43,805	81 %
Depreciation and amortization	38,367	24,416	13,951	57 %	31,378		516		1,941	1,643	636	1,761	72,838	27,820	45,018	162 %
Operating Income (loss)	$16,236	$30,549	$(14,313)	-47 %	$7,620	$	$996	$	$2,566	$(1,660)	$(2,655)	$(2,913)	$24,763	$25,976	$(1,213)	-5 %
Number of properties	240				63	(d)	4		11				318			
Square feet	18,043				11,178		521		2,101				31,843			
Other Income (Expense):																
Interest income													2,573	284	2,289	806 %
Interest expense													(42,500)	(17,807)	(24,693)	139 %
Equity in income of real estate ventures													463	993	(530)	-53 %
Net gain on sales of interests in real estate													2,608		2,608	100 %
Income (loss) before minority interest													(12,093)	9,446	(21,539)	-228 %
Minority interest - partners share of consolidated real estate ventures													84		84	100 %
Minority interest attributable to continuing operations - LP													520	(381)	901	236 %

units				
Income (loss) from continuing operations	(11,489)	9,065	(20,554)	-227 %
Income (loss) from discontinued operations	(67)	(135)	68	-50 %
Net Income (loss)	$ (11,556)	$ 8,930	$ (20,486)	-229 %
Earnings per common share	($0.15)	$ 0.12	$ (0.27)	-225 %

EXPLANATORY NOTES

(a) - Results include: three redevelopments; four lease-up assets; three properties placed in service; and CIRA Centre
(b) - Represents certain revenues and expenses at the corporate level as well as various intercompany costs that are eliminated in consolidation
(c) - Includes net termination fee income of $1,069 for 2006 and $856 for 2005 for the same store property portfolio and $208 for 2006 for the Prentiss portfolio
(d) - Operations of two properties classified as held for sale are included in income from discontinued operations

Revenue

Revenue increased by $75.5 million primarily due to the acquisition of Prentiss, which represents $65.1 million of this increase. The increase is also the result of two properties that we acquired in the fourth quarter of 2005, one property acquired in the first quarter of 2006, one property acquired in the second quarter of 2006 and additional tenant occupancy at Cira Centre.

Operating Expenses and Real Estate Taxes

Property operating expenses increased by $21.3 million primarily due to the acquisition of Prentiss, which represents $19.9 million of this increase. Property operating expenses attributable to the occupied portion of Cira Centre and other properties acquired accounted for the remainder of the increase.

Real estate taxes increased by $7.1 million primarily due to the acquisition of Prentiss, which represents $6.3 million of this increase. The remainder of the increase is the result of increased real estate tax assessments and properties acquired.

Depreciation and Amortization Expense

Depreciation and amortization increased by $45.0 million primarily due to the acquisition of Prentiss, which increased total portfolio depreciation expense by $31.4 million. A significant portion of the increase is also due to accelerated depreciation expense for one of our properties totaling $11.9 million that is associated with the planned demolition of an existing building as part of an office park development in suburban Philadelphia.. This property was part of our same store portfolio, therefore the remaining increase in depreciation and amortization for our same store portfolio is $2.1 million. This increase resulted from the timing of assets being placed in service upon completion of tenant improvement and capital improvement projects subsequent to the end of the three month period ending June 30, 2005.

Administrative Expenses

Administrative expenses increased by approximately $3.3 million primarily due to the acquisition of Prentiss. Of this increase, $1.0 million was primarily attributable to increased payroll and related costs associated with employees that we hired as part of the acquisition of Prentiss. We also incurred an additional $1.7 million in professional fees in connection with our merger integration activities. The remainder of the increase reflects other increased costs of the combined companies.

Interest Income/ Expense

Interest expense increased by approximately $24.7 million primarily as a result of 14 fixed rate mortgages, three unsecured notes, and one note secured by U.S. treasury notes (PPREFI debt) that we assumed in the Prentiss merger. The mortgages assumed have maturity dates ranging from July 2009 through March 2016 and the unsecured notes have maturities of March, April, and July 2035, and the PPREFI debt has a maturity of February 2007.

The PPREFI debt was defeased by Prentiss in the fourth quarter of 2005 and is secured by an investment in U.S. treasury notes. The interest earned on the treasury notes is included in interest income and substantially offsets the amount of interest expense incurred on the PPREFI debt, resulting in an immaterial amount of net interest expense incurred. The increase of $2.3 million in interest income is attributable to the interest income earned on these treasury notes.

See the Notes to the Unconsolidated Combined Financial Statements in Part I, Item I for details of our mortgage indebtedness and unsecured notes outstanding.

Minority Interest-partners share of consolidated real estate ventures

Minority interest-partners share of consolidated real estate ventures increased by $0.1 million from the prior year as a result of our acquisition of one consolidated joint venture as part of our acquisition of Prentiss. This consolidated joint venture, of which we own 51%, owns 13 properties which aggregate approximately 1.2 million square feet of office space.

Subsequent to our acquisition of Prentiss, we entered into a joint venture with IBM. We consolidate this joint venture, and own a 50% interest in it.

As of June 30, 2006 we held an ownership interest in 16 properties through consolidated joint ventures, compared to two properties owned by consolidated joint ventures at March 31, 2005.

Minority Interest attributable to continuing operations LP units

Minority interest attributable to continuing operations LP units, represents the equity in loss (income) attributable to the portion of the Operating Partnership not owned by us. The increase from the prior year is primarily the result of the fact that at June 30, 2006 the LP units share in our net loss compared to their share of net income in the prior year. Minority interests owned 4.3% and 3.4% of the Operating Partnership as of June 30, 2006 and 2005, respectively.

Discontinued Operations

Discontinued operations increased by $0.1 million from the prior year as a result of the sale of one property in Allen, TX that we acquired in the Prentiss acquisition. We also have one property in Chicago, IL and one property in Dallas, TX that we classified as held for sale at June 30, 2006. These three properties combined had net operating income of $0.1 million during the quarter ended June 30, 2006. There were no gains or losses recognized on the property that was sold, or on the properties held for sale, as the proceeds received from the sale of these properties was equal to, or is expected to equal, the amount of the total purchase price allocated to these assets.

Net Income

Net income declined in the second quarter of 2006, compared to the second quarter of 2005, by $20.5 million as increased revenues were not sufficient to offset increases in operating costs (primarily depreciation and amortization) and financing costs. All major financial statement captions increased as a result of our acquisition of Prentiss and the related financing required to complete the transaction. A significant element of these costs relate to additional depreciation and amortization charges relating to the significant property additions (including both the TRC acquisition and the Prentiss acquisition) and the values ascribed to related acquired intangibles (e.g., in-place leases). These charges do not affect our ability to pay dividends and may not be comparable to those of other real estate companies that have not made such acquisitions. Such charges can be expected to continue until the values ascribed to the lease intangibles are fully amortized. These intangibles are amortizing over the related lease terms or estimated tenant relationship. In addition, a significant portion of the decrease in net income is attributable to the $11.9 million in depreciation expense described in the Depreciation and Amortization Expense section above.

Earnings Per Share

Earnings per share has declined from $0.12 in the second quarter of 2005 to $(0.15) in the second quarter of 2006 as a result of the factors described in Net Income above and an increase in the average number of common shares outstanding. We issued 34.6 million of our common shares in our acquisition of Prentiss.

Comparison of the Six-Month Periods Ended June 30, 2006 and 2005

The table below shows selected operating information for the Same Store Property Portfolio and the Total Portfolio. The Same Store Property Portfolio consists of 240 Properties containing an aggregate of approximately 18.0 million net rentable square feet that we owned for the entire six-month periods ended June 30, 2006 and 2005. This table also includes a reconciliation from the Same Store Property Portfolio to the Total Portfolio net income (i.e., all properties owned by us during the six-month periods ended June 30, 2006 and 2005) by providing information for the properties which were acquired, under development or placed into service and administrative/elimination information for the six-month periods ended June 30, 2006 and 2005 (in thousands).

Comparison of the six-months ended June 30, 2006 to the six-months ended June 30, 2005

	Same Store Property Portfolio				Prentiss Portfolio		Properties Acquired		Development Properties (a)		Administrative/ Eliminations (b)		Total Portfolio			
(dollars in thousands)	**2006**	**2005**	**Increase/ (Decrease)**	**% Change**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**Increase/ (Decrease)**	**% Change**
Revenue:																
Cash rents	$152,774	$152,526	$248	0 %	$103,947	$	$3,612	$	$10,226	$3,154	$420	$275	$270,979	$155,955	$115,024	74 %
Straight-line rents	5,367	5,300	67	1 %	5,821		253		4,084	1,028			15,525	6,328	9,197	145 %
Rents - FAS 141	1,251	719	532	74 %	3,073		(65)		(124)	(118)			4,135	601	3,534	588 %
Total rents	159,392	158,545	847	1 %	112,841		3,800		14,186	4,064	420	275	290,639	162,884	127,755	78 %
Tenant reimburse-ments	21,016	23,055	(2,039)	-9 %	11,864		307		1,097	339	357	(275)	34,641	23,119	11,522	50 %
Other (c)	2,891	6,206	(3,315)	-53 %	810		1		41	74	5,304	2,510	9,047	8,790	257	3 %
Total revenue	183,299	187,806	(4,507)	-2 %	125,515		4,108		15,324	4,477	6,081	2,510	334,327	194,793	139,534	72 %
Operating Expenses:																
Property operating expenses	57,091	58,673	(1,582)	-3 %	37,579		1,352		6,276	3,400	(5,143)	(4,499)	97,155	57,574	39,581	69 %
Real estate taxes	18,487	17,383	1,104	6 %	12,225		418		1,914	1,785	186	87	33,230	19,255	13,975	73 %
Administrative expenses				0 %							16,214	9,130	16,214	9,130	7,084	78 %
Total property operating expenses	75,578	76,056	(478)	-1 %	49,804		1,770		8,190	5,185	11,257	4,718	146,599	85,959	60,640	71 %
Subtotal	107,721	111,750	(4,029)	-4 %	75,711		2,338		7,134	(708)	(5,176)	(2,208)	187,728	108,834	78,894	72 %
Depreciation and amortization	63,749	51,377	12,372	24 %	62,470		1,002		3,853	2,660	1,094	2,218	132,168	56,255	75,913	135 %
Operating Income (loss)	$43,972	$60,373	$(16,401)	-27 %	$13,241	$	$1,336	$	$3,281	$(3,368)	$(6,270)	$(4,426)	$55,560	$52,579	$2,981	6 %
Number of properties	240				63	(d)	4		11				318			
Square feet	18,043				11,178		521		2,101				31,843			
Other Income (Expense):																
Interest income													5,223	662	4,561	689 %
Interest expense													(83,467)	(35,604)	(47,863)	134 %
Equity in income of real estate ventures													1,428	1,551	(123)	-8 %
Net gain on sales of interests in real estate													2,608		2,608	100 %
Income (loss) before													(18,648)	19,188	(37,836)	-197 %

minority interest					
Minority interest - partners share of consolidated real estate ventures	370		370	100	%
Minority interest attributable to continuing operations - LP units	895	(708)	1,603	226	%
Income (loss) from continuing operations	(17,383)	18,480	(35,863)	-194	%
Income (loss) from discontinued operations	3,185	(135)	3,320	-2459	%
Net Income (loss)	$ (14,198)	$ 18,345	$ (32,543)	-177	%
Earnings per common share	($0.20)	$ 0.26	$ (0.46)	-177	%

EXPLANATORY NOTES

(a) - Results include: three redevelopments; four lease-up assets; three properties placed in service; and CIRA Centre

(b) - Represents certain revenues and expenses at the corporate level as well as various intercompany costs that are eliminated in consolidation

(c) - Includes net termination fee income of $1,551 for 2006 and $4,877 for 2005 for the same store property portfolio and $315 for 2006 for the Prentiss portfolio

(d) - Operations of two properties classified as held for sale are included in income from discontinued operations

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Revenue

Revenue increased by $139.5 million primarily due to the acquisition of Prentiss, which represents $127.3 million of this increase. The operations of the properties acquired from Prentiss contributed $125.5 million to this increase and $1.8 million resulted from additional third party management fees as a result of management contracts assumed and entered into at the time of acquisition. The increase is also the result of two properties that were acquired in the fourth quarter of 2005, one property acquired in the first quarter of 2006, and one property acquired in the second quarter of 2006, as well as additional tenant occupancy at Cira Centre that will continue throughout 2006.

These increases are offset by the $4.5 million decrease in revenue from our same store properties for the six month period ended June 30, 2006. This decrease is the result of a $3.3 million decrease in termination fee income and a $2.0 million decrease in tenant reimbursements. The decrease in tenant reimbursements is due to less billable property operating expense incurred in the six month period ending June 30, 2006.

Operating Expenses and Real Estate Taxes

Property operating expenses increased by $39.6 million primarily due to the acquisition of Prentiss, which represents $37.6 million of this increase. Property operating expenses attributable to the occupied portion of Cira Centre and other property acquisitions accounted for the remainder of the increase. These increases are offset by a $1.6 million decrease in operating expenses for our same store properties. The decrease in the operating expenses of the same store properties is attributable to less snow removal costs and HVAC maintenance costs incurred.

Real estate taxes increased by $13.9 million primarily due to the acquisition of Prentiss, which represents $12.2 million of this increase. The remainder of the increase is the result of increased real estate tax assessments and properties acquired.

Depreciation and Amortization Expense

Depreciation and amortization increased by $75.9 million primarily due to the acquisition of Prentiss, which increased total portfolio depreciation expense by $62.5 million. A significant portion of the increase is also due to accelerated depreciation expense for one of our properties totaling $11.9 million that is associated with the planned demolition of an existing building as part of an office park development in suburban Philadelphia.. This property was part of our same store portfolio, therefore the remaining increase in depreciation and amortization for our same store portfolio is $0.4 million. This increase resulted from the timing of assets being placed in service upon completion of tenant improvement and capital improvement projects subsequent to the end of the six month period ending June 30, 2005. The four properties that we acquired subsequent to June 30, 2005 caused an increase of $1.0 million in depreciation and amortization expense.

Administrative Expenses

Administrative expenses increased by approximately $7.1 million primarily due to the acquisition of Prentiss. Of this increase, $2.4 million was primarily attributable to increased payroll and related costs associated with employees that we hired as part of the acquisition of Prentiss. We also incurred an additional $2.9 million in professional fees in connection with our merger integration activities. The remainder of the increase reflects other increased costs of the combined companies.

Interest Income/ Expense

Interest expense increased by approximately $47.9 million primarily as a result of 14 fixed rate mortgages, three unsecured notes, and one note secured by U.S. treasury notes (PPREFI debt) that we assumed in the Prentiss merger. The mortgages assumed have maturity dates ranging from July 2009 through March 2016 and the unsecured notes have maturities of March, April, and July 2035, and the PPREFI debt has a maturity of February 2007.

The PPREFI debt was defeased by Prentiss in the fourth quarter of 2005 and is secured by an investment in U.S. treasury notes. The interest earned on the treasury notes is included in interest income and substantially offsets the amount of interest expense incurred on the PPREFI debt, resulting in an immaterial amount of net interest expense incurred. The increase of $4.6 million in interest income is attributable to the interest income earned on these treasury notes.

See the Notes to the Unconsolidated Combined Financial Statements in Part I, Item I for details of our mortgage indebtedness and unsecured notes outstanding.

Minority Interest-partners share of consolidated real estate ventures

Minority interest-partners share of consolidated real estate ventures increased by $0.4 million from the prior year as a result of our acquisition of one consolidated joint venture as part of our acquisition of Prentiss. This consolidated joint venture, of which we own 51%, owns 13 properties which aggregate approximately 1.2 million square feet of office space.

Subsequent to our acquisition of Prentiss, we entered into a joint venture with IBM. We consolidate this joint venture, and own a 50% interest in it.

As of June 30, 2006 we hold an ownership interest in 16 properties through consolidated joint ventures, compared to two properties owned by consolidated joint ventures at March 31, 2005.

Minority Interest attributable to continuing operations LP units

Minority interest attributable to continuing operations LP units, represents the equity in loss (income) attributable to the portion of the Operating Partnership not owned by us. The increase from the prior year is primarily the result of the fact that at June 30, 2006 the LP units share in our net loss compared to their share of net income in the prior year. Minority interests owned 4.3% and 3.4% of the Operating Partnership as of June 30, 2006 and 2005, respectively.

Discontinued Operations

Discontinued operations increased by $3.3 million from the prior year as a result of the sale of seven properties in Chicago, IL, one in Dallas, TX, and one in Allen, TX that we acquired in the Prentiss acquisition. We also have one property in Chicago, IL and one property in Dallas, TX that we classified as held for sale at June 30, 2006. These eleven properties combined had net operating income of $3.3 million during the six month period ended June 30, 2006. There were no gains or losses recognized on the properties that were sold, or held for sale, as the proceeds received from the sale of these properties, or expected to be received, was equal to the amount of the total purchase price allocated to these assets.

Net Income

Net income declined in the six month period ending June 30, 2006, compared to the same period in 2005 by $32.5 million as increased revenues were not sufficient to offset increases in operating costs (primarily depreciation and amortization) and financing costs. All major financial statement captions increased as a result of our acquisition of Prentiss and the related financing required to complete the transaction. A significant element of these costs relate to additional depreciation and amortization charges relating to the significant property additions (including both the TRC acquisition and the Prentiss acquisition) and the values ascribed to related acquired intangibles (e.g., in-place leases). These charges do not affect our ability to pay dividends and may not be comparable to those of other real estate companies that have not made such acquisitions. Such charges can be expected to continue until the values ascribed to the lease intangibles are fully amortized. These intangibles are amortizing over the related lease terms or estimated tenant relationship. In addition, a significant portion of the decrease in net income is attributable to the $11.9 million in depreciation expense described in the Depreciation and Amortization Expense section above.

Earnings Per Share

Earnings per share declined from $0.26 for the six month period ended June 30, 2005 to $(0.20) in the six month period ended June 30, 2006 as a result of the factors described in Net Income above and an increase in the average number of common shares outstanding. We issued 34.6 million of our common shares in our acquisition of Prentiss.

LIQUIDITY AND CAPITAL RESOURCES

General

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

- fund normal recurring expenses,
- fund capital expenditures, including capital and tenant improvements and leasing costs,
- fund current development and redevelopment costs, and
- fund distributions declared by our Board of Trustees.

We believe that our liquidity needs will be satisfied through cash flows generated by operations and financing activities. Rental revenue, expense recoveries from tenants, and other income from operations are our principal sources of cash that we use to pay operating expenses, debt service, recurring capital expenditures and the minimum distributions required to maintain our REIT qualification. We seek to increase cash flows from our properties by maintaining quality standards for our properties that promote high occupancy rates and permit increases in rental rates while reducing tenant turnover and controlling operating expenses. Our revenue also includes third-party fees generated by our property management, leasing, development and construction businesses. We believe our revenue, together with proceeds from equity and debt financings, will continue to provide funds for our short-term liquidity needs. However, material changes in our operating or financing activities may adversely affect our net cash flows. Such changes, in turn, would adversely affect our ability to fund distributions, debt service payments and tenant improvements. In addition, a material adverse change in our cash provided by operations would affect the financial performance covenants under our unsecured credit facility and unsecured notes.

Our principal liquidity needs for periods beyond twelve months are for costs of developments, redevelopments, property acquisitions, scheduled debt maturities, major renovations, expansions and other non-recurring capital improvements. We draw on multiple financing sources to fund our long-term capital needs. We use our credit facility for general business purposes, including the acquisition, development and redevelopment of properties and the repayment of other debt. In March 2006 and December 2005, we sold $850 million and $300 million, respectively of unsecured notes and expect to utilize the debt and equity markets for other long-term capital needs.

As a result of our acquisition of Prentiss, we will have additional short and long-term liquidity requirements. Historically, we have satisfied these types of requirements principally through the most advantageous source of capital at that time, which has included public offerings of unsecured debt and private placements of secured and unsecured debt, sales of common and preferred equity, capital raised through the disposition of assets, and joint venture transactions. We believe these sources of capital will continue to be available in the future to fund our capital needs.

We funded the approximately $1.05 billion cash portion of the Prentiss merger consideration, related transaction costs and prepayments of approximately $543.3 million in Prentiss mortgage debt at the closing of the merger through (i) a $750 million unsecured term loan that originally matured on January 4, 2007; (ii) approximately $676.5 million of cash from Prudential s acquisition of certain of the Prentiss properties; and (iii) approximately $195.0 million through borrowing under our revolving credit facility. We repaid in full the $750 million term loan on March 28, 2006 with the proceeds of the $850 million unsecured notes described more fully in Capitalization below.

Our ability to incur additional debt is dependent upon a number of factors, including our credit ratings, the value of our unencumbered assets, our degree of leverage and borrowing restrictions imposed by our current lenders. We currently have investment grade ratings for prospective unsecured debt offerings from three major rating agencies. If a rating agency were to downgrade our credit rating, our access to capital in the unsecured debt market would be more limited and the interest rate under our existing credit facility would increase.

Our ability to sell common and preferred shares is dependent on, among other things, general market conditions for REITs, market perceptions about our company and the current trading price of our shares. We regularly analyze which source of capital is most advantageous to us at any particular point in time. The equity markets may not be consistently available on terms that we consider attractive.

Cash Flows

The following summary discussion of our cash flows is based on the consolidated statement of cash flows and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented.

As of June 30, 2006 and December 31, 2005, we maintained cash and cash equivalents of $26.4 million and $7.2 million, respectively, an increase of $19.2 million. This increase was the result of the following changes in cash flow from our activities for the six-month period ended June 30 (in thousands):

Activity	**2006**	**2005**
Operating	$126,714	$62,505
Investing	(957,156)	(126,337)
Financing	849,645	57,807
Net cash flows	$19,203	$(6,025)

Our increased cash flow from operating activities in the six-months ended June 30, 2006 compared to the same period in 2005 is primarily attributable to our acquisition of Prentiss.

The increase in cash outflows from investing activities is primarily attributable to our acquisition of Prentiss and other property and land acquisitions totaling $986.0 million. In addition, we incurred approximately $102.9 million of capital expenditures for the properties that we own. These increases in investing activity are offset by the net proceeds of $144.0 million received from the sale of seven properties in Chicago and two in Texas that we acquired in our acquisition of Prentiss and subsequently sold.

Increased cash flow from financing activities is primarily attributable to the issuance of $850.0 million of unsecured notes resulting in net proceeds of $847.8 million. The proceeds of the note issuance were used to satisfy the $750.0 million term loan that was obtained in connection with the acquisition of Prentiss, as well as a portion of the outstanding borrowings on our credit facility. We also had net borrowings of $105.0 million on our line of credit. These cash inflows are offset by our repurchase of common shares totaling $34.5 million and our two distribution payments totaling $68.3 million.

Capitalization

Indebtedness

On March 28, 2006, our Operating Partnership consummated the public offering of (1) $300,000,000 aggregate principal amount of its unsecured floating rate notes due 2009 (the 2009 Notes), (2) $300,000,000 aggregate principal amount of its 5.75% notes due 2012 (the 2012 Notes) and (3) $250,000,000 aggregate principal amount of its 6.00% notes due 2016 (the 2016 Notes and, together with the 2009 Notes and 2012 Notes, the Notes). We guaranteed the payment of principal of and interest on the Notes.

On March 28, 2006, we terminated, and repaid all amounts outstanding under, the $750 million Term Loan Agreement that we entered into on January 5, 2006 with JPMorgan Chase Bank, N.A., as Administrative Agent and Syndication Agent, J.P. Morgan Securities Inc., as Lead Arranger and Sole Bookrunner, and the lenders identified therein. We entered into the Term Loan Agreement in connection with our acquisition through the merger of Prentiss on January 5, 2006.

As of June 30, 2006, we had approximately $3.2 billion of outstanding indebtedness. The table below summarizes our mortgage notes payable, our secured note payable, our unsecured notes and our revolving credit facility at June 30, 2006 and December 31, 2005:

	June 30, 2006	December 31, 2005
	(dollars in thousands)	
Balance:		
Fixed rate	$ 2,581,552	$ 1,417,611
Variable rate	574,272	103,773
Total	$ 3,155,824	$ 1,521,384
Percent of Total Debt:		
Fixed rate	82 %	93 %
Variable rate	18 %	7 %
Total	100 %	100 %
Weighted-average interest rate at period end:		
Fixed rate	5.8 %	5.9 %
Variable rate	5.8 %	5.3 %
Total	5.8 %	5.8 %

The variable rate debt shown above generally bears interest based on various spreads over LIBOR (the term of which is selected by us).

We have used credit facility borrowings for general business purposes, including the acquisition, development and redevelopment of properties and the repayment of other debt. In December 2005, we replaced our then existing unsecured credit facility with a $600 million unsecured credit facility (the Credit Facility) that matures in December 2009, subject to a one year extension option upon payment of a fee and the absence of any defaults. Borrowings under the new Credit Facility generally bear interest at LIBOR (LIBOR was 5.33% as of June 30, 2006) plus a spread over LIBOR ranging from 0.55% to 1.10% based on our unsecured senior debt rating. We have an option to increase the maximum borrowings under the Credit Facility to $800 million subject to the absence of any defaults and our ability to obtain additional commitments from our existing or new lenders. The Credit Facility requires the maintenance of certain ratios related to minimum net worth, debt to total capitalization and fixed charge coverage and various non-financial covenants. We believe that we are in compliance with all financial covenants as of June 30, 2006.

We utilize unsecured notes as a long-term financing alternative. The indentures and note purchase agreements relating to our unsecured notes contain financial restrictions and requirements, including (1) a leverage ratio not to exceed 60%, (2) a secured debt leverage ratio not to exceed 40%, (3) a debt service coverage ratio of greater than 1.5 to 1.0, and (4) an unencumbered asset value of not less than 150% of unsecured debt. In addition, the note purchase agreement relating to the 2008 Notes contains covenants that are similar to the above covenants. At June 30, 2006, we were in compliance with each of these financial restrictions and requirements.

We have mortgage loans that are collateralized by certain of our properties. Payments on mortgage loans are generally due in monthly installments of principal and interest, or interest only.

We intend to refinance our mortgage loans as they mature, primarily through the use of unsecured debt or equity.

The amount of indebtedness that we may incur, and the policies with respect thereto, are not limited by our declaration of trust and bylaws, and are solely within the discretion of our board of trustees, limited only by various financial covenants in our credit agreements.

Equity

On June 15, 2006, we declared a distribution of $0.44 per Common Share, totaling $39.8 million, which we paid on July 17, 2006 to shareholders of record as of July 6, 2006. The Operating Partnership simultaneously declared a $0.44 per unit cash distribution to holders of Class A Units totaling $1.8 million.

On June 15, 2006, we declared distributions on our Series C Preferred Shares and Series D Preferred Shares to holders of record as of June 30, 2006. These shares are entitled to a preferential return of 7.50% and 7.375%, respectively. Distributions paid on July 17, 2006 to holders of Series C Preferred Shares and Series D Preferred Shares totaled $0.9 million and $1.1 million, respectively.

At June 30, 2006, we had a share repurchase program under which our Board has authorized us to repurchase from time to time up to 6,700,000 common shares. Through June 30, 2006, we had repurchased approximately 4.4 million common shares under this program at an average price of $20.82 per share. Our Board placed no time limit on the duration of the program. As of June 30, 2006, we may purchase an additional 2,319,800 additional shares under the plan.

Shelf Registration Statement

Together with our Operating Partnership, we maintain a shelf registration statement that registered common shares, preferred shares, depositary shares and warrants and unsecured debt securities. Subject to our ongoing compliance with securities laws, and if warranted by market conditions, we may offer and sell equity and debt securities from time to time under the registration statement.

Short- and Long-Term Liquidity

We believe that our cash flow from operations is adequate to fund its short-term liquidity requirements. Cash flow from operations is generated primarily from rental revenues and operating expense reimbursements from tenants and management services income from providing services to third parties. We intend to use these funds to meet short-term liquidity needs, which are to fund operating expenses, debt service requirements, recurring capital expenditures, tenant allowances, leasing commissions and the minimum distributions required to maintain our REIT qualification under the Internal Revenue Code.

We expect to meet our long-term liquidity requirements, such as for property acquisitions, development, investments in real estate ventures, scheduled debt maturities, major renovations, expansions and other significant capital improvements, through cash from operations, borrowings under its Credit Facility, other long-term secured and unsecured indebtedness, the issuance of equity securities and the proceeds from the disposition of selected assets.

Inflation

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

Commitments and Contingencies

The following table outlines the timing of payment requirements related to our contractual commitments as of June 30, 2006:

	Payments by Period (in thousands)				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Mortgage notes payable (a)	$ 884,819	$ 16,367	$ 147,707	$ 263,346	$ 457,399
Mortgage notes payable on assets classified as held for sale (a)	13,500			13,500	
Secured note payable	183,199	183,199			
Revolving credit facility	195,000		195,000		
Unsecured debt (a)	1,866,610		688,000	600,000	578,610
Ground leases (b)	280,641	1,736	3,472	3,636	271,797
Other liabilities	688				688
	$ 3,424,457	$ 201,302	$ 1,034,179	$ 880,482	$ 1,308,494

(a) Amounts do not include unamortized discounts and/or premiums.

(b) Future minimum rental payments under the terms of all non-cancelable ground leases under which we are the lessee are expensed on a straight-line basis regardless of when payments are due.

We intend to refinance our mortgage notes payable as they become due or repay those that are secured by properties being sold.

As part of our acquisition of the TRC Properties in September 2004, we agreed to issue to the sellers up to a maximum of $9.7 million of Class A Units of the Operating Partnership if certain of the acquired properties achieve at least 95% occupancy prior to September 21, 2007. The maximum number of Units that we are obligated to issue declines monthly and, as of June 30, 2006, the maximum balance payable under this arrangement was $3.3 million, with no amount currently due.

As part of the TRC acquisition, we acquired our interest in Two Logan Square, a 696,477 square foot office building in Philadelphia, primarily through a second and third mortgage secured by this property. We currently do not expect to take title to Two Logan Square until, at the earliest, September 2019. In the event that we take fee title to Two Logan Square upon a foreclosure of our mortgage, we have agreed to make a payment to an unaffiliated third party with a residual interest in the fee owner of this property. The amount of the payment would be $0.6 million if we must pay a state and local transfer upon taking title, and $2.9 million if no transfer tax is payable upon the transfer.

As part of the Prentiss acquisition, the TRC acquisition and several of our other acquisitions, we agreed not to sell certain of the acquired properties. In the case of the TRC acquisition, we agreed not to sell certain of the acquired properties for periods ranging from three to 15 years from the acquisition date as follows: 201 Radnor Financial Center, 555 Radnor Financial Center and 300 Delaware Avenue (three years); One Rodney Square and 130/150/170 Radnor Financial Center (10 years); and One Logan Square, Two Logan Square and Radnor Corporate Center (15 years). In the case of the Prentiss acquisition, we assumed the obligation of Prentiss not to sell Concord Airport Plaza before March 2018 and 6600 Rockledge before July 2008. We also own 14 other properties that aggregate 1.0 million square feet and have agreed not to sell these properties for periods that expire by the end of 2008. Our agreements generally provide that we may dispose of the subject properties only in transactions that qualify as tax-free exchanges under Section 1031 of the Internal Revenue Code or in other tax deferred transactions. In the event that we sell any of the properties within the applicable restricted period in non-exempt transactions, we would be required to pay significant tax liabilities that would be incurred by the parties who sold us the applicable property.

We hold a fifty percent economic interest in an approximately 141,724 square foot office building located at 101 Paragon Drive, Montvale, New Jersey. The remaining fifty percent interest is held by Donald E. Axinn, one of our Trustees. Although we and Mr. Axinn have each committed to provide one half of the $11 million necessary to repay the mortgage loan secured by this property, in February 2006, an unaffiliated third party entered into an agreement to purchase this property for $18.3 million. Closing is scheduled for the third quarter of 2006 and is subject to standard closing conditions.

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

Interest Rate Risk and Sensitivity Analysis

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

Our financial instruments consist of both fixed and variable rate debt. As of June 30, 2006, our consolidated debt consisted of $913.9 million in fixed rate mortgages and $0.7 million in variable rate mortgage notes, $183.2 million in fixed rate secured note payable, $195.0 million borrowings under our Credit Facility and $1.9 billion in unsecured notes (net of discounts). All financial instruments were entered into for other than trading purposes and the net market value of these financial instruments is referred to as the net financial position. Changes in interest rates have different impacts on the fixed and variable rate portions of our debt portfolio. A change in interest rates on the fixed portion of the debt portfolio impacts the net financial instrument position, but has no impact on interest incurred or cash flows. A change in interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows, but does not impact the net financial instrument position.

If market rates of interest on our variable rate debt increase by 1%, the increase in annual interest expense on our variable rate debt would decrease future earnings and cash flows by approximately $5.7 million. If market rates of interest on our variable rate debt decrease by 1%, the decrease in interest expense on our variable rate debt would increase future earnings and cash flows by approximately $5.7 million.

If market rates of interest increase by 1%, the fair value of our outstanding fixed-rate debt would decrease by approximately $94.4 million. If market rates of interest decrease by 1%, the fair value of our outstanding fixed-rate debt would increase by approximately $101.3 million.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

There have been no material changes in Quantitative and Qualitative disclosures in 2006 from the disclosures included in our Annual Report on Form 10-K for the year ended December 31, 2005. Reference is made to Item 7 included in our Annual Report on Form 10-K for the year ended December 31, 2005 and the caption Interest Rate Risk and Sensitivity Analysis under Item 2 of this Quarterly Report on Form 10-Q.

Item 4. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act) as of the end of the period covered by this quarterly report, have concluded that the Company s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

(b) *Changes in internal controls over financial reporting.* There was no change in the Company s internal control over financial reporting that occurred during the period covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 1A. Risk Factors

There has been no material change to the risk factors previously disclosed by us in our Form 10-K for the fiscal year ended December 31, 2005.

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

The following table summarizes the share repurchases during the three-month period ended June 30, 2006:

	Total Number of Shares Purchased	Average Price Paid Per Share	Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (a)
2006:				
April		$		762,000
May	763,900	28.95	763,900	2,736,100
June	416,300	29.70	416,300	2,319,800
Total	1,180,200		1,180,200	

(a) On May 2, 2006, our Board of Trustees authorized an increase in the number of common shares that we may repurchase, whether in open-market or privately negotiated transactions. The Board authorized us to purchase up to an aggregate of 3,500,000 common shares (inclusive of the remaining share repurchase availability under the Board's prior authorization from September 2001). There is no expiration date on the share repurchase program.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

We incorporate by reference the disclosure contained in Part II, Item 5 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 filed with the Securities and Exchange Commission on May 10, 2006. This disclosure summarizes the voting results at our annual meeting of shareholders held on May 2, 2006.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

(a) Exhibits

10.1	Form of Restricted Share Award (incorporated by reference to Brandywine s Quarterly Report on Form 10-Q for the quarter ending March 31, 2006 filed on May 10, 2006)
12.1	Statement re Computation of Ratios
31.1	Certification Pursuant to 13a-14 under the Securities Exchange Act of 1934
31.2	Certification Pursuant to 13a-14 under the Securities Exchange Act of 1934
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

** Management contract or compensatory plan or arrangement

SIGNATURES OF REGISTRANT

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

BRANDYWINE REALTY TRUST
(Registrant)

Date: August 9, 2006	By: /s/ Gerard H. Sweeney
	Gerard H. Sweeney, President and Chief Executive Officer (Principal Executive Officer)
Date: August 9, 2006	By: /s/ Timothy M. Martin
	Timothy M. Martin, Vice President and Treasurer (Principal Financial Officer)
Date: August 9, 2006	By: /s/ Scott W. Fordham
	Scott W. Fordham, Vice President and Chief Accounting Officer (Principal Accounting Officer)