

BRANDYWINE REALTY TRUST  
Form 8-K  
January 22, 2009

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 8-K  
CURRENT REPORT**

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

**Date of Report (Date of earliest event reported): January 22, 2009**

**Brandywine Realty Trust  
Brandywine Operating Partnership, L.P.**  
(Exact name of registrant as specified in charter)

**Maryland  
(Brandywine Realty Trust)**

**001-9106**

**23-2413352**

**Delaware**

**000-24407**

**23-2862640**

**(Brandywine Operating  
Partnership, L.P.)**

(State or Other Jurisdiction of  
Incorporation or Organization)

(Commission file number)

(I.R.S. Employer  
Identification Number)

**555 East Lancaster Avenue, Suite 100  
Radnor, PA 19087**

(Address of principal executive offices)

**(610) 325-5600**

(Registrant's telephone number, including area code)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 8.01 Other Events.**

On January 22, 2009, Brandywine Realty Trust (the General Partner ), the sole general partner of Brandywine Operating Partnership, L.P. (the Operating Partnership ), announced that the Operating Partnership has commenced a cash tender offer (the Tender Offer ) for any and all of its outstanding 4.50% Guaranteed Notes due November 1, 2009 (collectively, the Notes ). The consideration payable for the Notes is \$967.50 per \$1,000 principal amount of Notes, plus accrued and unpaid interest to, but not including, the payment date for the Notes purchased in the Tender Offer, which is expected to be the first business day following the Expiration Time (as defined below). Additional terms and conditions of the Tender Offer are set forth in the Offer to Purchase dated January 22, 2009 (the Offer to Purchase ) and the related Letter of Transmittal.

The Tender Offer will expire at 5:00 p.m., New York City time, on Thursday, January 29, 2009, unless extended or earlier terminated (the Expiration Time ). Under certain circumstances, and as more fully described in the Offer to Purchase, the Operating Partnership may terminate the Tender Offer before the Expiration Time. Any tendered Notes may be withdrawn prior to, but not after, the Expiration Time and withdrawn Notes may be re-tendered by a holder at any time. The Operating Partnership expects to fund its purchase of Notes in the Tender Offer using available cash and borrowings under its \$600 million unsecured revolving credit facility. We expect to cancel the Notes purchased pursuant to the Tender Offer (holding approximately \$28.3 million of the purchased Notes until maturity in an escrow account established by an indirect wholly-owned subsidiary of the Operating Partnership).

A copy of the press release announcing the Tender Offer is filed herewith as Exhibit 99.1.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

| Exhibit No. | Description                            |
|-------------|--|
| 99.1        | Press Release, dated January 22, 2009. |

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**Signatures**

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

Brandywine Realty Trust

By: /s/ Howard M. Sipzner

Howard M. Sipzner  
Executive Vice President and Chief  
Financial Officer

By: Brandywine Operating Partnership, L.P.

By: Brandywine Realty Trust, its General  
Partner

By: /s/ Howard M. Sipzner

Howard M. Sipzner  
Executive Vice President and Chief  
Financial Officer

Date: January 22, 2009

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**EXHIBIT INDEX**

| Exhibit No. | Description   |   |
|-------------|---|---|
| 99.1        | Press Release of Brandywine Realty Trust, dated January 22, 2009. | 7,230                                       |
|             | 0.000%, 8/01/42 – AGM Insured                                     | 8/21 at 21.00<br>AA–<br>908,377<br>10,450   |
|             | 0.000%, 8/01/43 – AGM Insured                                     | 8/21 at 19.43<br>AA–<br>1,214,081<br>21,225 |
|             | 0.000%, 8/01/44 – AGM Insured                                     | 8/21 at 17.98<br>AA–<br>2,279,990<br>12,550 |
|             | 0.000%, 8/01/45 – AGM Insured                                     | 8/21 at 16.64<br>AA–<br>1,246,090<br>23,425 |
|             | 0.000%, 8/01/46 – AGM Insured                                     |   |

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8/21 at 15.39  
AA-

2,149,478

14,915

Southwestern Community College District, San Diego County, California, General Obligation Bonds, Election of 2008, Series 2011C, 0.000%, 8/01/41

No Opt. Call  
Aa2

3,036,992

Stockton Unified School District, San Joaquin County, California, General Obligation Bonds, Election 2008 Series 2011D:

24,280

0.000%, 8/01/47 – AGC Insured

8/37 at 100.00  
AA-

11,285,101

26,280

0.000%, 8/01/50 – AGM Insured

8/37 at 100.00  
AA-

12,188,138

15,780

Sylvan Union School District, Stanislaus County, California, General Obligation Bonds, Election of 2006, Series 2010, 0.000%, 8/01/49 – AGM Insured

No Opt. Call  
AA-

5,453,884

10,000

Vista Unified School District, San Diego County, California, General Obligation Bonds, Series 2002A, 5.000%, 8/01/23 – AGM Insured

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|  |                       |            |
|--|-----------------------|------------|
|  | 8/12 at 100.00<br>Aa2 |            |
|  |                       | 10,171,900 |
|  |                       | 3,905      |
| West Kern Community College District, California, General Obligation Bonds, Election 2004, Series 2007C, 5.000%, 10/01/32 – SYNCORA GTY Insured                                |                       |            |
|  | 11/17 at 100.00<br>A+ |            |
|  |                       | 4,151,093  |
|  |                       | 247,975    |
| Total Tax Obligation/General   |                       | 95,756,957 |
| Tax Obligation/Limited – 46.1% (32.1% of Total Investments)  |                       |            |
|  |                       | 1,450      |
| Baldwin Park Public Financing Authority, California, Sales Tax and Tax Allocation Bonds, Puente Merced Redevelopment Project, Series 2003, 5.250%, 8/01/21                     |                       |            |
|  | 8/13 at 102.00<br>BBB |            |
|  |                       | 1,507,275  |
|  |                       | 6,895      |
| Brea and Olinda Unified School District, Orange County, California, Certificates of Participation Refunding, Series 2002A, 5.125%, 8/01/26 – AGM Insured                       |                       |            |
|  | 8/12 at 100.00<br>AA- |            |
|  |                       | 6,985,876  |
|  |                       | 2,200      |
| California Infrastructure and Economic Development Bank, Los Angeles County, Revenue Bonds, Department of Public Social Services, Series 2003, 5.000%, 9/01/28 – AMBAC Insured |                       |            |
|  | 9/13 at 101.00<br>A+  |            |

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2,256,298

3,100

California State Public Works Board, Lease Revenue Bonds, Department of Health Services, Richmond Lab, Series 2005B, 5.000%, 11/01/30 – SYNCORA GTY Insured

11/15 at 100.00

A2

3,199,913

465

Capistrano Unified School District, Orange County, California, Special Tax Bonds, Community Facilities District, Series 2005, 5.000%, 9/01/24 – FGIC Insured

9/15 at 100.00

BBB

477,313

1,400

Chino Redevelopment Agency, California, Merged Chino Redevelopment Project Area Tax Allocation Bonds, Series 2006, 5.000%, 9/01/38 – AMBAC Insured

9/16 at 101.00

A-

1,353,128

7,035

Corona-Norco Unified School District, Riverside County, California, Special Tax Bonds, Community Facilities District 98-1, Series 2003, 5.000%, 9/01/28 – NPFPG Insured

9/13 at 100.00

BBB

7,038,025

3,145

Culver City Redevelopment Agency, California, Tax Allocation Revenue Bonds, Redevelopment Project, Series 2002A, 5.125%, 11/01/25 – NPFPG Insured

5/12 at 100.00

BBB

3,145,660

68 Nuveen Investments

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| Principal<br>Amount (000) | Description (1)  | Optional<br>Call<br>Provisions<br>(2) | Ratings (3) | Value      |
|---------------------------|--|---------------------------------------|-------------|------------|
|                           | Tax Obligation/Limited (continued)   |                                       |             |            |
| \$ 750                    | Dinuba Redevelopment Agency, California, Tax Allocation Bonds, Merged City of Dinuba Redevelopment Project and Dinuba Redevelopment Project 2, As Amended, Refunding Series 2001, 5.000%, 9/01/31 – NCFG Insured | 9/12 at 101.00                        | A–          | \$ 753,068 |
| 6,990                     | El Monte, California, Senior Lien Certificates of Participation, Department of Public Services Facility Phase II, Series 2001, 5.000%, 1/01/21 – AMBAC Insured   | 7/12 at 100.00                        | A2          | 6,999,646  |
| 4,000                     | Folsom Public Financing Authority, California, Special Tax Revenue Bonds, Series 2004A, 5.000%, 9/01/21 – AMBAC Insured  | 9/12 at 102.00                        | N/R         | 4,039,320  |
| 7,780                     | Golden State Tobacco Securitization Corporation, California, Enhanced Tobacco Settlement Asset-Backed Revenue Bonds, Series 2005A, 5.000%, 6/01/45 – AMBAC Insured   | 6/15 at 100.00                        | A2          | 7,806,063  |
| 7,700                     | Golden State Tobacco Securitization Corporation, California, Enhanced Tobacco Settlement Asset-Backed Revenue Bonds, Tender Option Bonds Trust 4686, 8.957%, 6/01/45 – AGC Insured (IF) (4)                      | 6/15 at 100.00                        | AA–         | 7,806,876  |
| 910                       | Hesperia Public Financing Authority, California, Redevelopment and Housing Projects Tax Allocation Bonds, Series 2007A, 5.000%, 9/01/37 – SYNCORA GTY Insured  | 9/17 at 100.00                        | Ba1         | 685,394    |
| 2,115                     | Inglewood Redevelopment Agency, California, Tax Allocation Bonds, Merged Redevelopment Project, Refunding Series 1998A, 5.250%, 5/01/23 – AMBAC Insured  | No Opt. Call                          | N/R         | 2,245,305  |
| 950                       | Inglewood Redevelopment Agency, California, Tax Allocation Bonds, Merged Redevelopment Project, Subordinate Lien Series 2007A-1, 5.000%, 5/01/24 – AMBAC Insured   | 5/17 at 100.00                        | BBB+        | 946,504    |
| 3,500                     | La Quinta Redevelopment Agency, California, Tax Allocation Bonds, Redevelopment Project Area 1, Series 2001, 5.100%, 9/01/31 – AMBAC Insured   | 9/12 at 101.00                        | A+          | 3,543,190  |
| 3,400                     | La Quinta Redevelopment Agency, California, Tax Allocation Bonds, Redevelopment Project Area 1, Series 2002, 5.000%, 9/01/22 – AMBAC Insured   | 9/12 at 102.00                        | A+          | 3,503,258  |
| 845                       | Los Angeles Community Redevelopment Agency, California, Lease Revenue Bonds, Manchester  | 9/15 at 100.00                        | A1          | 855,140    |

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Social Services Project, Series 2005, 5.000%,  
9/01/37 – AMBAC Insured

|       |   |                 |      |           |
|-------|---|-----------------|------|-----------|
| 1,460 | Los Angeles, California, Certificates of Participation, Municipal Improvement Corporation, Series 2003AW, 5.000%, 6/01/33 – AMBAC Insured                       | 6/13 at 100.00  | A+   | 1,486,499 |
| 7,000 | Los Angeles, California, Certificates of Participation, Series 2002, 5.200%, 4/01/27 – AMBAC Insured  | 4/12 at 100.00  | A+   | 7,012,950 |
| 8,470 | Ontario Redevelopment Financing Authority, California, Lease Revenue Bonds, Capital Projects, Series 2001, 5.200%, 8/01/29 – AMBAC Insured                      | 8/12 at 100.50  | AA–  | 8,563,927 |
| 5,000 | Palm Desert Financing Authority, California, Tax Allocation Revenue Refunding Bonds, Project Area 1, Series 2002, 5.000%, 4/01/25 – NPMFG Insured               | 4/12 at 102.00  | BBB  | 5,017,450 |
| 405   | Rialto Redevelopment Agency, California, Tax Allocation Bonds, Merged Project Area, Series 2005A, 5.000%, 9/01/35 – SYNCORA GTY Insured                         | 9/15 at 100.00  | A–   | 399,763   |
| 3,000 | Riverside County Public Financing Authority, California, Tax Allocation Bonds, Multiple Projects, Series 2005A, 5.000%, 10/01/35 – SYNCORA GTY Insured          | 10/15 at 100.00 | BBB  | 2,765,760 |
| 4,475 | Riverside County, California, Asset Leasing Corporate Leasehold Revenue Bonds, Riverside County Hospital Project, Series 1997B, 5.000%, 6/01/19 – NPMFG Insured | 6/12 at 101.00  | BBB  | 4,550,986 |
| 2,500 | Roseville Financing Authority, California, Special Tax Revenue Bonds, Series 2007A, 5.000%, 9/01/33 – AMBAC Insured   | 9/17 at 100.00  | N/R  | 2,388,975 |
| 505   | Roseville, California, Certificates of Participation, Public Facilities, Series 2003A, 5.000%, 8/01/25 – AMBAC Insured  | 8/13 at 100.00  | AA–  | 515,711   |
| 3,175 | San Buenaventura, California, Certificates of Participation, Series 2001C, 5.250%, 2/01/31 - AMBAC Insured  | 2/13 at 100.00  | N/R  | 3,192,463 |
| 3,730 | San Diego Redevelopment Agency, California, Subordinate Lien Tax Increment and Parking Revenue Bonds, Centre City Project, Series 2003B, 5.250%, 9/01/26        | 3/12 at 100.00  | Baa3 | 3,732,499 |
| 4,000 | San Jose Financing Authority, California, Lease Revenue Refunding Bonds, Convention Center Project, Series 2001F, 5.000%, 9/01/19 – NPMFG Insured               | 3/12 at 100.00  | AA+  | 4,014,360 |
| 815   | San Jose Redevelopment Agency, California, Tax Allocation Bonds, Merged Area Redevelopment Project, Series 2006C, 5.000%, 8/01/25 – NPMFG Insured               | 8/17 at 100.00  | BBB  | 818,040   |



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| Nuveen Insured California Dividend Advantage Municipal Fund (continued) |  |  |                 |             |             |
|---|--|--|-----------------|-------------|-------------|
| Portfolio of Investments  |  |  |                 |             |             |
| NKL   |  |  |                 |             |             |
| February 29, 2012   |  |  |                 |             |             |
| Principal   |  |  | Optional        |             |             |
| Amount (000)  | Description (1)  |  | Call            | Ratings (3) | Value       |
|   |  |  | Provisions      |             |             |
|   |  |  | (2)             |             |             |
| Tax Obligation/Limited (continued)                                      |  |  |                 |             |             |
| \$ 1,000  | San Jose Redevelopment Agency, California, Tax Allocation Bonds, Merged Project Area, Series 2005A, 5.000%, 8/01/28 – NPFG Insured   |  | 8/15 at 100.00  | BBB         | \$ 972,670  |
| 2,160   | Temecula Redevelopment Agency, California, Tax Allocation Revenue Bonds, Redevelopment Project 1, Series 2002, 5.125%, 8/01/27 – NPFG Insured  |  | 8/12 at 100.00  | A–          | 2,161,037   |
| 112,325   | Total Tax Obligation/Limited   |  |                 |             | 112,740,342 |
| Transportation – 3.1% (2.2% of Total Investments)                       |  |  |                 |             |             |
| 7,500   | Foothill/Eastern Transportation Corridor Agency, California, Toll Road Revenue Refunding Bonds, Series 1999, 5.875%, 1/15/29   |  | 1/14 at 101.00  | BBB–        | 7,610,850   |
| U.S. Guaranteed – 16.2% (11.3% of Total Investments) (5)                |  |  |                 |             |             |
| 2,250   | California Infrastructure and Economic Development Bank, First Lien Revenue Bonds, San Francisco Bay Area Toll Bridge, Series 2003A, 5.000%, 7/01/36 (Pre-refunded 1/01/28) – AMBAC Insured                  |  | 1/28 at 100.00  | Aaa         | 3,018,735   |
| 9,000   | California State University, Systemwide Revenue Bonds, Series 2002A, 5.125%, 11/01/26 (Pre-refunded 11/01/12) – AMBAC Insured  |  | 11/12 at 100.00 | Aa2 (5)     | 9,301,230   |
| 1,000   | California Statewide Communities Development Authority, Student Housing Revenue Bonds, EAH-East Campus Apartments, LLC-UC Irvine Project, Series 2002A, 5.500%, 8/01/22 (Pre-refunded 8/01/12) – ACA Insured |  | 8/12 at 100.00  | Baa1 (5)    | 1,022,690   |
| 10,000  | Fremont Unified School District, Alameda County, California, General Obligation Bonds, Series 2002A, 5.000%, 8/01/25 (Pre-refunded 8/01/12) – FGIC Insured   |  | 8/12 at 101.00  | Aa2 (5)     | 10,305,800  |
| 4,500   | Golden State Tobacco Securitization Corporation, California, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2003A-2, 7.900%, 6/01/42 (Pre-refunded 6/01/13)   |  | 6/13 at 100.00  | Aaa         | 4,922,145   |
| 3,500   | Los Angeles Unified School District, California, General Obligation Bonds, Series 2002E, 5.125%, 1/01/27 (Pre-refunded 7/01/12) – NPFG Insured   |  | 7/12 at 100.00  | AA– (5)     | 3,559,255   |
| 3,380   | Rancho Mirage Joint Powers Financing Authority, California, Revenue Bonds, Eisenhower Medical  |  | 7/14 at 100.00  | Baa2 (5)    | 3,823,524   |

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Center, Series 2004, 5.875%, 7/01/26  
(Pre-refunded 7/01/14)

|   |   |                    |        |            |
|---|---|--------------------|--------|------------|
| San Francisco Airports Commission, California,<br>Revenue Bonds, San Francisco International<br>Airport, Second Series 2003, Issue 29A: |   |                    |        |            |
| 1,185   | 5.250%, 5/01/16 (Pre-refunded 5/01/13) – FGIC<br>Insured (Alternative Minimum Tax)  | 5/13 at<br>100.00  | A+ (5) | 1,254,951  |
| 2,300   | 5.250%, 5/01/17 (Pre-refunded 5/01/13) – FGIC<br>Insured (Alternative Minimum Tax)  | 5/13 at<br>100.00  | A+ (5) | 2,435,769  |
| 37,115  | Total U.S. Guaranteed   |                    |        | 39,644,099 |
| Utilities – 7.5% (5.2% of Total Investments)  |   |                    |        |            |
| 9,000   | Anaheim Public Finance Authority, California,<br>Revenue Bonds, Electric System Distribution<br>Facilities, Series 2002A, 5.000%, 10/01/27 – AGM<br>Insured                 | 10/12 at<br>100.00 | AA–    | 9,189,360  |
| 2,490   | Long Beach Bond Finance Authority, California,<br>Natural Gas Purchase Revenue Bonds, Series<br>2007A, 5.000%, 11/15/35   | No Opt. Call       | A–     | 2,552,972  |
| 830   | Merced Irrigation District, California, Electric<br>System Revenue Bonds, Series 2005, 5.125%,<br>9/01/31 – SYNCORA GTY Insured   | 9/15 at<br>100.00  | N/R    | 825,443    |
| 5,630   | Southern California Public Power Authority,<br>Subordinate Revenue Refunding Bonds,<br>Transmission Project, Series 2002A, 4.750%,<br>7/01/19 – AGM Insured                 | 7/12 at<br>100.00  | AA–    | 5,704,035  |
| 17,950  | Total Utilities   |                    |        | 18,271,810 |
| Water and Sewer – 16.9% (11.8% of Total<br>Investments)   |   |                    |        |            |
| 2,185   | California Department of Water Resources, Water<br>System Revenue Bonds, Central Valley Project,<br>Series 2002X, 5.150%, 12/01/23 – FGIC Insured                           | 12/12 at<br>100.00 | AAA    | 2,261,344  |
| 750   | Fortuna Public Finance Authority, California,<br>Water Revenue Bonds, Series 2006, 5.000%,<br>10/01/36 – AGM Insured  | 10/16 at<br>100.00 | AA–    | 785,775    |
| 570   | Healdsburg Public Financing Authority,<br>California, Wastewater Revenue Bonds, Series<br>2006, 5.000%, 4/01/36 – NPFG Insured  | 4/16 at<br>100.00  | AA–    | 592,920    |
| 9,000   | Los Angeles County Sanitation Districts<br>Financing Authority, California, Capital Projects<br>Revenue Bonds, District 14, Series 2005, 5.000%,<br>10/01/34 – FGIC Insured | 10/15 at<br>100.00 | A+     | 9,549,270  |

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| Principal<br>Amount (000) | Description (1)   | Optional<br>Call<br>Provisions<br>(2) | Ratings (3) | Value          |
|---------------------------|---|---------------------------------------|-------------|----------------|
|                           | Water and Sewer (continued)   |                                       |             |                |
| \$ 4,500                  | Los Angeles County Sanitation Districts Financing Authority, California, Senior Revenue Bonds, Capital Projects, Series 2003A, 5.000%, 10/01/23 – AGM Insured | 10/13 at 100.00                       | AA+         | \$ 4,810,005   |
| 1,560                     | Manteca Financing Authority, California, Sewerage Revenue Bonds, Series 2003B, 5.000%, 12/01/33 – NPMG Insured  | 12/13 at 100.00                       | Aa3         | 1,590,592      |
| 500                       | Marina Coast Water District, California, Enterprise Certificate of Participation, Series 2006, 5.000%, 6/01/31 – NPMG Insured                                 | 6/16 at 100.00                        | AA–         | 524,045        |
| 9,185                     | Orange County Sanitation District, California, Certificates of Participation, Series 2003, 5.000%, 2/01/33 – FGIC Insured (UB)                                | 8/13 at 100.00                        | AAA         | 9,610,357      |
| 8,000                     | San Diego County Water Authority, California, Water Revenue Certificates of Participation, Series 2008A, 5.000%, 5/01/38 – AGM Insured                        | 5/18 at 100.00                        | AA+         | 8,616,800      |
|                           | Semitropic Water Storage District, Kern County, California, Water Banking Revenue Bonds, Series 2004A:  |                                       |             |                |
| 1,315                     | 5.500%, 12/01/20 – SYNCORA GTY Insured  | 12/14 at 100.00                       | AA          | 1,475,417      |
| 1,415                     | 5.500%, 12/01/21 – SYNCORA GTY Insured  | 12/14 at 100.00                       | AA          | 1,584,729      |
| 38,980                    | Total Water and Sewer   |                                       |             | 41,401,254     |
| \$ 500,578                | Total Investments (cost \$328,368,423) – 143.5%   |                                       |             | 350,901,757    |
|                           | Floating Rate Obligations – (3.0)%  |                                       |             | (7,385,000)    |
|                           | Variable Rate Demand Preferred Shares, at Liquidation Value – (42.7)% (6)   |                                       |             | (104,400,000)  |
|                           | Other Assets Less Liabilities – 2.2%  |                                       |             | 5,403,877      |
|                           | Net Assets Applicable to Common Shares – 100%   |                                       |             | \$ 244,520,634 |

The Fund intends to invest at least 80% of its net assets in municipal securities that are covered by insurance guaranteeing the timely payment of principal and interest. See Notes to Financial Statements, Footnote 1 – General Information and Significant Accounting Policies, Insurance for more information.

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
- (2) Optional Call Provisions (not covered by the report of independent registered public accounting firm): Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns.
- (3) Ratings (not covered by the report of independent registered public accounting firm): Using the highest of Standard & Poor’s Group (“Standard & Poor’s”), Moody’s Investors Service, Inc. (“Moody’s”) or Fitch, Inc. (“Fitch”) rating. Ratings below BBB by Standard & Poor’s, Baa by Moody’s

or BBB by Fitch are considered to be below investment grade. Holdings designated N/R are not rated by any of these national rating agencies.

- (4) Investment, or portion of investment, has been pledged to collateralize the net payment obligations for investments in inverse floating rate transactions.
  - (5) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities, which ensure the timely payment of principal and interest. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities.
  - (6) Variable Rate Demand Preferred Shares, at Liquidation Value as a percentage of Total Investments is 29.8%.
- N/R Not rated.
- (IF) Inverse floating rate investment.
- (UB) Underlying bond of an inverse floating rate trust reflected as a financing transaction. See Notes to Financial Statements, Footnote 1 – General Information and Significant Accounting Policies, Inverse Floating Rate Securities for more information.

See accompanying notes to financial statements.

Nuveen Investments 71

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NKX Nuveen Insured California Tax-Free Advantage Municipal Fund  
Portfolio of Investments

February 29, 2012

| Principal<br>Amount (000) | Description (1)  | Optional<br>Call<br>Provisions<br>(2) | Ratings (3) | Value        |
|---------------------------|--|---------------------------------------|-------------|--------------|
|                           | Consumer Staples – 4.9% (3.4% of Total Investments)  |                                       |             |              |
| \$ 6,070                  | Golden State Tobacco Securitization Corporation, California, Tobacco Settlement Asset-Backed Bonds, Series 2007A-2, 0.000%, 6/01/37                                | 6/22 at 100.00                        | BB–         | \$ 4,238,256 |
|                           | Health Care – 24.8% (17.4% of Total Investments)   |                                       |             |              |
| 1,630                     | California Health Facilities Financing Authority, Revenue Bonds, Childrens Hospital Los Angeles, Series 2010A, 5.250%, 7/01/38 – AGC Insured                       | 7/20 at 100.00                        | AA–         | 1,705,469    |
| 662                       | California Statewide Community Development Authority, Revenue Bonds, St. Joseph Health System, Trust 2554, 18.382%, 7/01/47 – AGM Insured (IF)                     | 7/18 at 100.00                        | AA–         | 809,729      |
| 4,000                     | California Statewide Community Development Authority, Insured Health Facility Revenue Bonds, Catholic Healthcare West, Series 2008K, 5.500%, 7/01/41 – AGC Insured | 7/17 at 100.00                        | AA–         | 4,245,160    |
| 1,815                     | California Statewide Community Development Authority, Revenue Bonds, Kaiser Permanente System, Series 2006, 5.000%, 3/01/41  | 3/16 at 100.00                        | A+          | 1,878,507    |
| 5,020                     | California Statewide Community Development Authority, Revenue Bonds, Kaiser Permanente System, Series 2006, 5.000%, 3/01/41 – BHAC Insured (UB)                    | 3/16 at 100.00                        | AA+         | 5,176,925    |
| 4,060                     | California Statewide Community Development Authority, Revenue Bonds, Sherman Oaks Health System, Series 1998A, 5.000%, 8/01/22 – AMBAC Insured                     | No Opt. Call                          | A1          | 4,500,307    |
| 1,500                     | California Statewide Community Development Authority, Revenue Bonds, St. Joseph Health System, Series 2007A, 5.750%, 7/01/47 – FGIC Insured                        | 7/18 at 100.00                        | AA–         | 1,610,685    |
| 1,500                     | Santa Clara County Financing Authority, California, Insured Revenue Bonds, El Camino Hospital, Series 2007A, 5.750%, 2/01/41 – AMBAC Insured                       | 8/17 at 100.00                        | A+          | 1,600,785    |
| 20,187                    | Total Health Care  |                                       |             | 21,527,567   |
|                           | Housing/Multifamily – 1.4% (1.0% of Total Investments)   |                                       |             |              |
| 1,165                     | Poway, California, Housing Revenue Bonds, Revenue Bonds, Poinsettia Mobile Home Park,  | 5/13 at 102.00                        | AA–         | 1,208,385    |



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Series 2003, 5.000%, 5/01/23

|        |  |                 |     |            |
|--------|--|-----------------|-----|------------|
|        | Long-Term Care – 7.2% (5.0% of Total Investments)  |                 |     |            |
| 3,000  | ABAG Finance Authority for Non-Profit Corporations, California, Cal-Mortgage Insured Revenue Bonds, Channing House, Series 2010, 6.125%, 5/15/40   | 5/20 at 100.00  | A–  | 3,229,980  |
| 1,000  | ABAG Finance Authority for Non-Profit Corporations, California, Insured Senior Living Revenue Bonds, Odd Fellows Home of California, Series 2003A, 5.200%, 11/15/22                                      | 11/12 at 100.00 | A–  | 1,010,310  |
| 2,000  | California Health Facilities Financing Authority, Cal-Mortgage Insured Revenue Bonds, Northern California Retired Officers Community Corporation – Paradise Valley Estates, Series 2002, 5.250%, 1/01/26 | 1/13 at 100.00  | A–  | 2,029,160  |
| 6,000  | Total Long-Term Care Tax Obligation/General – 12.5% (8.8% of Total Investments)  |                 |     | 6,269,450  |
| 1,030  | Fontana Unified School District, San Bernardino County, California, General Obligation Bonds, Trust 2668, 9.515%, 2/01/16 – AGM Insured (IF)   | No Opt. Call    | AA– | 1,290,549  |
| 1,175  | Mount Diablo Unified School District, Contra Costa County, California, General Obligation Bonds, Series 2010A, 0.000%, 8/01/30 – AGM Insured   | 8/25 at 100.00  | AA– | 774,525    |
| 1,000  | Murrieta Valley Unified School District, Riverside County, California, General Obligation Bonds, Series 2003A, 5.000%, 9/01/26 – FGIC Insured  | 9/13 at 100.00  | A+  | 1,051,220  |
| 1,000  | Murrieta Valley Unified School District, Riverside County, California, General Obligation Bonds, Series 2007, 4.500%, 9/01/30 – AGM Insured  | 9/17 at 100.00  | AA– | 1,069,050  |
| 140    | Roseville Joint Union High School District, Placer County, California, General Obligation Bonds, Series 2006B, 5.000%, 8/01/27 – FGIC Insured  | 8/15 at 100.00  | AA– | 154,759    |
| 5,025  | Stockton Unified School District, San Joaquin County, California, General Obligation Bonds, Election 2008 Series 2011D, 0.000%, 8/01/50 – AGM Insured  | 8/37 at 100.00  | AA– | 2,330,495  |
| 12,520 | Yosemite Community College District, California, General Obligation Bonds, Capital Appreciation, Election 2004, Series 2010D, 0.000%, 8/01/42  | No Opt. Call    | Aa2 | 4,183,182  |
| 21,890 | Total Tax Obligation/General   |                 |     | 10,853,780 |

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| Principal<br>Amount (000) | Description (1)  | Optional<br>Call<br>Provisions<br>(2) | Ratings (3) | Value      |
|---------------------------|--|---------------------------------------|-------------|------------|
|                           | Tax Obligation/Limited – 48.7% (34.1% of Total Investments)  |                                       |             |            |
| \$ 550                    | Baldwin Park Public Financing Authority, California, Sales Tax and Tax Allocation Bonds, Puente Merced Redevelopment Project, Series 2003, 5.250%, 8/01/21   | 8/13 at 102.00                        | BBB         | \$ 571,725 |
| 1,165                     | Burbank Public Financing Authority, California, Revenue Refunding Bonds, Golden State Redevelopment Project, Series 2003A, 5.250%, 12/01/22 – AMBAC Insured  | 12/13 at 100.00                       | A           | 1,189,197  |
| 4,000                     | California State Public Works Board, Lease Revenue Bonds, Department of General Services, Capital East End Project, Series 2002A, 5.000%, 12/01/27 – AMBAC Insured   | 12/12 at 100.00                       | A2          | 4,105,760  |
| 170                       | Capistrano Unified School District, Orange County, California, Special Tax Bonds, Community Facilities District, Series 2005, 5.000%, 9/01/24 – FGIC Insured   | 9/15 at 100.00                        | BBB         | 174,502    |
| 525                       | Chino Redevelopment Agency, California, Merged Chino Redevelopment Project Area Tax Allocation Bonds, Series 2006, 5.000%, 9/01/38 – AMBAC Insured   | 9/16 at 101.00                        | A–          | 507,423    |
| 265                       | Dinuba Redevelopment Agency, California, Tax Allocation Bonds, Merged City of Dinuba Redevelopment Project and Dinuba Redevelopment Project 2, As Amended, Refunding Series 2001, 5.000%, 9/01/31 – NCFG Insured | 9/12 at 101.00                        | A–          | 266,084    |
| 1,610                     | Folsom Public Financing Authority, California, Special Tax Revenue Bonds, Series 2004A, 5.000%, 9/01/21 – AMBAC Insured  | 9/12 at 102.00                        | N/R         | 1,625,826  |
| 3,285                     | Golden State Tobacco Securitization Corporation, California, Enhanced Tobacco Settlement Asset-Backed Revenue Bonds, Series 2005A, 5.000%, 6/01/45 – AMBAC Insured   | 6/15 at 100.00                        | A2          | 3,296,005  |
| 2,905                     | Golden State Tobacco Securitization Corporation, California, Enhanced Tobacco Settlement Asset-Backed Revenue Bonds, Tender Option Bonds Trust 4686, 8.957%, 6/01/45 – AGC Insured (IF) (4)                      | 6/15 at 100.00                        | AA–         | 2,945,321  |
| 700                       | Hesperia Public Financing Authority, California, Redevelopment and Housing Projects Tax Allocation Bonds, Series 2007A, 5.000%, 9/01/37 – SYNCORA GTY Insured  | 9/17 at 100.00                        | Ba1         | 527,226    |
| 330                       |  |                                       | BBB+        | 328,786    |

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|       |  |                    |      |           |
|-------|--|--------------------|------|-----------|
|       | Inglewood Redevelopment Agency, California, Tax Allocation Bonds, Merged Redevelopment Project, Subordinate Lien Series 2007A-1, 5.000%, 5/01/24 – AMBAC Insured   | 5/17 at<br>100.00  |      |           |
| 5,125 | Irvine Public Facilities and Infrastructure Authority, California, Assessment Revenue Bonds, Series 2003C, 5.000%, 9/02/21 – AMBAC Insured                         | 9/13 at<br>100.00  | N/R  | 5,214,021 |
| 315   | Los Angeles Community Redevelopment Agency, California, Lease Revenue Bonds, Manchester Social Services Project, Series 2005, 5.000%, 9/01/37 – AMBAC Insured      | 9/15 at<br>100.00  | A1   | 318,780   |
| 1,770 | Los Angeles Unified School District, California, Certificates of Participation, Administration Building Project II, Series 2002C, 5.000%, 10/01/27 – AMBAC Insured | 10/12 at<br>100.00 | Aa3  | 1,781,399 |
| 2,000 | Los Angeles, California, Certificates of Participation, Municipal Improvement Corporation, Series 2003AW, 5.000%, 6/01/33 – AMBAC Insured                          | 6/13 at<br>100.00  | A+   | 2,036,300 |
| 1,500 | Los Angeles, California, Municipal Improvement Corporation, Lease Revenue Bonds, Police Headquarters, Series 2006A, 4.750%, 1/01/31 – FGIC Insured                 | 1/17 at<br>100.00  | A+   | 1,553,310 |
| 1,500 | Los Osos, California, Improvement Bonds, Community Services Wastewater Assessment District 1, Series 2002, 5.000%, 9/02/33 – NPMFG Insured                         | 3/13 at<br>100.00  | BBB  | 1,413,285 |
| 150   | Rialto Redevelopment Agency, California, Tax Allocation Bonds, Merged Project Area, Series 2005A, 5.000%, 9/01/35 – SYNCORA GTY Insured                            | 9/15 at<br>100.00  | A–   | 148,061   |
| 190   | Roseville, California, Certificates of Participation, Public Facilities, Series 2003A, 5.000%, 8/01/25 – AMBAC Insured   | 8/13 at<br>100.00  | AA–  | 194,030   |
|       | San Buenaventura, California, Certificates of Participation, Golf Course Financing Project, Series 2002D:  |                    |      |           |
| 3,000 | 5.000%, 2/01/27 – AMBAC Insured  | 8/12 at<br>100.00  | AA–  | 3,002,730 |
| 3,300 | 5.000%, 2/01/32 – AMBAC Insured  | 8/12 at<br>100.00  | AA–  | 3,301,650 |
| 1,200 | San Diego Redevelopment Agency, California, Subordinate Lien Tax Increment and Parking Revenue Bonds, Centre City Project, Series 2003B, 5.250%, 9/01/26           | 3/12 at<br>100.00  | Baa3 | 1,200,804 |
| 2,770 | San Jose Financing Authority, California, Lease Revenue Refunding Bonds, Civic Center Project, Series 2002B, 5.000%, 6/01/32 – AMBAC Insured                       | 6/12 at<br>100.00  | AA+  | 2,780,831 |
| 1,000 | San Jose Redevelopment Agency, California, Tax Allocation Bonds, Merged Project Area, Series   | 8/15 at<br>100.00  | BBB  | 972,670   |

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|        |   |                   |     |            |
|--------|---|-------------------|-----|------------|
|        | 2005A, 5.000%, 8/01/28 – NPFG Insured   |                   |     |            |
| 3,500  | Stockton Public Financing Authority, California,<br>Lease Revenue Bonds, Series 2004, 5.250%,<br>9/01/34 – FGIC Insured | 9/14 at<br>100.00 | BBB | 2,814,000  |
| 42,825 | Total Tax Obligation/Limited  |                   |     | 42,269,726 |

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Nuveen Insured California Tax-Free Advantage Municipal Fund (continued)  
Portfolio of Investments

NKX  
February 29, 2012

| Principal<br>Amount (000) | Description (1)  | Optional<br>Call<br>Provisions<br>(2) | Ratings (3) | Value        |
|---------------------------|--|---------------------------------------|-------------|--------------|
|                           | Transportation – 8.4% (5.9% of Total Investments)  |                                       |             |              |
| \$ 5,480                  | Bay Area Governments Association, California, BART SFO Extension, Airport Premium Fare Revenue Bonds, Series 2002A, 5.000%, 8/01/26 – AMBAC Insured                          | 8/12 at 100.00                        | N/R         | \$ 5,451,940 |
| 2,000                     | Foothill/Eastern Transportation Corridor Agency, California, Toll Road Revenue Bonds, Series 1995A, 5.000%, 1/01/35  | 7/12 at 100.00                        | BBB–        | 1,810,440    |
| 7,480                     | Total Transportation   |                                       |             | 7,262,380    |
|                           | U.S. Guaranteed – 20.7% (14.5% of Total Investments) (5)   |                                       |             |              |
| 1,000                     | Berryessa Union School District, Santa Clara County, California, General Obligation Bonds, Series 2003C, 5.000%, 8/01/21 (Pre-refunded 8/01/12) – AGM Insured                | 8/12 at 100.00                        | AA– (5)     | 1,020,580    |
| 2,000                     | Butte-Glenn Community College District, Butte and Glenn Counties, California, General Obligation Bonds, Series 2002A, 5.000%, 8/01/26 (Pre-refunded 8/01/12) – NPFPG Insured | 8/12 at 101.00                        | Aa2 (5)     | 2,061,060    |
| 500                       | California State, General Obligation Bonds, Series 2004, 5.250%, 4/01/34 (Pre-refunded 4/01/14)  | 4/14 at 100.00                        | Aaa         | 552,220      |
| 450                       | Fremont Unified School District, Alameda County, California, General Obligation Bonds, Series 2002A, 5.000%, 8/01/25 (Pre-refunded 8/01/12) – FGIC Insured                   | 8/12 at 101.00                        | Aa2 (5)     | 463,761      |
| 1,625                     | Golden State Tobacco Securitization Corporation, California, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2003A-2, 7.900%, 6/01/42 (Pre-refunded 6/01/13)           | 6/13 at 100.00                        | Aaa         | 1,777,441    |
| 2,030                     | Hacienda La Puente Unified School District, Los Angeles County, California, General Obligation Bonds, Series 2003B, 5.000%, 8/01/27 (Pre-refunded 8/01/13) – AGM Insured     | 8/13 at 100.00                        | AA– (5)     | 2,168,466    |
| 2,000                     | Los Angeles, California, General Obligation Bonds, Series 2002A, 5.000%, 9/01/22 (Pre-refunded 9/01/12) – NPFPG Insured  | 9/12 at 100.00                        | AA– (5)     | 2,049,220    |
| 1,260                     | Rancho Mirage Joint Powers Financing Authority, California, Revenue Bonds, Eisenhower Medical Center, Series 2004, 5.875%, 7/01/26 (Pre-refunded 7/01/14)                    | 7/14 at 100.00                        | Baa2 (5)    | 1,425,337    |
| 3,855                     |  |                                       | AA (5)      | 3,934,336    |

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|        |  |                    |         |            |
|--------|--|--------------------|---------|------------|
|        | San Rafael City High School District, Marin County, California, General Obligation Bonds, Series 2003A, 5.000%, 8/01/28 (Pre-refunded 8/01/12) – AGM Insured | 8/12 at<br>100.00  |         |            |
| 2,390  | Solano County, California, Certificates of Participation, Series 2002, 5.250%, 11/01/24 (Pre-refunded 11/01/12) – NPFG Insured                               | 11/12 at<br>100.00 | AA– (5) | 2,472,001  |
| 17,110 | Total U.S. Guaranteed Utilities – 3.1% (2.2% of Total Investments)   |                    |         | 17,924,422 |
| 1,000  | Anaheim Public Finance Authority, California, Second Lien Electric Distribution Revenue Bonds, Series 2004, 5.250%, 10/01/21 – NPFG Insured                  | 10/14 at<br>100.00 | A+      | 1,066,480  |
| 945    | Long Beach Bond Finance Authority, California, Natural Gas Purchase Revenue Bonds, Series 2007A, 5.500%, 11/15/37  | No Opt. Call       | A–      | 1,036,107  |
| 275    | Los Angeles Department of Water and Power, California, Power System Revenue Bonds, Series 2003A-2, 5.000%, 7/01/21 – NPFG Insured                            | 7/13 at<br>100.00  | AA–     | 291,242    |
| 310    | Merced Irrigation District, California, Electric System Revenue Bonds, Series 2005, 5.125%, 9/01/31 – SYNCORA GTY Insured                                    | 9/15 at<br>100.00  | N/R     | 308,298    |
| 2,530  | Total Utilities Water and Sewer – 11.1% (7.7% of Total Investments)  |                    |         | 2,702,127  |
| 1,000  | Castaic Lake Water Agency, California, Certificates of Participation, Series 2006C, 5.000%, 8/01/36 – NPFG Insured   | 8/16 at<br>100.00  | AA–     | 1,035,830  |
| 750    | Fortuna Public Finance Authority, California, Water Revenue Bonds, Series 2006, 5.000%, 10/01/36 – AGM Insured   | 10/16 at<br>100.00 | AA–     | 785,775    |
| 215    | Healdsburg Public Financing Authority, California, Wastewater Revenue Bonds, Series 2006, 5.000%, 4/01/36 – NPFG Insured                                     | 4/16 at<br>100.00  | AA–     | 223,645    |
| 575    | Manteca Financing Authority, California, Sewerage Revenue Bonds, Series 2003B, 5.000%, 12/01/33 – NPFG Insured   | 12/13 at<br>100.00 | Aa3     | 586,276    |
| 170    | Marina Coast Water District, California, Enterprise Certificate of Participation, Series 2006, 5.000%, 6/01/31 – NPFG Insured                                | 6/16 at<br>100.00  | AA–     | 178,175    |

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| Principal<br>Amount (000) | Description (1)  | Optional<br>Call<br>Provisions<br>(2) | Ratings (3) | Value         |
|---------------------------|--|---------------------------------------|-------------|---------------|
|                           | Water and Sewer (continued)  |                                       |             |               |
|                           | San Diego Public Facilities Financing Authority,<br>California, Subordinate Lien Water Revenue<br>Bonds, Series 2002:  |                                       |             |               |
| \$ 3,000                  | 5.000%, 8/01/22 – NPMFG Insured  | 8/12 at<br>100.00                     | Aa3         | \$ 3,056,070  |
| 2,500                     | 5.000%, 8/01/23 – NPMFG Insured  | 8/12 at<br>100.00                     | Aa3         | 2,540,725     |
| 1,180                     | South Feather Water and Power Agency,<br>California, Water Revenue Certificates of<br>Participation, Solar Photovoltaic Project, Series<br>2003, 5.375%, 4/01/24 | 4/13 at<br>100.00                     | A           | 1,197,582     |
| 9,390                     | Total Water and Sewer  |                                       |             | 9,604,078     |
| \$ 134,647                | Total Investments (cost \$120,163,365) – 142.8%  |                                       |             | 123,860,171   |
|                           | Floating Rate Obligations – (3.9)%   |                                       |             | (3,360,000)   |
|                           | Variable Rate Demand Preferred Shares, at<br>Liquidation Value – (40.9)% (6)   |                                       |             | (35,500,000)  |
|                           | Other Assets Less Liabilities – 2.0%   |                                       |             | 1,730,702     |
|                           | Net Assets Applicable to Common Shares – 100%  |                                       |             | \$ 86,730,873 |

The Fund intends to invest at least 80% of its net assets in municipal securities that are covered by insurance guaranteeing the timely payment of principal and interest. See Notes to Financial Statements, Footnote 1 – General Information and Significant Accounting Policies, Insurance for more information.

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.
  - (2) Optional Call Provisions (not covered by the report of independent registered public accounting firm): Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns.
  - (3) Ratings (not covered by the report of independent registered public accounting firm): Using the highest of Standard & Poor’s Group (“Standard & Poor’s”), Moody’s Investors Service, Inc. (“Moody’s”) or Fitch, Inc. (“Fitch”) rating. Ratings below BBB by Standard & Poor’s, Baa by Moody’s or BBB by Fitch are considered to be below investment grade. Holdings designated N/R are not rated by any of these national rating agencies.
  - (4) Investment, or portion of investment, has been pledged to collateralize the net payment obligations for investments in inverse floating rate transactions.
  - (5) Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities, which ensure the timely payment of principal and interest. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities.
  - (6) Variable Rate Demand Preferred Shares, at Liquidation Value as a percentage of Total Investments is 28.7%.
- N/R Not rated.  
(IF) Inverse floating rate investment.

- (UB) Underlying bond of an inverse floating rate trust reflected as a financing transaction. See Notes to Financial Statements, Footnote 1 – General Information and Significant Accounting Policies, Inverse Floating Rate Securities for more information.

See accompanying notes to financial statements.

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Statement of  
Assets & Liabilities  
February 29, 2012

|  | Insured California<br>Premium Income<br>(NPC) | Insured California<br>Premium Income<br>2<br>(NCL) | California<br>Premium<br>Income<br>(NCU) | California<br>Dividend<br>Advantage<br>(NAC) |
|--|---|--|--|--|
| <b>Assets</b>  |   |  |  |  |
| Investments, at value (cost<br>\$126,573,381, \$263,273,073,<br>\$115,646,263 and<br>\$484,363,905, respectively)                                  | \$ 138,048,126                                | \$ 280,025,460                                     | \$ 125,293,556                           | \$ 510,520,007                               |
| Cash   | 5,040,057                                     | 1,721,865  | 1,031,216                                | 1,740,120                                    |
| <b>Receivables:</b>  |   |  |  |  |
| Interest   | 2,358,079                                     | 3,315,739  | 1,486,133                                | 7,650,415                                    |
| Investments sold   | —   | 2,409,626  | 2,350,000                                | —  |
| Deferred offering costs  | 802,028                                       | 602,503  | 619,858                                  | 635,430                                      |
| Other assets   | 38,431  | 85,157   | 3,474                                    | 182,657                                      |
| <b>Total assets</b>  | <b>146,286,721</b>                            | <b>288,160,350</b>                                 | <b>130,784,237</b>                       | <b>520,728,629</b>                           |
| <b>Liabilities</b>   |   |  |  |  |
| Floating rate obligations  | —   | 17,880,000   | 6,650,000                                | 28,545,000                                   |
| <b>Payables:</b>   |   |  |  |  |
| Common share dividends   | 429,090                                       | 899,997  | 394,913                                  | 1,760,133                                    |
| Interest   | —   | —  | 60,701                                   | —  |
| Investments purchased  | —   | —  | 503,450                                  | 4,554,000                                    |
| Offering costs   | 186,672                                       | 121,533  | 54,715                                   | 38,004                                       |
| MuniFund Term Preferred<br>(MTP) Shares, at liquidation<br>value   | —   | —  | 35,250,000                               | —  |
| Variable Rate Demand<br>Preferred (VRDP) Shares, at<br>liquidation value   | 42,700,000                                    | 74,000,000   | —  | 136,200,000                                  |
| <b>Accrued expenses:</b>   |   |  |  |  |
| Management fees  | 73,062  | 141,188  | 63,815                                   | 251,791                                      |
| Other  | 416,974                                       | 405,600  | 51,505                                   | 176,859                                      |
| <b>Total liabilities</b>   | <b>43,805,798</b>                             | <b>93,448,318</b>                                  | <b>43,029,099</b>                        | <b>171,525,787</b>                           |
| <b>Net assets applicable to</b>  |   |  |  |  |
| Common shares  | \$ 102,480,923                                | \$ 194,712,032                                     | \$ 87,755,138                            | \$ 349,202,842                               |
| Common shares outstanding  | 6,449,565                                     | 12,671,099   | 5,730,688                                | 23,483,222                                   |
| <b>Net asset value per Common<br/>share outstanding (net assets<br/>applicable to Common shares,<br/>divided by Common shares<br/>outstanding)</b> |   |  |  |  |
|  | \$ 15.89                                      | \$ 15.37   | \$ 15.31                                 | \$ 14.87                                     |
| <b>Net assets applicable to<br/>Common shares consist of:</b>  |   |  |  |  |
|  | \$ 64,496                                     | \$ 126,711   | \$ 57,307                                | \$ 234,832                                   |

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Common shares, \$.01 par value  
per share

|  |                |                |               |                |
|--|----------------|----------------|---------------|----------------|
| Paid-in surplus  | 88,909,756     | 175,580,095    | 77,627,379    | 334,377,186    |
| Undistributed<br>(Over-distribution of) net<br>investment income | 1,541,439      | 3,188,005      | 1,458,906     | 6,736,623      |
| Accumulated net realized gain<br>(loss)                          | 490,487        | (935,166)      | (1,035,747)   | (18,301,901)   |
| Net unrealized appreciation<br>(depreciation)                    | 11,474,745     | 16,752,387     | 9,647,293     | 26,156,102     |
| Net assets applicable to<br>Common shares                        | \$ 102,480,923 | \$ 194,712,032 | \$ 87,755,138 | \$ 349,202,842 |
| Authorized shares:   |                |                |               |                |
| Common   | 200,000,000    | 200,000,000    | Unlimited     | Unlimited      |
| Auction Rate Preferred Shares<br>(ARPS)                          | 1,000,000      | 1,000,000      | Unlimited     | Unlimited      |
| MTP  | —              | —              | Unlimited     | —              |
| VRDP   | 50,000         | 50,000         | —             | Unlimited      |

See accompanying notes to financial statements.

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|  | California<br>Dividend<br>Advantage 2<br>(NVX) | California<br>Dividend<br>Advantage 3<br>(NZH) | Insured California<br>Dividend<br>Advantage<br>(NKL) | Insured California<br>Tax-Free<br>Advantage<br>(NKX) |
|--|--|--|--|--|
| <b>Assets</b>  |  |  |  |  |
| Investments, at value (cost<br>\$311,649,957, \$467,719,489,<br>\$328,368,423 and<br>\$120,163,365, respectively)                                  | \$ 329,724,378                                 | \$ 488,106,122                                 | \$ 350,901,757                                       | \$ 123,860,171                                       |
| Cash   | 4,687,040                                      | 5,820,018                                      | 498,690  | 368,231  |
| <b>Receivables:</b>  |  |  |  |  |
| Interest   | 4,923,825                                      | 7,983,472                                      | 3,980,798  | 1,486,095  |
| Investments sold   | 10,300   | 1,390,980                                      | 1,792,434  | —  |
| Deferred offering costs  | 1,480,243                                      | 2,126,839                                      | 567,000  | 472,840  |
| Other assets   | 40,509   | 65,133   | 134,502  | 35,665   |
| <b>Total assets</b>  | <b>340,866,295</b>                             | <b>505,492,564</b>                             | <b>357,875,181</b>                                   | <b>126,223,002</b>                                   |
| <b>Liabilities</b>   |  |  |  |  |
| Floating rate obligations  | 11,390,000                                     | 3,845,000                                      | 7,385,000  | 3,360,000  |
| <b>Payables:</b>   |  |  |  |  |
| Common share dividends   | 1,153,849                                      | 1,755,752                                      | 1,232,542  | 401,243  |
| Interest   | 183,813  | 363,454  | —  | —  |
| Investments purchased  | 1,345,900                                      | 3,383,534                                      | —  | —  |
| Offering costs   | 197,948  | 372,133  | 33,247   | —  |
| MuniFund Term Preferred<br>(MTP) Shares, at liquidation<br>value   | 97,846,300                                     | 159,544,500                                    | —  | —  |
| Variable Rate Demand<br>Preferred (VRDP) Shares, at<br>liquidation value   | —  | —  | 104,400,000  | 35,500,000   |
| <b>Accrued expenses:</b>   |  |  |  |  |
| Management fees  | 165,690  | 250,563  | 161,285  | 62,578   |
| Other  | 108,798  | 147,272  | 142,473  | 168,308  |
| <b>Total liabilities</b>   | <b>112,392,298</b>                             | <b>169,662,208</b>                             | <b>113,354,547</b>                                   | <b>39,492,129</b>                                    |
| <b>Net assets applicable to</b>  |  |  |  |  |
| Common shares  | \$ 228,473,997                                 | \$ 335,830,356                                 | \$ 244,520,634                                       | \$ 86,730,873  |
| Common shares outstanding  | 14,746,722                                     | 24,139,232                                     | 15,265,697   | 5,888,875  |
| <b>Net asset value per Common<br/>share outstanding (net assets<br/>applicable to Common shares,<br/>divided by Common shares<br/>outstanding)</b> |  |  |  |  |
|  | \$ 15.49                                       | \$ 13.91                                       | \$ 16.02   | \$ 14.73   |
| <b>Net assets applicable to<br/>Common shares consist of:</b>  |  |  |  |  |
| Common shares, \$.01 par value<br>per share  | \$ 147,467                                     | \$ 241,392                                     | \$ 152,657   | \$ 58,889  |
| Paid-in surplus  | 209,062,269                                    | 338,696,024                                    | 216,833,807  | 82,740,430   |
| <b>Undistributed<br/>(Over-distribution of) net<br/>investment income</b>  |  |  |  |  |
|  | 3,684,167                                      | 2,623,057                                      | 4,728,415  | 1,216,642  |

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|  |                |                |                |               |
|--|----------------|----------------|----------------|---------------|
| Accumulated net realized gain (loss)       | (2,494,327)    | (26,116,750)   | 272,421        | (981,894)     |
| Net unrealized appreciation (depreciation) | 18,074,421     | 20,386,633     | 22,533,334     | 3,696,806     |
| Net assets applicable to Common shares     | \$ 228,473,997 | \$ 335,830,356 | \$ 244,520,634 | \$ 86,730,873 |
| Authorized shares:                         |                |                |                |               |
| Common                                     | Unlimited      | Unlimited      | Unlimited      | Unlimited     |
| Auction Rate Preferred Shares (ARPS)       | Unlimited      | Unlimited      | Unlimited      | Unlimited     |
| MTP  | Unlimited      | Unlimited      | —              | —             |
| VRDP                                       | —              | —              | Unlimited      | Unlimited     |

See accompanying notes to financial statements.

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Statement of  
Operations  
Year Ended February 29, 2012

|  | Insured California<br>Premium Income<br>(NPC) | Insured California<br>Premium Income<br>2<br>(NCL) | California<br>Premium<br>Income<br>(NCU) | California<br>Dividend<br>Advantage<br>(NAC) |
|--|---|--|--|--|
| Investment Income  | \$ 7,384,524                                  | \$ 14,109,847                                      | \$ 6,676,429                             | \$ 26,810,378                                |
| Expenses   |   |  |  |  |
| Management fees  | 881,605                                       | 1,702,059  | 765,538                                  | 3,038,856                                    |
| Auction fees   | —   | —  | —  | 56,375                                       |
| Dividend disbursing agent fees                                       | —   | —  | —  | 8,353  |
| Shareholders' servicing agent fees and expenses                      | 6,435   | 10,095   | 20,617                                   | 3,190  |
| Interest expense and amortization of offering costs                  | 163,551                                       | 363,073  | 914,462                                  | 446,722                                      |
| Fees on VRDP Shares  | 485,559                                       | 649,922  | —  | 1,036,757                                    |
| Custodian's fees and expenses  | 25,022  | 45,582   | 23,875                                   | 81,688                                       |
| Directors'/Trustees' fees and expenses                               | 4,191   | 7,573  | 3,543                                    | 13,008                                       |
| Professional fees  | 25,108  | 24,031   | 27,359                                   | —  |
| Shareholders' reports – printing and mailing expenses                | 18,785  | 29,252   | 23,714                                   | 43,113                                       |
| Stock exchange listing fees  | 8,911   | 8,911  | 21,451                                   | 26,370                                       |
| Investor relations expense   | 9,404   | 16,708   | 9,211                                    | 27,887                                       |
| Reorganization expense   | 365,000                                       | 290,000  | —  | —  |
| Other expenses   | 31,638  | 39,238   | 31,901                                   | 34,332                                       |
| Total expenses before custodian fee credit and expense reimbursement | 2,025,209                                     | 3,186,444  | 1,841,671                                | 4,816,651                                    |
| Custodian fee credit   | (588)   | (782)  | (433)                                    | (1,970)                                      |
| Expense reimbursement  | —   | —  | —  | —  |
| Net expenses   | 2,024,621                                     | 3,185,662  | 1,841,238                                | 4,814,681                                    |
| Net investment income (loss)   | 5,359,903                                     | 10,924,185   | 4,835,191                                | 21,995,697                                   |
| Realized and Unrealized Gain (Loss)                                  |   |  |  |  |
| Net realized gain (loss) from:                                       |   |  |  |  |
| Investments  | 872,050                                       | 750,538  | (69,508)                                 | (4,191,786)                                  |
| Forward swaps  | —   | (346,971)  | —  | —  |
| Change in net unrealized appreciation (depreciation) of:             |   |  |  |  |
| Investments  | 14,571,360                                    | 29,265,714   | 13,699,675                               | 55,341,444                                   |
| Forward swaps  | —   | 15,872   | —  | —  |
| Net realized and unrealized gain (loss)                              | 15,443,410                                    | 29,685,153   | 13,630,167                               | 51,149,658                                   |
| Distributions to Auction Rate Preferred Shareholders                 |   |  |  |  |
| From net investment income   | —   | —  | —  | (164,318)                                    |

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| Decrease in net assets applicable to Common shares from distributions to Auction Rate Preferred shareholders | —             | —             | —             | (164,318)     |
| Net increase (decrease) in net assets applicable to Common shares from operations                            | \$ 20,803,313 | \$ 40,609,338 | \$ 18,465,358 | \$ 72,981,037 |

See accompanying notes to financial statements.

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|  | California<br>Dividend<br>Advantage 2<br>(NVX) | California<br>Dividend<br>Advantage 3<br>(NZH) | Insured California<br>Dividend<br>Advantage<br>(NKL) | Insured California<br>Tax-Free<br>Advantage<br>(NKX) |
|--|--|--|--|--|
| Investment Income  | \$ 18,196,091                                  | \$ 27,559,307                                  | \$ 18,469,354  | \$ 6,453,342   |
| Expenses   |  |  |  |  |
| Management fees  | 2,006,917                                      | 3,042,367                                      | 2,113,341  | 759,435  |
| Auction fees   | —  | 7,192  | 28,892   | —  |
| Dividend disbursing agent fees   | 3,342  | 13,425   | 23,342   | —  |
| Shareholders' servicing agent fees and expenses  | 21,836   | 23,741   | 1,508  | 769  |
| Interest expense and amortization of offering costs  | 2,643,277                                      | 4,656,322                                      | 257,870  | 140,179  |
| Fees on VRDP Shares  | —  | —  | 794,694  | 403,684  |
| Custodian's fees and expenses  | 49,740   | 75,912   | 55,515   | 22,146   |
| Directors'/Trustees' fees and expenses   | 9,418  | 14,163   | 9,522  | 3,542  |
| Professional fees  | 23,828   | —  | 22,119   | —  |
| Shareholders' reports – printing and mailing expenses  | 43,144   | 54,210   | 30,804   | 16,628   |
| Stock exchange listing fees  | 33,918   | 29,816   | 2,002  | 773  |
| Investor relations expense   | 21,009   | 28,370   | 20,129   | 7,846  |
| Reorganization expense   | —  | —  | 20,000   | 160,000  |
| Other expenses   | 19,338   | 40,249   | 36,447   | 30,590   |
| Total expenses before custodian fee credit and expense reimbursement   | 4,875,767                                      | 7,985,767                                      | 3,416,185  | 1,545,592  |
| Custodian fee credit   | (1,583)  | (2,283)  | (922)  | (827)  |
| Expense reimbursement  | (13,080)                                       | (142,842)                                      | (185,280)  | —  |
| Net expenses   | 4,861,104                                      | 7,840,642                                      | 3,229,983  | 1,544,765  |
| Net investment income (loss)   | 13,334,987                                     | 19,718,665                                     | 15,239,371   | 4,908,577  |
| Realized and Unrealized Gain (Loss)  |  |  |  |  |
| Net realized gain (loss) from:   |  |  |  |  |
| Investments  | (1,141,813)                                    | (5,120,796)                                    | 1,662,629  | 29,958   |
| Forward swaps  | —  | —  | —  | —  |
| Change in net unrealized appreciation (depreciation) of:   |  |  |  |  |
| Investments  | 31,781,569                                     | 50,296,977                                     | 33,515,295   | 11,150,968   |
| Forward swaps  | —  | —  | —  | —  |
| Net realized and unrealized gain (loss)  | 30,639,756                                     | 45,176,181                                     | 35,177,924   | 11,180,926   |
| Distributions to Auction Rate Preferred Shareholders   |  |  |  |  |
| From net investment income   | (18,547)                                       | (62,212)                                       | (125,654)  | —  |
| Decrease in net assets applicable to Common shares from distributions to Auction Rate Preferred shareholders | (18,547)                                       | (62,212)                                       | (125,654)  | —  |

|   |    |            |    |            |    |            |    |            |
|---|----|------------|----|------------|----|------------|----|------------|
| Net increase (decrease) in net assets applicable to Common shares from operations | \$ | 43,956,196 | \$ | 64,832,634 | \$ | 50,291,641 | \$ | 16,089,503 |
|---|----|------------|----|------------|----|------------|----|------------|

See accompanying notes to financial statements.

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Statement of  
Changes in Net Assets

|   | Insured California<br>Premium Income (NPC) |                  | Insured California<br>Premium Income 2 (NCL) |                  | California Premium<br>Income (NCU) |                  |
|---|--|------------------|--|------------------|------------------------------------|------------------|
|   | Year                                       | Year             | Year   | Year             | Year                               | Year             |
|   | Ended<br>2/29/12                           | Ended<br>2/28/11 | Ended<br>2/29/12                             | Ended<br>2/28/11 | Ended<br>2/29/12                   | Ended<br>2/28/11 |
| <b>Operations</b>   |  |                  |  |                  |                                    |                  |
| Net investment<br>income (loss)   | \$ 5,359,903                               | \$ 5,688,214     | \$ 10,924,185                                | \$ 11,578,448    | \$ 4,835,191                       | \$ 5,256,437     |
| Net realized gain<br>(loss) from:   |  |                  |  |                  |                                    |                  |
| Investments   | 872,050                                    | 171,851          | 750,538                                      | 3,862,920        | (69,508)                           | 17,475           |
| Forward swaps   | —  | —                | (346,971)                                    | —                | —                                  | —                |
| Change in net<br>unrealized<br>appreciation<br>(depreciation) of:   |  |                  |  |                  |                                    |                  |
| Investments   | 14,571,360                                 | (7,233,345)      | 29,265,714                                   | (16,035,141)     | 13,699,675                         | (4,515,299)      |
| Forward swaps   | —  | —                | 15,872                                       | (15,872)         | —                                  | —                |
| Distributions to<br>Auction Rate<br>Preferred<br>Shareholders from<br>net investment<br>income              | —  | (25,864)         | —  | (280,073)        | —                                  | (91,616)         |
| Net increase<br>(decrease) in net<br>assets applicable to<br>Common shares<br>from operations               | 20,803,313                                 | (1,399,144)      | 40,609,338                                   | (889,718)        | 18,465,358                         | 666,997          |
| Distributions to<br>Common<br>Shareholders<br>From net<br>investment income                                 | (5,638,153)                                | (5,537,014)      | (11,358,398)                                 | (10,941,930)     | (4,985,699)                        | (4,944,267)      |
| From accumulated<br>net realized gains  | (624,887)                                  | (180,380)        | —  | —                | —                                  | —                |
| Decrease in net<br>assets applicable to<br>Common shares<br>from distributions<br>to Common<br>shareholders | (6,263,040)                                | (5,717,394)      | (11,358,398)                                 | (10,941,930)     | (4,985,699)                        | (4,944,267)      |
| Capital Share<br>Transactions   |  |                  |  |                  |                                    |                  |
| Common shares:  | 113,629                                    | —                | 101,875                                      | 36,242           | —                                  | —                |

|   |                |               |                |                |               |               |
|---|----------------|---------------|----------------|----------------|---------------|---------------|
| Net proceeds issued to shareholders due to reinvestment of distributions                          |                |               |                |                |               |               |
| Repurchased and retired   | —              | —             | —              | (14,592)       | —             | (28,416)      |
| Net increase (decrease) in net assets applicable to Common shares from capital share transactions | 113,629        | —             | 101,875        | 21,650         | —             | (28,416)      |
| Net increase (decrease) in net assets applicable to Common shares                                 | 14,653,902     | (7,116,538)   | 29,352,815     | (11,809,998)   | 13,479,659    | (4,305,686)   |
| Net assets applicable to Common shares at the beginning of period                                 | 87,827,021     | 94,943,559    | 165,359,217    | 177,169,215    | 74,275,479    | 78,581,165    |
| Net assets applicable to Common shares at the end of period                                       | \$ 102,480,923 | \$ 87,827,021 | \$ 194,712,032 | \$ 165,359,217 | \$ 87,755,138 | \$ 74,275,479 |
| Undistributed (Over-distribution of) net investment income at the end of period                   | \$ 1,541,439   | \$ 1,493,036  | \$ 3,188,005   | \$ 3,319,135   | \$ 1,458,906  | \$ 1,445,417  |

See accompanying notes to financial statements.

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|   | California Dividend<br>Advantage (NAC) |               | California Dividend<br>Advantage 2 (NVX) |               | California Dividend<br>Advantage 3 (NZH) |               |
|---|--|---------------|--|---------------|--|---------------|
|   | Year<br>Ended                          | Year<br>Ended | Year<br>Ended                            | Year<br>Ended | Year<br>Ended                            | Year<br>Ended |
|   | 2/29/12                                | 2/28/11       | 2/29/12                                  | 2/28/11       | 2/29/12                                  | 2/28/11       |
| <b>Operations</b>   |  |               |  |               |  |               |
| Net investment<br>income (loss)   | \$ 21,995,697                          | \$ 23,199,120 | \$ 13,334,987                            | \$ 15,204,018 | \$ 19,718,665                            | \$ 21,221,264 |
| Net realized gain<br>(loss) from:   |  |               |  |               |  |               |
| Investments   | (4,191,786)                            | 504,735       | (1,141,813)                              | 1,606,851     | (5,120,796)                              | (1,730,418)   |
| Forward swaps   | —                                      | —             | —  | —             | —  | —             |
| Change in net<br>unrealized<br>appreciation<br>(depreciation) of:   |  |               |  |               |  |               |
| Investments   | 55,341,444                             | (30,484,773)  | 31,781,569                               | (17,378,595)  | 50,296,977                               | (22,899,118)  |
| Forward swaps   | —                                      | —             | —  | —             | —  | —             |
| Distributions to<br>Auction Rate<br>Preferred<br>Shareholders from<br>net investment<br>income              | (164,318)                              | (565,279)     | (18,547)                                 | (331,826)     | (62,212)                                 | (290,939)     |
| Net increase<br>(decrease) in net<br>assets applicable to<br>Common shares<br>from operations               | 72,981,037                             | (7,346,197)   | 43,956,196                               | (899,552)     | 64,832,634                               | (3,699,211)   |
| Distributions to<br>Common<br>Shareholders<br>From net<br>investment income                                 | (21,449,669)                           | (20,815,246)  | (14,156,853)                             | (14,112,614)  | (21,716,912)                             | (21,711,954)  |
| From accumulated<br>net realized gains  | —                                      | —             | —  | —             | —  | —             |
| Decrease in net<br>assets applicable to<br>Common shares<br>from distributions<br>to Common<br>shareholders | (21,449,669)                           | (20,815,246)  | (14,156,853)                             | (14,112,614)  | (21,716,912)                             | (21,711,954)  |
| Capital Share<br>Transactions<br>Common shares:   |  |               |  |               |  |               |
| Net proceeds<br>issued to<br>shareholders due<br>to reinvestment of   | 42,394                                 | —             | —  | —             | 151,583                                  | 114,072       |

|   |                |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| distributions   |                |                |                |                |                |                |
| Repurchased and retired   | —              | —              | —              | —              | —              | —              |
| Net increase (decrease) in net assets applicable to Common shares from capital share transactions | 42,394         | —              | —              | —              | 151,583        | 114,072        |
| Net increase (decrease) in net assets applicable to Common shares                                 | 51,573,762     | (28,161,443)   | 29,799,343     | (15,012,166)   | 43,267,305     | (25,297,093)   |
| Net assets applicable to Common shares at the beginning of period                                 | 297,629,080    | 325,790,523    | 198,674,654    | 213,686,820    | 292,563,051    | 317,860,144    |
| Net assets applicable to Common shares at the end of period                                       | \$ 349,202,842 | \$ 297,629,080 | \$ 228,473,997 | \$ 198,674,654 | \$ 335,830,356 | \$ 292,563,051 |
| Undistributed (Over-distribution of) net investment income at the end of period                   | \$ 6,736,623   | \$ 6,424,912   | \$ 3,684,167   | \$ 4,037,577   | \$ 2,623,057   | \$ 3,952,914   |

See accompanying notes to financial statements.

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Statement of  
Changes in Net Assets (continued)

|   | Insured California<br>Dividend Advantage (NKL) |                          | Insured California<br>Tax-Free Advantage (NKX) |                          |
|---|--|--------------------------|--|--------------------------|
|   | Year<br>Ended<br>2/29/12                       | Year<br>Ended<br>2/28/11 | Year<br>Ended<br>2/29/12                       | Year<br>Ended<br>2/28/11 |
| <b>Operations</b>   |  |                          |  |                          |
| Net investment income (loss)  | \$ 15,239,371                                  | \$ 15,829,293            | \$ 4,908,577                                   | \$ 4,750,929             |
| Net realized gain (loss) from:  |  |                          |  |                          |
| Investments   | 1,662,629                                      | 93,837                   | 29,958   | 105,651                  |
| Forward swaps   | —  | —                        | —  | —                        |
| Change in net unrealized appreciation (depreciation) of:  |  |                          |  |                          |
| Investments   | 33,515,295                                     | (16,671,070)             | 11,150,968                                     | (7,235,385)              |
| Forward swaps   | —  | —                        | —  | —                        |
| Distributions to Auction Rate Preferred Shareholders from net investment income                   |  |                          |  |                          |
|   | (125,654)                                      | (435,387)                | —  | —                        |
| Net increase (decrease) in net assets applicable to Common shares from operations                 |  |                          |  |                          |
|   | 50,291,641                                     | (1,183,327)              | 16,089,503                                     | (2,378,805)              |
| Distributions to Common Shareholders  |  |                          |  |                          |
| From net investment income  | (14,866,235)                                   | (14,210,033)             | (4,874,826)                                    | (4,715,499)              |
| From accumulated net realized gains   | —  | —                        | —  | —                        |
| Decrease in net assets applicable to Common shares from distributions to Common shareholders      |  |                          |  |                          |
|   | (14,866,235)                                   | (14,210,033)             | (4,874,826)                                    | (4,715,499)              |
| Capital Share Transactions  |  |                          |  |                          |
| Common shares:  |  |                          |  |                          |
| Net proceeds issued to shareholders due to reinvestment of distributions                          | 145,163  | 42,871                   | 23,555   | 8,413                    |
| Repurchased and retired   | —  | —                        | —  | —                        |
| Net increase (decrease) in net assets applicable to Common shares from capital share transactions |  |                          |  |                          |
|   | 145,163  | 42,871                   | 23,555   | 8,413                    |
| Net increase (decrease) in net assets applicable to Common shares                                 |  |                          |  |                          |
|   | 35,570,569                                     | (15,350,489)             | 11,238,232                                     | (7,085,891)              |
| Net assets applicable to Common shares at the beginning of period                                 |  |                          |  |                          |
|   | 208,950,065                                    | 224,300,554              | 75,492,641                                     | 82,578,532               |
|   | \$ 244,520,634                                 | \$ 208,950,065           | \$ 86,730,873                                  | \$ 75,492,641            |

Net assets applicable to  
Common shares at the end of  
period

|   |    |           |    |           |    |           |    |           |
|---|----|-----------|----|-----------|----|-----------|----|-----------|
| Undistributed<br>(Over-distribution of)net<br>investment income at the end<br>of period | \$ | 4,728,415 | \$ | 4,534,074 | \$ | 1,216,642 | \$ | 1,034,878 |
|---|----|-----------|----|-----------|----|-----------|----|-----------|

See accompanying notes to financial statements.

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Statement of  
Cash Flows

Year Ended February 29, 2012

|   | Insured California<br>Premium Income<br>(NPC) | Insured California<br>Premium Income 2<br>(NCL) | California<br>Premium Income<br>(NCU) |
|---|---|---|---------------------------------------|
| <b>Cash Flows from Operating Activities:</b>  |   |   |                                       |
| Net Increase (Decrease) In Net Assets   |   |   |                                       |
| Applicable to Common Shares from Operations   | \$ 20,803,313                                 | \$ 40,609,338                                   | \$ 18,465,358                         |
| Adjustments to reconcile the net increase<br>(decrease) in net assets applicable to Common<br>shares from operations to net cash provided by<br>(used in) operating activities: |   |   |                                       |
| Purchases of investments  | (12,983,889)                                  | (12,024,117)                                    | (16,847,836)                          |
| Proceeds from sales and maturities of<br>investments  | 18,528,716                                    | 16,165,459                                      | 19,281,830                            |
| Proceeds from (Payments for) forward swap<br>contracts, net   | —   | (346,971)                                       | —                                     |
| Amortization (Accretion) of premiums and<br>discounts, net  | 391,594                                       | (490,055)                                       | (224,862)                             |
| (Increase) Decrease in:   |   |   |                                       |
| Receivable for interest   | 63,056  | 99,017  | 31,830                                |
| Receivable for investments sold   | —   | (2,214,626)                                     | (2,350,000)                           |
| Other assets  | 608   | (8,162)   | 10,994                                |
| Increase (Decrease) in:   |   |   |                                       |
| Payable for Auction Rate Preferred Share<br>dividends   | —   | —   | —                                     |
| Payable for interest  | —   | —   | 1,951                                 |
| Payable for investments purchased   | —   | —   | 503,450                               |
| Accrued management fees   | 9,228   | 18,194  | 8,474                                 |
| Accrued other expenses  | 379,611                                       | 312,186   | 17,693                                |
| Net realized (gain) loss from:  |   |   |                                       |
| Investments   | (872,050)                                     | (750,538)                                       | 69,508                                |
| Forward swaps   | —   | 346,971   | —                                     |
| Change in net unrealized (appreciation)<br>depreciation of:   |   |   |                                       |
| Investments   | (14,571,360)                                  | (29,265,714)                                    | (13,699,675)                          |
| Forward swaps   | —   | (15,872)  | —                                     |
| Taxes paid on undistributed capital gains   | (10,023)                                      | (6,394)   | (528)                                 |
| Net cash provided by (used in) operating<br>activities  | 11,738,804                                    | 12,428,716                                      | 5,268,187                             |
| <b>Cash Flows from Financing Activities:</b>  |   |   |                                       |
| (Increase) Decrease in deferred offering costs  | 28,701  | 20,997  | 171,163                               |
| Increase (Decrease) in:   |   |   |                                       |
| Cash overdraft balance  | (400,154)                                     | —   | —                                     |
| Payable for offering costs  | (185,071)                                     | (209,163)                                       | (109,428)                             |
| MTP Shares, at liquidation value  | —   | —   | —                                     |
| VRDP Shares, at liquidation value   | —   | —   | —                                     |

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|   |              |              |              |
|---|--------------|--------------|--------------|
| ARPS, at liquidation value                          | —            | —            | —            |
| Cash distributions paid to Common shareholders      | (6,142,223)  | (11,207,831) | (4,980,304)  |
| Net cash provided by (used in) financing activities | (6,698,747)  | (11,395,997) | (4,918,569)  |
| Net Increase (Decrease) in Cash                     | 5,040,057    | 1,032,719    | 349,618      |
| Cash at the beginning of period                     | —            | 689,146      | 681,598      |
| Cash at the End of Period                           | \$ 5,040,057 | \$ 1,721,865 | \$ 1,031,216 |

Supplemental Disclosure of Cash Flow Information

Non-cash financing activities not included herein consist of reinvestments of Common share distributions as follows:

|  | Insured California<br>Premium Income<br>(NPC) | Insured California<br>Premium Income 2<br>(NCL) | California<br>Premium Income<br>(NCU) |
|--|---|---|---------------------------------------|
|  | \$ 113,629                                    | \$ 101,875                                      | \$ —                                  |

Cash paid for interest (excluding amortization of offering costs) was as follows:

|  | Insured California<br>Premium Income<br>(NPC) | Insured California<br>Premium Income 2<br>(NCL) | California<br>Premium Income<br>(NCU) |
|--|---|---|---------------------------------------|
|  | \$ 134,849                                    | \$ 342,076                                      | \$ 741,348                            |

See accompanying notes to financial statements.

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Statement of  
Cash Flows (continued)

|  | California<br>Dividend<br>Advantage<br>(NAC) | California<br>Dividend<br>Advantage 2<br>(NVX) | California<br>Dividend<br>Advantage 3<br>(NZH) |
|--|--|--|--|
| <b>Cash Flows from Operating Activities:</b>   |  |  |  |
| Net Increase (Decrease) In Net Assets  |  |  |  |
| Applicable to Common Shares from Operations  | \$ 72,981,037                                | \$ 43,956,196                                  | \$ 64,832,634                                  |
| Adjustments to reconcile the net increase (decrease) in net assets applicable to Common shares from operations to net cash provided by (used in) operating activities: |  |  |  |
| Purchases of investments   | (62,499,012)                                 | (36,098,754)                                   | (81,633,691)                                   |
| Proceeds from sales and maturities of investments  | 64,252,705                                   | 38,147,419                                     | 83,209,836                                     |
| Proceeds from (Payments for) forward swap contracts, net   | —  | —  | —  |
| Amortization (Accretion) of premiums and discounts, net  | (1,986,095)                                  | (727,019)                                      | (1,192,373)                                    |
| (Increase) Decrease in:  |  |  |  |
| Receivable for interest  | (31,486)                                     | (138,619)                                      | (310,631)                                      |
| Receivable for investments sold  | 5,439,776                                    | —  | 3,393,955                                      |
| Other assets   | (38,623)                                     | 28,930   | 80,600   |
| Increase (Decrease) in:  |  |  |  |
| Payable for Auction Rate Preferred Share dividends   | (3,082)                                      | (4,536)  | (8,496)  |
| Payable for interest   | —  | 89,855   | 151,423  |
| Payable for investments purchased  | (1,955,060)                                  | 1,345,900                                      | 19,356   |
| Accrued management fees  | 30,942                                       | 31,514   | 45,953   |
| Accrued other expenses   | 19,279                                       | (526)  | (11,311)                                       |
| Net realized (gain) loss from:   |  |  |  |
| Investments  | 4,191,786                                    | 1,141,813                                      | 5,120,796                                      |
| Forward swaps  | —  | —  | —  |
| Change in net unrealized (appreciation) depreciation of:   |  |  |  |
| Investments  | (55,341,444)                                 | (31,781,569)                                   | (50,296,977)                                   |
| Forward swaps  | —  | —  | —  |
| Taxes paid on undistributed capital gains  | (742)  | (1,782)  | (1,609)  |
| Net cash provided by (used in) operating activities  | 25,059,981                                   | 15,988,822                                     | 23,399,465                                     |
| <b>Cash Flows from Financing Activities:</b>   |  |  |  |
| (Increase) Decrease in deferred offering costs   | (635,430)                                    | (392,849)                                      | (859,977)                                      |
| Increase (Decrease) in:  |  |  |  |
| Cash overdraft balance   | (2,056,012)                                  | —  | —  |
| Payable for offering costs   | 38,004                                       | (32,967)                                       | 111,504  |
| MTP Shares, at liquidation value   | —  | 42,846,300                                     | 73,294,500                                     |
| VRDP Shares, at liquidation value  | 136,200,000                                  | —  | —  |

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|   |               |              |              |
|---|---------------|--------------|--------------|
| ARPS, at liquidation value                          | (135,525,000) | (39,950,000) | (69,500,000) |
| Cash distributions paid to Common shareholders      | (21,341,423)  | (14,154,605) | (21,546,243) |
| Net cash provided by (used in) financing activities | (23,319,861)  | (11,684,121) | (18,500,216) |
| Net Increase (Decrease) in Cash                     | 1,740,120     | 4,304,701    | 4,899,249    |
| Cash at the beginning of period                     | —             | 382,339      | 920,769      |
| Cash at the End of Period                           | \$ 1,740,120  | \$ 4,687,040 | \$ 5,820,018 |

Supplemental Disclosure of Cash Flow Information

Non-cash financing activities not included herein consist of reinvestments of Common share distributions as follows:

|  | California<br>Dividend<br>Advantage<br>(NAC) | California<br>Dividend<br>Advantage 2<br>(NVX) | California<br>Dividend<br>Advantage 3<br>(NZH) |
|--|--|--|--|
|  | \$ 42,394                                    | \$ —   | \$ 151,583                                     |

Cash paid for interest (excluding amortization of offering costs) was as follows:

|  | California<br>Dividend<br>Advantage<br>(NAC) | California<br>Dividend<br>Advantage 2<br>(NVX) | California<br>Dividend<br>Advantage 3<br>(NZH) |
|--|--|--|--|
|  | \$ 432,152                                   | \$ 2,053,192                                   | \$ 3,755,590                                   |

See accompanying notes to financial statements.

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|  | Insured<br>California<br>Dividend<br>Advantage<br>(NKL) | Insured<br>California<br>Tax-Free<br>Advantage<br>(NKX) |
|--|---|---|
| <b>Cash Flows from Operating Activities:</b>   |   |   |
| Net Increase (Decrease) In Net Assets Applicable to Common Shares from Operations  | \$ 50,291,641   | \$ 16,089,503   |
| Adjustments to reconcile the net increase (decrease) in net assets applicable to Common shares from operations to net cash provided by (used in) operating activities: |   |   |
| Purchases of investments   | (43,559,316)  | (7,965,183)   |
| Proceeds from sales and maturities of investments  | 46,057,683  | 7,893,115   |
| Proceeds from (Payments for) forward swap contracts, net   | —   | —   |
| Amortization (Accretion) of premiums and discounts, net  | (2,565,685)   | (483,911)   |
| (Increase) Decrease in:  |   |   |
| Receivable for interest  | 205,983   | 17,920  |
| Receivable for investments sold  | (1,792,434)   | —   |
| Other assets   | (56,175)  | (582)   |
| Increase (Decrease) in:  |   |   |
| Payable for Auction Rate Preferred Share dividends   | (4,345)   | —   |
| Payable for interest   | —   | —   |
| Payable for investments purchased  | —   | —   |
| Accrued management fees  | 32,161  | 7,656   |
| Accrued other expenses   | 23,851  | 143,037   |
| Net realized (gain) loss from:   |   |   |
| Investments  | (1,662,629)   | (29,958)  |
| Forward swaps  | —   | —   |
| Change in net unrealized (appreciation) depreciation of:   |   |   |
| Investments  | (33,515,295)  | (11,150,968)  |
| Forward swaps  | —   | —   |
| Taxes paid on undistributed capital gains  | (575)   | (4,340)   |
| Net cash provided by (used in) operating activities  | 13,454,865  | 4,516,289   |
| <b>Cash Flows from Financing Activities:</b>   |   |   |
| (Increase) Decrease in deferred offering costs   | (567,000)   | 16,944  |
| Increase (Decrease) in:  |   |   |
| Cash overdraft balance   | —   | —   |
| Payable for offering costs   | 33,247  | (71,729)  |
| MTP Shares, at liquidation value   | —   | —   |
| VRDP Shares, at liquidation value  | 104,400,000   | —   |
| ARPS, at liquidation value   | (103,750,000)   | —   |
| Cash distributions paid to Common shareholders   | (14,644,799)  | (4,830,297)   |
| Net cash provided by (used in) financing activities  | (14,528,552)  | (4,885,082)   |
| Net Increase (Decrease) in Cash  | (1,073,687)   | (368,793)   |
| Cash at the beginning of period  | 1,572,377   | 737,024   |
| Cash at the End of Period  | \$ 498,690  | \$ 368,231  |

Supplemental Disclosure of Cash Flow Information

Non-cash financing activities not included herein consist of reinvestments of Common share distributions as follows:

|  | Insured California<br>Dividend<br>Advantage<br>(NKL) | Insured California<br>Tax-Free<br>Advantage<br>(NKX) |
|--|--|--|
|  | \$ 145,163   | \$ 23,555  |

Cash paid for interest (excluding amortization of offering costs) was as follows:

|  | Insured California<br>Dividend<br>Advantage<br>(NKL) | Insured California<br>Tax-Free<br>Advantage<br>(NKX) |
|--|--|--|
|  | \$ 244,870   | \$ 123,235   |

See accompanying notes to financial statements.

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Financial  
Highlights

Selected data for a Common share outstanding throughout each period:

| Beginning<br>Common<br>Share<br>Net<br>Asset<br>Value | Investment<br>Income | Investment Operations<br>Distributions           |   |   |  | Less Distributions                                    |   |          |          | Ending<br>Common<br>Share<br>Net<br>Asset<br>Value | Ending<br>Market<br>Value |          |
|---|----------------------|--|---|---|--|---|---|----------|----------|--|---------------------------|----------|
|   |                      | Net<br>Realized/<br>Unrealized<br>Gain<br>(Loss) | Auction<br>Rate<br>Preferred<br>Shareholders<br>(a) | Auction<br>Rate<br>Preferred<br>Shareholders<br>(a) | Net<br>Income<br>to<br>Common<br>Share-<br>holders | Capital<br>Gains<br>to<br>Common<br>Share-<br>holders | Discount<br>from<br>Common<br>Shares<br>Repurchased<br>and<br>Retired | Total    |          |  |                           |          |
| <b>Insured California Premium Income (NPC)</b>        |                      |  |   |   |  |   |   |          |          |  |                           |          |
| Year Ended 2/28-2/29:                                 |                      |  |   |   |  |   |   |          |          |  |                           |          |
| 2012  | \$ 13.63             | \$ .83   | \$ 2.41   | \$ —  | \$ —   | \$ 3.24   | \$ (.88)  | \$ (.10) | \$ (.98) | \$ —   | \$ 15.89                  | \$ 16.06 |
| 2011  | 14.74                | .88  | (1.10)  | —**   | —  | (.22)   | (.86)   | (.03)    | (.89)    | —  | 13.63                     | 13.26    |
| 2010  | 14.03                | .96  | .55   | (.03)   | (.02)  | 1.46  | (.75)   | —        | (.75)    | —**  | 14.74                     | 13.30    |
| 2009(f)   | 14.93                | .47  | (.74)   | (.11)   | (.02)  | (.40)   | (.36)   | (.14)    | (.50)    | —**  | 14.03                     | 12.04    |
| Year Ended 8/31:                                      |                      |  |   |   |  |   |   |          |          |  |                           |          |
| 2008  | 15.04                | .95  | (.10)   | (.22)   | —**  | .63   | (.73)   | (.01)    | (.74)    | —  | 14.93                     | 13.89    |
| 2007  | 15.58                | .90  | (.40)   | (.21)   | (.02)  | .27   | (.73)   | (.08)    | (.81)    | —  | 15.04                     | 14.96    |
| <b>Insured California Premium Income 2 (NCL)</b>      |                      |  |   |   |  |   |   |          |          |  |                           |          |
| Year Ended 2/28-2/29:                                 |                      |  |   |   |  |   |   |          |          |  |                           |          |
| 2012  | 13.06                | .86  | 2.35  | —   | —  | 3.21  | (.90)   | —        | (.90)    | —  | 15.37                     | 15.76    |
| 2011  | 13.99                | .91  | (.96)   | (.02)   | —  | (.07)   | (.86)   | —        | (.86)    | —**  | 13.06                     | 12.45    |
| 2010  | 12.85                | .98  | .99   | (.03)   | (.02)  | 1.92  | (.78)   | —        | (.78)    | —**  | 13.99                     | 12.72    |
| 2009(f)   | 14.13                | .44  | (1.12)  | (.10)   | (.02)  | (.80)   | (.34)   | (.14)    | (.48)    | —**  | 12.85                     | 10.89    |
| Year Ended 8/31:                                      |                      |  |   |   |  |   |   |          |          |  |                           |          |
| 2008  | 14.50                | .95  | (.44)   | (.24)   | —  | .27   | (.64)   | —        | (.64)    | —  | 14.13                     | 12.66    |
| 2007  | 14.99                | .89  | (.46)   | (.25)   | —  | .18   | (.67)   | —        | (.67)    | —  | 14.50                     | 13.71    |

- (a) The amounts shown are based on Common share equivalents.
- (b) Total Return Based on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period may take place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return Based on Common Share Net Asset Value is the combination of changes in Common share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. The last dividend declared in the period, which is typically

paid on the first business day of the following month, is assumed to be reinvested at the ending net asset value. The actual reinvest price for the last dividend declared in the period may often be based on the Fund's market price (and not its net asset value), and therefore may be different from the price used in the calculation. Total returns are not annualized.

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| Total Returns | Ratios/Supplemental Data |  |   |             |                              | Portfolio Turnover Rate |
|---------------|--------------------------|--|---|-------------|------------------------------|-------------------------|
|               | Based on Market Value(b) | Based on Common Share Net Asset Value(b) | Ending Net Assets Applicable to Common Shares (000) | Expenses(e) | Net Investment Income (Loss) |                         |
| 29.53%        | 24.47%                   | \$ 102,481                               | 2.13%   | 5.65%       | 10%                          |                         |
| 6.29          | (1.75)                   | 87,827                                   | 1.77  | 6.03        | 6                            |                         |
| 17.13         | 10.66                    | 94,944                                   | 1.19  | 6.68        | 10                           |                         |
| (9.25)        | (2.43)                   | 90,531                                   | 1.27*   | 6.88*       | 1                            |                         |
| (2.21)        | 4.23                     | 96,462                                   | 1.19  | 6.24        | 17                           |                         |
| 4.61          | 1.70                     | 97,176                                   | 1.22  | 5.84        | 9                            |                         |
| 35.03         | 25.33                    | 194,712                                  | 1.78  | 6.10        | 5                            |                         |
| 4.38          | (.72)                    | 165,359                                  | 1.29  | 6.53        | 26                           |                         |
| 24.41         | 15.35                    | 177,169                                  | 1.27  | 7.25        | 7                            |                         |
| (9.95)        | (5.40)                   | 162,831                                  | 1.53*   | 7.15*       | 9                            |                         |
| (3.06)        | 1.86                     | 179,734                                  | 1.23  | 6.56        | 12                           |                         |
| 1.26          | 1.18                     | 184,343                                  | 1.24  | 6.00        | 19                           |                         |

- (c) Ratios do not reflect the effect of dividend payments to Auction Rate Preferred shareholders, where applicable; Net Investment Income (Loss) ratios reflect income earned and expenses incurred on assets attributable to ARPS and/or VRDP Shares, where applicable.
- (d) Ratios do not reflect the effect of custodian fee credits earned on the Fund's net cash on deposit with the custodian bank, where applicable.
- (e) The expense ratios reflect, among other things, all interest expense and other costs related to VRDP Shares and/or the interest expense deemed to have been paid by the Fund on the floating rate certificates issued by the special purpose trusts for the self-deposited inverse floaters held by the Fund, where applicable, both as described in Footnote 1 – General Information and Significant Accounting Policies, Variable Rate Demand Preferred Shares and Inverse Floating Rate Securities, respectively, as follows:

#### Insured California Premium Income (NPC)

##### Year Ended 2/28-2/29:

|                  |      |
|------------------|------|
| 2012             | .68% |
| 2011             | .60  |
| 2010             | —    |
| 2009(f)          | —*   |
| Year Ended 8/31: |      |
| 2008             | —    |

|   |      |
|---|------|
| 2007                                      | .06  |
| Insured California Premium Income 2 (NCL) |      |
| Year Ended 2/28-2/29:                     |      |
| 2012                                      | .57  |
| 2011                                      | .17  |
| 2010                                      | .09  |
| 2009(f)                                   | .29* |
| Year Ended 8/31:                          |      |
| 2008                                      | .02  |
| 2007                                      | .06  |

(f) For the six months ended February 28, 2009.

\* Annualized.

\*\* Rounds to less than \$.01 per share.

See accompanying notes to financial statements.

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Financial  
Highlights (continued)

Selected data for a Common share outstanding throughout each period:

| Beginning<br>Common<br>Share               | Net<br>Investment<br>Asset<br>Value | Net<br>Income<br>(Loss) | Investment Operations<br>Distributions    |   |   | Less Distributions  |  |       | Discount<br>from<br>Common<br>Shares<br>Repurchased<br>and<br>Retired | Ending<br>Common<br>Share<br>Net<br>Asset<br>Value | Ending<br>Market<br>Value |          |
|--|-------------------------------------|-------------------------|---|---|---|---|--|-------|---|--|---------------------------|----------|
|  |                                     |                         | Realized/<br>Unrealized<br>Gain<br>(Loss) | Auction<br>Rate<br>Preferred<br>Shareholders<br>(a) | Capital<br>Gains<br>to<br>Auction<br>Rate<br>Preferred<br>Shareholders<br>(a) | Net<br>Investment<br>Income<br>to<br>Common<br>Shareholders | Capital<br>Gains<br>to<br>Common<br>Shareholders |       |   |  |                           |          |
| <b>California Premium Income (NCU)</b>     |                                     |                         |   |   |   |   |  |       |   |  |                           |          |
| Year Ended 2/28-2/29:                      |                                     |                         |   |   |   |   |  |       |   |  |                           |          |
| 2012                                       | \$ 12.96                            | \$ .84                  | \$ 2.38                                   | \$ —  | \$ —  | \$ 3.22   | \$ (.87)   | \$ —  | \$ (.87)  | \$ —   | \$ 15.31                  | \$ 15.15 |
| 2011                                       | 13.71                               | .92                     | (.79)                                     | (.02)   | —   | .11   | (.86)  | —     | (.86)   | —**  | 12.96                     | 12.28    |
| 2010                                       | 12.37                               | .95                     | 1.13                                      | (.03)   | —   | 2.05  | (.72)  | —     | (.72)   | .01  | 13.71                     | 12.11    |
| 2009(f)                                    | 13.67                               | .43                     | (1.29)                                    | (.10)   | —**   | (.96)   | (.33)  | (.01) | (.34)   | —**  | 12.37                     | 10.06    |
| Year Ended 8/31:                           |                                     |                         |   |   |   |   |  |       |   |  |                           |          |
| 2008                                       | 14.06                               | .92                     | (.43)                                     | (.24)   | —   | .25   | (.64)  | —     | (.64)   | —  | 13.67                     | 12.58    |
| 2007                                       | 14.63                               | .90                     | (.52)                                     | (.24)   | (.01)   | .13   | (.67)  | (.03) | (.70)   | —  | 14.06                     | 13.03    |
| <b>California Dividend Advantage (NAC)</b> |                                     |                         |   |   |   |   |  |       |   |  |                           |          |
| Year Ended 2/28-2/29:                      |                                     |                         |   |   |   |   |  |       |   |  |                           |          |
| 2012                                       | 12.68                               | .94                     | 2.17                                      | (.01)   | —   | 3.10  | (.91)  | —     | (.91)   | —  | 14.87                     | 15.14    |
| 2011                                       | 13.88                               | .98                     | (1.27)                                    | (.02)   | —   | (.31)   | (.89)  | —     | (.89)   | —  | 12.68                     | 12.20    |
| 2010                                       | 12.10                               | 1.01                    | 1.63                                      | (.03)   | (.02)   | 2.59  | (.81)  | —     | (.81)   | —  | 13.88                     | 12.60    |
| 2009(f)                                    | 14.43                               | .49                     | (2.07)                                    | (.09)   | (.02)   | (1.69)  | (.38)  | (.26) | (.64)   | —  | 12.10                     | 10.82    |
| Year Ended 8/31:                           |                                     |                         |   |   |   |   |  |       |   |  |                           |          |
| 2008                                       | 14.93                               | 1.02                    | (.50)                                     | (.23)   | (.01)   | .28   | (.74)  | (.04) | (.78)   | —  | 14.43                     | 13.44    |
| 2007                                       | 15.59                               | 1.00                    | (.56)                                     | (.24)   | (.01)   | .19   | (.80)  | (.05) | (.85)   | —  | 14.93                     | 14.34    |

(a) The amounts shown are based on Common share equivalents.

(b) Total Return Based on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period may take place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return Based on Common Share Net Asset Value is the combination of changes in Common share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending net asset value. The actual reinvest price for the last dividend declared in the period may often be based on the Fund's market price (and not its net asset value), and

therefore may be different from the price used in the calculation. Total returns are not annualized.

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| Total Returns            |  |   | Ratios/Supplemental Data   |                              |  |                              |     | Portfolio Turnover Rate |
|--------------------------|--|---|--|------------------------------|--|------------------------------|-----|-------------------------|
|                          |  |   | Ratios to Average Net Assets Applicable to Common Shares Before Reimbursement(c) |                              | Ratios to Average Net Assets Applicable to Common Shares After Reimbursement(c)(d) |                              |     |                         |
| Based on Market Value(b) | Based on Common Share Net Asset Value(b) | Ending Net Assets Applicable to Common Shares (000) | Expenses(e)  | Net Investment Income (Loss) | Expenses(e)  | Net Investment Income (Loss) |     |                         |
| 31.68%                   | 25.65%                                   | \$ 87,755   | 2.29%  | 6.02%                        | N/A  | N/A                          | 14% |                         |
| 8.34                     | .63                                      | 74,275  | 1.69   | 6.66                         | N/A  | N/A                          | 5   |                         |
| 28.13                    | 17.06                                    | 78,581  | 1.30   | 7.18                         | N/A  | N/A                          | 10  |                         |
| (17.22)                  | (6.92)                                   | 71,260  | 1.57*  | 7.06*                        | N/A  | N/A                          | 14  |                         |
| 1.51                     | 1.81                                     | 78,966  | 1.34   | 6.56                         | N/A  | N/A                          | 5   |                         |
| (2.21)                   | .82                                      | 81,200  | 1.29   | 6.14                         | N/A  | N/A                          | 11  |                         |
| 32.82                    | 25.30                                    | 349,203   | 1.50   | 6.84                         | N/A  | N/A                          | 13  |                         |
| 3.54                     | (2.57)                                   | 297,629   | 1.18   | 7.18                         | N/A  | N/A                          | 20  |                         |
| 24.62                    | 21.97                                    | 325,791   | 1.21   | 7.63                         | 1.18%  | 7.66%                        | 4   |                         |
| (14.14)                  | (11.45)                                  | 284,221   | 1.31*  | 7.92*                        | 1.24*  | 7.99*                        | 14  |                         |
| (.84)                    | 1.85                                     | 338,732   | 1.26   | 6.77                         | 1.11   | 6.92                         | 19  |                         |
| (5.19)                   | 1.16                                     | 350,523   | 1.17   | 6.24                         | .95  | 6.46                         | 20  |                         |

- (c) Ratios do not reflect the effect of dividend payments to Auction Rate Preferred shareholders, where applicable; Net Investment Income (Loss) ratios reflect income earned and expenses incurred on assets attributable to ARPS, MTP Shares and/or VRDP Shares, where applicable.
- (d) After expense reimbursement from the Adviser, where applicable. Ratios do not reflect the effect of custodian fee credits earned on the Fund's net cash on deposit with the custodian bank, where applicable. As of July 31, 2009, the Adviser is no longer reimbursing California Dividend Advantage (NAC) for any fees or expenses.
- (e) The expense ratios reflect, among other things, all interest expense and other costs related to MTP Shares, VRDP Shares and/or the interest expense deemed to have been paid by the Fund on the floating rate certificates issued by the special purpose trusts for the self-deposited inverse floaters held by the Fund, where applicable, each as described in Footnote 1 – General Information and Significant Accounting Policies, MuniFund Term Preferred Shares, Variable Rate Demand Preferred Shares and Inverse Floating Rate Securities, respectively, as follows:

California Premium Income (NCU)

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|                                     |       |
|-------------------------------------|-------|
| Year Ended 2/28-2/29:               |       |
| 2012                                | 1.14% |
| 2011                                | .55   |
| 2010                                | .06   |
| 2009(f)                             | .20*  |
| Year Ended 8/31:                    |       |
| 2008                                | .11   |
| 2007                                | .08   |
| California Dividend Advantage (NAC) |       |
| Year Ended 2/28-2/29:               |       |
| 2012                                | .46   |
| 2011                                | .06   |
| 2010                                | .08   |
| 2009(f)                             | .14*  |
| Year Ended 8/31:                    |       |
| 2008                                | .11   |
| 2007                                | .05   |

(f) For the six months ended February 28, 2009.

\* Annualized.

\*\* Rounds to less than \$.01 per share.

N/A Fund did not have, or no longer has, a contractual reimbursement agreement with the Adviser.

See accompanying notes to financial statements.

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Financial  
Highlights (continued)

Selected data for a Common share outstanding throughout each period:

| Beginning<br>Common<br>Share<br>Net<br>Asset<br>Value | Investment<br>Income<br>(Loss) | Investment Operations<br>Distributions |  |  | Less Distributions  |  |   | Ending<br>Common<br>Share<br>Net<br>Asset<br>Value | Ending<br>Market<br>Value |      |          |          |
|---|--------------------------------|--|--|--|---|--|---|--|---------------------------|------|----------|----------|
|   |                                | Net<br>Realized/<br>Gain<br>(Loss)     | Auction<br>Rate<br>Preferred<br>Shareholders | Capital<br>Gains<br>to<br>Auction<br>Rate<br>Preferred<br>Shareholders | Net<br>Investment<br>Income<br>to<br>Common<br>Shareholders | Capital<br>Gains<br>to<br>Common<br>Shareholders | Discount<br>from<br>Common<br>Shares<br>Repurchased<br>and<br>Retired |  |                           |      |          |          |
| California Dividend Advantage 2 (NVX)                 |                                |  |  |  |   |  |   |  |                           |      |          |          |
| Year Ended 2/28-2/29:                                 |                                |  |  |  |   |  |   |  |                           |      |          |          |
| 2012  | \$ 13.47                       | \$ .90                                 | \$ 2.08                                      | \$ —*  | \$ —  | \$ 2.98  | \$ (.96)  | \$ —   | \$ (96)                   | \$ — | \$ 15.49 | \$ 15.58 |
| 2011  | 14.49                          | 1.03                                   | (1.07)                                       | (.02)  | —   | (.06)  | (.96)   | —  | (.96)                     | —    | 13.47    | 12.83    |
| 2010  | 12.91                          | 1.07                                   | 1.43   | (.04)  | —   | 2.46   | (.88)   | —  | (.88)                     | —**  | 14.49    | 13.56    |
| 2009(f)   | 14.39                          | .51                                    | (1.47)                                       | (.11)  | (.01)   | (1.08)   | (.36)   | (.04)  | (.40)                     | —**  | 12.91    | 10.51    |
| Year Ended 8/31:                                      |                                |  |  |  |   |  |   |  |                           |      |          |          |
| 2008  | 14.69                          | 1.01                                   | (.37)  | (.25)  | —   | .39  | (.69)   | —  | (.69)                     | —    | 14.39    | 12.67    |
| 2007  | 15.36                          | .96                                    | (.62)  | (.25)  | —   | .09  | (.76)   | —  | (.76)                     | —    | 14.69    | 13.73    |
| California Dividend Advantage 3 (NZH)                 |                                |  |  |  |   |  |   |  |                           |      |          |          |
| Year Ended 2/28-2/29:                                 |                                |  |  |  |   |  |   |  |                           |      |          |          |
| 2012  | 12.13                          | .82                                    | 1.86   | —**  | —   | 2.68   | (.90)   | —  | (.90)                     | —    | 13.91    | 14.35    |
| 2011  | 13.18                          | .88                                    | (1.02)                                       | (.01)  | —   | (.15)  | (.90)   | —  | (.90)                     | —    | 12.13    | 11.67    |
| 2010  | 11.53                          | .98                                    | 1.53   | (.03)  | —   | 2.48   | (.83)   | —  | (.83)                     | —    | 13.18    | 12.67    |
| 2009(f)   | 13.62                          | .50                                    | (2.13)                                       | (.09)  | —   | (1.72)   | (.37)   | —  | (.37)                     | —**  | 11.53    | 10.23    |
| Year Ended 8/31:                                      |                                |  |  |  |   |  |   |  |                           |      |          |          |
| 2008  | 14.25                          | 1.03                                   | (.70)  | (.25)  | —   | .08  | (.71)   | —  | (.71)                     | —    | 13.62    | 12.87    |
| 2007  | 15.03                          | .98                                    | (.73)  | (.27)  | —   | (.02)  | (.76)   | —  | (.76)                     | —    | 14.25    | 13.52    |

(a) The amounts shown are based on Common share equivalents.

(b) Total Return Based on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period may take place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return Based on Common Share Net Asset Value is the combination of changes in Common share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending net asset value. The actual reinvest price for the last dividend declared in the period may often be based on the Fund's market price (and not its net asset value), and

therefore may be different from the price used in the calculation. Total returns are not annualized.

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Ratios/Supplemental Data

| Total Returns | Based on                 |                                 | Ratios to Average Net Assets Applicable to Common Shares Before Reimbursement(c) |             | Ratios to Average Net Assets Applicable to Common Shares After Reimbursement(c)(d) |             | Portfolio Turnover Rate |
|---------------|--------------------------|---------------------------------|--|-------------|--|-------------|-------------------------|
|               | Based on Market Value(b) | Common Share Net Asset Value(b) | Ending Net Assets Applicable to Common Shares (000)                              | Expenses(e) | Net Investment Income (Loss)   | Expenses(e) |                         |
| 30.01%        | 22.90%                   | \$ 228,474                      | 2.30%  | 6.29%       | 2.30%  | 6.30%       | 12%                     |
| 1.37          | (.64)                    | 198,675                         | 1.36   | 7.10        | 1.28   | 7.19        | 13                      |
| 38.29         | 19.52                    | 213,687                         | 1.20   | 7.58        | 1.04   | 7.74        | 4                       |
| (13.83)       | (7.40)                   | 190,824                         | 1.37*  | 7.85*       | 1.14*  | 8.08*       | 7                       |
| (2.80)        | 2.76                     | 212,890                         | 1.25   | 6.56        | .99  | 6.83        | 20                      |
| (3.39)        | .46                      | 217,332                         | 1.25   | 5.97        | .91  | 6.31        | 21                      |
| 31.93         | 22.89                    | 335,830                         | 2.56   | 6.28        | 2.52   | 6.33        | 18                      |
| (1.21)        | (1.40)                   | 292,563                         | 2.07   | 6.61        | 1.94   | 6.74        | 16                      |
| 32.93         | 22.17                    | 317,860                         | 1.36   | 7.68        | 1.16   | 7.88        | 6                       |
| (17.58)       | (12.54)                  | 278,056                         | 1.39*  | 8.50*       | 1.13*  | 8.75*       | 9                       |
| .46           | .60                      | 328,659                         | 1.21   | 6.96        | .90  | 7.27        | 23                      |
| (4.12)        | (.32)                    | 343,806                         | 1.22   | 6.16        | .83  | 6.54        | 23                      |

- (c) Ratios do not reflect the effect of dividend payments to Auction Rate Preferred shareholders, where applicable; Net Investment Income (Loss) ratios reflect income earned and expenses incurred on assets attributable to ARPS and/or MTP Shares, where applicable.
- (d) After expense reimbursement from the Adviser, where applicable. Ratios do not reflect the effect of custodian fee credits earned on the Fund's net cash on deposit with the custodian bank, where applicable. As of March 31, 2011 and September 30, 2011, the Adviser is no longer reimbursing California Dividend Advantage 2 (NVX) and California Dividend Advantage 3 (NZH), respectively, for any fees or expenses.
- (e) The expense ratios reflect, among other things, all interest expense and other costs related to MTP Shares and/or the interest expense deemed to have been paid by the Fund on the floating rate certificates issued by the special purpose trusts for the self-deposited inverse floaters held by the Fund, where applicable, both as described in Footnote 1 – General Information and Significant Accounting Policies, MuniFund Term Preferred Shares and Inverse Floating Rate Securities, respectively, as follows:

California Dividend Advantage 2 (NVX)

Year Ended 2/28-2/29:

2012

1.25%

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|                  |      |
|------------------|------|
| 2011             | .26  |
| 2010             | .04  |
| 2009(f)          | .05* |
| Year Ended 8/31: |      |
| 2008             | .09  |
| 2007             | .08  |

California Dividend Advantage 3 (NZH)

|                       |      |
|-----------------------|------|
| Year Ended 2/28-2/29: |      |
| 2012                  | 1.49 |
| 2011                  | .94  |
| 2010                  | .19  |
| 2009(f)               | .12* |
| Year Ended 8/31:      |      |
| 2008                  | .02  |
| 2007                  | .06  |

(f) For the six months ended February 28, 2009.

\* Annualized.

\*\* Rounds to less than \$.01 per share.

See accompanying notes to financial statements.

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Financial  
Highlights (continued)

Selected data for a Common share outstanding throughout each period:

| Beginning<br>Common<br>Share<br>Net<br>Asset<br>Value | Investment Operations<br>Distributions |   |  |  |   | Less Distributions   |   |   |          |      | Ending<br>Common<br>Share<br>Net<br>Asset<br>Value | Ending<br>Market<br>Value |
|---|--|---|--|--|---|--|---|---|----------|------|--|---------------------------|
|   | Net<br>Investment<br>Income<br>(Loss)  | Realized/<br>Unrealized<br>Gain<br>(Loss) | Auction<br>Rate<br>Preferred<br>Shareholders | Auction<br>Rate<br>Preferred<br>Shareholders | Net<br>to<br>Auction<br>Rate<br>Preferred<br>Shareholders | Net<br>Investment<br>Income<br>to<br>Common<br>Share-<br>holders | Capital<br>Gains<br>to<br>Common<br>Share-<br>holders | Discount<br>from<br>Common<br>Shares<br>Repurchased<br>and<br>Retired | Total    |      |  |                           |
| <b>Insured California Dividend Advantage (NKL)</b>    |  |   |  |  |   |  |   |   |          |      |  |                           |
| Year Ended 2/28-2/29:                                 |  |   |  |  |   |  |   |   |          |      |  |                           |
| 2012  | \$ 13.70                               | \$ 1.00                                   | \$ 2.30                                      | \$ (.01)                                     | \$ —  | \$ 3.29  | \$ (.97)  | \$ —  | \$ (.97) | \$ — | \$ 16.02   | \$ 16.42                  |
| 2011  | 14.71                                  | 1.04                                      | (1.09)                                       | (.03)  | —   | (.08)  | (.93)   | —   | (.93)    | —    | 13.70  | 13.02                     |
| 2010  | 13.52                                  | 1.06                                      | 1.01   | (.04)  | —   | 2.03   | (.84)   | —   | (.84)    | —**  | 14.71  | 13.66                     |
| 2009(f)   | 14.61                                  | .50                                       | (1.07)                                       | (.10)  | (.01)   | (.68)  | (.37)   | (.04)   | (.41)    | —**  | 13.52  | 11.16                     |
| Year Ended 8/31:                                      |  |   |  |  |   |  |   |   |          |      |  |                           |
| 2008  | 14.91                                  | 1.03                                      | (.33)  | (.25)  | (.01)   | .44  | (.72)   | (.02)   | (.74)    | —    | 14.61  | 13.50                     |
| 2007  | 15.50                                  | 1.01                                      | (.57)  | (.26)  | —**   | .18  | (.77)   | —**   | (.77)    | —    | 14.91  | 14.24                     |
| <b>Insured California Tax-Free Advantage (NKX)</b>    |  |   |  |  |   |  |   |   |          |      |  |                           |
| Year Ended 2/28-2/29:                                 |  |   |  |  |   |  |   |   |          |      |  |                           |
| 2012  | 12.82                                  | .83                                       | 1.91   | —  | —   | 2.74   | (.83)   | —   | (.83)    | —    | 14.73  | 15.06                     |
| 2011  | 14.03                                  | .81                                       | (1.22)                                       | —  | —   | (.41)  | (.80)   | —   | (.80)    | —    | 12.82  | 11.78                     |
| 2010  | 12.85                                  | .85                                       | 1.09   | —  | —   | 1.94   | (.76)   | —   | (.76)    | —    | 14.03  | 12.87                     |
| 2009(f)   | 14.19                                  | .39                                       | (1.32)                                       | —**  | (.01)   | (.94)  | (.35)   | (.05)   | (.40)    | —    | 12.85  | 11.75                     |
| Year Ended 8/31:                                      |  |   |  |  |   |  |   |   |          |      |  |                           |
| 2008  | 14.47                                  | .97                                       | (.30)  | (.24)  | —   | .43  | (.71)   | —   | (.71)    | —    | 14.19  | 13.78                     |
| 2007  | 14.92                                  | .96                                       | (.46)  | (.24)  | —   | .26  | (.71)   | —   | (.71)    | —    | 14.47  | 14.47                     |

(a) The amounts shown are based on Common share equivalents.

(b) Total Return Based on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period may take place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return Based on Common Share Net Asset Value is the combination of changes in Common share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending net asset value. The actual reinvest price for the last dividend declared in the period may often be based on the Fund's market price (and not its net asset value), and

therefore may be different from the price used in the calculation. Total returns are not annualized.

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| Ratios/Supplemental Data |  |  |   |  |                              |             |                              |                         |
|--------------------------|--|--|---|--|------------------------------|-------------|------------------------------|-------------------------|
| Total Returns            | Ratios to Average Net Assets Applicable to Common Shares |  |   | Ratios to Average Net Assets Applicable to Common Shares After Reimbursement(c)(d) |                              |             |                              |                         |
|                          | Based on Market Value                                    | Based on Common Share Net Asset Value(b) | Ending Net Assets Applicable to Common Shares (000) | Expenses (e)   | Net Investment Income (Loss) | Expenses(e) | Net Investment Income (Loss) | Portfolio Turnover Rate |
| 34.78%                   | 24.87%   | \$ 244,521                               | 1.52%   | 6.70%  | 1.44%                        | 6.78%       | 13%                          |                         |
| 1.81                     | (.75)  | 208,950                                  | 1.13  | 6.94   | .97                          | 7.10        | 7                            |                         |
| 30.55                    | 15.42  | 224,301                                  | 1.19  | 7.21   | .95                          | 7.45        | 1                            |                         |
| (14.22)                  | (4.50)   | 206,467                                  | 1.32*   | 7.36*  | 1.01*                        | 7.67*       | 3                            |                         |
| (.03)                    | 2.98   | 223,356                                  | 1.19  | 6.52   | .84                          | 6.87        | 6                            |                         |
| (4.64)                   | 1.13   | 227,923                                  | 1.21  | 6.12   | .79                          | 6.54        | 12                           |                         |
| 36.10                    | 21.95  | 86,731                                   | 1.90  | 6.03   | N/A                          | N/A         | 7                            |                         |
| (2.71)                   | (3.18)   | 75,493                                   | 2.06  | 5.74   | 1.97                         | 5.83        | 8                            |                         |
| 16.39                    | 15.49  | 82,579                                   | 1.68  | 6.11   | 1.47                         | 6.32        | —***                         |                         |
| (11.55)                  | (6.42)   | 75,661                                   | 2.57*   | 5.89*  | 2.27*                        | 6.19*       | 3                            |                         |
| .12                      | 2.97   | 83,531                                   | 1.33  | 6.28   | .94                          | 6.67        | 28                           |                         |
| 6.35                     | 1.69   | 85,144                                   | 1.27  | 5.95   | .79                          | 6.43        | 15                           |                         |

- (c) Ratios do not reflect the effect of dividend payments to Auction Rate Preferred shareholders, where applicable; Net Investment Income (Loss) ratios reflect income earned and expenses incurred on assets attributable to ARPS and/or VRDP Shares, where applicable.
- (d) After expense reimbursement from the Adviser, where applicable. Ratios do not reflect the effect of custodian fee credits earned on the Fund's net cash on deposit with the custodian bank, where applicable. As of November 30, 2010, the Adviser is no longer reimbursing Insured California Tax-Free Advantage (NKX) for any fees or expenses.
- (e) The expense ratios reflect, among other things, all interest expense and other costs related to VRDP Shares and/or the interest expense deemed to have been paid by the Fund on the floating rate certificates issued by the special purpose trusts for the self-deposited inverse floaters held by the Fund, where applicable, both as described in Footnote 1 – General Information and Significant Accounting Policies, Variable Rate Demand Preferred Shares and Inverse Floating Rate Securities, respectively, as follows:

Insured California Dividend Advantage (NKL)

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|   |       |
|---|-------|
| Year Ended 2/28-2/29:                       |       |
| 2012  | .47%  |
| 2011  | .02   |
| 2010  | .03   |
| 2009(f)                                     | .09*  |
| Year Ended 8/31:                            |       |
| 2008  | —     |
| 2007  | .05   |
| Insured California Tax-Free Advantage (NKX) |       |
| Year Ended 2/28-2/29:                       |       |
| 2012  | .67   |
| 2011  | .92   |
| 2010  | .57   |
| 2009(f)                                     | 1.03* |
| Year Ended 8/31:                            |       |
| 2008  | .08   |
| 2007  | .06   |

(f) For the six months ended February 28, 2009.

\* Annualized.

\*\* Rounds to less than \$.01 per share.

\*\*\* Calculates to less than 1%.

N/A Fund did not have, or no longer has, a contractual reimbursement agreement with the Adviser.

See accompanying notes to financial statements.

Financial  
Highlights (continued)

|  | ARPS at the End of Period                   |                                   |                                | VRDP Shares at the End of Period            |                                   |                                |
|--|---|-----------------------------------|--------------------------------|---|-----------------------------------|--------------------------------|
|  | Aggregate<br>Amount<br>Outstanding<br>(000) | Liquidation<br>Value<br>Per Share | Asset<br>Coverage<br>Per Share | Aggregate<br>Amount<br>Outstanding<br>(000) | Liquidation<br>Value<br>Per Share | Asset<br>Coverage<br>Per Share |
| <b>Insured California Premium Income (NPC)</b>   |   |                                   |                                |   |                                   |                                |
| Year Ended                                       |   |                                   |                                |   |                                   |                                |
| 2/28-2/29:                                       |   |                                   |                                |   |                                   |                                |
| 2012   | \$ —  | \$ —                              | \$ —                           | 42,700                                      | \$ 100,000                        | \$ 340,002                     |
| 2011   | —   | —                                 | —                              | 42,700                                      | 100,000                           | 305,684                        |
| 2010   | 45,000                                      | 25,000                            | 77,746                         | —   | —                                 | —                              |
| 2009(f)  | 45,000                                      | 25,000                            | 75,295                         | —   | —                                 | —                              |
| Year Ended 8/31:                                 |   |                                   |                                |   |                                   |                                |
| 2008   | 45,000                                      | 25,000                            | 78,590                         | —   | —                                 | —                              |
| 2007   | 45,000                                      | 25,000                            | 78,987                         | —   | —                                 | —                              |
| <b>Insured California Premium Income 2 (NCL)</b> |   |                                   |                                |   |                                   |                                |
| Year Ended                                       |   |                                   |                                |   |                                   |                                |
| 2/28-2/29:                                       |   |                                   |                                |   |                                   |                                |
| 2012   | —   | —                                 | —                              | 74,000                                      | 100,000                           | 363,124                        |
| 2011   | —   | —                                 | —                              | 74,000                                      | 100,000                           | 323,458                        |
| 2010   | 79,825                                      | 25,000                            | 80,487                         | —   | —                                 | —                              |
| 2009(f)  | 79,825                                      | 25,000                            | 75,996                         | —   | —                                 | —                              |
| Year Ended 8/31:                                 |   |                                   |                                |   |                                   |                                |
| 2008   | 87,400                                      | 25,000                            | 76,411                         | —   | —                                 | —                              |
| 2007   | 95,000                                      | 25,000                            | 73,511                         | —   | —                                 | —                              |

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|  | ARPS at the End of Period |             |             | VRDP Shares at the End of Period |             |             | MTP Shares at the End of Period (g) |             |          |
|--|---------------------------|-------------|-------------|----------------------------------|-------------|-------------|-------------------------------------|-------------|----------|
|  | Aggregate                 | Liquidation | Asset       | Aggregate                        | Liquidation | Asset       | Aggregate                           | Liquidation | Asset    |
|  | Amount                    | Value       | Coverage    | Amount                           | Value       | Coverage    | Amount                              | Value       | Coverage |
| Outstanding                            | Per                       | Per         | Outstanding | Per                              | Per         | Outstanding | Per                                 | Per         |          |
| (000)                                  | Share                     | Share       | (000)       | Share                            | Share       | (000)       | Share                               | Share       |          |
| <b>California Premium Income (NCU)</b> |                           |             |             |                                  |             |             |                                     |             |          |
| Year Ended 2/28-2/29:                  |                           |             |             |                                  |             |             |                                     |             |          |
| 2012                                   | \$ —                      | \$ —        | \$ —        | \$ —                             | \$ —        | \$ —        | \$ 35,250                           | \$ 10.00    | \$ 34.90 |
| 2011                                   | —                         | —           | —           | —                                | —           | —           | 35,250                              | 10.00       | 31.07    |
| 2010                                   | 34,375                    | 25,000      | 82,150      | —                                | —           | —           | —                                   | —           | —        |
| 2009(f)                                | 40,875                    | 25,000      | 68,584      | —                                | —           | —           | —                                   | —           | —        |
| Year Ended 8/31:                       |                           |             |             |                                  |             |             |                                     |             |          |
| 2008                                   | 43,000                    | 25,000      | 70,910      | —                                | —           | —           | —                                   | —           | —        |
| 2007                                   | 43,000                    | 25,000      | 72,209      | —                                | —           | —           | —                                   | —           | —        |

|  |         |        |        |         |         |         |   |   |   |
|--|---------|--------|--------|---------|---------|---------|---|---|---|
| <b>California Dividend Advantage (NAC)</b> |         |        |        |         |         |         |   |   |   |
| Year Ended 2/28-2/29:                      |         |        |        |         |         |         |   |   |   |
| 2012                                       | —       | —      | —      | 136,200 | 100,000 | 356,390 | — | — | — |
| 2011                                       | 135,525 | 25,000 | 79,903 | —       | —       | —       | — | — | — |
| 2010                                       | 135,525 | 25,000 | 85,098 | —       | —       | —       | — | — | — |
| 2009(f)                                    | 135,525 | 25,000 | 77,430 | —       | —       | —       | — | — | — |
| Year Ended 8/31:                           |         |        |        |         |         |         |   |   |   |
| 2008                                       | 135,525 | 25,000 | 87,485 | —       | —       | —       | — | — | — |
| 2007                                       | 175,000 | 25,000 | 75,075 | —       | —       | —       | — | — | — |

(f) For the six months ended February 28, 2009.

(g) The Ending and Average Market Value Per Share for each Series of the Fund's MTP Shares were as follows:

|  | Series | Ending Market Value Per Share | Average Market Value Per Share |
|--|--------|-------------------------------|--------------------------------|
| <b>California Premium Income (NCU)</b> |        |                               |                                |
| Year Ended 2/28-2/29:                  |        |                               |                                |
| 2012                                   | 2015   | \$ 10.06                      | \$ 9.84                        |
| 2011                                   | 2015   | 9.63                          | 9.74 <sup>^</sup>              |
| 2010                                   | —      | —                             | —                              |
| 2009(f)                                | —      | —                             | —                              |
| Year Ended 8/31:                       |        |                               |                                |
| 2008                                   | —      | —                             | —                              |
| 2007                                   | —      | —                             | —                              |

**California Dividend Advantage (NAC)**

Year Ended 2/28-2/29:

|         |   |   |   |
|---------|---|---|---|
| 2012    | — | — | — |
| 2011    | — | — | — |
| 2010    | — | — | — |
| 2009(f) | — | — | — |

Year Ended 8/31:

|      |   |   |   |
|------|---|---|---|
| 2008 | — | — | — |
| 2007 | — | — | — |

^ For the period September 22, 2010 (first issuance date of shares) through February 28, 2011.

See accompanying notes to financial statements.

Financial  
Highlights (continued)

|  | ARPS at the End of Period                   |                                   |                                | MTP Shares at the End of Period (g)         |                                   |                                | ARPS and<br>MTP Shares<br>at<br>the End of<br>Period      |
|--|---|-----------------------------------|--------------------------------|---|-----------------------------------|--------------------------------|---|
|  | Aggregate<br>Amount<br>Outstanding<br>(000) | Liquidation<br>Value<br>Per Share | Asset<br>Coverage<br>Per Share | Aggregate<br>Amount<br>Outstanding<br>(000) | Liquidation<br>Value<br>Per Share | Asset<br>Coverage<br>Per Share | Asset<br>Coverage<br>Per \$1<br>Liquidation<br>Preference |
| <b>California Dividend Advantage 2 (NVX)</b> |   |                                   |                                |   |                                   |                                |   |
| Year Ended                                   |   |                                   |                                |   |                                   |                                |   |
| 2/28-2/29:                                   |   |                                   |                                |   |                                   |                                |   |
| 2012   | \$ —  | \$ —                              | \$ —                           | 97,846                                      | \$ 10.00                          | \$ 33.35                       | \$ —  |
| 2011   | 39,950                                      | 25,000                            | 77,310                         | 55,000                                      | 10.00                             | 30.92                          | 3.09  |
| 2010   | 93,775                                      | 25,000                            | 81,968                         | —   | —                                 | —                              | —   |
| 2009(f)                                      | 110,000                                     | 25,000                            | 68,369                         | —   | —                                 | —                              | —   |
| Year Ended                                   |   |                                   |                                |   |                                   |                                |   |
| 8/31:  |   |                                   |                                |   |                                   |                                |   |
| 2008   | 110,000                                     | 25,000                            | 73,384                         | —   | —                                 | —                              | —   |
| 2007   | 110,000                                     | 25,000                            | 74,394                         | —   | —                                 | —                              | —   |
| <b>California Dividend Advantage 3 (NZH)</b> |   |                                   |                                |   |                                   |                                |   |
| Year Ended                                   |   |                                   |                                |   |                                   |                                |   |
| 2/28-2/29:                                   |   |                                   |                                |   |                                   |                                |   |
| 2012   | —   | —                                 | —                              | 159,545                                     | 10.00                             | 31.05                          | —   |
| 2011   | 69,500                                      | 25,000                            | 71,960                         | 86,250                                      | 10.00                             | 28.78                          | 2.88  |
| 2010   | 69,500                                      | 25,000                            | 76,021                         | 86,250                                      | 10.00                             | 30.41                          | 3.04  |
| 2009(f)                                      | 154,075                                     | 25,000                            | 70,117                         | —   | —                                 | —                              | —   |
| Year Ended                                   |   |                                   |                                |   |                                   |                                |   |
| 8/31:  |   |                                   |                                |   |                                   |                                |   |
| 2008   | 159,925                                     | 25,000                            | 76,377                         | —   | —                                 | —                              | —   |
| 2007   | 187,000                                     | 25,000                            | 70,963                         | —   | —                                 | —                              | —   |

(f) For the six months ended February 28, 2009.

(g) The Ending and Average Market Value Per Share for each Series of the Fund's MTP Shares were as follows:

| Series                                       | Ending<br>Market<br>Value<br>Per Share | Average<br>Market<br>Value<br>Per Share | Series | Ending<br>Market<br>Value<br>Per Share | Average<br>Market<br>Value<br>Per Share | Series   | Ending<br>Market<br>Value<br>Per Share | Average<br>Market<br>Value<br>Per Share |         |
|--|--|---|--------|--|---|----------|--|---|---------|
|  |  |   |        |  |   |          |  |   | Series  |
| <b>California Dividend Advantage 2 (NVX)</b> |  |   |        |  |   |          |  |   |         |
| Year Ended                                   |  |   |        |  |   |          |  |   |         |
| 2/28-2/29:                                   |  |   |        |  |   |          |  |   |         |
| 2012   | —\$                                    | —\$                                     | —      | 2014                                   | \$ 10.11                                | \$ 10.09 | 2015                                   | \$ 10.01                                | \$ 9.89 |



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|                                       |      |       |       |        |       |       |      |       |                    |
|---------------------------------------|------|-------|-------|--------|-------|-------|------|-------|--------------------|
| 2011                                  | —    | —     | —     | —      | —     | —     | 2015 | 9.82  | 9.72 <sup>^^</sup> |
| 2010                                  | —    | —     | —     | —      | —     | —     | —    | —     | —                  |
| 2009(f)                               | —    | —     | —     | —      | —     | —     | —    | —     | —                  |
| Year Ended                            |      |       |       |        |       |       |      |       |                    |
| 8/31:                                 |      |       |       |        |       |       |      |       |                    |
| 2008                                  | —    | —     | —     | —      | —     | —     | —    | —     | —                  |
| 2007                                  | —    | —     | —     | —      | —     | —     | —    | —     | —                  |
| California Dividend Advantage 3 (NZH) |      |       |       |        |       |       |      |       |                    |
| Year Ended 2/28-2/29:                 |      |       |       |        |       |       |      |       |                    |
| 2012                                  | 2014 | 10.17 | 10.11 | 2014-1 | 10.15 | 10.12 | 2015 | 10.18 | 10.11              |
| 2011                                  | —    | —     | —     | —      | —     | —     | 2015 | 10.06 | 10.14              |
| 2010                                  | —    | —     | —     | —      | —     | —     | 2015 | 10.11 | 10.09 <sup>^</sup> |
| 2009(f)                               | —    | —     | —     | —      | —     | —     | —    | —     | —                  |
| Year Ended 8/31:                      |      |       |       |        |       |       |      |       |                    |
| 2008                                  | —    | —     | —     | —      | —     | —     | —    | —     | —                  |
| 2007                                  | —    | —     | —     | —      | —     | —     | —    | —     | —                  |

<sup>^</sup> For the period December 21, 2009 (first issuance date of shares) through February 28, 2010.

<sup>^^</sup> For the period October 22, 2010 (first issuance date of shares) through February 28, 2011.

For the period March 29, 2011 (first issuance date of shares) through February 29, 2012.

For the period April 11, 2011 (first issuance date of shares) through February 29, 2012.

For the period June 6, 2011 (first issuance date of shares) through February 29, 2012.

|  | ARPS at the End of Period                   |                                   |                                | VRDP Shares at the End of Period            |                                   |                                |
|--|---|-----------------------------------|--------------------------------|---|-----------------------------------|--------------------------------|
|  | Aggregate<br>Amount<br>Outstanding<br>(000) | Liquidation<br>Value<br>Per Share | Asset<br>Coverage<br>Per Share | Aggregate<br>Amount<br>Outstanding<br>(000) | Liquidation<br>Value<br>Per Share | Asset<br>Coverage<br>Per Share |
| <b>Insured California Dividend Advantage (NKL)</b> |   |                                   |                                |   |                                   |                                |
| Year Ended   |   |                                   |                                |   |                                   |                                |
| 2/28-2/29:   |   |                                   |                                |   |                                   |                                |
| 2012   | \$ —  | \$ —                              | \$ —                           | 104,400                                     | \$ 100,000                        | \$ 334,215                     |
| 2011   | 103,750                                     | 25,000                            | 75,349                         | —   | —                                 | —                              |
| 2010   | 108,250                                     | 25,000                            | 76,802                         | —   | —                                 | —                              |
| 2009(f)  | 108,250                                     | 25,000                            | 72,683                         | —   | —                                 | —                              |
| Year Ended 8/31:                                   |   |                                   |                                |   |                                   |                                |
| 2008   | 118,000                                     | 25,000                            | 72,321                         | —   | —                                 | —                              |
| 2007   | 118,000                                     | 25,000                            | 73,289                         | —   | —                                 | —                              |
| <b>Insured California Tax-Free Advantage (NKX)</b> |   |                                   |                                |   |                                   |                                |
| Year Ended   |   |                                   |                                |   |                                   |                                |
| 2/28-2/29:   |   |                                   |                                |   |                                   |                                |
| 2012   | —   | —                                 | —                              | 35,500                                      | 100,000                           | 344,312                        |
| 2011   | —   | —                                 | —                              | 35,500                                      | 100,000                           | 312,655                        |
| 2010   | —   | —                                 | —                              | 35,500                                      | 100,000                           | 332,616                        |
| 2009(f)  | —   | —                                 | —                              | 35,500                                      | 100,000                           | 313,131                        |
| Year Ended 8/31:                                   |   |                                   |                                |   |                                   |                                |
| 2008   | —   | —                                 | —                              | 35,500                                      | 100,000                           | 335,299                        |
| 2007   | 45,000                                      | 25,000                            | 72,302                         | —   | —                                 | —                              |

See accompanying notes to financial statements.

Notes to  
Financial Statements

1. General Information and Significant Accounting Policies

General Information

The funds covered in this report and their corresponding Common share stock exchange symbols are Nuveen Insured California Premium Income Municipal Fund, Inc. (NPC), Nuveen Insured California Premium Income Municipal Fund 2, Inc. (NCL), Nuveen California Premium Income Municipal Fund (NCU), Nuveen California Dividend Advantage Municipal Fund (NAC), Nuveen California Dividend Advantage Municipal Fund 2 (NVX), Nuveen California Dividend Advantage Municipal Fund 3 (NZH), Nuveen Insured California Dividend Advantage Municipal Fund (NKL) and Nuveen Insured California Tax-Free Advantage Municipal Fund (NKX) (each a “Fund” and collectively, the “Funds”). Common shares of Insured California Premium Income (NPC), Insured California Premium Income 2 (NCL) and California Dividend Advantage (NAC) are traded on the New York Stock Exchange (“NYSE”) while Common shares of California Premium Income (NCU), California Dividend Advantage 2 (NVX), California Dividend Advantage 3 (NZH), Insured California Dividend Advantage (NKL) and Insured California Tax-Free Advantage (NKX) are traded on the NYSE Amex. The Funds are registered under the Investment Company Act of 1940, as amended, as closed-end registered investment companies.

Each Fund seeks to provide current income exempt from both regular federal and California state income taxes, and in the case of Insured California Tax-Free Advantage (NKX) the alternative minimum tax applicable to individuals, by investing primarily in a portfolio of municipal obligations issued by state and local government authorities within the state of California or certain U.S. territories.

Approved Fund Mergers

After the close of this reporting period, the Funds’ shareholders approved a series of reorganizations and changes to certain investment policies for Insured California Premium Income (NPC), Insured California Premium Income 2 (NCL), Insured California Dividend Advantage (NKL) and Insured California Tax-Free Advantage (NKX). The approved changes to each Fund’s investment policies were intended to increase the Funds’ flexibility regarding the types of securities available for investment.

The investment policy changes are as follows:

Each Fund eliminated the investment policy requiring it, under normal circumstances, to invest at least 80 percent of its managed assets in municipal securities that are covered by insurance which currently guarantees the timely payment of principal and interest.

Each Fund adopted a new investment policy requiring it, under normal circumstances, to invest at least 80 percent of its managed assets in municipal securities that pay interest exempt from federal and California income tax.

Each Fund eliminated the old fundamental loan policy and adopted a new fundamental loan policy, which states that each Fund may not make loans, except as permitted by the Investment Company Act of 1940, as amended, and exemptive orders granted under the Investment Company Act of 1940, as amended.

Each Fund will continue to invest substantially all (at least 80 percent) of its managed assets in investment grade quality municipal securities.

Nuveen Insured California Tax-Free Advantage Municipal Fund (NKX) will continue its policy of investing, under normal circumstances, at least 80% of its assets in AMT-free municipal securities.

In addition the shareholders approved the reorganization of the Funds as follows:

| Acquired Funds                              | Acquiring Fund              |
|---|-----------------------------|
| Insured California Premium Income (NPC)     | Nuveen California AMT Free  |
| Insured California Premium Income 2 (NCL)   | Municipal Income Fund (NKX) |
| Insured California Dividend Advantage (NKL) |                             |

The reorganizations will be consummated before the opening of business on May 7, 2012. Upon the closing of the reorganizations, the Acquired Funds will transfer substantially all of their assets to the Acquiring Fund in exchange for common and preferred shares of the Acquiring Fund, and the assumption by the Acquiring Fund of the liabilities of the Acquired Funds. The Acquired Funds will then be liquidated, dissolved and terminated in accordance with their Declaration of Trust. The Acquiring Fund will change its name to Nuveen California AMT Free Municipal Income Fund (NKX).

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Shareholders of the Acquired Funds will become shareholders of the Acquiring Fund. Holders of common shares will receive newly issued common shares of the Acquiring Fund, the aggregate net asset value of which will be equal to the aggregate net asset value of the common shares of the Acquired Funds held immediately prior to the reorganizations (including for this purpose fractional Acquiring Fund shares to which shareholders would be entitled). Fractional shares will be sold on the open market and shareholders will receive cash in lieu of such fractional shares. Holders of Variable Rate Demand Preferred (“VRDP”) Shares of each Acquired Fund will receive on a one-for-one basis newly issued VRDP Shares of the Acquiring Fund, in exchange for VRDP Shares of the Acquired Fund held immediately prior to the reorganization, with such new Acquiring Fund VRDP Shares having substantially the same terms as the exchanged VRDP Shares of the Acquired Funds.

#### Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Funds in the preparation of their financial statements in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

#### Investment Valuation

Prices of municipal bonds and forward interest rate swap contracts are provided by a pricing service approved by the Funds’ Board of Directors/Trustees. These securities are generally classified as Level 2 for fair value measurement purposes. When price quotes are not readily available (which is usually the case for municipal bonds) the pricing service establishes a security’s fair value using methods that may include consideration of the following: yields or prices of investments of comparable quality, type of issue, coupon, maturity and rating, market quotes or indications of value from security dealers, evaluations of anticipated cash flows or collateral, general market conditions and other information and analysis, including the obligor’s credit characteristics considered relevant. In pricing certain securities, particularly less liquid and lower quality securities, the pricing service may consider information about a security, its issuer, or market activity, provided by Nuveen Funds Advisors, Inc. (the “Adviser”), a wholly-owned subsidiary of Nuveen Investments, Inc. (“Nuveen”). These securities are generally classified as Level 2 or Level 3 depending on the priority of the significant inputs.

Certain securities may not be able to be priced by the pre-established pricing methods as described above. Such securities may be valued by the Funds’ Board of Directors/Trustees or its designee at fair value. These securities generally include, but are not limited to, restricted securities (securities which may not be publicly sold without registration under the Securities Act of 1933, as amended) for which a pricing service is unable to provide a market price; securities whose trading has been formally suspended; debt securities that have gone into default and for which there is no current market quotation; a security whose market price is not available from a pre-established pricing source; a security with respect to which an event has occurred that is likely to materially affect the value of the security after the market has closed but before the calculation of a Fund’s net asset value (as may be the case in non-U.S. markets on which the security is primarily traded) or make it difficult or impossible to obtain a reliable market quotation; and a security whose price, as provided by the pricing service, is not deemed to reflect the security’s fair value. As a general principle, the fair value of a security would appear to be the amount that the owner might reasonably expect to receive for it in a current sale. A variety of factors may be considered in determining the fair value of such securities, which may include consideration of the following: yields or prices of investments of comparable quality, type of issue, coupon, maturity and rating, market quotes or indications of value from security dealers, evaluations of anticipated cash flows or collateral, general market conditions and other information and analysis, including the obligor’s credit characteristics considered relevant. These securities are generally classified as Level 2 or Level 3 depending on the priority of the significant inputs. Regardless of the method employed to value a particular security, all valuations are subject to review by the Funds’ Board of Directors/Trustees or its designee.

Refer to Footnote 2 – Fair Value Measurements for further details on the leveling of securities held by the Funds as of the end of the reporting period.

#### Investment Transactions

Investment transactions are recorded on a trade date basis. Realized gains and losses from transactions are determined on the specific identification method, which is the same basis used for federal income tax purposes. Investments purchased on a when-issued/delayed delivery basis may have extended settlement periods. Any investments so purchased are subject to market fluctuation during this period. The Funds have instructed the custodian to segregate assets with a current value at least equal to the amount of the when-issued/delayed delivery purchase commitments. At February 29, 2012, California Premium Income (NCU), California Dividend Advantage (NAC), California Dividend Advantage 2 (NVX) and California Dividend Advantage 3 (NZH) had outstanding when-issued/delayed delivery purchase commitments of \$503,450, \$4,554,000, \$1,345,900 and \$1,999,800, respectively. There were no such outstanding purchase commitments in any of the other Funds.

#### Investment Income

Investment income, which reflects the amortization of premiums and includes accretion of discounts for financial reporting purposes, is recorded on an accrual basis. Investment income also reflects paydown gains and losses, if any.

#### Professional Fees

Professional fees presented on the Statement of Operations consist of legal fees incurred in the normal course of operations, audit fees, tax consulting fees and, in some cases, workout expenditures. Workout expenditures are incurred in an attempt to protect or enhance an investment, or to pursue other claims or legal actions on behalf of Fund shareholders.

#### Nuveen Investments

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Notes to  
Financial Statements (continued)

Income Taxes

Each Fund is a separate taxpayer for federal income tax purposes. Each Fund intends to distribute substantially all of its net investment income and net capital gains to shareholders and to otherwise comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies (“RICs”). Therefore, no federal income tax provision is required. Furthermore, each Fund intends to satisfy conditions that will enable interest from municipal securities, which is exempt from regular federal and California state income taxes, and in the case of Insured California Tax-Free Advantage (NKX) the alternative minimum tax applicable to individuals, to retain such tax-exempt status when distributed to shareholders of the Funds. Net realized capital gains and ordinary income distributions paid by the Funds are subject to federal taxation.

For all open tax years and all major taxing jurisdictions, management of the Funds has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. Open tax years are those that are open for examination by taxing authorities (i.e., generally the last four tax year ends and the interim tax period since then). Furthermore, management of the Funds is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

Dividends and Distributions to Common Shareholders

Dividends from net investment income are declared monthly. Net realized capital gains and/or market discount from investment transactions, if any, are distributed to shareholders at least annually. Furthermore, capital gains are distributed only to the extent they exceed available capital loss carryforwards.

Distributions to Common shareholders of net investment income, net realized capital gains and/or market discount, if any, are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from U.S. GAAP.

Auction Rate Preferred Shares

Each Fund is authorized to issue Auction Rate Preferred Shares (“ARPS”). As of February 28, 2011, Insured California Premium Income (NPC), Insured California Premium Income 2 (NCL) and California Premium Income (NCU) redeemed all of their outstanding ARPS at liquidation value. As of August 31, 2008, Insured California Tax-Free Advantage (NKX) redeemed all of its outstanding ARPS at liquidation value. During the fiscal year ended February 29, 2012, California Dividend Advantage (NAC), California Dividend Advantage 2 (NVX), California Dividend Advantage 3 (NZH) and Insured California Dividend Advantage (NKL) had issued and outstanding ARPS, \$25,000 stated value per share, which approximates market value, as a means of effecting financial leverage. Each Fund’s ARPS were issued in one or more Series. The dividend rate paid by the Funds on each Series was determined every seven days, pursuant to a dutch auction process overseen by the auction agent, and was payable at the end of each rate period.

Beginning in February 2008, more shares for sale were submitted in the regularly scheduled auctions for the ARPS issued by the Funds than there were offers to buy. This meant that these auctions “failed to clear,” and that many ARPS shareholders who wanted to sell their shares in these auctions were unable to do so. ARPS shareholders unable to sell their shares received distributions at the “maximum rate” applicable to failed auctions as calculated in accordance with the pre-established terms of the ARPS. As of February 29, 2012, each Fund redeemed all of their outstanding ARPS, at liquidation value, as follows:

|            |            |             |             |
|------------|------------|-------------|-------------|
| Insured)   | Insured)   | California) | California) |
| California | California | Premium     | Dividend    |

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|                                     | Premium<br>Income<br>(NPC)                     | Premium<br>Income 2<br>(NCL)                   | Income<br>(NCU)   | Advantage<br>(NAC)                                      |
|-------------------------------------|--|--|---|---|
| ARPS redeemed, at liquidation value | \$ 45,000,000                                  | \$ 95,000,000                                  | \$ 43,000,000   | \$ 175,000,000  |
|                                     | California<br>Dividend<br>Advantage 2<br>(NVX) | California<br>Dividend<br>Advantage 3<br>(NZH) | Insured<br>California<br>Dividend<br>Advantage<br>(NKL) | Insured<br>California<br>Tax-Free<br>Advantage<br>(NKX) |
| ARPS redeemed, at liquidation value | \$ 110,000,000                                 | \$ 187,000,000                                 | \$ 118,000,000  | \$ 45,000,000   |

During the fiscal year ended February 28, 2011, lawsuits pursuing claims made in a demand letter alleging that Insured California Tax-Free Advantage's (NKX) Board of Trustees breached its fiduciary duties related to the redemption at par of the Fund's ARPS, had been filed on behalf of shareholders of the Fund, against the Adviser, the Nuveen holding company, the majority owner of the holding company, the lone interested trustee, and current and former officers of the Fund. Nuveen and the other named defendants have filed a motion to dismiss the lawsuits, and on December 16, 2011, the court granted that motion dismissing the lawsuits. The plaintiffs failed to file an appeal of the court's decision within the required time period, resulting in the final disposition of the suit.

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## MuniFund Term Preferred Shares

The following Funds have issued and outstanding MuniFund Term Preferred (“MTP”) Shares, with a \$10 stated (“par”) value per share. Proceeds from the issuance of MTP Shares, net of offering expenses, were used to redeem all, or a portion of, each Fund’s outstanding ARPS. Each Fund’s MTP Shares may be issued in one or more Series. Dividends on MTP Shares, which are recognized as interest expense for financial reporting purposes, are paid monthly at a fixed annual rate, subject to adjustments in certain circumstances. The MTP Shares trade on the NYSE. As of February 29, 2012, the number of MTP Shares outstanding, annual interest rate and NYSE “ticker” symbol for each Fund’s series of MTP Shares are as follows:

| Series      | California Premium Income (NCU) |                      |             | California Dividend Advantage 2 (NVX) |                      |             | California Dividend Advantage 3 (NZH) |                      |             |
|-------------|---------------------------------|----------------------|-------------|---------------------------------------|----------------------|-------------|---------------------------------------|----------------------|-------------|
|             | Shares Outstanding              | Annual Interest Rate | NYSE Ticker | Shares Outstanding                    | Annual Interest Rate | NYSE Ticker | Shares Outstanding                    | Annual Interest Rate | NYSE Ticker |
| Series 2015 | 35,250,000                      | 2.00%                | NCU Pr C    |                                       |                      |             |                                       |                      |             |
| Series:     |                                 |                      |             |                                       |                      |             |                                       |                      |             |
| 2014        | 42,846,300                      | 2.35%                | NVX Pr A    |                                       |                      |             | 27,000,000                            | 2.35%                | NZH Pr A    |
| 2014-1      | —                               | —                    | —           |                                       |                      |             | 46,294,500                            | 2.25                 | NZH Pr B    |
| 2015        | 55,000,000                      | 2.05                 | NVX Pr C    |                                       |                      |             | 86,250,000                            | 2.95                 | NZH Pr C    |

Each Fund is obligated to redeem its MTP Shares by the date as specified in its offering document (“Term Redemption Date”), unless earlier redeemed or repurchased by the Fund. MTP Shares are subject to optional and mandatory redemption in certain circumstances. MTP Shares will be subject to redemption at the option of each Fund (“Optional Redemption Date”), subject to a payment of premium for one year following the Optional Redemption Date (“Premium Expiration Date”), and at par thereafter. MTP Shares also will be subject to redemption, at the option of each Fund, at par in the event of certain changes in the credit rating of the MTP Shares. Each Fund may be obligated to redeem certain of the MTP Shares if the Fund fails to maintain certain asset coverage and leverage ratio requirements and such failures are not cured by the applicable cure date. The redemption price per share is equal to the sum of the liquidation value per share plus any accumulated but unpaid dividends. The Term Redemption Date, Optional Redemption Date and Premium Expiration Date for each Fund’s series of MTP Shares are as follows:

|                          | California Premium Income (NCU) Series 2015 | California Dividend Advantage 2 (NVX) Series 2014 | California Dividend Advantage 2 (NVX) Series 2015 | California Dividend Advantage 3 (NZH) Series 2014 | California Dividend Advantage 3 (NZH) Series 2014-1 | California Dividend Advantage 3 (NZH) Series 2015 |
|--------------------------|---|---|---|---|---|---|
| Term Redemption Date     | October 1, 2015                             | April 1, 2014                                     | November 1, 2015                                  | May 1, 2014                                       | July 1, 2014  | January 1, 2015                                   |
| Optional Redemption Date | October 1, 2011                             | April 1, 2012                                     | November 1, 2011                                  | May 1, 2012                                       | July 1, 2012  | January 1, 2011                                   |

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| Premium Expiration Date | September 30, 2012 | March 31, 2013 | October 31, 2012 | April 30, 2013 | June 30, 2013 | December 31, 2011 |
|-------------------------|--------------------|----------------|------------------|----------------|---------------|-------------------|
|-------------------------|--------------------|----------------|------------------|----------------|---------------|-------------------|

The average liquidation value of all MTP Shares outstanding for each Fund during the fiscal year ended February 29, 2012, was as follows:

|   | California Premium Income (NCU) | California Dividend Advantage 2 (NVX) | California Dividend Advantage 3 (NZH) |
|---|---------------------------------|---------------------------------------|---------------------------------------|
| Average liquidation value of MTP Shares outstanding | \$ 35,250,000                   | \$ 94,479,248                         | \$ 144,226,510                        |

For financial reporting purposes only, the liquidation value of MTP Shares is recorded as a liability on the Statement of Assets and Liabilities. Unpaid dividends on MTP Shares are recognized as a component of "Interest payable" on the Statement of Assets and Liabilities. Dividends paid on MTP Shares are recognized as a component of "Interest expense and amortization of offering costs" on the Statement of Operations.

Nuveen has agreed that net amounts earned by Nuveen as underwriter of each Fund's MTP Share offering would be credited to the Funds, and would be recorded as reductions of offering costs recognized by the Funds. During the fiscal year ended February 29, 2012, the net amounts earned by Nuveen for each fund were as follows:

|                              | California Premium Income (NCU) | California Dividend Advantage 2 (NVX) | California Dividend Advantage 3 (NZH) |
|------------------------------|---------------------------------|---------------------------------------|---------------------------------------|
| Net amounts earned by Nuveen | \$ 2,021                        | \$ 4,454                              | \$ 1,895                              |

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Variable Rate Demand Preferred Shares

The following Funds have issued and outstanding VRDP Shares, with a \$100,000 liquidation value per share. Insured California Premium Income (NPC), Insured California Premium Income 2 (NCL), California Dividend Advantage (NAC), Insured California Dividend Advantage (NKL) and Insured California Tax-Free Advantage (NKX) issued their VRDP Shares in a privately negotiated offering during March 2010, December 2010, June 2011, June 2011 and August 2008, respectively. Concurrent with renewing agreements with the liquidity provider for its VRDP Shares in June 2010, Insured Premium Income 2 (NPX) exchanged all its 2,190 Series 1 VRDP Shares for 2,190 Series 2 VRDP Shares. The principal difference in terms between Series 1 and Series 2 VRDP Shares is the requirement that the Fund redeem VRDP Shares owned by the liquidity provider if the VRDP Shares have been owned by the liquidity provider through six months of continuous, unsuccessful remarketing. Proceeds of each Fund's offering were used to redeem all, or a portion of, each Fund's outstanding ARPS. The VRDP Shares were offered to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. As of February 29, 2012, the number of VRDP Shares outstanding and maturity date for each Fund are as follows:

|                    | Insured<br>California<br>Premium<br>Income<br>(NPC) | Insured<br>California<br>Premium<br>Income 2<br>(NCL) | California<br>Dividend<br>Advantage<br>(NAC) | Insured<br>California<br>Dividend<br>Advantage<br>(NKL) | Insured<br>California<br>Tax-Free<br>Advantage<br>(NKX) |
|--------------------|---|---|--|---|---|
| Series             | 1   | 1   | 1  | 1   | 2   |
| Shares outstanding | 427   | 740   | 1,362  | 1,044   | 355   |
| Maturity           | March 1,<br>2040                                    | December 1,<br>2040                                   | June 1,<br>2041                              | June 1,<br>2041   | June 1,<br>2040   |

VRDP Shares include a liquidity feature that allows VRDP shareholders to have their shares purchased by a liquidity provider with whom each Fund has contracted in the event that purchase orders for VRDP Shares in a remarketing are not sufficient in number to be matched with the sale orders in that remarketing. Each Fund is required to redeem any VRDP Shares that are still owned by the liquidity provider after six months of continuous, unsuccessful remarketing.

Dividends on the VRDP Shares (which are treated as interest payments for financial reporting purposes) are set weekly at a rate established by a remarketing agent; therefore, the market value of the VRDP Shares is expected to approximate its liquidation value. If remarketings for VRDP Shares are continuously unsuccessful for six months, the maximum rate is designed to escalate according to a specified schedule in order to enhance the remarketing agent's ability to successfully remarket the VRDP Shares.

Subject to certain conditions, VRDP Shares may be redeemed, in whole or in part, at any time at the option of each Fund. Each Fund may also redeem certain of the VRDP Shares if the Fund fails to maintain certain asset coverage requirements and such failures are not cured by the applicable cure date. The redemption price per share is equal to the sum of the liquidation value per share plus any accumulated but unpaid dividends.

The average liquidation value outstanding and annualized dividend rate of VRDP Shares for each Fund during the fiscal year ended February 29, 2012, were as follows:

| Insured<br>California<br>Premium | Insured<br>California<br>Premium | California<br>Dividend | Insured<br>California<br>Dividend | Insured<br>California<br>Tax-Free |
|----------------------------------|----------------------------------|------------------------|-----------------------------------|-----------------------------------|
|----------------------------------|----------------------------------|------------------------|-----------------------------------|-----------------------------------|

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|                                       | Income<br>(NPC) | Income 2<br>(NCL) | Advantage<br>(NAC)* | Advantage<br>(NKL)* | Advantage<br>(NKX) |
|---------------------------------------|-----------------|-------------------|---------------------|---------------------|--------------------|
| Average liquidation value outstanding | \$ 42,700,000   | \$ 74,000,000     | \$ 136,200,000      | \$ 104,400,000      | \$ 35,500,000      |
| Annualized dividend rate              | 0.32%           | 0.32%             | 0.28%               | 0.28%               | 0.27%              |

\* For the period June 28, 2011 (issuance date of shares) through February 29, 2012.

For financial reporting purposes only, the liquidation value of VRDP Shares is recognized as a liability on the Statement of Assets and Liabilities. Unpaid dividends on VRDP Shares are recognized as a component of “Interest payable” on the Statement of Assets and Liabilities. Dividends paid on the VRDP Shares are recognized as a component of “Interest expense and amortization of offering costs” on the Statement of Operations. In addition to interest expense, each Fund also pays a per annum liquidity fee to the liquidity provider, as well as a remarketing fee, which are recognized as “Fees on VRDP Shares” on the Statement of Operations.

#### Insurance

Since 2007, the financial status of most major municipal bond insurers has deteriorated substantially, and some insurers have gone out of business, rendering worthless the insurance policies they had written. Under normal circumstances, Insured California Premium Income (NPC), Insured California Premium Income 2 (NCL), Insured California Dividend Advantage (NKL) and Insured California Tax-Free Advantage (NKX) invest at least 80% of their managed assets (as defined in Footnote 7 – Management Fees and Other Transactions with Affiliates) in municipal securities that are covered by insurance guaranteeing the timely payment of principal and interest. In addition, the municipal securities in which each Fund invests will be investment

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grade at the time of purchase (including (i) bonds insured by investment grade insurers or are rated investment grade; (ii) unrated bonds that are judged to be investment grade by the Adviser; and (iii) escrowed bonds). Ratings below BBB by one or more national rating agencies are considered to be below investment grade.

Each insured municipal security is covered by Original Issue Insurance, Secondary Market Insurance or Portfolio Insurance. Assuming that the insurer remains creditworthy, the insurance feature of a municipal security guarantees the full payment of principal and interest when due through the life of an insured obligation. Such insurance does not guarantee the market value of the insured obligation or the value of the Fund's Common shares. Original Issue Insurance and Secondary Market Insurance remain in effect as long as the municipal securities covered thereby remain outstanding and the insurer remains in business, regardless of whether the Funds ultimately dispose of such municipal securities. Consequently, the market value of the municipal securities covered by Original Issue Insurance or Secondary Market Insurance may reflect value attributable to the insurance. Portfolio Insurance, in contrast, is effective only while the municipal securities are held by the Funds and is reflected as an expense over the term of the policy, when applicable. Accordingly, neither the prices used in determining the market value of the underlying municipal securities nor the Common share net asset value of the Funds include value, if any, attributable to the Portfolio Insurance. Each policy of the Portfolio Insurance does, however, give the Funds the right to obtain permanent insurance with respect to the municipal security covered by the Portfolio Insurance policy at the time of its sale.

#### Inverse Floating Rate Securities

Each Fund is authorized to invest in inverse floating rate securities. An inverse floating rate security is created by depositing a municipal bond, typically with a fixed interest rate, into a special purpose trust created by a broker-dealer. In turn, this trust (a) issues floating rate certificates, in face amounts equal to some fraction of the deposited bond's par amount or market value, that typically pay short-term tax-exempt interest rates to third parties, and (b) issues to a long-term investor (such as one of the Funds) an inverse floating rate certificate (sometimes referred to as an "inverse floater") that represents all remaining or residual interest in the trust. The income received by the inverse floater holder varies inversely with the short-term rate paid to the floating rate certificates' holders, and in most circumstances the inverse floater holder bears substantially all of the underlying bond's downside investment risk and also benefits disproportionately from any potential appreciation of the underlying bond's value. The price of an inverse floating rate security will be more volatile than that of the underlying bond because the interest rate is dependent on not only the fixed coupon rate of the underlying bond but also on the short-term interest paid on the floating rate certificates, and because the inverse floating rate security essentially bears the risk of loss of the greater face value of the underlying bond.

A Fund may purchase an inverse floating rate security in a secondary market transaction without first owning the underlying bond (referred to as an "externally-deposited inverse floater"), or instead by first selling a fixed-rate bond to a broker-dealer for deposit into the special purpose trust and receiving in turn the residual interest in the trust (referred to as a "self-deposited inverse floater"). The inverse floater held by a Fund gives the Fund the right (a) to cause the holders of the floating rate certificates to tender their notes at par, and (b) to have the broker transfer the fixed-rate bond held by the trust to the Fund, thereby collapsing the trust. An investment in an externally-deposited inverse floater is identified in the Portfolio of Investments as "(IF) – Inverse floating rate investment." An investment in a self-deposited inverse floater is accounted for as a financing transaction. In such instances, a fixed-rate bond deposited into a special purpose trust is identified in the Portfolio of Investments as "(UB) – Underlying bond of an inverse floating rate trust reflected as a financing transaction," with the Fund accounting for the short-term floating rate certificates issued by the trust as "Floating rate obligations" on the Statement of Assets and Liabilities. In addition, the Fund reflects in "Investment Income" the entire earnings of the underlying bond and the related interest paid to the holders of the short-term floating rate certificates as a component of "Interest expense and amortization of offering costs" on the Statement of Operations.

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During the fiscal year ended February 29, 2012, each Fund invested in externally-deposited inverse floaters and/or self-deposited inverse floaters.

Each Fund may also enter into shortfall and forbearance agreements (sometimes referred to as a “recourse trust” or “credit recovery swap”) (such agreements referred to herein as “Recourse Trusts”) with a broker-dealer by which a Fund agrees to reimburse the broker-dealer, in certain circumstances, for the difference between the liquidation value of the fixed-rate bond held by the trust and the liquidation value of the floating rate certificates issued by the trust plus any shortfalls in interest cash flows. Under these agreements, a Fund’s potential exposure to losses related to or on inverse floaters may increase beyond the value of a Fund’s inverse floater investments as a Fund may potentially be liable to fulfill all amounts owed to holders of the floating rate certificates. At period end, any such shortfall is recognized as “Unrealized depreciation on Recourse Trusts” on the Statement of Assets and Liabilities. At February 29, 2012, each Fund’s maximum exposure to externally-deposited Recourse Trusts, was as follows:

|                                     | Insured<br>California<br>Premium<br>Income<br>(NPC) | Insured<br>California<br>Premium<br>Income 2<br>(NCL) | California<br>Premium<br>Income<br>(NCU) | California<br>Dividend<br>Advantage<br>(NAC) | California<br>Dividend<br>Advantage 2<br>(NVX) | California<br>Dividend<br>Advantage 3<br>(NZH) | Insured<br>California<br>Dividend<br>Advantage<br>(NKL) | Insured<br>California<br>Tax-Free<br>Advantage<br>(NKX) |
|-------------------------------------|---|---|--|--|--|--|---|---|
| Maximum exposure to Recourse Trusts | \$ 9,780,000  | \$ 9,515,000  | \$ 6,510,000                             | \$ 3,590,000                                 | \$ 16,210,000                                  | \$ 48,960,000                                  | \$ 7,700,000  | \$ 2,905,000  |

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The average floating rate obligations outstanding and average annual interest rate and fees related to self-deposited inverse floaters for the following Funds during the fiscal year ended February 29, 2012, were as follows:

|   |    | Insured<br>California<br>Premium<br>Income 2<br>(NCL) |    | California<br>Premium<br>Income<br>(NCU) |    | California<br>Dividend<br>Advantage<br>(NAC) |
|---|----|---|----|--|----|--|
| Average floating rate obligations outstanding | \$ | 17,880,000  | \$ | 6,650,000                                | \$ | 28,545,000                                   |
| Average annual interest rate and fees         |    | 0.59%   |    | 0.55%                                    |    | 0.60%  |

|   |    | California<br>Dividend<br>Advantage 2<br>(NVX) |    | California<br>Dividend<br>Advantage 3<br>(NZH) |    | Insured<br>California<br>Dividend<br>Advantage<br>(NKL) |    | Insured<br>California<br>Tax-Free<br>Advantage<br>(NKX) |
|---|----|--|----|--|----|---|----|---|
| Average floating rate obligations outstanding | \$ | 11,390,000                                     | \$ | 3,845,000                                      | \$ | 7,385,000   | \$ | 3,360,000   |
| Average annual interest rate and fees         |    | 0.61%  |    | 0.54%  |    | 0.61%   |    | 0.77%   |

#### Forward Swap Contracts

Each Fund is authorized to enter into forward interest rate swap contracts consistent with their investment objectives and policies to reduce, increase or otherwise alter its risk profile or to alter its portfolio characteristics (i.e. duration, yield curve positioning and credit quality).

Each Fund is subject to interest rate risk in the normal course of pursuing its investment objectives. Each Fund's use of forward interest rate swap transactions is intended to help the Fund manage its overall interest rate sensitivity, either shorter or longer, generally to more closely align the Fund's interest rate sensitivity with that of the broader market. Forward interest rate swap transactions involve each Fund's agreement with a counterparty to pay, in the future, a fixed or variable rate payment in exchange for the counterparty paying the Fund a variable or fixed rate payment, the accruals for which would begin at a specified date in the future (the "effective date"). The amount of the payment obligation is based on the notional amount of the swap contract and the termination date of the swap (which is akin to a bond's maturity). The value of the Fund's swap commitment would increase or decrease based primarily on the extent to which long-term interest rates for bonds having a maturity of the swap's termination date increase or decrease. Forward interest rate swap contracts are valued daily. The net amount recorded on these transactions for each counterparty is recognized on the Statement of Assets and Liabilities as a component of "Unrealized appreciation or depreciation on forward swaps" with the change during the fiscal period recognized on the Statement of Operations as a component of "Change in net unrealized appreciation (depreciation) of forward swaps."

Each Fund may terminate a swap contract prior to the effective date, at which point a realized gain or loss is recognized. When a forward swap is terminated, it ordinarily does not involve the delivery of securities or other underlying assets or principal, but rather is settled in cash on a net basis. Net realized gains and losses during the fiscal period are recognized on the Statement of Operations as a component of "Net realized gain (loss) from forward swaps." Each Fund intends, but is not obligated, to terminate its forward swaps before the effective date. Accordingly, the risk

of loss with respect to the swap counterparty on such transactions is limited to the credit risk associated with a counterparty failing to honor its commitment to pay any realized gain to the Fund upon termination.

During the fiscal year ended February 29, 2012, Insured California Premium Income 2 (NCL) entered into forward interest rate swap contracts to broadly reduce the sensitivity of the Fund to movements in U.S. interest rates. The average notional amount of forward interest rate swap contracts outstanding during the fiscal year ended February 29, 2012 was as follows:

|  |    | Insured<br>California<br>Premium<br>Income 2<br>(NCL) |
|--|----|---|
| Average notional amount of forward interest rate swap contracts outstanding* | \$ | 2,300,000   |

\* The average notional amount is calculated based on the outstanding notional at the beginning of the fiscal year and at the end of each fiscal quarter within the current fiscal year.

Refer to Footnote 3 – Derivative Instruments and Hedging Activities for further details on forward swap contract activity.

#### Market and Counterparty Credit Risk

In the normal course of business each Fund may invest in financial instruments and enter into financial transactions where risk of potential loss exists due to changes in the market (market risk) or failure of the other party to the transaction to perform (counterparty credit risk). The potential loss could exceed the value of the financial assets recorded on the financial statements. Financial assets, which potentially expose each Fund to counterparty credit risk, consist principally of cash due from counterparties on forward, option and swap transactions, when applicable. The extent of each Fund’s exposure to counterparty credit risk in respect to these financial assets approximates their carrying value as recorded on the Statement of Assets and



Liabilities. Futures contracts, when applicable, expose a Fund to minimal counterparty credit risk as they are exchange traded and the exchange's clearinghouse, which is counterparty to all exchange traded futures, guarantees the futures contracts against default.

Each Fund helps manage counterparty credit risk by entering into agreements only with counterparties the Adviser believes have the financial resources to honor their obligations and by having the Adviser monitor the financial stability of the counterparties. Additionally, counterparties may be required to pledge collateral daily (based on the daily valuation of the financial asset) on behalf of each Fund with a value approximately equal to the amount of any unrealized gain above a pre-determined threshold. Reciprocally, when each Fund has an unrealized loss, the Funds have instructed the custodian to pledge assets of the Funds as collateral with a value approximately equal to the amount of the unrealized loss above a pre-determined threshold. Collateral pledges are monitored and subsequently adjusted if and when the valuations fluctuate, either up or down, by at least the pre-determined threshold amount.

#### Zero Coupon Securities

Each Fund is authorized to invest in zero coupon securities. A zero coupon security does not pay a regular interest coupon to its holders during the life of the security. Tax-exempt income to the holder of the security comes from accretion of the difference between the original purchase price of the security at issuance and the par value of the security at maturity and is effectively paid at maturity. The market prices of zero coupon securities generally are more volatile than the market prices of securities that pay interest periodically.

#### Offering Costs

Costs incurred by the Funds in connection with their offerings of MTP Shares or VRDP Shares were recorded as a deferred charge, which are being amortized over the life of the shares. Each Fund's amortized deferred charges are recognized as a component of "Interest expense and amortization of offering costs" on the Statement of Operations. Each Fund's offering costs incurred were as follows:

|                           |    | California<br>Premium<br>Income<br>(NCU) |    | California<br>Dividend<br>Advantage 2<br>(NVX) |    | California<br>Dividend<br>Advantage 3<br>(NZH) |
|---------------------------|----|--|----|--|----|--|
| MTP Shares offering costs | \$ | 868,750                                  | \$ | 2,055,579                                      | \$ | 3,269,931                                      |

|                            |    | Insured<br>California<br>Premium<br>Income<br>(NPC) |    | Insured<br>California<br>Premium<br>Income 2<br>(NCL) |    | Insured<br>California<br>Dividend<br>Advantage<br>(NAC) |    | Insured<br>California<br>Dividend<br>Advantage<br>(NKL) |    | Insured<br>California<br>Tax-Free<br>Advantage<br>(NKX) |
|----------------------------|----|---|----|---|----|---|----|---|----|---|
| VRDP Shares offering costs | \$ | 857,000   | \$ | 627,000   | \$ | 650,000   | \$ | 580,000   | \$ | 530,000   |

#### Custodian Fee Credit

Each Fund has an arrangement with the custodian bank whereby certain custodian fees and expenses are reduced by net credits earned on each Fund's cash on deposit with the bank. Such deposit arrangements are an alternative to overnight investments. Credits for cash balances may be offset by charges for any days on which a Fund overdraws its account at the custodian bank.

#### Indemnifications

Under the Funds' organizational documents, their officers and directors/trustees are indemnified against certain liabilities arising out of the performance of their duties to the Funds. In addition, in the normal course of business, the

Funds enter into contracts that provide general indemnifications to other parties. The Funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred. However, the Funds have not had prior claims or losses pursuant to these contracts and expect the risk of loss to be remote.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets applicable to Common shares from operations during the reporting period. Actual results may differ from those estimates.

#### 2. Fair Value Measurements

Fair value is defined as the price that the Funds would receive upon selling an investment or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. A three-tier hierarchy is used to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability. Observable inputs are based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions

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market participants would use in pricing the asset or liability. Unobservable inputs are based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 Quoted prices in active markets for identical securities.  
 Level 2 Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).  
 Level 3 Significant unobservable inputs (including management's assumptions in determining the fair value of investments).

The inputs or methodologies used for valuing securities are not an indication of the risk associated with investing in those securities. The following is a summary of each Fund's fair value measurements as of February 29, 2012:

|   |         |                 |         |                 |
|---|---------|-----------------|---------|-----------------|
| Insured California Premium Income (NPC)     | Level 1 | Level 2         | Level 3 | Total           |
| Investments:                                |         |                 |         |                 |
| Municipal Bonds                             | \$      | —\$ 138,048,126 | \$      | —\$ 138,048,126 |
| Insured California Premium Income 2 (NCL)   | Level 1 | Level 2         | Level 3 | Total           |
| Investments:                                |         |                 |         |                 |
| Municipal Bonds                             | \$      | —\$ 280,025,460 | \$      | —\$ 280,025,460 |
| California Premium Income (NCU)             | Level 1 | Level 2         | Level 3 | Total           |
| Investments:                                |         |                 |         |                 |
| Municipal Bonds                             | \$      | —\$ 125,293,556 | \$      | —\$ 125,293,556 |
| California Dividend Advantage (NAC)         | Level 1 | Level 2         | Level 3 | Total           |
| Investments:                                |         |                 |         |                 |
| Municipal Bonds                             | \$      | —\$ 510,520,007 | \$      | —\$ 510,520,007 |
| California Dividend Advantage 2 (NVX)       | Level 1 | Level 2         | Level 3 | Total           |
| Investments:                                |         |                 |         |                 |
| Municipal Bonds                             | \$      | —\$ 329,724,378 | \$      | —\$ 329,724,378 |
| California Dividend Advantage 3 (NZH)       | Level 1 | Level 2         | Level 3 | Total           |
| Investments:                                |         |                 |         |                 |
| Municipal Bonds                             | \$      | —\$ 488,106,122 | \$      | —\$ 488,106,122 |
| Insured California Dividend Advantage (NKL) | Level 1 | Level 2         | Level 3 | Total           |
| Investments:                                |         |                 |         |                 |
| Municipal Bonds                             | \$      | —\$ 350,901,757 | \$      | —\$ 350,901,757 |
| Insured California Tax-Free Advantage (NKX) | Level 1 | Level 2         | Level 3 | Total           |

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Investments:

|                 |    |                 |    |                 |
|-----------------|----|-----------------|----|-----------------|
| Municipal Bonds | \$ | —\$ 123,860,171 | \$ | —\$ 123,860,171 |
|-----------------|----|-----------------|----|-----------------|

The following is a reconciliation of the following Fund's Level 3 investments held at the beginning and end of the measurement period:

|  | California<br>Premium<br>Income<br>(NCU)<br>Level 3<br>Municipal<br>Bonds | California<br>Dividend<br>Advantage<br>(NAC)<br>Level 3<br>Municipal<br>Bonds | California<br>Dividend<br>Advantage 2<br>(NVX)<br>Level 3<br>Municipal<br>Bonds | California<br>Dividend<br>Advantage 3<br>(NZH)<br>Level 3<br>Municipal<br>Bonds |
|--|---|---|---|---|
| Balance at the beginning of period   | \$ 2,746,970  | \$ 1,229,601  | \$ 766,086  | \$ 1,261,789  |
| Gains (losses):  |   |   |   |   |
| Net realized gains (losses)  | —   | —   | —   | —   |
| Net change in unrealized<br>appreciation (depreciation)  | 690,857   | (610,913)   | (380,621)   | (626,905)   |
| Purchases at cost  | —   | —   | —   | —   |
| Sales at proceeds  | (690,000)   | (7,431)   | (4,629)   | (7,625)   |
| Net discounts (premiums)   | —   | —   | —   | —   |
| Transfers in to  | —   | —   | —   | —   |
| Transfers out of   | (2,747,827)   | (611,257)   | (380,836)   | (627,259)   |
| Balance at the end of period   | \$ —  | \$ —  | \$ —  | \$ —  |
| Change in net unrealized<br>appreciation (depreciation) during<br>the period of Level 3 securities<br>held as of February 29, 2012 | \$ —  | \$ —  | \$ —  | \$ —  |

During the fiscal year ended February 29, 2012, the Funds recognized no significant transfers to or from Level 1 or Level 2. Transfers in and/or out of Level 3 are shown using end of period values.

### 3. Derivative Instruments and Hedging Activities

The Funds record derivative instruments at fair value, with changes in fair value recognized on the Statement of Operations, when applicable. Even though the Funds' investments in derivatives may represent economic hedges, they are not considered to be hedge transactions for financial reporting purposes. For additional information on the derivative instruments in which each Fund was invested during and at the end of the reporting period, refer to the Portfolios of Investments, Financial Statements and Footnote 1 - General Information and Significant Accounting Policies.

The following tables present the amount of net realized gain (loss) and change in net unrealized appreciation (depreciation) recognized for the fiscal year ended February 29, 2012, on derivative instruments, as well as the primary risk exposure associated with each.

|   |    | Insured<br>California<br>Premium<br>Income 2<br>(NCL) |
|---|----|---|
| Net Realized Gain (Loss) from Forward Swaps |    |   |
| Risk Exposure                               |    |   |
| Interest Rate                               | \$ | (346,971)   |

|   |    | Insured<br>California<br>Premium<br>Income 2<br>(NCL) |
|---|----|---|
| Change in Net Unrealized Appreciation (Depreciation) of Forward Swaps |    |   |
| Risk Exposure   |    |   |
| Interest Rate   | \$ | 15,872  |

### 4. Fund Shares

#### Common Shares

Transactions in Common shares were as follows:

|  | Insured California<br>Premium Income (NPC) |                       | Insured California<br>Premium Income 2 (NCL) |                       |
|--|--|-----------------------|--|-----------------------|
|  | Year Ended<br>2/29/12                      | Year Ended<br>2/28/11 | Year Ended<br>2/29/12                        | Year Ended<br>2/28/11 |
| Common shares:   |  |                       |  |                       |
| Issued to shareholders due<br>to reinvestment of distributions | 7,433                                      | —                     | 6,877  | 2,552                 |
| Repurchased and retired  | —  | —                     | —  | (1,200)               |
| Weighted average Common share:                                 |  |                       |  |                       |
| Price per share repurchased and<br>retired                     | —  | —                     | —  | \$ 12.14              |
| Discount per share repurchased and<br>retired                  | —  | —                     | —  | 13.47%                |

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|  | California Premium<br>Income (NCU) |                       | California Dividend<br>Advantage (NAC) |                       |
|--|------------------------------------|-----------------------|--|-----------------------|
|  | Year Ended<br>2/29/12              | Year Ended<br>2/28/11 | Year Ended<br>2/29/12                  | Year Ended<br>2/28/11 |
| <b>Common shares:</b>  |                                    |                       |  |                       |
| Issued to shareholders due<br>to reinvestment of distributions | —                                  | —                     | 2,968                                  | —                     |
| Repurchased and retired  | —                                  | (2,400)               | —                                      | —                     |
| <b>Weighted average Common share:</b>                          |                                    |                       |  |                       |
| Price per share repurchased and<br>retired                     | —                                  | \$ 11.82              | —                                      | —                     |
| Discount per share repurchased and<br>retired                  | —                                  | 14.53%                | —                                      | —                     |

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|  | California Dividend<br>Advantage 2 (NVX) |                       | California Dividend<br>Advantage 3 (NZH) |                       |
|--|--|-----------------------|--|-----------------------|
|  | Year Ended<br>2/29/12                    | Year Ended<br>2/28/11 | Year Ended<br>2/29/12                    | Year Ended<br>2/28/11 |
| <b>Common shares:</b>  |  |                       |  |                       |
| Issued to shareholders due<br>to reinvestment of distributions | —  | —                     | 11,313                                   | 8,485                 |
| Repurchased and retired  | —  | —                     | —  | —                     |
| <b>Weighted average Common share:</b>                          |  |                       |  |                       |
| Price per share repurchased and<br>retired                     | —  | —                     | —  | —                     |
| Discount per share repurchased and<br>retired                  | —  | —                     | —  | —                     |

|  | Insured California Dividend<br>Advantage (NKL) |                       | Insured California Tax-Free<br>Advantage (NKX) |                       |
|--|--|-----------------------|--|-----------------------|
|  | Year Ended<br>2/29/12                          | Year Ended<br>2/28/11 | Year Ended<br>2/29/12                          | Year Ended<br>2/28/11 |
| <b>Common shares:</b>  |  |                       |  |                       |
| Issued to shareholders due<br>to reinvestment of distributions | 9,519  | 2,873                 | 1,612  | 596                   |
| Repurchased and retired  | —  | —                     | —  | —                     |
| <b>Weighted average Common share:</b>                          |  |                       |  |                       |
| Price per share repurchased and<br>retired                     | —  | —                     | —  | —                     |
| Discount per share repurchased and<br>retired                  | —  | —                     | —  | —                     |

**Preferred Shares**

Insured California Tax-Free Advantage (NKX) redeemed all of its outstanding ARPS during the fiscal year ended August 31, 2008.

Transactions in ARPS were as follows:

|                       | Insured California<br>Premium Income (NPC) |        |                       |               | Insured California<br>Premium Income 2 (NCL) |        |                       |               |
|-----------------------|--|--------|-----------------------|---------------|--|--------|-----------------------|---------------|
|                       | Year Ended<br>2/29/12                      |        | Year Ended<br>2/28/11 |               | Year Ended<br>2/29/12                        |        | Year Ended<br>2/28/11 |               |
|                       | Shares                                     | Amount | Shares                | Amount        | Shares                                       | Amount | Shares                | Amount        |
| <b>ARPS redeemed:</b> |  |        |                       |               |  |        |                       |               |
| Series T              | N/A  | N/A    | 1,800                 | \$ 45,000,000 | N/A  | N/A    | 1,597                 | \$ 39,925,000 |
| Series TH             | N/A  | N/A    | —                     | —             | N/A  | N/A    | 1,596                 | 39,900,000    |
| Total                 | N/A  | N/A    | 1,800                 | \$ 45,000,000 | N/A  | N/A    | 3,193                 | \$ 79,825,000 |

California

California Dividend

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|                | Premium Income (NCU) |        |            |               | Advantage (NAC) |                |            |        |
|----------------|----------------------|--------|------------|---------------|-----------------|----------------|------------|--------|
|                | Year Ended           |        | Year Ended |               | Year Ended      |                | Year Ended |        |
|                | 2/29/12              |        | 2/28/11    |               | 2/29/12         |                | 2/28/11    |        |
|                | Shares               | Amount | Shares     | Amount        | Shares          | Amount         | Shares     | Amount |
| ARPS redeemed: |                      |        |            |               |                 |                |            |        |
| Series M       | N/A                  | N/A    | 1,375      | \$ 34,375,000 | —               | \$ —           | —          | \$ —   |
| Series TH      | N/A                  | N/A    | —          | —             | 2,710           | 67,750,000     | —          | —      |
| Series F       | N/A                  | N/A    | —          | —             | 2,711           | 67,775,000     | —          | —      |
| Total          | N/A                  | N/A    | 1,375      | \$ 34,375,000 | 5,421           | \$ 135,525,000 | —          | \$ —   |

N/A - As of February 28, 2011, the Fund redeemed all of its outstanding ARPS at liquidation value.

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|                       | California Dividend Advantage 2 (NVX) |                      |                    |                      | California Dividend Advantage 3 (NZH) |                      |                    |             |
|-----------------------|---------------------------------------|----------------------|--------------------|----------------------|---------------------------------------|----------------------|--------------------|-------------|
|                       | Year Ended 2/29/12                    |                      | Year Ended 2/29/12 |                      | Year Ended 2/28/11                    |                      | Year Ended 2/28/11 |             |
|                       | Shares                                | Amount               | Shares             | Amount               | Shares                                | Amount               | Shares             | Amount      |
| <b>ARPS redeemed:</b> |                                       |                      |                    |                      |                                       |                      |                    |             |
| Series M              | 799                                   | \$ 19,975,000        | 1,076              | \$ 26,900,000        | 1,389                                 | \$ 34,725,000        | —                  | \$ —        |
| Series TH             | —                                     | —                    | —                  | —                    | 1,391                                 | 34,775,000           | —                  | —           |
| Series F              | 799                                   | 19,975,000           | 1,077              | 26,925,000           | —                                     | —                    | —                  | —           |
| <b>Total</b>          | <b>1,598</b>                          | <b>\$ 39,950,000</b> | <b>2,153</b>       | <b>\$ 53,825,000</b> | <b>2,780</b>                          | <b>\$ 69,500,000</b> | <b>—</b>           | <b>\$ —</b> |

|                       | Insured California Dividend Advantage (NKL) |                       |                    |                     |
|-----------------------|---|-----------------------|--------------------|---------------------|
|                       | Year Ended 2/29/12                          |                       | Year Ended 2/28/11 |                     |
|                       | Shares                                      | Amount                | Shares             | Amount              |
| <b>ARPS redeemed:</b> |   |                       |                    |                     |
| Series T              | 2,075                                       | \$ 51,875,000         | 90                 | \$ 2,250,000        |
| Series F              | 2,075                                       | 51,875,000            | 90                 | 2,250,000           |
| <b>Total</b>          | <b>4,150</b>                                | <b>\$ 103,750,000</b> | <b>180</b>         | <b>\$ 4,500,000</b> |

Transactions in MTP Shares were as follows:

|                           | California Premium Income (NCU) |             |                    |                      | California Dividend Advantage 2 (NVX) |                      |                    |                      |
|---------------------------|---------------------------------|-------------|--------------------|----------------------|---------------------------------------|----------------------|--------------------|----------------------|
|                           | Year Ended 2/29/12              |             | Year Ended 2/28/11 |                      | Year Ended 2/29/12                    |                      | Year Ended 2/28/11 |                      |
|                           | Shares                          | Amount      | Shares             | Amount               | Shares                                | Amount               | Shares             | Amount               |
| <b>MTP Shares issued:</b> |                                 |             |                    |                      |                                       |                      |                    |                      |
| Series 2014               | —                               | \$ —        | —                  | \$ —                 | 4,284,630                             | \$ 42,846,300        | —                  | \$ —                 |
| Series 2015               | —                               | —           | 3,525,000          | 35,250,000           | —                                     | —                    | 5,500,000          | 55,000,000           |
| <b>Total</b>              | <b>—</b>                        | <b>\$ —</b> | <b>3,525,000</b>   | <b>\$ 35,250,000</b> | <b>4,284,630</b>                      | <b>\$ 42,846,300</b> | <b>5,500,000</b>   | <b>\$ 55,000,000</b> |

|                           | California Dividend Advantage 3 (NZH) |                      |                    |             |
|---------------------------|---------------------------------------|----------------------|--------------------|-------------|
|                           | Year Ended 2/29/12                    |                      | Year Ended 2/28/11 |             |
|                           | Shares                                | Amount               | Shares             | Amount      |
| <b>MTP Shares issued:</b> |                                       |                      |                    |             |
| Series 2014               | 2,700,000                             | \$ 27,000,000        | —                  | \$ —        |
| Series 2014-1             | 4,629,450                             | 46,294,500           | —                  | —           |
| <b>Total</b>              | <b>7,329,450</b>                      | <b>\$ 73,294,500</b> | <b>—</b>           | <b>\$ —</b> |

Transactions in VRDP Shares were as follows:

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|                                       | Insured California<br>Premium Income (NPC) |        |                       |               | Insured California<br>Premium Income 2 (NCL) |        |                       |               |
|---------------------------------------|--|--------|-----------------------|---------------|--|--------|-----------------------|---------------|
|                                       | Year Ended<br>2/29/12                      |        | Year Ended<br>2/28/11 |               | Year Ended<br>2/29/12                        |        | Year Ended<br>2/28/11 |               |
|                                       | Shares                                     | Amount | Shares                | Amount        | Shares                                       | Amount | Shares                | Amount        |
| VRDP<br>Shares<br>issued:<br>Series 1 | —  | \$ —   | 427                   | \$ 42,700,000 | —  | \$ —   | 740                   | \$ 74,000,000 |

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Financial Statements (continued)

|                           | California<br>Dividend Advantage (NAC) |                |                       |        | Insured California<br>Dividend Advantage (NKL) |                |                       |        |
|---------------------------|--|----------------|-----------------------|--------|--|----------------|-----------------------|--------|
|                           | Year Ended<br>2/29/12                  |                | Year Ended<br>2/28/11 |        | Year Ended<br>2/29/12                          |                | Year Ended<br>2/28/11 |        |
|                           | Shares                                 | Amount         | Shares                | Amount | Shares   | Amount         | Shares                | Amount |
| VRDP<br>Shares<br>issued: |  |                |                       |        |  |                |                       |        |
| Series 1                  | 1,362                                  | \$ 136,200,000 | —                     | —      | 1,044  | \$ 104,400,000 | —                     | —      |

## 5. Investment Transactions

Purchases and sales (including maturities but excluding short-term investments and derivative transactions, where applicable) during the fiscal year ended February 29, 2012, were as follows:

|                      | Insured<br>California<br>Premium<br>Income<br>(NPC) | Insured<br>California<br>Premium<br>Income 2<br>(NCL) | California<br>Premium<br>Income<br>(NCU) | California<br>Dividend<br>Advantage<br>(NAC) |
|----------------------|---|---|--|--|
| Purchases            | \$ 12,983,889                                       | \$ 12,024,117   | \$ 16,847,836                            | \$ 62,499,012                                |
| Sales and maturities | 18,528,716  | 16,165,459  | 19,281,830                               | 64,252,705                                   |

  

|                      | California<br>Dividend<br>Advantage 2<br>(NVX) | California<br>Dividend<br>Advantage 3<br>(NZH) | Insured<br>California<br>Dividend<br>Advantage<br>(NKL) | Insured<br>California<br>Tax-Free<br>Advantage<br>(NKX) |
|----------------------|--|--|---|---|
| Purchases            | \$ 36,098,754                                  | \$ 81,633,691                                  | \$ 43,559,316   | \$ 7,965,183  |
| Sales and maturities | 38,147,419                                     | 83,209,836                                     | 46,057,683  | 7,893,115   |

## 6. Income Tax Information

The following information is presented on an income tax basis. Differences between amounts for financial statement and federal income tax purposes are primarily due to timing differences in recognizing taxable market discount, timing differences in recognizing certain gains and losses on investment transactions and the treatment of investments in inverse floating rate securities reflected as financing transactions, if any. To the extent that differences arise that are permanent in nature, such amounts are reclassified within the capital accounts as detailed below. Temporary differences do not require reclassification. Temporary and permanent differences do not impact the net asset values of the Funds.

At February 29, 2012, the cost and unrealized appreciation (depreciation) of investments (excluding investments in derivatives), as determined on a federal income tax basis, were as follows:

| Insured<br>California<br>Premium<br>Income | Insured<br>California<br>Premium<br>Income 2 | California<br>Premium<br>Income | California<br>Dividend<br>Advantage |
|--|--|---------------------------------|-------------------------------------|
|--|--|---------------------------------|-------------------------------------|

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|  | (NPC)          | (NCL)          | (NCU)          | (NAC)          |
|--|----------------|----------------|----------------|----------------|
| Cost of investments  | \$ 126,528,290 | \$ 245,024,969 | \$ 108,875,141 | \$ 455,349,270 |
| Gross unrealized:  |                |                |                |                |
| Appreciation   | \$ 11,907,834  | \$ 17,458,674  | \$ 10,350,251  | \$ 39,816,855  |
| Depreciation   | (387,998)      | (338,616)      | (586,753)      | (13,189,771)   |
| Net unrealized appreciation<br>(depreciation) of investments | \$ 11,519,836  | \$ 17,120,058  | \$ 9,763,498   | \$ 26,627,084  |

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|  | California<br>Dividend<br>Advantage 2<br>(NVX) | California<br>Dividend<br>Advantage 3<br>(NZH) | Insured<br>California<br>Dividend<br>Advantage<br>(NKL) | Insured<br>California<br>Tax-Free<br>Advantage<br>(NKX) |
|--|--|--|---|---|
| Cost of investments  | \$ 300,581,480                                 | \$ 463,612,399                                 | \$ 320,549,062  | \$ 116,755,749  |
| Gross unrealized:  |  |  |   |   |
| Appreciation   | \$ 24,871,158                                  | \$ 30,783,299                                  | \$ 27,128,588   | \$ 6,269,924  |
| Depreciation   | (7,115,399)                                    | (10,134,576)                                   | (4,160,520)   | (2,523,009)   |
| Net unrealized appreciation<br>(depreciation) of investments | \$ 17,755,759                                  | \$ 20,648,723                                  | \$ 22,968,068   | \$ 3,746,915  |

Permanent differences, primarily due to expiration of capital loss carryforwards, federal taxes paid, taxable market discount, nondeductible offering costs and nondeductible reorganization expenses, resulted in reclassifications among the Funds' components of Common share net assets at February 29, 2012, the Funds' tax year end, as follows:

|   | Insured<br>California<br>Premium<br>Income<br>(NPC) | Insured<br>California<br>Premium<br>Income 2<br>(NCL) | California<br>Premium<br>Income<br>(NCU) | California<br>Dividend<br>Advantage<br>(NAC) |
|---|---|---|--|--|
| Paid-in-surplus   | \$ (394,792)  | \$ (313,044)  | \$ (168,169)                             | \$ (12,769)                                  |
| Undistributed (Over-distribution of) net<br>investment income | 326,653   | 303,083   | 163,997                                  | (69,999)                                     |
| Accumulated net realized gain (loss)                          | 68,139  | 9,961   | 4,172                                    | 82,768                                       |

|   | California<br>Dividend<br>Advantage 2<br>(NVX) | California<br>Dividend<br>Advantage 3<br>(NZH) | Insured<br>California<br>Dividend<br>Advantage<br>(NKL) | Insured<br>California<br>Tax-Free<br>Advantage<br>(NKX) |
|---|--|--|---|---|
| Paid-in-surplus   | \$ (490,135)                                   | \$ (1,066,267)                                 | \$ (29,745)   | \$ (152,353)  |
| Undistributed (Over-distribution of) net<br>investment income | 487,003  | 730,602  | (53,141)  | 148,013   |
| Accumulated net realized gain (loss)                          | 3,132  | 335,665  | 82,886  | 4,340   |

The tax components of undistributed net tax-exempt income, net ordinary income and net long-term capital gains at February 29, 2012, the Funds' tax year end, were as follows:

|   | Insured<br>California<br>Premium<br>Income<br>(NPC) | Insured<br>California<br>Premium<br>Income 2<br>(NCL) | California<br>Premium<br>Income<br>(NCU) | California<br>Dividend<br>Advantage<br>(NAC) |
|---|---|---|--|--|
| Undistributed net tax-exempt income *     | \$ 1,963,940  | \$ 3,870,061  | \$ 1,798,508                             | \$ 8,081,307                                 |
| Undistributed net ordinary income **      | —   | 7,581   | —  | 49,220                                       |
| Undistributed net long-term capital gains | 490,487   | —   | —  | —  |

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|   | California<br>Dividend<br>Advantage 2<br>(NVX) | California<br>Dividend<br>Advantage 3<br>(NZH) | California<br>Dividend<br>Advantage<br>(NKL) | California<br>Tax-Free<br>Advantage<br>(NKX) |
|---|--|--|--|--|
| Undistributed net tax-exempt income *     | \$ 4,680,509                                   | \$ 4,535,787                                   | \$ 5,438,634                                 | \$ 1,584,639                                 |
| Undistributed net ordinary income **      | 50,953   | 50,691   | —  | —  |
| Undistributed net long-term capital gains | —  | —  | 394,520                                      | —  |

\* Undistributed net tax-exempt income (on a tax basis) has not been reduced for the dividend declared on February 1, 2012, paid on March 1, 2012.

\*\* Net ordinary income consists of taxable market discount income and net short-term capital gains, if any.

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The tax character of distributions paid during the Funds' tax years ended February 29, 2012 and February 28, 2011, was designated for purposes of the dividends paid deduction as follows:

|  | Insured<br>California<br>Premium<br>Income<br>(NPC) | Insured<br>California<br>Premium<br>Income 2<br>(NCL) | California<br>Premium<br>Income<br>(NCU)                | California<br>Dividend<br>Advantage<br>(NAC)            |
|--|---|---|---|---|
| 2012   |   |   |   |   |
| Distributions from net tax-exempt income***        | \$ 5,740,015  | \$ 11,401,551   | \$ 5,690,713  | \$ 21,712,743   |
| Distributions from net ordinary income**           | 154,979   | 149,438   | —   | 105,661   |
| Distributions from net long-term capital gains**** | 502,357   | —   | —   | —   |
|  |   |   | Insured<br>California<br>Dividend<br>Advantage<br>(NKL) | Insured<br>California<br>Tax-Free<br>Advantage<br>(NKX) |
| 2012   | California<br>Dividend<br>Advantage 2<br>(NVX)      | California<br>Dividend<br>Advantage 3<br>(NZH)        |   |   |
| Distributions from net tax-exempt income***        | \$ 16,164,056                                       | \$ 25,521,629   | \$ 15,045,390   | \$ 4,948,448  |
| Distributions from net ordinary income**           | —   | —   | 80,899  | —   |
| Distributions from net long-term capital gains**** | —   | —   | —   | —   |
|  |   |   | Insured<br>California<br>Premium<br>Income<br>(NPC)     | Insured<br>California<br>Premium<br>Income 2<br>(NCL)   |
| 2011   |   |   | California<br>Premium<br>Income<br>(NCU)                | California<br>Dividend<br>Advantage<br>(NAC)            |
| Distributions from net tax-exempt income           | \$ 5,686,773  | \$ 11,251,372   | \$ 5,256,853  | \$ 21,325,264   |
| Distributions from net ordinary income**           | —   | —   | —   | —   |
| Distributions from net long-term capital gains     | 180,380   | —   | —   | —   |
|  |   |   | Insured<br>California<br>Dividend<br>Advantage<br>(NKL) | Insured<br>California<br>Tax-Free<br>Advantage<br>(NKX) |
| 2011   | California<br>Dividend<br>Advantage 2<br>(NVX)      | California<br>Dividend<br>Advantage 3<br>(NZH)        |   |   |
| Distributions from net tax-exempt income           | \$ 14,738,103                                       | \$ 24,545,542   | \$ 14,593,850   | \$ 4,850,289  |

|  |   |   |   |   |
|--|---|---|---|---|
| Distributions from net ordinary income         | — | — | — | — |
| **   |   |   |   |   |
| Distributions from net long-term capital gains | — | — | — | — |

\*\* Net ordinary income consists of taxable market discount income and net short-term capital gains, if any.

\*\*\* The Funds hereby designate these amounts paid during the fiscal year ended February 29, 2012, as Exempt Interest Dividends.

\*\*\*\* The Funds designated as a long-term capital gain dividend, pursuant to the Internal Revenue Code Section 852(b)(3), the amount necessary to reduce earnings and profits of the Funds related to net capital gain to zero for the tax year ended February 29, 2012.

At February 29, 2012, the Funds' tax year end, the following Funds had unused capital loss carryforwards available for federal income tax purposes to be applied against future capital gains, if any. If not applied, the carryforwards will expire as follows:

|                   | Insured<br>California<br>Premium<br>Income 2<br>(NCL) | California<br>Premium<br>Income<br>(NCU) | California<br>Dividend<br>Advantage<br>(NAC) | California<br>Dividend<br>Advantage<br>2<br>(NVX) | California<br>Dividend<br>Advantage 3<br>(NZH) | Insured<br>California<br>Tax-Free<br>Advantage<br>(NKX) |
|-------------------|---|--|--|---|--|---|
| Expiration:       |   |  |  |   |  |   |
| February 29, 2016 | \$ —  | \$ —                                     | \$ —   | \$ —  | 3,869,938                                      | \$ —  |
| February 28, 2017 | —   | 59,969                                   | 10,106,897                                   | —   | 4,536,999                                      | 451,000   |
| February 28, 2018 | 1,035,810   | 881,108                                  | 731,149                                      | 705,843   | 10,646,251                                     | 530,894   |
| February 28, 2019 | —   | —  | —  | —   | 1,340,157                                      | —   |
| Total             | \$ 1,035,810  | \$ 941,077                               | \$ 10,838,046                                | \$ 705,843  | \$ 20,393,345                                  | \$ 981,894  |

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During the Funds' tax year ended February 29, 2012, the following Funds utilized capital loss carryforwards as follows:

|                                     |    | Insured<br>California<br>Premium<br>Income 2<br>(NCL) |    | Insured<br>California<br>Dividend<br>Advantage<br>(NKL) |    | Insured<br>California<br>Tax-Free<br>Advantage<br>(NKX) |
|-------------------------------------|----|---|----|---|----|---|
| Utilized capital loss carryforwards | \$ | 408,471   | \$ | 1,350,995   | \$ | 34,298  |

At February 29, 2012, the Funds' tax year end, \$323,840 of California Dividend Advantage 3's (NZH) capital loss carryforward expired.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Act") was enacted, which changed various technical rules governing the tax treatment of RICs. The changes are generally effective for taxable years beginning after the date of enactment. One of the more prominent changes addresses capital loss carryforwards. Under the Act, each Fund will be permitted to carry forward capital losses incurred in taxable years beginning after the date of enactment for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years, which carry an expiration date. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital loss carryforwards will retain their character as either short-term or long-term capital losses rather than being considered all short-term as permitted under previous regulation.

The Act also contains several provisions aimed at preserving the character of distributions made by a fiscal year RIC during the portion of its taxable year ending after October 31 or December 31, reducing the circumstances under which a RIC might be required to file amended Forms 1099 to restate previously reported distributions. Capital losses incurred that will be carried forward under the provisions of the Act are as follows:

|                       |    | California<br>Premium<br>Income<br>(NCU) |    | California<br>Dividend<br>Advantage<br>(NAC) |    | California<br>Dividend<br>Advantage 2<br>(NVX) |    | California<br>Dividend<br>Advantage 3<br>(NZH) |
|-----------------------|----|--|----|--|----|--|----|--|
| Post-enactment losses |    |  |    |  |    |  |    |  |
| Short-term            | \$ | —  | \$ | —  | \$ | —  | \$ | —  |
| Long-term             |    | 1,569                                    |    | 5,081,879                                    |    | 345,491  |    | 1,853,006                                      |

The Funds have elected to defer losses incurred from November 1, 2011 through February 29, 2012, the Funds' tax year end, in accordance with federal income tax rules. These losses are treated as having arisen on the first day of the following fiscal year. The following Funds have elected to defer losses as follows:

|                             |    | California<br>Premium<br>Income<br>(NCU) |    | California<br>Dividend<br>Advantage<br>(NAC) |    | California<br>Dividend<br>Advantage 2<br>(NVX) |    | California<br>Dividend<br>Advantage 3<br>(NZH) |
|-----------------------------|----|--|----|--|----|--|----|--|
| Post-October capital losses | \$ | 72,731                                   | \$ | 2,438,655                                    | \$ | 808,072  | \$ | 3,922,013                                      |
| Late-year ordinary losses   |    | —  |    | —  |    | —  |    | —  |

7. Management Fees and Other Transactions with Affiliates

Each Fund's management fee consists of two components – a fund-level fee, based only on the amount of assets within the Fund, and a complex-level fee, based on the aggregate amount of all eligible fund assets managed by the Adviser. This pricing structure enables Fund shareholders to benefit from growth in the assets within their respective Fund as well as from growth in the amount of complex-wide assets managed by the Adviser.

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Notes to  
Financial Statements (continued)

The annual fund-level fee for each Fund, payable monthly, is calculated according to the following schedules:

| Average Daily Managed Assets*       | Insured California Premium Income (NPC)<br>Insured California Premium Income 2 (NCL)<br>California Premium Income (NCU)<br>Fund-Level Fee Rate |
|-------------------------------------|--|
| For the first \$125 million         | .4500%   |
| For the next \$125 million          | .4375  |
| For the next \$250 million          | .4250  |
| For the next \$500 million          | .4125  |
| For the next \$1 billion            | .4000  |
| For the next \$3 billion            | .3875  |
| For managed assets over \$5 billion | .3750  |

| Average Daily Managed Assets*       | California Dividend Advantage (NAC)<br>California Dividend Advantage 2 (NVX)<br>California Dividend Advantage 3 (NZH)<br>Insured California Dividend Advantage (NKL)<br>Insured California Tax-Free Advantage (NKX)<br>Fund-Level Fee Rate |
|-------------------------------------|--|
| For the first \$125 million         | .4500%   |
| For the next \$125 million          | .4375  |
| For the next \$250 million          | .4250  |
| For the next \$500 million          | .4125  |
| For the next \$1 billion            | .4000  |
| For managed assets over \$2 billion | .3750  |

The annual complex-level fee for each Fund, payable monthly, is calculated according to the following schedule:

| Complex-Level Managed Asset Breakpoint Level* | Effective Rate at Breakpoint Level |
|---|------------------------------------|
| \$55 billion                                  | .2000%                             |
| \$56 billion                                  | .1996                              |
| \$57 billion                                  | .1989                              |
| \$60 billion                                  | .1961                              |
| \$63 billion                                  | .1931                              |
| \$66 billion                                  | .1900                              |
| \$71 billion                                  | .1851                              |
| \$76 billion                                  | .1806                              |
| \$80 billion                                  | .1773                              |
| \$91 billion                                  | .1691                              |
| \$125 billion                                 | .1599                              |
| \$200 billion                                 | .1505                              |
| \$250 billion                                 | .1469                              |
| \$300 billion                                 | .1445                              |

\*

For the fund-level and complex-level fees, managed assets include closed-end fund assets managed by the Adviser that are attributable to financial leverage. For these purposes, financial leverage includes the funds' use of preferred stock and borrowings and certain investments in the residual interest certificates (also called inverse floating rate securities) in tender option bond (TOB) trusts, including the portion of assets held by a TOB trust that has been effectively financed by the trust's issuance of floating rate securities, subject to an agreement by the Adviser as to certain funds to limit the amount of such assets for determining managed assets in certain circumstances. The complex-level fee is calculated based upon the aggregate daily managed assets of all Nuveen Funds that constitute "eligible assets." Eligible assets do not include assets attributable to investments in other Nuveen Funds and assets in excess of \$2 billion added to the Nuveen Fund complex in connection with the Adviser's assumption of the management of the former First American Funds effective January 1, 2011. As of February 29, 2012, the complex-level fee rate for these Funds was .1724%.

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The management fee compensates the Adviser for overall investment advisory and administrative services and general office facilities. The Adviser is responsible for each Fund's overall investment strategy and asset allocation decisions. The Adviser has entered into sub-advisory agreements with Nuveen Asset Management, LLC (the "Sub-Adviser"), a wholly-owned subsidiary of the Adviser, under which the Sub-Adviser manages the investment portfolios of the Funds. The Sub-Adviser is compensated for its services to the Funds from the management fees paid to the Adviser.

The Funds pay no compensation directly to those of its directors/trustees who are affiliated with the Adviser or to its officers, all of whom receive remuneration for their services to the Funds from the Adviser or its affiliates. The Board of Directors/Trustees has adopted a deferred compensation plan for independent directors/trustees that enables directors/trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from certain Nuveen-advised funds. Under the plan, deferred amounts are treated as though equal dollar amounts had been invested in shares of select Nuveen-advised funds.

For the first ten years of California Dividend Advantage 2's (NVX) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily managed assets, for fees and expenses in the amounts and for the time periods set forth below:

| Year Ending<br>March 31, |      | Year Ending<br>March 31, |      |
|--------------------------|------|--------------------------|------|
| 2001*                    | .30% | 2007                     | .25% |
| 2002                     | .30  | 2008                     | .20  |
| 2003                     | .30  | 2009                     | .15  |
| 2004                     | .30  | 2010                     | .10  |
| 2005                     | .30  | 2011                     | .05  |
| 2006                     | .30  |                          |      |

\* From the commencement of operations.

The Adviser has not agreed to reimburse California Dividend Advantage 2 (NVX) for any portion of its fees and expenses beyond March 31, 2011. For the first ten years of California Dividend Advantage 3's (NZH) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily managed assets, for fees and expenses in the amounts and for the time periods set forth below:

| Year Ending<br>September 30, |      | Year Ending<br>September 30, |      |
|------------------------------|------|------------------------------|------|
| 2001*                        | .30% | 2007                         | .25% |
| 2002                         | .30  | 2008                         | .20  |
| 2003                         | .30  | 2009                         | .15  |
| 2004                         | .30  | 2010                         | .10  |
| 2005                         | .30  | 2011                         | .05  |
| 2006                         | .30  |                              |      |

\* From the commencement of operations.

The Adviser has not agreed to reimburse California Dividend Advantage 3 (NZH) for any portion of its fees and expenses beyond September 30, 2011.

For the first ten years of Insured California Dividend Advantage's (NKL) operations, the Adviser has agreed to reimburse the Fund, as a percentage of average daily managed assets, for fees and expenses in the amounts and for the

time periods set forth below:

| Year Ending<br>March 31, |      | Year Ending<br>March 31, |      |
|--------------------------|------|--------------------------|------|
| 2002*                    | .30% | 2008                     | .25% |
| 2003                     | .30  | 2009                     | .20  |
| 2004                     | .30  | 2010                     | .15  |
| 2005                     | .30  | 2011                     | .10  |
| 2006                     | .30  | 2012                     | .05  |
| 2007                     | .30  |                          |      |

\* From the commencement of operations.

The Adviser has not agreed to reimburse Insured California Dividend Advantage (NKL) for any portion of its fees and expenses beyond March 31, 2012.

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Notes to  
Financial Statements (continued)

8. New Accounting Pronouncements

Fair Value Measurements and Disclosures

On May 12, 2011, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (“ASU”) No. 2011-04 (“ASU No. 2011-04”) modifying Topic 820, Fair Value Measurements and Disclosures. At the same time, the International Accounting Standards Board (“IASB”) issued International Financial Reporting Standard (“IFRS”) 13, Fair Value Measurement. The objective of the FASB and IASB is convergence of their guidance on fair value measurements and disclosures. Specifically, ASU No. 2011-04 requires reporting entities to disclose i) the amounts of any transfers between Level 1 and Level 2 and the reasons for the transfers and ii) for Level 3 fair value measurements, a) quantitative information about significant unobservable inputs used, b) a description of the valuation processes used by the reporting entity and c) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs might result in a significantly higher or lower fair value measurement. The effective date of ASU No. 2011-04 is for interim and annual periods beginning after December 15, 2011. At this time, management is evaluating the implications of this guidance and the impact it will have to the financial statement amounts and footnote disclosures, if any.

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## Board Members &amp; Officers (Unaudited)

The management of the Funds, including general supervision of the duties performed for the Funds by the Adviser, is the responsibility of the board members of the Funds. The number of board members of the Funds is currently set at ten. None of the board members who are not “interested” persons of the Funds (referred to herein as “independent board members”) has ever been a director or employee of, or consultant to, Nuveen or its affiliates. The names and business addresses of the board members and officers of the Funds, their principal occupations and other affiliations during the past five years, the number of portfolios each oversees and other directorships they hold are set forth below.

| Name,<br>Birthdate<br>& Address | Position(s)<br>Held with the<br>Funds | Year First<br>Elected or<br>Appointed<br>and<br>Term(1) | Principal<br>Occupation(s)<br>including other<br>Directorships<br>During Past 5 Years | Number<br>of Portfolios<br>in Fund<br>Complex<br>Overseen by<br>Board Member |
|---------------------------------|---------------------------------------|---|---|--|
|---------------------------------|---------------------------------------|---|---|--|

## Independent Board Members:

|   |   |                   |   |     |
|---|---|-------------------|---|-----|
| ROBERT P.<br>BREMNER<br>8/22/40<br>333 W. Wacker<br>Drive<br>Chicago, IL<br>60606 | Chairman of<br>the Board<br>and Board<br>Member | 1996<br>Class III | Private Investor and Management<br>Consultant; Treasurer and Director,<br>Humanities Council of Washington,<br>D.C.; Board Member, Independent<br>Directors Council affiliated with the<br>Investment Company Institute.  | 235 |
| JACK B.<br>EVANS<br>10/22/48<br>333 W. Wacker<br>Drive<br>Chicago, IL<br>60606    | Board<br>Member                                 | 1999<br>Class III | President, The Hall-Perrine<br>Foundation, a private philanthropic<br>corporation (since 1996); Director<br>and Chairman, United Fire Group, a<br>publicly held company; member of<br>the Board of Regents for the State of<br>Iowa University System; Director,<br>Source Media Group; Life Trustee of<br>Coe College and the Iowa College<br>Foundation; formerly, Director,<br>Alliant Energy; formerly, Director,<br>Federal Reserve Bank of Chicago;<br>formerly, President and Chief<br>Operating Officer, SCI Financial<br>Group, Inc., a regional financial<br>services firm. | 235 |
| WILLIAM C.<br>HUNTER<br>3/6/48  | Board<br>Member                                 | 2004<br>Class I   | Dean, Tippie College of Business,<br>University of Iowa (since 2006);<br>Director (since 2004) of Xerox<br>Corporation; Director (since 2005),  | 235 |



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333 W. Wacker  
Drive  
Chicago, IL  
60606

Beta Gamma Sigma International Honor Society; Director of Wellmark, Inc. (since 2009); formerly, Dean and Distinguished Professor of Finance, School of Business at the University of Connecticut (2003-2006); previously, Senior Vice President and Director of Research at the Federal Reserve Bank of Chicago (1995-2003); formerly, Director (1997-2007), Credit Research Center at Georgetown University.

DAVID J.  
KUNDERT  
10/28/42  
333 W. Wacker  
Drive  
Chicago, IL  
60606

Board  
Member 2005  
Class II

Director, Northwestern Mutual Wealth Management Company; retired (since 2004) as Chairman, JPMorgan Fleming Asset Management, President and CEO, Banc One Investment Advisors Corporation, and President, One Group Mutual Funds; prior thereto, Executive Vice President, Banc One Corporation and Chairman and CEO, Banc One Investment Management Group; Member, Board of Regents, Luther College; member of the Wisconsin Bar Association; member of Board of Directors, Friends of Boerner Botanical Gardens; member of Board of Directors and Chair of Investment Committee, Greater Milwaukee Foundation.

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WILLIAM J.  
SCHNEIDER  
9/24/44  
333 W. Wacker  
Drive  
Chicago, IL  
60606

Board  
Member 1996  
Class III

Chairman of Miller-Valentine Partners Ltd., a real estate investment company; formerly, Senior Partner and Chief Operating Officer (retired 2004) of Miller-Valentine Group; member, University of Dayton Business School Advisory Council; member, Mid-America Health System Board; formerly, member and chair, Dayton Philharmonic Orchestra Association; formerly, member, Business Advisory Council, Cleveland Federal Reserve Bank.

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Board Members & Officers (Unaudited) (continued)

| Name,<br>Birthdate<br>& Address | Position(s)<br>Held<br>with the<br>Funds | Year First<br>Elected or<br>Appointed<br>and<br>Term(1) | Principal<br>Occupation(s)<br>Including other<br>Directorships<br>During Past 5 Years | Number<br>of Portfolios<br>in Fund<br>Complex<br>Overseen by<br>Board Member |
|---------------------------------|--|---|---|--|
|---------------------------------|--|---|---|--|

Independent Board Members:

|  |                 |                 |  |     |
|--|-----------------|-----------------|--|-----|
| JUDITH M.<br>STOCKDALE<br>12/29/47<br>333 W. Wacker<br>Drive<br>Chicago, IL<br>60606 | Board<br>Member | 1997<br>Class I | Executive Director, Gaylord and Dorothy Donnelley Foundation (since 1994); prior thereto, Executive Director, Great Lakes Protection Fund (1990-1994). | 235 |
|--|-----------------|-----------------|--|-----|

|   |                 |                 |  |     |
|---|-----------------|-----------------|--|-----|
| CAROLE E.<br>STONE<br>6/28/47<br>333 W. Wacker<br>Drive<br>Chicago, IL<br>60606 | Board<br>Member | 2007<br>Class I | Director, Chicago Board Options Exchange (since 2006); Director, C2 Options Exchange, Incorporated (since 2009); formerly, Commissioner, New York State Commission on Public Authority Reform (2005-2010); formerly, Chair, New York Racing Association Oversight Board (2005-2007). | 235 |
|---|-----------------|-----------------|--|-----|

|  |                 |      |  |     |
|--|-----------------|------|--|-----|
| VIRGINIA L.<br>STRINGER<br>8/16/44<br>333 W. Wacker<br>Drive<br>Chicago, IL<br>60606 | Board<br>Member | 2011 | Board Member, Mutual Fund Directors Forum; Member, Governing Board, Investment Company Institute's Independent Directors Council; governance consultant and non-profit board member; former Owner and President, Strategic Management Resources, Inc. a management consulting firm; previously, held several executive positions in general management, marketing and human resources at IBM and The Pillsbury Company; Independent Director, First American Fund Complex (1987-2010) and Chair (1997-2010). | 235 |
|--|-----------------|------|--|-----|

|                               |  |      |   |     |
|-------------------------------|--|------|---|-----|
| TERENCE J.<br>TOTH<br>9/29/59 |  | 2008 | Director, Legal & General Investment Management America, Inc. (since 2008); Managing Partner, | 235 |
|-------------------------------|--|------|---|-----|

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|  |                         |                 |   |
|--|-------------------------|-----------------|---|
| <p>333 W. Wacker<br/>Drive<br/>Chicago, IL<br/>60606</p> | <p>Board<br/>Member</p> | <p>Class II</p> | <p>Promus Capital (since 2008);formerly, CEO and President, Northern Trust Global Investments (2004-2007); Executive Vice President, Quantitative Management &amp; Securities Lending (2000-2004); prior thereto, various positions with Northern Trust Company (since 1994); member: Goodman Theatre Board (since 2004), Chicago Fellowship Board (since 2005) and Catalyst Schools of Chicago Board (since 2008); formerly, member: Northern Trust Mutual Funds Board (2005-2007),Northern Trust Global Investments Board (2004-2007), Northern Trust Japan Board (2004-2007), Northern Trust Securities Inc. Board (2003-2007) and Northern Trust Hong Kong Board (1997-2004).</p> |
|--|-------------------------|-----------------|---|

Interested Board Member:

|   |                         |                          |  |            |
|---|-------------------------|--------------------------|--|------------|
| <p>JOHN P.<br/>AMBOIAN(2)<br/>6/14/61<br/>333 W. Wacker<br/>Drive<br/>Chicago, IL<br/>60606</p> | <p>Board<br/>Member</p> | <p>2008<br/>Class II</p> | <p>Chief Executive Officer and Chairman (since 2007) and Director (since 1999) of Nuveen Investments, Inc., formerly, President (1999-2007);Chief Executive Officer (since 2007) of Nuveen Investments Advisers, Inc.; Director (since 1998) formerly, Chief Executive Officer (2007-2010) of Nuveen Fund Advisers, Inc.</p> | <p>235</p> |
|---|-------------------------|--------------------------|--|------------|

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| Name,<br>Birthdate<br>and Address | Position(s)<br>Held<br>with the Funds | Year First<br>Elected or<br>Appointed(3) | Principal<br>Occupation(s)<br>During Past 5 Years | Number<br>of Portfolios<br>in Fund<br>Complex<br>Overseen by<br>Officer |
|-----------------------------------|---------------------------------------|--|---|---|
|-----------------------------------|---------------------------------------|--|---|---|

Officers of the Funds:

|   |                                    |      |   |     |
|---|------------------------------------|------|---|-----|
| GIFFORD R.<br>ZIMMERMAN<br>9/9/56<br>333 W. Wacker<br>Drive<br>Chicago, IL<br>60606 | Chief<br>Administrative<br>Officer | 1988 | Managing Director (since 2002),<br>Assistant Secretary and Associate<br>General Counsel of Nuveen<br>Securities, LLC; Managing Director<br>(since 2004) and Assistant Secretary<br>(since 1994) of Nuveen Investments,<br>Inc.; Managing Director (since 2002),<br>Assistant Secretary (since 1997) and<br>Co-General Counsel (since 2011) of<br>Nuveen Fund Advisors, Inc.;<br>Managing Director, Assistant<br>Secretary and Associate General<br>Counsel of Nuveen Asset<br>Management, LLC (since<br>2011); Managing Director, Associate<br>General Counsel and Assistant<br>Secretary, of Symphony Asset<br>Management LLC (since 2003); Vice<br>President and Assistant Secretary of<br>NWQ Investment Management<br>Company, LLC (since 2002), Nuveen<br>Investments Advisers Inc. (since<br>2002), Santa Barbara Asset<br>Management, LLC (since 2006), and<br>of Winslow Capital Management Inc.<br>(since 2010) Chief Administrative<br>Officer and Chief Compliance<br>Officer (since 2010) of Nuveen<br>Commodities Asset Management,<br>LLC; Chartered Financial Analyst. | 235 |
| WILLIAM<br>ADAMS IV<br>6/9/55<br>333 W. Wacker<br>Drive<br>Chicago, IL<br>60606     | Vice President                     | 2007 | Senior Executive Vice President,<br>Global Structured Products (since<br>2010), formerly, Executive Vice<br>President (1999-2010) of Nuveen<br>Securities, LLC; Co-President of<br>Nuveen Fund Advisors, Inc. (since<br>2011); formerly, Managing Director<br>(2010-2011) of Nuveen Commodities<br>Asset Management, LLC.   | 133 |

|  |   |   |            |
|--|---|---|------------|
| <p>CEDRIC H.<br/>ANTOSIEWICZ<br/>1/11/62<br/>333 W. Wacker<br/>Drive<br/>Chicago, IL<br/>60606</p> | <p>Vice President 2007</p>                    | <p>Managing Director of Nuveen<br/>Securities, LLC.</p>   | <p>133</p> |
| <p>MARGO L.<br/>COOK<br/>4/11/64<br/>333 W. Wacker<br/>Drive<br/>Chicago, IL<br/>60606</p>         | <p>Vice President 2009</p>                    | <p>Executive Vice President (since<br/>2008) of Nuveen Investments, Inc.<br/>and of Nuveen Fund Advisors, Inc.<br/>(since 2011); Managing<br/>Director-Investment Services of<br/>Nuveen Commodities Asset<br/>Management, LLC (since August<br/>2011), previously, Head of<br/>Institutional Asset Management<br/>(2007-2008) of Bear Stearns Asset<br/>Management; Head of Institutional<br/>Asset Management (1986-2007)of<br/>Bank of NY Mellon; Chartered<br/>Financial Analyst.</p> | <p>235</p> |
| <p>LORNA C.<br/>FERGUSON<br/>10/24/45<br/>333 W. Wacker<br/>Drive<br/>Chicago, IL<br/>60606</p>    | <p>Vice President 1998</p>                    | <p>Managing Director (since 2005) of<br/>Nuveen Fund Advisors, Inc. and<br/>Nuveen Securities, LLC (since 2004).</p>  | <p>235</p> |
| <p>STEPHEN D.<br/>FOY<br/>5/31/54<br/>333 W. Wacker<br/>Drive<br/>Chicago, IL<br/>60606</p>        | <p>Vice President 1998<br/>and Controller</p> | <p>Senior Vice President (since 2010),<br/>formerly, Vice President (2005-2010)<br/>and Funds Controller of Nuveen<br/>Securities, LLC; Vice President of<br/>Nuveen Fund Advisors, Inc.; Chief<br/>Financial Officer of Nuveen<br/>Commodities Asset Management,<br/>LLC; (since 2010) Certified Public<br/>Accountant.</p>  | <p>235</p> |

## Board Members &amp; Officers (Unaudited) (continued)

| Name,<br>Birthdate<br>and Address | Position(s)<br>Held<br>with the<br>Funds | Year First<br>Elected or<br>Appointed(3) | Principal<br>Occupation(s)<br>During Past 5 Years | Number<br>of Portfolios<br>in Fund<br>Complex<br>Overseen<br>by Officer |
|-----------------------------------|--|--|---|---|
|-----------------------------------|--|--|---|---|

## Officers of the Funds:

|   |   |      |  |     |
|---|---|------|--|-----|
| SCOTT S.<br>GRACE<br>8/20/70<br>333 W. Wacker<br>Drive<br>Chicago, IL<br>60606  | Vice<br>President<br>and Treasurer                      | 2009 | Managing Director, Corporate<br>Finance & Development, Treasurer<br>(since 2009) of Nuveen Securities,<br>LLC; Managing Director and<br>Treasurer (since 2009) of Nuveen<br>Fund Advisors, Inc., Nuveen<br>Investment Solutions, Inc., Nuveen<br>Investments Advisers, Inc., Nuveen<br>Investments Holdings Inc. and (since<br>2011) Nuveen Asset Management,<br>LLC; Vice President and Treasurer<br>of NWQ Investment Management<br>Company, LLC, Tradewinds Global<br>Investors, LLC, Symphony Asset<br>Management LLC and Winslow<br>Capital Management, Inc.; Vice<br>President of Santa Barbara Asset<br>Management, LLC; formerly,<br>Treasurer (2006-2009), Senior Vice<br>President (2008-2009), previously,<br>Vice President (2006-2008) of Janus<br>Capital Group, Inc.; formerly, Senior<br>Associate in Morgan Stanley's Global<br>Financial Services Group<br>(2000-2003); Chartered Accountant<br>Designation. | 235 |
| WALTER M.<br>KELLY<br>2/24/70<br>333 W. Wacker<br>Drive<br>Chicago, IL<br>60606 | Chief<br>Compliance<br>Officer and<br>Vice<br>President | 2003 | Senior Vice President (since 2008)<br>and Assistant Secretary (since 2003)<br>of Nuveen Fund Advisors, Inc.  | 235 |
| TINA M.<br>LAZAR<br>8/27/61   |   | 2002 | Senior Vice President (since 2010),<br>formerly, Vice President<br>(2005-2010) of Nuveen Fund  | 235 |

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333 W. Wacker  
Drive  
Chicago, IL  
60606

Vice  
President

Advisors, Inc.

KEVIN J.  
MCCARTHY  
3/26/66  
333 W. Wacker  
Drive  
Chicago, IL  
60606

Vice  
President 2007  
and Secretary

Managing Director (since 2008),  
formerly, Vice President  
(2007-2008), Nuveen Securities, 235  
LLC; Managing Director (since  
2008), Assistant Secretary (since  
2007) and Co-General Counsel  
(since 2011) of Nuveen Fund  
Advisors, Inc.; Managing Director,  
Assistant Secretary and Associate  
General Counsel (since 2011) of  
Nuveen Asset Management, LLC;  
Managing Director (since 2008), and  
Assistant Secretary, Nuveen  
Investment Holdings, Inc.; Vice  
President (since 2007) and Assistant  
Secretary of Nuveen Investments  
Advisers Inc., NWQ Investment  
Management Company, LLC, NWQ  
Holdings, LLC, Symphony Asset  
Management LLC, Santa Barbara  
Asset Management, LLC, and of  
Winslow Capital Management, Inc.  
(since 2010); Vice President and  
Secretary (since 2010) of Nuveen  
Commodities Asset Management,  
LLC; prior thereto, Partner, Bell,  
Boyd & Lloyd LLP (1997-2007).



| Name,<br>Birthdate<br>and Address | Position(s)<br>Held<br>with the<br>Funds | Year First<br>Elected or<br>Appointed(3) | Principal<br>Occupation(s)<br>During Past 5 Years | Number<br>of Portfolios<br>in Fund<br>Complex<br>Overseen<br>by Officer |
|-----------------------------------|--|--|---|---|
|-----------------------------------|--|--|---|---|

## Officers of the Funds:

|  |   |      |   |     |
|--|---|------|---|-----|
| KATHLEEN L.<br>PRUDHOMME<br>3/30/53<br>901 Marquette<br>Avenue<br>Minneapolis,<br>MN 55402 | Vice<br>President and<br>Assistant<br>Secretary | 2011 | Managing Director, Assistant<br>Secretary and Co-General Counsel<br>(since 2011) of Nuveen Fund<br>Advisors, Inc.; Managing Director,<br>Assistant Secretary and Associate<br>General Counsel (since 2011) of<br>Nuveen Asset Management, LLC;<br>Managing Director and Assistant<br>Secretary (since 2011) of Nuveen<br>Securities, LLC; formerly, Deputy<br>General Counsel, FAF Advisors, Inc.<br>(2004-2010). | 235 |
|--|---|------|---|-----|

- (1) For California Premium Income (NCU), California Dividend Advantage (NAC), California Dividend Advantage 2 (NVX), California Dividend Advantage 3 (NZH), Insured California Dividend Advantage (NKL) and Insured California Tax-Free Advantage (NKX), the Board of Trustees is divided into three classes, Class I, Class II, and Class III, with each being elected to serve until the third succeeding annual shareholders' meeting subsequent to its election or thereafter in each case when its respective successors are duly elected or appointed, except two board members are elected by the holders of Preferred Shares to serve until the next annual shareholders' meeting subsequent to its election or thereafter in each case when its respective successors are duly elected or appointed. For Insured California Premium Income (NPC) and Insured California Premium Income 2 (NCL), the Board Members serve a one year term to serve until the next annual meeting or until their successors shall have been duly elected and qualified. The year first elected or appointed represents the year in which the board member was first elected or appointed to any fund in the Nuveen Complex.
- (2) Mr. Amboian is an interested trustee because of his position with Nuveen Investments, Inc. and certain of its subsidiaries, which are affiliates of the Nuveen Funds.
- (3) Officers serve one year terms through August of each year. The year first elected or appointed represents the year in which the Officer was first elected or appointed to any fund in the Nuveen Complex.

Reinvest Automatically,  
Easily and Conveniently

Nuveen makes reinvesting easy. A phone call is all it takes to set up your reinvestment account.

Nuveen Closed-End Funds Automatic Reinvestment Plan

Your Nuveen Closed-End Fund allows you to conveniently reinvest distributions in additional Fund shares.

By choosing to reinvest, you'll be able to invest money regularly and automatically, and watch your investment grow through the power of compounding. Just like distributions in cash, there may be times when income or capital gains taxes may be payable on distributions that are reinvested.

It is important to note that an automatic reinvestment plan does not ensure a profit, nor does it protect you against loss in a declining market.

Easy and convenient

To make recordkeeping easy and convenient, each month you'll receive a statement showing your total distributions, the date of investment, the shares acquired and the price per share, and the total number of shares you own.

How shares are purchased

The shares you acquire by reinvesting will either be purchased on the open market or newly issued by the Fund. If the shares are trading at or above net asset value at the time of valuation, the Fund will issue new shares at the greater of the net asset value or 95% of the then-current market price. If the shares are trading at less than net asset value, shares for your account will be purchased on the open market. If the Plan Agent begins purchasing Fund shares on the open market while shares are trading below net asset value, but the Fund's shares subsequently trade at or above their net asset value before the Plan Agent is able to complete its purchases, the Plan Agent may cease open-market purchases and may invest the uninvested portion of the distribution in newly-issued Fund shares at a price equal to the greater of the shares' net asset value or 95% of the shares' market value on the last business day immediately prior to the purchase date. Distributions received to purchase shares in the open market will normally be invested shortly after the distribution payment date. No interest will be paid on distributions awaiting reinvestment. Because the market price of the shares may increase before purchases are completed, the average purchase price per share may

exceed the market price at the time of valuation, resulting in the acquisition of fewer shares than if the distribution had been paid in shares issued by the Fund. A pro rata portion of any applicable brokerage commissions on open market purchases will be paid by Plan participants. These commissions usually will be lower than those charged on individual transactions.

#### Flexible

You may change your distribution option or withdraw from the Plan at any time, should your needs or situation change.

You can reinvest whether your shares are registered in your name, or in the name of a brokerage firm, bank, or other nominee. Ask your investment advisor if his or her firm will participate on your behalf. Participants whose shares are registered in the name of one firm may not be able to transfer the shares to another firm and continue to participate in the Plan.

The Fund reserves the right to amend or terminate the Plan at any time. Although the Fund reserves the right to amend the Plan to include a service charge payable by the participants, there is no direct service charge to participants in the Plan at this time.

#### Call today to start reinvesting distributions

For more information on the Nuveen Automatic Reinvestment Plan or to enroll in or withdraw from the Plan, speak with your financial advisor or call us at (800) 257-8787.

Nuveen Investments

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Glossary of Terms  
Used in this Report

**Auction Rate Bond:** An auction rate bond is a security whose interest payments are adjusted periodically through an auction process, which process typically also serves as a means for buying and selling the bond. Auctions that fail to attract enough buyers for all the shares offered for sale are deemed to have “failed,” with current holders receiving a formula-based interest rate until the next scheduled auction.

**Average Annual Total Return:** This is a commonly used method to express an investment’s performance over a particular, usually multi-year time period. It expresses the return that would have been necessary each year to equal the investment’s actual cumulative performance (including change in NAV or market price and reinvested dividends and capital gains distributions, if any) over the time period being considered.

**Average Effective Maturity:** The market-value-weighted average of the effective maturity dates of the individual securities including cash. In the case of a bond that has been advance-refunded to a call date, the effective maturity is the date on which the bond is scheduled to be redeemed using the proceeds of an escrow account. In most other cases the effective maturity is the stated maturity date of the security.

**Effective Leverage:** Effective leverage is a Fund’s effective economic leverage, and includes both regulatory leverage (see below) and the leverage effects of certain derivative investments in the Fund’s portfolio. Currently, the leverage effects of Tender Option Bond (TOB) inverse floater holdings are included in effective leverage values, in addition to any regulatory leverage.

**Inverse Floating Rate Securities:** Inverse floating rate securities, also known as inverse floaters or tender option bonds (TOBs), are created by depositing a municipal bond, typically with a fixed interest rate, into a special purpose trust created by a broker-dealer. This trust, in turn, (a) issues floating rate certificates typically paying short-term tax-exempt interest rates to third parties in amounts equal to some fraction of the deposited bond’s par amount or market value, and (b) issues an inverse floating rate certificate (sometimes referred to as an “inverse floater”) to an investor (such as a Fund) interested in gaining investment exposure to a long-term municipal bond. The income received by the holder of the inverse floater varies inversely with the short-term rate paid to the floating rate certificates’ holders, and in most circumstances the holder of the inverse floater bears substantially all of the underlying bond’s downside investment risk. The holder of the inverse floater typically also benefits disproportionately from any potential appreciation of the underlying bond’s value. Hence, an inverse floater essentially represents an investment in the underlying bond on a leveraged basis.

**Leverage:** Using borrowed money to invest in securities or other assets, seeking to increase the return of an investment or portfolio.

**Leverage-Adjusted Duration:** Duration is a measure of the expected period over which a bond's principal and interest will be paid, and consequently is a measure of the sensitivity of a bond's or bond Fund's value to changes when market interest rates change. Generally, the longer a bond's or Fund's duration, the more the price of the bond or Fund will change as interest rates change. Leverage-adjusted duration takes into account the leveraging process for a Fund and therefore is longer than the duration of the Fund's portfolio of bonds.

**Lipper California Municipal Debt Funds Classification Average:** Calculated using the returns of all closed-end funds in this category for each period as follows: 1-year, 7 funds; 5-year, 7 funds; and 10-year, 4 funds. Lipper returns account for the effects of management fees and assume reinvestment of distributions, but do not reflect any applicable sales charges. The Lipper average is not available for direct investment.

**Lipper Single-State Insured Municipal Debt Funds Classification Average:** Calculated using the returns of all closed-end funds in this category for each period as follows: 1-year, 44 funds; 5-year, 44 funds; and 10-year, 24 funds. Lipper returns account for the effects of management fees and assume reinvestment of dividends, but do not reflect any applicable sales charges. The Lipper average is not available for direct investment.

**Market Yield (also known as Dividend Yield or Current Yield):** An investment's current annualized dividend divided by its current market price.

**Net Asset Value (NAV):** The net market value of all securities held in a portfolio.

**Net Asset Value (NAV) Per Share:** The market value of one share of a mutual fund or closed-end fund. For a Fund, the NAV is calculated daily by taking the Fund's total assets (securities, cash, and accrued earnings), subtracting the Fund's liabilities, and dividing by the number of shares outstanding.

**Pre-Refunding:** Pre-Refunding, also known as advanced refundings or refinancings, is a procedure used by state and local governments to refinance municipal bonds to lower interest expenses. The issuer sells new bonds with a lower yield and uses the proceeds to buy U.S. Treasury securities, the interest from which is used to make payments on the higher-yielding bonds. Because of this collateral, pre-refunding generally raises a bond's credit rating and thus its value.

**Regulatory Leverage:** Regulatory leverage consists of preferred shares issued by or borrowings of a fund. Both of these are part of a Fund's capital structure. Regulatory leverage is sometimes referred to as "40 Act Leverage" and is subject to asset coverage limits set in the Investment Company Act of 1940.

**Standard & Poor's (S&P) California Municipal Bond Index:** An unleveraged, market value-weighted index designed to measure the performance of the tax-exempt, investment California municipal bond market, respectively. Index returns assume reinvestment of distributions, but do not reflect any applicable sales charges or management fees. It is not possible to invest directly in an index.



Glossary of Terms  
Used in this Report (continued)

**Standard & Poor's (S&P) Insured National Municipal Bond Index:** An unleveraged, market value-weighted index designed to measure the performance of the insured segment of the U.S. municipal bond market. Index returns assume reinvestment of distributions, but do not reflect any applicable sales charges or management fees. It is not possible to invest directly in an index.

**Standard & Poor's (S&P) National Municipal Bond Index:** An unleveraged, market value-weighted index designed to measure the performance of the tax-exempt, investment-grade U.S. municipal bond market. Index returns assume reinvestment of distributions, but do not reflect any applicable sales charges or management fees. It is not possible to invest directly in an index.

**Taxable-Equivalent Yield:** The yield necessary from a fully taxable investment to equal, on an after-tax basis, the yield of a municipal bond investment.

**Zero Coupon Bond:** A zero coupon bond does not pay a regular interest coupon to its holders during the life of the bond. Tax-exempt income to the holder of the bond comes from accretion of the difference between the original purchase price of the bond at issuance and the par value of the bond at maturity and is effectively paid at maturity. The market prices of zero coupon bonds generally are more volatile than the market prices of bonds that pay interest periodically.

Additional Fund Information

Board of  
Directors/Trustees  
John P. Amboian  
Robert P. Bremner  
Jack B. Evans  
William C. Hunter  
David J. Kundert  
William J. Schneider  
Judith M. Stockdale  
Carole E. Stone  
Virginia L. Stringer  
Terence J. Toth

Fund Manager  
Nuveen Fund Advisors, Inc.  
333 West Wacker Drive  
Chicago, IL 60606

Custodian  
State Street Bank  
& Trust Company  
Boston, MA

Transfer Agent and  
Shareholder Services  
State Street Bank &  
Trust Company  
Nuveen Funds  
P.O. Box 43071  
Providence, RI 02940-3071  
(800) 257-8787

Legal Counsel  
Chapman and Cutler LLP  
Chicago, IL

Independent Registered  
Public Accounting Firm  
Ernst & Young LLP  
Chicago, IL

Quarterly Portfolio of Investments and Proxy Voting Information

You may obtain (i) each Fund's quarterly portfolio of investments, (ii) information regarding how each Fund voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, and (iii) a description of the policies and procedures that each Fund used to determine how to vote proxies relating to portfolio securities without charge, upon request, by calling Nuveen Investments toll-free at (800) 257-8787 or on Nuveen's



website at [www.nuveen.com](http://www.nuveen.com).

You may also obtain this and other Fund information directly from the Securities and Exchange Commission (SEC). The SEC may charge a copying fee for this information. Visit the SEC on-line at <http://www.sec.gov> or in person at the SEC's Public Reference Room in Washington, D.C. Call the SEC at (202) 942-8090 for room hours and operation. You may also request Fund information by sending an e-mail request to [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or by writing to the SEC's Public References Section at 100 F Street NE, Washington, D.C. 20549.

#### CEO Certification Disclosure

Each Fund's Chief Executive Officer (CEO) has submitted to the New York Stock Exchange (NYSE) the annual CEO certification as required by Section 303A.12(a) of the NYSE Listed Company Manual.

Each Fund has filed with the SEC the certification of its Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act.

#### Common and Preferred Share Information

Each Fund intends to repurchase and/or redeem shares of its own common and/or auction rate preferred stock in the future at such times and in such amounts as is deemed advisable. During the period covered by this report, the Funds repurchased and/or redeemed shares of their common and/or auction rate preferred stock as shown in the accompanying table.

| Fund | Common Shares<br>Repurchased | Preferred Shares<br>Redeemed |
|------|------------------------------|------------------------------|
| NPC  | —                            | —                            |
| NCL  | —                            | —                            |
| NCU  | —                            | —                            |
| NAC  | —                            | 5,421                        |
| NVX  | —                            | 1,598                        |
| NZH  | —                            | 2,780                        |
| NKL  | —                            | 4,150                        |
| NKX  | —                            | —                            |

Any future repurchases will be reported to shareholders in the next annual or semi-annual report.

Nuveen Investments

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Nuveen Investments:  
Serving Investors for Generations

Since 1898, financial advisors and their clients have relied on Nuveen Investments to provide dependable investment solutions through continued adherence to proven, long-term investing principles. Today, we offer a range of high quality equity and fixed-income solutions designed to be integral components of a well-diversified core portfolio.

Focused on meeting investor needs.

Nuveen Investments provides high-quality investment services designed to help secure the long-term goals of institutional and individual investors as well as the consultants and financial advisors who serve them. Nuveen Investments markets a wide range of specialized investment solutions which provide investors access to capabilities of its high-quality boutique investment affiliates-Nuveen Asset Management, Symphony Asset Management, NWQ Investment Management Company, Santa Barbara Asset Management, Tradewinds Global Investors, Winslow Capital Management and Gresham Investment Management. In total, Nuveen Investments managed \$220 billion as of December 31, 2011.

Find out how we can help you.

To learn more about how the products and services of Nuveen Investments may be able to help you meet your financial goals, talk to your financial advisor, or call us at (800) 257-8787. Please read the information provided carefully before you invest. Investors should consider the investment objective and policies, risk considerations, charges and expenses of any investment carefully. Where applicable, be sure to obtain a prospectus, which contains this and other relevant information. To obtain a prospectus, please contact your securities representative or Nuveen Investments, 333 W. Wacker Dr., Chicago, IL 60606. Please read the prospectus carefully before you invest or send money. Learn more about Nuveen Funds at: [www.nuveen.com/cef](http://www.nuveen.com/cef)

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Nuveen Securities, LLC  
333 West Wacker Drive  
Chicago, IL 60606  
[www.nuveen.com](http://www.nuveen.com)

EAN-B-0212D

## ITEM 2. CODE OF ETHICS.

As of the end of the period covered by this report, the registrant has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. There were no amendments to or waivers from the Code during the period covered by this report. The registrant has posted the code of ethics on its website at [www.nuveen.com/CEF/Shareholder](http://www.nuveen.com/CEF/Shareholder). (To view the code, click on Fund Governance and then click on Code of Conduct.)

## ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The registrant's Board of Directors or Trustees ("Board") determined that the registrant has at least one "audit committee financial expert" (as defined in Item 3 of Form N-CSR) serving on its Audit Committee. The registrant's audit committee financial expert is Carole E. Stone, who is "independent" for purposes of Item 3 of Form N-CSR.

Ms. Stone served for five years as Director of the New York State Division of the Budget. As part of her role as Director, Ms. Stone was actively involved in overseeing the development of the State's operating, local assistance and capital budgets, its financial plan and related documents; overseeing the development of the State's bond-related disclosure documents and certifying that they fairly presented the State's financial position; reviewing audits of various State and local agencies and programs; and coordinating the State's system of internal audit and control. Prior to serving as Director, Ms. Stone worked as a budget analyst/examiner with increasing levels of responsibility over a 30 year period, including approximately five years as Deputy Budget Director. Ms. Stone has also served as Chair of the New York State Racing Association Oversight Board, as Chair of the Public Authorities Control Board, as a Commissioner on the New York State Commission on Public Authority Reform and as a member of the Boards of Directors of several New York State public authorities. These positions have involved overseeing operations and finances of certain entities and assessing the adequacy of project/entity financing and financial reporting. Currently, Ms. Stone is on the Board of Directors of CBOE Holdings, Inc., of the Chicago Board Options Exchange, and of C2 Options Exchange. Ms. Stone's position on the boards of these entities and as a member of both CBOE Holdings' Audit Committee and its Finance Committee has involved, among other things, the oversight of audits, audit plans and preparation of financial statements.

## ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

### Nuveen Insured California Dividend Advantage Municipal Fund

The following tables show the amount of fees that Ernst & Young LLP, the Fund's auditor, billed to the Fund during the Fund's last two full fiscal years. For engagements with Ernst & Young LLP the Audit Committee approved in advance all audit services and non-audit services that Ernst & Young LLP provided to the Fund, except for those non-audit services that were subject to the pre-approval exception under Rule 2-01 of Regulation S-X (the "pre-approval exception"). The pre-approval exception for services provided directly to the Fund waives the pre-approval requirement for services other than audit, review or attest services if: (A) the aggregate amount of all such services provided constitutes no more than 5% of the total amount of revenues paid by the Fund to its accountant during the fiscal year in which the services are provided; (B) the Fund did not recognize the services as non-audit services at the time of the engagement; and (C) the services are promptly brought to the Audit Committee's attention, and the Committee (or its delegate) approves the services before the audit is completed.

The Audit Committee has delegated certain pre-approval responsibilities to its Chairman (or, in his absence, any other member of the Audit Committee).

### SERVICES THAT THE FUND'S AUDITOR BILLED TO THE FUND

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| Fiscal Year Ended                                      | Audit Fees Billed to Fund 1 | Audit-Related Fees Billed to Fund 2 | Tax Fees Billed to Fund 3 | All Other Fees Billed to Fund 4 |
|--|-----------------------------|-------------------------------------|---------------------------|---------------------------------|
| February 29, 2012                                      | \$21,200                    | \$ 1,500                            | \$0                       | \$0                             |
| Percentage approved pursuant to pre-approval exception | 0 %                         | 0 %                                 | 0 %                       | 0 %                             |
| February 28, 2011                                      | \$18,200                    | \$ 6,250                            | \$0                       | \$850                           |
| Percentage approved pursuant to pre-approval exception | 0 %                         | 0 %                                 | 0 %                       | 0 %                             |

1 "Audit Fees" are the aggregate fees billed for professional services for the audit of the Fund's annual financial statements and services provided in connection with statutory and regulatory filings or engagements.

2 "Audit Related Fees" are the aggregate fees billed for assurance and related services reasonably related to the performance of the audit or review of financial statements and are not reported under "Audit Fees".

3 "Tax Fees" are the aggregate fees billed for professional services for tax advice, tax compliance, and tax planning.

4 "All Other Fees" are the aggregate fees billed for products and services for agreed upon procedures engagements performed for leveraged funds.

**SERVICES THAT THE FUND'S AUDITOR BILLED TO THE ADVISER AND AFFILIATED FUND SERVICE PROVIDERS**

The following tables show the amount of fees billed by Ernst & Young LLP to Nuveen Fund Advisors, Inc. (formerly Nuveen Asset Management) (the "Adviser" or "NFA"), and any entity controlling, controlled by or under common control with the Adviser that provides ongoing services to the Fund ("Affiliated Fund Service Provider"), for engagements directly related to the Fund's operations and financial reporting, during the Fund's last two full fiscal years.

The tables also show the percentage of fees subject to the pre-approval exception. The pre-approval exception for services provided to the Adviser and any Affiliated Fund Service Provider (other than audit, review or attest services) waives the pre-approval requirement if: (A) the aggregate amount of all such services provided constitutes no more than 5% of the total amount of revenues paid to Ernst & Young LLP by the Fund, the Adviser and Affiliated Fund Service Providers during the fiscal year in which the services are provided that would have to be pre-approved by the Audit Committee; (B) the Fund did not recognize the services as non-audit services at the time of the engagement; and (C) the services are promptly brought to the Audit Committee's attention, and the Committee (or its delegate) approves the services before the Fund's audit is completed.

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| Fiscal Year Ended                                      | Audit-Related Fees Billed to Adviser and Affiliated Fund Service Providers | Tax Fees Billed to Adviser and Affiliated Fund Service Providers | All Other Fees Billed to Adviser and Affiliated Fund Service Providers |    |
|--|--|--|--|----|
| February 29, 2012                                      | \$   | 0 \$   | 0 \$   | 0  |
| Percentage approved pursuant to pre-approval exception |  | 0%   | 0%   | 0% |
| February 28, 2011                                      | \$   | 0 \$   | 0 \$   | 0  |
| Percentage approved pursuant to pre-approval exception |  | 0%   | 0%   | 0% |

NON-AUDIT SERVICES

The following table shows the amount of fees that Ernst & Young LLP billed during the Fund's last two full fiscal years for non-audit services. The Audit Committee is required to pre-approve non-audit services that Ernst & Young LLP provides to the Adviser and any Affiliated Fund Services Provider, if the engagement related directly to the Fund's operations and financial reporting (except for those subject to the pre-approval exception described above). The Audit Committee requested and received information from Ernst & Young LLP about any non-audit services that Ernst & Young LLP rendered during the Fund's last fiscal year to the Adviser and any Affiliated Fund Service Provider. The Committee considered this information in evaluating Ernst & Young LLP's independence.

| Fiscal Year Ended | Total Non-Audit Fees Billed to Fund | Total Non-Audit Fees billed to Adviser and Affiliated Fund Service Providers (engagements related directly to the operations and financial reporting of the Fund) | Total Non-Audit Fees billed to Adviser and Affiliated Fund Service Providers (all other engagements) | Total |        |
|-------------------|-------------------------------------|---|--|-------|--------|
| February 29, 2012 | \$                                  | 0 \$  | 0 \$   | 0     | \$ 0   |
| February 28, 2011 | \$                                  | 850 \$  | 0 \$   | 0     | \$ 850 |

"Non-Audit Fees billed to Fund" for both fiscal year ends represent "Tax Fees" and "All Other Fees" billed to Fund in their respective amounts from the previous table.

Audit Committee Pre-Approval Policies and Procedures. Generally, the Audit Committee must approve (i) all non-audit services to be performed for the Fund by the Fund's independent accountants and (ii) all audit and non-audit services to be performed by the Fund's independent accountants for the Affiliated Fund Service Providers with respect to operations and financial reporting of the Fund. Regarding tax and research projects conducted by the independent accountants for the Fund and Affiliated Fund Service Providers (with respect to operations and financial reports of the Fund) such engagements will be (i) pre-approved by the Audit Committee if they are expected to be for amounts greater than \$10,000; (ii) reported to the Audit Committee chairman for his verbal approval prior to engagement if they are expected to be for amounts under \$10,000 but greater than \$5,000; and (iii) reported to the Audit Committee

at the next Audit Committee meeting if they are expected to be for an amount under \$5,000.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The registrant's Board has a separately designated Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78c(a)(58)(A)). The members of the audit committee are Robert P. Bremner, Terence J. Toth, William J. Schneider, Carole E. Stone and David J. Kundert.

ITEM 6. SCHEDULE OF INVESTMENTS.

a) See Portfolio of Investments in Item 1.

b) Not applicable.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Nuveen Fund Advisors, Inc. (“Adviser”) is the registrant’s investment adviser. The Adviser is responsible for the on-going monitoring of the Fund’s investment portfolio, managing the Fund’s business affairs and providing certain clerical, bookkeeping and administrative services. The Adviser has engaged Nuveen Asset Management, LLC (“Sub-Adviser”) as Sub-Adviser to provide discretionary investment advisory services. As part of these services, the Adviser has delegated to the Sub-Adviser the full responsibility for proxy voting on securities held in the registrant’s portfolio and related duties in accordance with the Sub-Adviser's policy and procedures. The Adviser periodically monitors the Sub-Adviser's voting to ensure that it is carrying out its duties. The Sub-Adviser’s proxy voting policies and procedures are attached to this filing as an exhibit and incorporated herein by reference.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Nuveen Fund Advisors, Inc. is the registrant’s investment adviser (also referred to as the “Adviser”). The Adviser is responsible for the selection and on-going monitoring of the Fund’s investment portfolio, managing the Fund’s business affairs and providing certain clerical, bookkeeping and administrative services. The Adviser has engaged Nuveen Asset Management, LLC (“Nuveen Asset Management” or “Sub-Adviser”) as Sub-Adviser to provide discretionary investment advisory services. The following section provides information on the portfolio manager at the Sub-Adviser:

The Portfolio Manager

The following individual has primary responsibility for the day-to-day implementation of the registrant’s investment strategies:

| Name            | Fund   |
|-----------------|--|
| Scott R. Romans | Nuveen Insured California Dividend Advantage<br>Municipal Fund |

Other Accounts Managed. In addition to managing the registrant, the portfolio manager is also primarily responsible for the day-to-day portfolio management of the following accounts:

| Portfolio Manager | Type of Account<br>Managed    | Number of<br>Accounts | Assets*        |
|-------------------|-------------------------------|-----------------------|----------------|
| Scott R. Romans   | Registered Investment Company | 31                    | \$6.47 billion |
|                   |                               | 0                     | \$0            |

|                         |   |                 |
|-------------------------|---|-----------------|
| Other Pooled Investment |   |                 |
| Vehicles                |   |                 |
| Other Accounts          | 2 | \$1.026 million |

\* Assets are as of February 29, 2012. None of the assets in these accounts are subject to an advisory fee based on performance.

#### POTENTIAL MATERIAL CONFLICTS OF INTEREST

Actual or apparent conflicts of interest may arise when a portfolio manager has day-to-day management responsibilities with respect to more than one account. More specifically, portfolio managers who manage multiple accounts are presented a number of potential conflicts, including, among others, those discussed below.

The management of multiple accounts may result in a portfolio manager devoting unequal time and attention to the management of each account. Nuveen Asset Management seeks to manage such competing interests for the time and attention of portfolio managers by having portfolio managers focus on a particular investment discipline. Most accounts managed by a portfolio manager in a particular investment strategy are managed using the same investment models.

If a portfolio manager identifies a limited investment opportunity which may be suitable for more than one account, an account may not be able to take full advantage of that opportunity due to an allocation of filled purchase or sale orders across all eligible accounts. To deal with these situations, Nuveen Asset Management has adopted procedures for allocating limited opportunities across multiple accounts.

With respect to many of its clients' accounts, Nuveen Asset Management determines which broker to use to execute transaction orders, consistent with its duty to seek best execution of the transaction. However, with respect to certain other accounts, Nuveen Asset Management may be limited by the client with respect to the selection of brokers or may be instructed to direct trades through a particular broker. In these cases, Nuveen Asset Management may place separate, non-simultaneous, transactions for a Fund and other accounts which may temporarily affect the market price of the security or the execution of the transaction, or both, to the detriment of the Fund or the other accounts.

Some clients are subject to different regulations. As a consequence of this difference in regulatory requirements, some clients may not be permitted to engage in all the investment techniques or transactions or to engage in these transactions to the same extent as the other accounts managed by the portfolio manager. Finally, the appearance of a conflict of interest may arise where Nuveen Asset Management has an incentive, such as a performance-based management fee, which relates to the management of some accounts, with respect to which a portfolio manager has day-to-day management responsibilities.

Nuveen Asset Management has adopted certain compliance procedures which are designed to address these types of conflicts common among investment managers. However, there is no guarantee that such procedures will detect each and every situation in which a conflict arises.

Item 8(a)(3).

#### FUND MANAGER COMPENSATION

Portfolio manager compensation consists primarily of base pay, an annual cash bonus and long term incentive payments.

Base pay. Base pay is determined based upon an analysis of the portfolio manager's general performance, experience, and market levels of base pay for such position.

Annual cash bonus. The Fund's portfolio managers are eligible for an annual cash bonus based on investment performance, qualitative evaluation and financial performance of Nuveen Asset Management.

A portion of each portfolio manager's annual cash bonus is based on the Fund's investment performance, generally measured over the past one- and three or five-year periods unless the portfolio manager's tenure is shorter. Investment performance for the Fund generally is determined by evaluating the Fund's performance relative to its benchmark(s) and/or Lipper industry peer group.

A portion of the cash bonus is based on a qualitative evaluation made by each portfolio manager's supervisor taking into consideration a number of factors, including the portfolio manager's team collaboration, expense management, support of personnel responsible for asset growth, and his or her compliance with Nuveen Asset Management's policies and procedures.

The final factor influencing a portfolio manager's cash bonus is the financial performance of Nuveen Asset Management based on its operating earnings.

Long-term incentive compensation. Certain key employees of Nuveen Investments and its affiliates, including certain portfolio managers, have received equity interests in the parent company of Nuveen Investments. In addition, certain key employees of Nuveen Asset Management, including certain portfolio managers, have received profits interests in Nuveen Asset Management which entitle their holders to participate in the firm's growth over time.

There are generally no differences between the methods used to determine compensation with respect to the Fund and the Other Accounts shown in the table above.

Beneficial Ownership of Securities. As of February 29, 2012 the portfolio manager beneficially owned the following dollar range of equity securities issued by the Registrant and other Nuveen Funds managed by Nuveen Asset Management's municipal investment team.

| Name of Portfolio Manager | Fund  | Dollar range of equity securities beneficially owned in Fund | Dollar range of equity securities beneficially owned in the remainder of Nuveen funds managed by Nuveen Asset Management's municipal investment team |
|---------------------------|---|--|--|
| Scott R. Romans           | Nuveen Insured California Dividend Advantage Municipal Fund | \$0  | \$0  |

**PORTFOLIO MANAGER BIO:**

Scott R. Romans, PhD, Senior Vice President of Nuveen Asset Management, joined Nuveen Investments in 2000 as a senior analyst in the education sector. In 2003, he was assigned management responsibility for several closed- and open-ended municipal bond funds most of which are state funds covering California and other western states. Currently, he manages investments for 32 Nuveen-sponsored investment companies. He holds an undergraduate degree from the University of Pennsylvania and an MA and PhD from the University of Chicago.



ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's Board implemented after the registrant last provided disclosure in response to this item.

ITEM 11. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

File the exhibits listed below as part of this Form. Letter or number the exhibits in the sequence indicated.

- (a)(1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Not applicable because the code is posted on registrant's website at [www.nuveen.com/CEF/Shareholder](http://www.nuveen.com/CEF/Shareholder) and there were no amendments during the period covered by this report. (To view the code, click on Fund Governance and then Code of Conduct.)
- (a)(2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)) in the exact form set forth below: Ex-99.CERT Attached hereto.
- (a)(3) Any written solicitation to purchase securities under Rule 23c-1 under the 1940 Act (17 CFR 270.23c-1) sent or given during the period covered by the report by or on behalf of the registrant to 10 or more persons. Not applicable.
- (b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the 1940 Act (17 CFR 270.30a-2(b)); Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed "filed" for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference. Ex-99.906 CERT attached hereto.



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Nuveen Insured California Dividend Advantage Municipal Fund

By (Signature and Title) /s/ Kevin J. McCarthy

Kevin J. McCarthy

Vice President and Secretary

Date: May 7, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title) /s/ Gifford R. Zimmerman

Gifford R. Zimmerman

Chief Administrative Officer

(principal executive officer)

Date: May 7, 2012

By (Signature and Title) /s/ Stephen D. Foy

Stephen D. Foy

Vice President and Controller

(principal financial officer)

Date: May 7, 2012