

BRANDYWINE REALTY TRUST  
Form 10-Q  
April 25, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended March 31, 2016

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number

001-9106 (Brandywine Realty Trust)

000-24407 (Brandywine Operating Partnership, L.P.)

Brandywine Realty Trust

Brandywine Operating Partnership, L.P.

(Exact name of registrant as specified in its charter)

MARYLAND (Brandywine Realty Trust)	23-2413352
DELAWARE (Brandywine Operating Partnership L.P.)	23-2862640
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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555 East Lancaster Avenue

Radnor, Pennsylvania

(Address of principal executive offices)

19087

(Zip Code)

Registrant's telephone number, including area code (610) 325-5600

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

Brandywine Realty Trust Yes  No

Brandywine Operating Partnership, L.P. Yes  No

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

Brandywine Realty Trust Yes  No

Brandywine Operating Partnership, L.P. Yes  No

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

Brandywine Realty Trust:

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Brandywine Operating Partnership, L.P.:

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Brandywine Realty Trust Yes  No

Brandywine Operating Partnership, L.P. Yes  No

A total of 175,015,396 Common Shares of Beneficial Interest, par value \$0.01 per share of Brandywine Realty Trust, were outstanding as of April 22, 2016.



## EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended March 31, 2016 of Brandywine Realty Trust (the “Parent Company”) and Brandywine Operating Partnership L.P. (the “Operating Partnership”). The Parent Company is a Maryland real estate investment trust, or REIT, that owns its assets and conducts its operations through the Operating Partnership, a Delaware limited partnership, and subsidiaries of the Operating Partnership. The Parent Company, the Operating Partnership and their consolidated subsidiaries are collectively referred to in this report as the “Company”. In addition, as used in this report, terms such as “we”, “us”, and “our” may refer to the Company, the Parent Company, or the Operating Partnership.

The Parent Company is the sole general partner of the Operating Partnership and, as of March 31, 2016, owned a 99.1% interest in the Operating Partnership. The remaining 0.9% interest consists of common units of limited partnership interest issued by the Operating Partnership to third parties in exchange for contributions of properties to the Operating Partnership. As the sole general partner of the Operating Partnership, the Parent Company has full and complete authority over the Operating Partnership’s day-to-day operations and management.

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

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

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

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

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

The equity and non-controlling interests in the Parent Company and the Operating Partnership’s equity are the main areas of difference between the consolidated financial statements of the Parent Company and the Operating

Partnership. The common units of limited partnership interest in the Operating Partnership are accounted for as partners' equity in the Operating Partnership's financial statements while the common units of limited partnership interests held by parties other than the Parent Company are presented as non-controlling interests in the Parent Company's financial statements. The differences between the Parent Company and the Operating Partnership's equity relate to the differences in the equity issued at the Parent Company and Operating Partnership levels.

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

- Consolidated Financial Statements; and
- Notes to the Parent Company's and Operating Partnership's Equity.

This report also includes separate Item 4. (Controls and Procedures) disclosures and separate Exhibit 31 and 32 certifications for each of the Parent Company and the Operating Partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that the Parent Company and Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350.

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

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This combined Form 10-Q is being filed separately by Brandywine Realty Trust and Brandywine Operating Partnership, L.P.



## PART I - FINANCIAL INFORMATION

## Item 1. — Financial Statements

## BRANDYWINE REALTY TRUST

## CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share information)

	March 31, 2016 (unaudited)	December 31, 2015
<b>ASSETS</b>		
Real estate investments:		
Operating properties	\$3,703,193	\$ 3,693,000
Accumulated depreciation	(891,263 )	(867,035 )
Operating real estate investments, net	2,811,930	2,825,965
Construction-in-progress	319,656	268,983
Land held for development	132,747	130,479
Total real estate investments, net	3,264,333	3,225,427
Cash and cash equivalents	423,517	56,694
Accounts receivable, net of allowance of \$1,950 and \$1,736 in 2016 and 2015, respectively	14,027	17,126
Accrued rent receivable, net of allowance of \$13,313 and \$14,442 in 2016 and 2015, respectively	133,720	145,092
Assets held for sale, net	-	584,365
Investment in Real Estate Ventures, equity method	278,659	241,004
Deferred costs, net	90,973	101,419
Intangible assets, net	100,063	111,623
Other assets	72,772	71,761
Total assets	\$4,378,064	\$ 4,554,511
<b>LIABILITIES AND BENEFICIARIES' EQUITY</b>		
Mortgage notes payable, net	345,310	545,753
Unsecured term loans, net	247,882	247,800
Unsecured senior notes, net	1,591,756	1,591,164
Accounts payable and accrued expenses	112,203	99,856
Distributions payable	28,295	28,249
Deferred income, gains and rent	27,331	30,413
Acquired lease intangibles, net	23,248	25,655
Liabilities related to assets held for sale	-	2,151
Other liabilities	37,749	31,379
Total liabilities	\$2,413,774	\$ 2,602,420
Commitments and contingencies (See Note 14)		
Brandywine Realty Trust's Equity:		
Preferred Shares (shares authorized-20,000,000)		
6.90% Series E Preferred Shares, \$0.01 par value; issued and outstanding- 4,000,000 in 2016 and 2015	40	40
Common Shares of Brandywine Realty Trust's beneficial interest, \$0.01 par value; shares authorized 400,000,000; 174,890,432 and 174,688,568 issued and outstanding in	1,749	1,747

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2016 and 2015, respectively		
Additional paid-in-capital	3,255,908	3,252,622
Deferred compensation payable in common shares	13,155	11,918
Common shares in grantor trust, 847,007 in 2016, 745,686 in 2015	(13,155 )	(11,918 )
Cumulative earnings	545,041	499,086
Accumulated other comprehensive loss	(14,271 )	(5,192 )
Cumulative distributions	(1,842,450)	(1,814,378 )
Total Brandywine Realty Trust's equity	1,946,017	1,933,925
Non-controlling interests	18,273	18,166
Total beneficiaries' equity	1,964,290	1,952,091
Total liabilities and beneficiaries' equity	\$4,378,064	\$4,554,511

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

## BRANDYWINE REALTY TRUST

## CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in thousands, except share and per share information)

	Three-month periods ended March 31,	
	2016	2015
Revenue		
Rents	\$ 110,163	\$ 120,410
Tenant reimbursements	20,054	22,654
Termination fees	294	636
Third party management fees, labor reimbursement and leasing	5,235	3,872
Other	756	2,834
Total revenue	136,502	150,406
Operating expenses:		
Property operating expenses	40,879	46,577
Real estate taxes	11,886	12,545
Third party management expenses	2,010	1,576
Depreciation and amortization	48,873	51,111
General and administrative expenses	9,120	8,636
Provision for impairment	7,390	1,726
Total operating expenses	120,158	122,171
Operating income	16,344	28,235
Other income (expense):		
Interest income	320	750
Interest expense	(23,691 )	(28,176 )
Interest expense - amortization of deferred financing costs	(774 )	(1,079 )
Interest expense - financing obligation	(281 )	(286 )
Equity in income (loss) of Real Estate Ventures	(403 )	131
Net gain on disposition of real estate	115,456	9,019
Net gain on real estate venture transactions	5,929	-
Loss on early extinguishment of debt	(66,590 )	-
Net income	46,310	8,594
Net income attributable to non-controlling interests	(389 )	(58 )
Net income attributable to Brandywine Realty Trust	45,921	8,536
Distribution to preferred shareholders	(1,725 )	(1,725 )
Nonforfeitable dividends allocated to unvested restricted shareholders	(105 )	(101 )
Net income attributable to Common Shareholders of Brandywine Realty Trust	\$ 44,091	\$ 6,710
Basic income per Common Share:		
Continuing operations	\$ 0.25	\$ 0.04
Diluted income per Common Share:		
Continuing operations	\$ 0.25	\$ 0.04
Basic weighted average shares outstanding	174,788,945	179,562,930
Diluted weighted average shares outstanding	175,471,413	180,655,272

Distributions declared per Common Share	\$0.15	\$0.15
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The accompanying notes are an integral part of these consolidated financial statements.

## BRANDYWINE REALTY TRUST

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands)

	Three-month periods ended March 31,	
	2016	2015
Net income	\$46,310	\$8,594
Comprehensive loss:		
Unrealized loss on derivative financial instruments	(9,405 )	(2,663 )
Reclassification of realized losses on derivative financial instruments to operations, net (1)	246	58
Total comprehensive loss	(9,159 )	(2,605 )
Comprehensive income	37,151	5,989
Comprehensive loss attributable to non-controlling interest	(309 )	(36 )
Comprehensive income attributable to Brandywine Realty Trust	\$36,842	\$5,953

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

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

BRANDYWINE REALTY TRUST

CONSOLIDATED STATEMENTS OF BENEFICIARIES' EQUITY

For the three-month period ended March 31, 2016

(unaudited, in thousands, except number of shares)

Number of Preferred Shares	Par Value of Preferred Shares	Number of Common Shares	Number of Rabbi Trust/Deferred Compensation Shares	Common Shares of Brandywine Realty Trust's Beneficial interest	Additional Paid-in Capital	Deferred Compensation Payable in Common Shares	Common Shares in Grantor Trust	Cumulative Earnings	Accumulated Other Comprehensive Loss	Cumulative Distributions	Non-Controlling Interest
4,000,000	\$40	174,688,568	745,686	\$1,747	\$3,252,622	\$11,918	\$(11,918)	\$499,086	\$(5,192 )	\$(1,814,378)	\$18,160
								45,921			389
									(9,079 )		(80)
											18
		210,116		2	3,296			34			
		(8,252 )	101,321			1,237	(1,237 )				
											10
										(1,725 )	
										(26,347 )	(230)
4,000,000	\$40	174,890,432	847,007	\$1,749	\$3,255,908	\$13,155	\$(13,155)	\$545,041	\$(14,271)	\$(1,842,450)	\$18,270

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

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BRANDYWINE REALTY TRUST

CONSOLIDATED STATEMENT OF BENEFICIARIES' EQUITY

For the three-month period ended March 31, 2015

(unaudited, in thousands, except number of shares)

Number of Preferred Shares	Par Value of Preferred Shares	Number of Common Shares	Number of Rabbi Trust/Deferred Compensation Shares	Common Shares of Brandywine Realty Trust's Beneficial Interest	Additional Paid-in Capital	Deferred Compensation Payable in Common Shares	Common Shares in Grantor Trust	Cumulative Earnings	Accumulated Other Comprehensive Loss	Cumulative Distributions	Non-Controlling Interests
4,000,000	\$40	179,293,160	384,536	\$1,793	\$3,314,693	\$6,219	\$(6,219)	\$529,487	\$(4,607)	\$(1,700,579)	\$18,499
								8,536			58
									(2,583)		(22)
		8,447			125						
					(48)						
		410,506	280,011	5	2,347						
		33,485	30,144			4,975	\$(4,975)				
					20						(20)
										(1,725)	
										(27,213)	(230)
4,000,000	\$40	179,745,598	694,691	\$1,798	\$3,317,137	\$11,194	\$(11,194)	\$538,023	\$(7,190)	\$(1,729,517)	\$18,285



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

## BRANDYWINE REALTY TRUST

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

	Three-month periods ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income	\$46,310	\$8,594
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	48,873	51,111
Amortization of deferred financing costs	774	1,079
Amortization of debt discount/(premium), net	382	(158 )
Amortization of stock compensation costs	2,296	2,756
Shares used for employee taxes upon vesting of share awards	(289 )	(1,359 )
Straight-line rent income	(6,104 )	(6,339 )
Amortization of acquired above (below) market leases, net	(2,232 )	(1,290 )
Straight-line ground rent expense	22	22
Provision for doubtful accounts	215	380
Net gain on real estate venture transactions	(5,929 )	-
Net gain on sale of interests in real estate	(115,456)	(9,019 )
Loss on early extinguishment of debt - deferred financing costs	13,157	-
Provision for impairment	7,390	1,726
Real Estate Venture loss in excess of distributions	723	163
Deferred financing obligation	(253 )	(287 )
Changes in assets and liabilities		
Accounts receivable	246	(170 )
Other assets	(9,193 )	(9,322 )
Accounts payable and accrued expenses	6,296	11,131
Deferred income, gains and rent	(2,308 )	(3,267 )
Other liabilities	552	(140 )
Net cash (used in) provided by operating activities	(14,528 )	45,611
Cash flows from investing activities:		
Proceeds from the sale of properties	704,911	26,778
Distribution of sale proceeds from a real estate venture	4,812	-
Proceeds from repayment of mortgage notes receivable	-	88,000
Capital expenditures for tenant improvements	(13,949 )	(14,515 )
Capital expenditures for redevelopments	(6,199 )	(5,984 )
Capital expenditures for developments	(54,405 )	(37,867 )
Advances for the purchase of tenant assets, net of repayments	360	(138 )
Investment in unconsolidated Real Estate Ventures	(14,414 )	(11,028 )
Deposits for real estate	(2,275 )	(5,995 )
Escrowed cash	6,991	2,868
Cash distribution from unconsolidated Real Estate Ventures in excess of cumulative equity income	1,436	2,563

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Leasing costs paid	(4,716 )	(6,371 )
Net cash provided from investing activities	622,552	38,311
Cash flows from financing activities:		
Repayments of mortgage notes payable	(213,739)	(3,546 )
Proceeds from credit facility borrowings	195,000	-
Repayments of credit facility borrowings	(195,000)	-
Debt financing costs paid	(72 )	-
Proceeds from the exercise of stock options	826	127
Partner contribution to consolidated real estate venture	18	-
Distributions paid to shareholders	(28,004 )	(28,692 )
Distributions to non-controlling interest	(230 )	(230 )
Net cash used in financing activities	(241,201)	(32,341 )
Increase in cash and cash equivalents	366,823	51,581
Cash and cash equivalents at beginning of year	56,694	257,502
Cash and cash equivalents at end of year	\$423,517	\$309,083
Supplemental disclosure:		
Cash paid for interest, net of capitalized interest during the three months ended March 31, 2016 and 2015 of \$3,671 and \$2,703, respectively	\$13,656	\$18,080
Supplemental disclosure of non-cash activity:		
Dividends and distributions declared but not paid	28,278	29,009
Change in investment in real estate ventures as a result of a disposition	(1,130 )	-
Change in investment in real estate ventures related to non-cash disposition of property	25,165	-
Change in capital expenditures financed through accounts payable at period end	4,235	(440 )
Change in capital expenditures financed through retention payable at period end	753	2,200

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

## BRANDYWINE OPERATING PARTNERSHIP, L.P.

## CONSOLIDATED BALANCE SHEETS

(in thousands, except unit and per unit information)

	March 31, 2016 (unaudited)	December 31, 2015
<b>ASSETS</b>		
Real estate investments:		
Operating properties	\$3,703,193	\$ 3,693,000
Accumulated depreciation	(891,263 )	(867,035 )
Operating real estate investments, net	2,811,930	2,825,965
Construction-in-progress	319,656	268,983
Land held for development	132,747	130,479
Total real estate investments, net	3,264,333	3,225,427
Cash and cash equivalents	423,517	56,694
Accounts receivable, net of allowance of \$1,950 and \$1,736 in 2016 and 2015, respectively	14,027	17,126
Accrued rent receivable, net of allowance of \$13,313 and \$14,442 in 2016 and 2015, respectively	133,720	145,092
Assets held for sale, net	-	584,365
Investment in Real Estate Ventures, equity method	278,659	241,004
Deferred costs, net	90,973	101,419
Intangible assets, net	100,063	111,623
Other assets	72,772	71,761
Total assets	\$4,378,064	\$ 4,554,511
<b>LIABILITIES AND BENEFICIARIES' EQUITY</b>		
Mortgage notes payable, net	345,310	545,753
Unsecured term loans, net	247,882	247,800
Unsecured senior notes, net	1,591,756	1,591,164
Accounts payable and accrued expenses	112,203	99,856
Distributions payable	28,295	28,249
Deferred income, gains and rent	27,331	30,413
Acquired lease intangibles, net	23,248	25,655
Liabilities related to assets held for sale	-	2,151
Other liabilities	37,749	31,379
Total liabilities	\$2,413,774	\$ 2,602,420
Commitments and contingencies (See Note 14)		
Redeemable limited partnership units at redemption value; 1,535,102 issued and outstanding in 2016 and 2015	22,285	22,114
Brandywine Operating Partnership, L.P.'s equity:		
6.90% Series E-Linked Preferred Mirror Units; issued and outstanding- 4,000,000 in 2016 and 2015	96,850	96,850
General Partnership Capital 174,890,432 and 174,688,568 units issued and outstanding in 2016 and 2015, respectively	1,857,859	1,836,692
Accumulated other comprehensive loss	(14,755 )	(5,597 )
Total Brandywine Operating Partnership, L.P.'s equity	1,939,954	1,927,945
Non-controlling interest - consolidated real estate ventures	2,051	2,032

Total partners' equity	1,942,005	1,929,977
Total liabilities and partners' equity	\$4,378,064	\$ 4,554,511

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

## BRANDYWINE OPERATING PARTNERSHIP, L.P.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in thousands, except unit and per unit information)

	Three-month periods ended March 31,	
	2016	2015
Revenue		
Rents	\$ 110,163	\$ 120,410
Tenant reimbursements	20,054	22,654
Termination fees	294	636
Third party management fees, labor reimbursement and leasing	5,235	3,872
Other	756	2,834
Total revenue	136,502	150,406
Operating expenses:		
Property operating expenses	40,879	46,577
Real estate taxes	11,886	12,545
Third party management expenses	2,010	1,576
Depreciation and amortization	48,873	51,111
General and administrative expenses	9,120	8,636
Provision for impairment	7,390	1,726
Total operating expenses	120,158	122,171
Operating income	16,344	28,235
Other income (expense):		
Interest income	320	750
Interest expense	(23,691)	(28,176)
Interest expense - amortization of deferred financing costs	(774)	(1,079)
Interest expense - financing obligation	(281)	(286)
Equity in income (loss) of Real Estate Ventures	(403)	131
Net gain on disposition of real estate	115,456	9,019
Net gain on real estate venture transactions	5,929	-
Loss on early extinguishment of debt	(66,590)	-
Net income	46,310	8,594
Net loss from continuing operations attributable to non-controlling interests - consolidated real estate ventures	(2)	-
Net income attributable to Brandywine Operating Partnership	46,308	8,594
Distribution to preferred unitholders	(1,725)	(1,725)
Amounts allocated to unvested restricted unitholders	(105)	(101)
Net income attributable to Common Partnership Unitholders of Brandywine Operating Partnership, L.P.	\$ 44,478	\$ 6,768
Basic income per Common Partnership Unit:		
Continuing operations	\$ 0.25	\$ 0.04
Diluted income per Common Partnership Unit:		
Continuing operations	\$ 0.25	\$ 0.04

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Basic weighted average common partnership units outstanding	176,324,047	181,098,032
Diluted weighted average common partnership units outstanding	177,006,515	182,190,374
Distributions declared per Common Partnership Unit	\$0.15	\$0.15

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

## BRANDYWINE OPERATING PARTNERSHIP, L.P.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands)

	Three-month periods ended March 31,	
	2016	2015
Net income	\$46,310	\$8,594
Comprehensive loss:		
Unrealized loss on derivative financial instruments	(9,405 )	(2,663)
Reclassification of realized losses on derivative financial instruments to operations, net (1)	246	58
Total comprehensive loss	(9,159 )	(2,605)
Comprehensive loss attributable to non-controlling interest - consolidated real estate ventures	(2 )	-
Comprehensive income attributable to Brandywine Operating Partnership, L.P.	\$37,149	\$5,989

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

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



## BRANDYWINE OPERATING PARTNERSHIP L.P.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

	March 31,	
	2016	2015
Cash flows from operating activities:		
Net income	\$46,310	\$8,594
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	48,873	51,111
Amortization of deferred financing costs	774	1,079
Amortization of debt discount/(premium), net	382	(158 )
Amortization of stock compensation costs	2,296	2,756
Shares used for employee taxes upon vesting of share awards	(289 )	(1,359 )
Straight-line rent income	(6,104 )	(6,339 )
Amortization of acquired above (below) market leases, net	(2,232 )	(1,290 )
Straight-line ground rent expense	22	22
Provision for doubtful accounts	215	380
Net gain on real estate venture transactions	(5,929 )	-
Net gain on sale of interests in real estate	(115,456)	-