

BRANDYWINE REALTY TRUST
Form 10-Q
October 27, 2015

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 September 30, 2015

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 (I.R.S. Employer
incorporation or organization) Identification No.)

555 East Lancaster Avenue
Radnor, Pennsylvania 19087
(Address of principal executive offices) (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 175,196,703 Common Shares of Beneficial Interest, par value \$0.01 per share of Brandywine Realty Trust, were outstanding as of October 23, 2015.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended September 30, 2015 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 September 30, 2015, 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.

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

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 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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Filing Format

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)

	September 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Real estate investments:		
Operating properties	\$4,629,223	\$4,603,692
Accumulated depreciation	(1,064,804	) (1,067,829
Operating real estate investments, net	3,564,419	3,535,863
Construction-in-progress	242,246	201,360
Land inventory	135,917	90,603
Total real estate investments, net	3,942,582	3,827,826
Cash and cash equivalents	50,632	257,502
Accounts receivable, net	19,221	18,757
Accrued rent receivable, net	139,738	134,051
Assets held for sale, net	53,042	18,295
Investment in Real Estate Ventures, at equity	211,771	225,004
Deferred costs, net	124,472	125,224
Intangible assets, net	127,088	99,403
Mortgage note receivable	—	88,000
Other assets	73,075	65,111
Total assets	\$4,741,621	\$4,859,173
LIABILITIES AND BENEFICIARIES' EQUITY		
Mortgage notes payable	\$642,396	\$654,590
Unsecured term loans	200,000	200,000
Unsecured senior notes, net of discounts	1,597,541	1,596,718
Accounts payable and accrued expenses	115,636	96,046
Distributions payable	28,318	28,871
Deferred income, gains and rent	41,133	59,452
Acquired lease intangibles, net	28,541	26,010
Other liabilities	41,630	37,558
Liabilities related to assets held for sale	1,269	602
Total liabilities	2,696,464	2,699,847
Commitments and contingencies (Note 12)		
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 2015 and 2014	40	40
Common Shares of Brandywine Realty Trust's beneficial interest, \$0.01 par value; shares authorized 400,000,000; 175,196,703 and 179,293,160 issued and outstanding in 2015 and 2014, respectively	1,752	1,793
Additional paid-in capital	3,258,075	3,314,693
Deferred compensation payable in common shares	11,918	6,219

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Common shares in grantor trust, 745,686 in 2015 and 384,536 in 2014	(11,918) (6,219)
Cumulative earnings	561,227	529,487	
Accumulated other comprehensive loss	(8,490	) (4,607)
Cumulative distributions	(1,786,374	) (1,700,579)
Total Brandywine Realty Trust's equity	2,026,230	2,140,827	
Non-controlling interests	18,927	18,499	
Total beneficiaries' equity	2,045,157	2,159,326	
Total liabilities and beneficiaries' equity	\$4,741,621	\$4,859,173	

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		Nine-month periods ended	
	September 30, 2015	2014	September 30, 2015	2014
Revenue:				
Rents	\$ 124,263	\$ 120,288	\$ 363,800	\$ 363,581
Tenant reimbursements	21,553	20,095	64,006	64,057
Termination fees	1,097	1,418	2,561	6,970
Third party management fees, labor reimbursement and leasing	4,274	3,932	12,805	12,269
Other	1,398	825	5,467	2,295
Total revenue	152,585	146,558	448,639	449,172
Operating expenses:				
Property operating expenses	43,894	42,675	133,175	132,612
Real estate taxes	13,119	12,869	37,632	39,167
Third party management expenses	1,605	1,687	4,858	5,133
Depreciation and amortization	58,314	52,616	160,355	157,773
General and administrative expenses	6,127	5,900	21,554	20,086
Total operating expenses	123,059	115,747	357,574	354,771
Operating income	29,526	30,811	91,065	94,401
Other income (expense):				
Interest income	126	528	1,189	1,298
Tax credit transaction income	11,853	11,853	11,853	11,853
Interest expense	(27,900)	(31,481)	(83,971)	(94,837)
Interest expense — amortization of deferred financing costs	(1,010)	(1,566)	(3,377)	(3,952)
Interest expense — financing obligation	(296)	(273)	(906)	(861)
Recognized hedge activity	—	(828)	—	(828)
Equity in loss of Real Estate Ventures	(1,093)	(486)	(1,835)	(733)
Net gain on disposition of real estate	6,083	4,698	16,673	4,698
Net gain on sale of undepreciated real estate	3,019	—	3,019	1,184
Net gain from remeasurement of investment in real estate ventures	—	—	758	458
Loss on real estate venture transactions	—	—	—	(417)
Loss on early extinguishment of debt	—	(2,606)	—	(2,606)
Provision for impairment on assets held for sale/sold	—	(1,765)	(2,508)	(1,765)
Income from continuing operations	20,308	8,885	31,960	7,893
Discontinued operations:				
Income from discontinued operations	—	—	—	18
Net gain (loss) on disposition of discontinued operations	—	(3)	—	900
Total discontinued operations	—	(3)	—	918
Net income	20,308	8,882	31,960	8,811
Net income from discontinued operations attributable to non-controlling interests	—	—	—	(10)
Net income from continuing operations attributable to non-controlling interests	(161)	(108)	(221)	(47)
Net income attributable to non-controlling interests	(161)	(108)	(221)	(57)

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Net income attributable to Brandywine Realty Trust	20,147	8,774	31,739	8,754
Distribution to preferred shareholders	(1,725	) (1,725	) (5,175	) (5,175
Nonforfeitable dividends allocated to unvested restricted shareholders	(76	) (82	) (253	) (268
Net income attributable to Common Shareholders of Brandywine Realty Trust	\$18,346	\$6,967	\$26,311	\$3,311
Basic income per Common Share:				
Continuing operations	\$0.10	\$0.04	\$0.15	\$0.01
Discontinued operations	—	—	—	0.01
	\$0.10	\$0.04	\$0.15	\$0.02
Diluted income per Common Share:				
Continuing operations	\$0.10	\$0.04	\$0.15	\$0.01
Discontinued operations	—	—	—	0.01
	\$0.10	\$0.04	\$0.15	\$0.02
Basic weighted average shares outstanding	178,188,037	171,606,722	179,198,714	161,866,955
Diluted weighted average shares outstanding	178,776,684	173,193,870	179,988,492	163,353,970
Net income attributable to Brandywine Realty Trust				
Total continuing operations	\$20,147	\$8,777	\$31,739	\$7,846
Total discontinued operations	—	(3	) —	908
Net income	\$20,147	\$8,774	\$31,739	\$8,754
Distributions declared per Common Share	\$0.15	\$0.15	\$0.45	\$0.45

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		Nine-month periods ended		
	September 30,		September 30,		
	2015	2014	2015	2014	
Net income	\$20,308	\$8,882	\$31,960	\$8,811	
Other comprehensive income (loss):					
Unrealized gain (loss) on derivative financial instruments	(2,922	) 4,232	(4,091	) 967
Loss on settlement of interest rate swaps	—	(828) —	(828)
Reclassification of realized losses on derivative financial instruments to operations, net (1)	58	76	174	196	
Total other comprehensive gain (loss)	(2,864	) 3,480	(3,917	) 335
Comprehensive income	17,444	12,362	28,043	9,146	
Comprehensive income attributable to non-controlling interest	(136) (141) (187) (55)
Comprehensive income attributable to Brandywine Realty Trust	\$17,308	\$12,221	\$27,856	\$9,091	

(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 nine-month period ended September 30, 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
BALANCE, December 31, 2014	4,000,000	\$40	179,293,160	384,536	\$1,793	\$3,314,693	\$6,219	\$(6,219)	\$529,487	\$(4,607)	\$(1,700)
Net income									31,739		
Other comprehensive loss										(3,883)	
Repurchase and retirement of Common Shares of Beneficial Interest			(4,701,302)		(47)	(60,770)					
Issuance of partnership interest in joint venture											
Bonus share issuance			8,447			125					
Equity issuance costs						(100)					
Share-based compensation activity			509,675	280,011	6	4,036			1		
Share issuance from/to Deferred Compensation Plan			86,723	81,139		(2)	5,699	(5,699)			
Adjustment to non-controlling interest						93					
Preferred Share distributions											(5,175)
Distributions declared (\$0.45)											(80,620)

per share)

BALANCE,

September 30, 4,000,000 \$40 175,196,703 745,686 \$1,752 \$3,258,075 \$11,918 \$(11,918) \$561,227 \$(8,490) \$(1,78
2015

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 nine-month period ended September 30, 2014

(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
BALANCE, December 31, 2013	4,000,000	\$40	156,731,993	312,280	\$1,566	\$2,971,596	\$5,407	\$(5,407)	\$522,528	\$(2,995)	\$(1,592,511)
Net loss								8,754			
Other comprehensive loss										337	
Issuance of Common Shares of Beneficial Interest			21,850,000		219	335,179					
Conversion of LP Units to Common Shares			41,734			655					
Equity issuance costs						(452)					
Share-based compensation activity			279,913		5	4,597		12			
Share issuance from/to Deferred Compensation Plan			78,729	72,256		(90)	812	(812)			
Adjustment to non-controlling interest						(1,172)					
Preferred Share distributions											(5,175)
Distributions declared (\$0.45 per share)											(74,198)
BALANCE, September 30, 2014	4,000,000	\$40	178,982,369	384,536	\$1,790	\$3,310,313	\$6,219	\$(6,219)	\$531,294	\$(2,658)	\$(1,671,888)

September 30,
2014

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

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BRANDYWINE REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Nine-month periods ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$31,960	\$8,811
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	160,355	157,773
Amortization of deferred financing costs	3,377	3,952
Amortization of debt discount/(premium), net	(507)	(455)
Amortization of stock compensation costs	4,312	3,622
Shares used for employee taxes upon vesting of share awards	(2,056)	(1,263)
Recognized hedge activity	—	828
Straight-line rent income	(17,579)	(11,416)
Amortization of acquired above (below) market leases, net	(5,473)	(5,206)
Straight-line ground rent expense	66	66
Provision for doubtful accounts	1,276	1,687
Loss on real estate venture transactions	—	417
Net gain on sale of interests in real estate	(19,692)	(5,882)
Net gain from remeasurement of investment in a real estate venture	(758)	(458)
Loss on early extinguishment of debt	—	2,606
Provision for impairment on assets held for sale/sold	2,508	1,765
Tax credit transaction income	(11,853)	(11,853)
Real Estate Venture loss in excess of distributions	2,579	659
Deferred financing obligation	(906)	(864)
Changes in assets and liabilities:		
Accounts receivable	(1,008)	(4,586)
Other assets	(9,511)	(10,317)
Accounts payable and accrued expenses	13,819	9,304
Deferred income, gains and rent	(3,491)	(4,430)
Other liabilities	(2,458)	(1,760)
Net cash provided by operating activities	144,960	133,000
Cash flows from investing activities:		
Acquisition of properties	(141,303)	(12,405)
Acquisition of property - 1031 exchange funds applied	(62,812)	—
Proceeds from the sale of properties	152,243	81,625
Sale of property - 1031 exchange funds held in escrow	62,800	—
Proceeds from repayment of mortgage notes receivable	88,000	5,125
Capital expenditures for tenant improvements	(56,095)	(85,698)
Capital expenditures for redevelopments	(38,925)	(10,195)
Capital expenditures for developments	(122,380)	(48,057)
Advances for purchase of tenant assets, net of repayments	290	(212)
Investment in unconsolidated Real Estate Ventures	(62,868)	(16,330)
Deposits for real estate	(451)	—
Escrowed cash	1,004	1,076
Cash distributions from unconsolidated Real Estate Ventures in excess of cumulative equity income	7,401	7,341

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Leasing costs paid	(18,295) (17,018)
Net cash used in investing activities	(191,391) (94,748)
Cash flows from financing activities:			
Repayments of mortgage notes payable	(10,598	) (9,994)
Repayments of unsecured term loans	—	(250,828)
Proceeds from unsecured notes	—	496,459	
Net proceeds from issuance of common shares	—	335,016	
Repayments of unsecured notes	—	(120,361)
Debt financing costs paid	(3,229	) (3,630)
Proceeds from the exercise of stock options	127	709	
Partner contribution to consolidated real estate venture	1,025	—	
Repurchase and retirement of common shares	(60,817) —	
Distributions paid to shareholders	(86,255	) (76,081)

Distributions to noncontrolling interest	(692	) (806)
Net cash used in financing activities	(160,439	) 370,484	
Decrease in cash and cash equivalents	(206,870	) 408,736	
Cash and cash equivalents at beginning of period	257,502	263,207	
Cash and cash equivalents at end of period	\$50,632	\$671,943	

Supplemental disclosure:

Cash paid for interest, net of capitalized interest during the nine months ended September 30, 2015 and 2014 of \$8,764 and \$4,466, respectively	\$80,720	\$92,196	
Supplemental disclosure of non-cash activity:			
Change in investments in joint venture related to non-cash disposition of property	—	(5,897)
Change in real estate investments related to non-cash property acquisition	(67,261) —	
Change in investments in joint venture related to non-cash acquisition of property	67,261	—	
Change in receivable from settlement of acquisitions	—	619	
Change in other liabilities from contingent consideration related to a business combination	1,585	—	
Change in operating real estate from contingent consideration related to a business combination	(1,585) —	
Change in other liabilities from a deferred payment related to an asset acquisition	2,000	—	
Change in operating real estate from a deferred payment related to an asset acquisition	(2,000) —	
Change in capital expenditures financed through accounts payable at period end	(2,472	) 4,415	
Change in capital expenditures financed through retention payable at period end	6,873	3,479	
Change in unfunded tenant allowance	—	(327)

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)

	September 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Real estate investments:		
Operating properties	\$4,629,223	\$4,603,692
Accumulated depreciation	(1,064,804	) (1,067,829
Operating real estate investments, net	3,564,419	3,535,863
Construction-in-progress	242,246	201,360
Land inventory	135,917	90,603
Total real estate investments, net	3,942,582	3,827,826
Cash and cash equivalents	50,632	257,502
Accounts receivable, net	19,221	18,757
Accrued rent receivable, net	139,738	134,051
Assets held for sale, net	53,042	18,295
Investment in Real Estate Ventures, at equity	211,771	225,004
Deferred costs, net	124,472	125,224
Intangible assets, net	127,088	99,403
Mortgage note receivable	—	88,000
Other assets	73,075	65,111
Total assets	\$4,741,621	\$4,859,173
LIABILITIES AND PARTNERS' EQUITY		
Mortgage notes payable	\$642,396	\$654,590
Unsecured term loans	200,000	200,000
Unsecured senior notes, net of discounts	1,597,541	1,596,718
Accounts payable and accrued expenses	115,636	96,046
Distributions payable	28,318	28,871
Deferred income, gains and rent	41,133	59,452
Acquired lease intangibles, net	28,541	26,010
Other liabilities	41,630	37,558
Liabilities related to assets held for sale	1,269	602
Total liabilities	2,696,464	2,699,847
Commitments and contingencies (Note 12)		
Redeemable limited partnership units at redemption value; 1,535,102 issued and outstanding in 2015 and 2014	22,247	24,571
Brandywine Operating Partnership, L.P.'s equity:		
6.90% Series E-Linked Preferred Mirror Units; issued and outstanding-4,000,000 in 2015 and 2014	96,850	96,850
General Partnership Capital, 175,196,703 and 179,293,160 units issued and outstanding in 2015 and 2014, respectively	1,932,953	2,041,902
Accumulated other comprehensive loss	(8,924	) (5,007
Total Brandywine Operating Partnership, L.P.'s equity	2,020,879	2,133,745
Non-controlling interest - consolidated real estate ventures	2,031	1,010
Total partners' equity	2,022,910	2,134,755

Total liabilities and partners' equity	\$4,741,621	\$4,859,173
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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 September 30,		Nine-month periods ended September 30,	
	2015	2014	2015	2014
Revenue:				
Rents	\$ 124,263	\$ 120,288	\$ 363,800	\$ 363,581
Tenant reimbursements	21,553	20,095	64,006	64,057
Termination fees	1,097	1,418	2,561	6,970
Third party management fees, labor reimbursement and leasing	4,274	3,932	12,805	12,269
Other	1,398	825	5,467	2,295
Total revenue	152,585	146,558	448,639	449,172
Operating expenses:				
Property operating expenses	43,894	42,675	133,175	132,612
Real estate taxes	13,119	12,869	37,632	39,167
Third party management expenses	1,605	1,687	4,858	5,133
Depreciation and amortization	58,314	52,616	160,355	157,773
General & administrative expenses	6,127	5,900	21,554	20,086
Total operating expenses	123,059	115,747	357,574	354,771
Operating income	29,526	30,811	91,065	94,401
Other income (expense):				
Interest income	126	528	1,189	1,298
Tax credit transaction income	11,853	11,853	11,853	11,853
Interest expense	(27,900)	) (31,481)	) (83,971)	) (94,837)
Interest expense — amortization of deferred financing costs	(1,010)	) (1,566)	) (3,377)	) (3,952)
Interest expense — financing obligation	(296)	) (273)	) (906)	) (861)