BRANDYWINE REALTY TRUST
Form 10-Q
July 27, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
þ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2015
or
o 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.)

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 þ No o
Brandywine Operating Partnership, L.P.	Yes þ No o

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 þ No o
Brandywine Operating Partnership, L.P.	Yes þ No o

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 þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

Brandywine Operating Partnership, L.P.:

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ	Smaller reporting company o

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 o No þ
Brandywine Operating Partnership, L.P.	Yes o No þ

A total of 179,898,005 Common Shares of Beneficial Interest, par value $0.01 per share of Brandywine Realty Trust, were outstanding as of July 24, 2015.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended June 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 June 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.

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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
- 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)

	June 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Real estate investments:		
Operating properties	$4,700,839	$4,603,692
Accumulated depreciation	(1,088,681)	(1,067,829)
Operating real estate investments, net	3,612,158	3,535,863
Construction-in-progress	263,772	201,360
Land inventory	119,995	90,603
Total real estate investments, net	3,995,925	3,827,826
Cash and cash equivalents	123,982	257,502
Accounts receivable, net	22,294	18,757
Accrued rent receivable, net	138,905	134,051
Assets held for sale, net	—	18,295
Investment in Real Estate Ventures, at equity	201,034	225,004
Deferred costs, net	126,567	125,224
Intangible assets, net	137,290	99,403
Mortgage note receivable	—	88,000
Other assets	68,313	65,111
Total assets	$4,814,310	$4,859,173
LIABILITIES AND BENEFICIARIES' EQUITY		
Mortgage notes payable	$646,512	$654,590
Unsecured term loans	200,000	200,000
Unsecured senior notes, net of discounts	1,597,267	1,596,718
Accounts payable and accrued expenses	98,897	96,046
Distributions payable	29,021	28,871
Deferred income, gains and rent	54,595	59,452
Acquired lease intangibles, net	31,565	26,010
Other liabilities	40,647	37,558
Liabilities related to assets held for sale	—	602
Total liabilities	2,698,504	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; 179,898,121 and 179,293,160 issued and outstanding in 2015 and 2014, respectively	1,799	1,793
Additional paid-in capital	3,317,751	3,314,693
Deferred compensation payable in common shares	11,996	6,219

Common shares in grantor trust, 748,045 in 2015 and 384,536 in 2014	(11,996)	(6,219)
Cumulative earnings	541,079	529,487
Accumulated other comprehensive loss	(5,651)	(4,607)
Cumulative distributions	(1,758,294)	(1,700,579)
Total Brandywine Realty Trust’s equity	2,096,724	2,140,827
Non-controlling interests	19,082	18,499
Total beneficiaries' equity	2,115,806	2,159,326
Total liabilities and beneficiaries' equity	$4,814,310	$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 June 30,		Six-month periods ended June 30,	
	2015	2014	2015	2014
Revenue:				
Rents	$119,127	$121,622	$239,537	$243,293
Tenant reimbursements	19,799	20,502	42,453	43,962
Termination fees	828	3,349	1,464	5,552
Third party management fees, labor reimbursement and leasing	4,659	4,187	8,531	8,337
Other	1,235	840	4,069	1,470
Total revenue	145,648	150,500	296,054	302,614
Operating expenses:				
Property operating expenses	42,704	43,136	89,281	89,937
Real estate taxes	11,968	12,841	24,513	26,298
Third party management expenses	1,677	1,730	3,253	3,446
Depreciation and amortization	50,930	52,587	102,041	105,157
General and administrative expenses	6,791	6,005	15,427	14,186
Total operating expenses	114,070	116,299	234,515	239,024
Operating income	31,578	34,201	61,539	63,590
Other income (expense):				
Interest income	313	385	1,063	770
Interest expense	(27,895)	(31,512)	(56,071)	(63,356)
Interest expense — amortization of deferred financing costs	(1,288)	(1,197)	(2,367)	(2,386)
Interest expense — financing obligation	(324)	(316)	(610)	(588)
Equity in loss of Real Estate Ventures	(873)	(489)	(742)	(247)
Net gain on disposition of real estate	1,571	—	10,590	—
Gain (loss) on sale of undepreciated real estate	—	(3)	—	1,184
Net gain from remeasurement of investments in real estate ventures	758	458	758	458
Loss on real estate venture transactions	—	(282)	—	(417)
Provision for impairment on assets held for sale/sold	(782)	—	(2,508)	—
Income (Loss) from continuing operations	3,058	1,245	11,652	(992)
Discontinued operations:				
Income from discontinued operations	—	26	—	18
Net gain on disposition of discontinued operations	—	903	—	903
Total discontinued operations	—	929	—	921
Net income (loss)	3,058	2,174	11,652	(71)
Net loss from discontinued operations attributable to non-controlling interests — LP units	—	(10)	—	(10)
Net loss attributable to non-controlling interest — partners' share of consolidated real estate ventures	5	24	5	12
Net (income) loss attributable to non-controlling interests — LP units	(7)	5	(65)	49
Net (income) loss attributable to non-controlling interests	(2)	19	(60)	51

Net income (loss) attributable to Brandywine Realty Trust	3,056	2,193	11,592	(20)
Distribution to Preferred Shares	(1,725)	(1,725)	(3,450)	(3,450)
Nonforfeitable dividends allocated to unvested restricted shareholders	(76)	(83)	(177)	(186)
Net income (loss) attributable to Common Shareholders of Brandywine Realty Trust	$1,255	$385	$7,965	$(3,656)
Basic income (loss) per Common Share:				
Continuing operations	$0.01	$—	$0.04	$(0.03)
Discontinued operations	—	—	—	0.01
	$0.01	$—	$0.04	$(0.02)
Diluted income (loss) per Common Share:				
Continuing operations	$0.01	$—	$0.04	$(0.03)
Discontinued operations	—	—	—	0.01
	$0.01	$—	$0.04	$(0.02)
Basic weighted average shares outstanding	179,860,284	157,037,348	179,712,428	156,916,356
Diluted weighted average shares outstanding	180,538,887	157,037,348	180,599,265	156,916,356
Net income attributable to Brandywine Realty Trust				
Total continuing operations	$3,056	$1,274	$11,592	$(931)
Total discontinued operations	—	919	—	911
Net income (loss)	$3,056	$2,193	$11,592	$(20)

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 June 30,		Six-month periods ended June 30,	
	2015	2014	2015	2014
Net income (loss)	$3,058	$2,174	$11,652	$(71)
Other comprehensive income (loss):				
Unrealized gain (loss) on derivative financial instruments	1,494	(2,285)	(1,169)	(3,265)
Reclassification of realized losses on derivative financial instruments to operations, net (1)	58	60	116	120
Total other comprehensive gain (loss)	1,552	(2,225)	(1,053)	(3,145)
Comprehensive income (loss)	4,610	(51)	10,599	(3,216)
Comprehensive (income) loss attributable to non-controlling interest	(15)	44	(51)	86
Comprehensive income (loss) attributable to Brandywine Realty Trust	$4,595	$(7)	$10,548	$(3,130)

(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.

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BRANDYWINE REALTY TRUST
CONSOLIDATED STATEMENTS OF BENEFICIARIES' EQUITY
For the six-month period ended June 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	Cumulat Distribu
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									11,592		
Other comprehensive loss										(1,044)	
Issuance of partnership interest in joint venture											
Bonus share issuance			8,447			125					
Equity issuance costs						(48)					
Share-based compensation activity			509,675	280,011	6	2,949					
Share issuance from/to Deferred Compensation Plan			86,839	83,498			5,777	(5,777)			
Adjustment to non-controlling interest						32					
Preferred Share distributions											(3,450
Distributions declared ($0.30 per share)											(54,265
BALANCE, June 30, 2015	4,000,000	$40	179,898,121	748,045	$1,799	$3,317,751	$11,996	$(11,996)	$541,079	$(5,651)	$(1,758,

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 six-month period ended June 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	Cumulativ Distributi
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)	$(1,592,5
Net loss									(20)		
Other comprehensive loss										(3,110)	
Equity issuance costs						(60)					
Share-based compensation activity			279,913		5	3,612			12		
Share issuance from/to Deferred Compensation Plan			79,077	74,808		(90)	896	(896)			
Adjustment to non-controlling interest						12					
Preferred Share distributions											(3,450
Distributions declared ($0.30 per share)											(47,276
BALANCE, June 30, 2014	4,000,000	$40	157,090,983	387,088	$1,571	$2,975,070	$6,303	$(6,303)	$522,520	$(6,105)	$(1,643,2

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

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

	Six-month periods ended June 30, 2015	2014
Cash flows from operating activities:		
Net income (loss)	$11,652	$(71)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	102,041	105,157
Amortization of deferred financing costs	2,367	2,386
Amortization of debt discount/(premium), net	(318)	(324)
Amortization of stock compensation costs	3,568	3,752
Shares used for employee taxes upon vesting of share awards	(2,056)	(1,266)
Straight-line rent income	(11,483)	(7,183)
Amortization of acquired above (below) market leases, net	(2,633)	(3,698)
Straight-line ground rent expense	44	44
Provision for doubtful accounts	704	1,272
Loss on real estate venture transactions	—	417
Net gain on sale of interests in real estate	(10,590)	(2,087)
Net gain from remeasurement of investment in a real estate venture	(758)	(458)
Provision for impairment on assets held for sale/sold	2,508	—
Real Estate Venture (income) loss and cash distributions	1,197	558
Deferred financing obligation	(612)	(590)
Changes in assets and liabilities:		
Accounts receivable	(390)	(6,328)
Other assets	(1,313)	1,462
Accounts payable and accrued expenses	(2,261)	(2,815)
Deferred income, gains and rent	(3,991)	(116)
Other liabilities	941	129
Net cash from operating activities	88,617	90,241
Cash flows from investing activities:		
Acquisition of properties	(120,379)	(12,405)
Acquisition of property - 1031 exchange funds applied	(62,812)	—
Sale of properties	80,268	40,149
Sale of property - 1031 exchange funds held in escrow	62,800	—
Proceeds from repayment of mortgage notes receivable	88,000	2,800
Capital expenditures for tenant improvements	(39,693)	(58,035)
Capital expenditures for redevelopments	(21,844)	(4,773)
Capital expenditures for developments	(83,628)	(19,270)
Advances for purchase of tenant assets, net of repayments	(3,003)	16
Investment in unconsolidated Real Estate Ventures	(49,139)	(3,095)
Deposits for real estate	(2,935)	—
Escrowed cash	2,113	1,758
Cash distributions from unconsolidated Real Estate Ventures in excess of cumulative equity income	5,774	5,329
Leasing costs	(10,892)	(13,862)
Net cash used in investing activities	(155,370)	(61,388)
Cash flows from financing activities:		

Repayments of mortgage notes payable	(7,046)	(6,647)
Debt financing costs paid	(2,941)	(35)
Proceeds from the exercise of stock options	127	709
Partner contribution to consolidated real estate venture	1,025	—
Distributions paid to shareholders	(57,471)	(50,710)
Distributions to noncontrolling interest	(461)	(541)
Net cash used in financing activities	(66,767)	(57,224)
Decrease in cash and cash equivalents	(133,520)	(28,371)
Cash and cash equivalents at beginning of period	257,502	263,207
Cash and cash equivalents at end of period	$123,982	$234,836
Supplemental disclosure:		
Cash paid for interest, net of capitalized interest during the six months ended June 30, 2015 and 2014 of $5,623 and $2,726, respectively	$63,239	$66,869

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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 property acquisition	67,261	—
Change in receivable from settlement of acquisitions	—	619
Change in other liabilities from contingent consideration related to a property acquisition	1,585	—
Change in operating real estate from contingent consideration related to a property acquisition	(1,585)	—
Change in capital expenditures financed through accounts payable at period end	(4,142)	(639)
Change in capital expenditures financed through retention payable at period end	5,415	1,188
Change in unfunded tenant allowance	—	(193)

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)

	June 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Real estate investments:		
Operating properties	$4,700,839	$4,603,692
Accumulated depreciation	(1,088,681)	(1,067,829)
Operating real estate investments, net	3,612,158	3,535,863
Construction-in-progress	263,772	201,360
Land inventory	119,995	90,603
Total real estate investments, net	3,995,925	3,827,826
Cash and cash equivalents	123,982	257,502
Accounts receivable, net	22,294	18,757
Accrued rent receivable, net	138,905	134,051
Assets held for sale, net	—	18,295
Investment in Real Estate Ventures, at equity	201,034	225,004
Deferred costs, net	126,567	125,224
Intangible assets, net	137,290	99,403
Mortgage note receivable	—	88,000
Other assets	68,313	65,111
Total assets	$4,814,310	$4,859,173
LIABILITIES AND PARTNERS' EQUITY		
Mortgage notes payable	$646,512	$654,590
Unsecured term loans	200,000	200,000
Unsecured senior notes, net of discounts	1,597,267	1,596,718
Accounts payable and accrued expenses	98,897	96,046
Distributions payable	29,021	28,871
Deferred income, gains and rent	54,595	59,452
Acquired lease intangibles, net	31,565	26,010
Other liabilities	40,647	37,558
Liabilities related to assets held for sale	—	602
Total liabilities	2,698,504	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	22,727	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, 179,898,121 and 179,293,160 units issued and outstanding in 2015 and 2014, respectively	2,000,257	2,041,902
Accumulated other comprehensive loss	(6,058)	(5,007)
Total Brandywine Operating Partnership, L.P.'s equity	2,091,049	2,133,745
Non-controlling interest - consolidated real estate ventures	2,030	1,010
Total partners' equity	2,093,079	2,134,755

Total liabilities and partners' equity	$4,814,310	$4,859,173

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 June 30,		Six-month periods ended June 30,	
	2015	2014	2015	2014
Revenue:				
Rents	$119,127	$121,622	$239,537	$243,293
Tenant reimbursements	19,799	20,502	42,453	43,962
Termination fees	828	3,349	1,464	5,552
Third party management fees, labor reimbursement and leasing	4,659	4,187	8,531	8,337
Other	1,235	840	4,069	1,470
Total revenue	145,648	150,500	296,054	302,614
Operating expenses:				
Property operating expenses	42,704	43,136	89,281	89,937
Real estate taxes	11,968	12,841	24,513	26,298
Third party management expenses	1,677	1,730	3,253	3,446
Depreciation and amortization	50,930	52,587	102,041	105,157
General & administrative expenses	6,791	6,005	15,427	14,186
Total operating expenses	114,070	116,299	234,515	239,024
Operating income	31,578	34,201	61,539	63,590
Other income (expense):				
Interest income	313	385	1,063	770
Interest expense	(27,895)	(31,512)	(56,071)	(63,356)
Interest expense — amortization of deferred financing costs	(1,288)	(1,197)	(2,367)	(2,386)
Interest expense — financing obligation	(324)	(316)	(610)	(588)
Equity in loss of Real Estate Ventures	(873)	(489)	(742)	(247)
Net gain on disposition of real estate	1,571	—	10,590	—
Net gain (loss) on sale of undepreciated real estate	—	(3)	—	1,184
Net gain from remeasurement of investments in real estate ventures	758	458	758	458
Loss on real estate venture transactions	—	(282)	—	(417)
Provision for impairment on assets held for sale/sold	(782)	—	(2,508)	—
Income (Loss) from continuing operations	3,058	1,245	11,652	(992)
Discontinued operations:				
Income from discontinued operations	—	26	—	18
Net gain on disposition of discontinued operations	—	903	—	903
Total discontinued operations	—	929	—	921
Net income (loss)	3,058	2,174	11,652	(71)
Net loss attributable to non-controlling interests	5	24	5	12
Net income (loss) attributable to Brandywine Operating Partnership	3,063	2,198	11,657	(59)
Distribution to Preferred Units	(1,725)	(1,725)	(3,450)	(3,450)
Amount allocated to unvested restricted unitholders	(76)	(83)	(177)	(186)
Net income (loss) attributable to Common Partnership Unitholders of Brandywine Operating Partnership, L.P.	$1,262	$390	$8,030	$(3,695)
Basic income (loss) per Common Partnership Unit:				

Continuing operations	$0.01	$—	$0.04	$(0.03)
Discontinued operations	—	—	—	0.01
	$0.01	$—	$0.04	$(0.02)
Diluted income (loss) per Common Partnership Unit:				
Continuing operations	$0.01	$—	$0.04	$(0.03)
Discontinued operations	—	—	—	0.01
	$0.01	$—	$0.04	$(0.02)
Basic weighted average common partnership units outstanding	181,395,386	158,801,087	181,247,530	158,680,095
Diluted weighted average common partnership units outstanding	182,073,989	158,801,087	182,134,367	158,680,095
Net income (loss) attributable to Brandywine Operating Partnership, L.P.				
Total continuing operations	$3,063	$1,269	$11,657	$(980)
Total discontinued operations	—	929	—	921
Net income (loss)	$3,063	$2,198	$11,657	$(59)

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 June 30,		Six-month periods ended June 30,	
	2015	2014	2015	2014
Net income (loss)	$3,058	$2,174	$11,652	$(71)
Other comprehensive income (loss):				
Unrealized gain (loss) on derivative financial instruments	1,494	(2,285)	(1,169)	(3,265)
Reclassification of realized losses on derivative financial instruments to operations, net (1)	58	60	116	120
Total other comprehensive income (loss)	1,552	(2,225)	(1,053)	(3,145)
Comprehensive income (loss) attributable to Brandywine Operating Partnership, L.P.	$4,610	$(51)	$10,599	$(3,216)

(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)

	Six-month periods ended June 30, 2015	2014
Cash flows from operating activities:		
Net income (loss)	$11,652	$(71)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	102,041	105,157
Amortization of deferred financing costs	2,367	2,386
Amortization of debt discount/(premium), net	(318)	(324)
Amortization of stock compensation costs	3,568	3,752
Shares used for employee taxes upon vesting of share awards	(2,056)	(1,266)
Straight-line rent income	(11,483)	(7,183)
Amortization of acquired above (below) market leases, net	(2,633)	(3,698)
Straight-line ground rent expense	44	44
Provision for doubtful accounts	704	1,272
Loss on real estate venture transactions	—	417
Net gain on sale of interests in real estate	(10,590)	(2,087)
Loss on real estate venture formation		
Net gain on remeasurement of investment in a real estate venture	(758)	(458)
Provision for impairment on assets held for sale	2,508	—
Real Estate Venture (income) loss and cash distributions	1,197	558
Deferred financing obligation	(612)	(590)
Changes in assets and liabilities:		
Accounts receivable	(390)	(6,328)
Other assets	(1,313)	1,462
Accounts payable and accrued expenses	(2,261)	(2,815)
Deferred income, gains and rent	(3,991)	(116)
Other liabilities	941	129
Net cash from operating activities	88,617	90,241
Cash flows from investing activities:		
Acquisition of properties	(120,379)	(12,405)
Acquisition of property - 1031 exchange funds applied	(62,812)	—
Sale of properties	80,268	40,149
Sale of property - 1031 exchange funds held in escrow	62,800	—
Proceeds from repayment of mortgage notes receivable	88,000	2,800
Capital expenditures for tenant improvements	(39,693)	(58,035)
Capital expenditures for redevelopments	(21,844)	(4,773)
Capital expenditures for developments	(83,628)	(19,270)
Advances for purchase of tenant assets, net of repayments	(3,003)	16
Investment in unconsolidated Real Estate Ventures	(49,139)	(3,095)
Deposits for real estate	(2,935)	—
Escrowed cash	2,113	1,758
Cash distributions from unconsolidated Real Estate Ventures in excess of cumulative equity income	5,774	5,329
Leasing costs	(10,892)	(13,862)
Net cash used in investing activities	(155,370)	(61,388)

Cash flows from financing activities:		
Repayments of mortgage notes payable	(7,046)	(6,647)
Debt financing costs paid	(2,941)	(35)
Proceeds from the exercise of stock options	127	709
Partner contribution to consolidated real estate venture	1,025	—
Distributions paid to preferred and common partnership unitholders	(57,932)	(51,251)
Net cash used in financing activities	(66,767)	(57,224)
Decrease in cash and cash equivalents	(133,520)	(28,371)
Cash and cash equivalents at beginning of period	257,502	263,207
Cash and cash equivalents at end of period	$123,982	$234,836
Supplemental disclosure:		
Cash paid for interest, net of capitalized interest during the six months ended June 30, 2015 and 2014 of $5,623 and $2,726, respectively	$63,239	$66,869

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Supplemental disclosure of non-cash activity:		
Change in investments in joint venture related 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 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 property acquisition	1,585	—
Change in operating real estate from contingent consideration related to a property acquisition	(1,585)	—
Change in capital expenditures financed through accounts payable at period end	(4,142)	(639)
Change in capital expenditures financed through retention payable at period end	5,415	1,188
Change in unfunded tenant allowance	—	(193)

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

BRANDYWINE REALTY TRUST AND BRANDYWINE OPERATING PARTNERSHIP, L.P.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015

1. ORGANIZATION OF THE PARENT COMPANY AND THE OPERATING PARTNERSHIP

The Parent Company is a self-administered and self-managed real estate investment trust ("REIT") that provides leasing, property management, development, redevelopment, acquisition and other tenant-related services for a portfolio of office, industrial, retail and mixed-use properties. The Parent Company owns its assets and conducts its operations through the Operating Partnership and subsidiaries of the Operating Partnership. The Parent Company is the sole general partner of the Operating Partnership and, as of June 30, 2015, owned a 99.1% interest in the Operating Partnership. The Parent Company's common shares of beneficial interest are publicly traded on the New York Stock Exchange under the ticker symbol "BDN".

As of June 30, 2015, the Company owned 199 properties, consisting of 167 office properties, 20 industrial facilities, five mixed-use properties, one retail property (193 core properties), four development properties, one redevelopment property and one re-entitlement property (collectively, the "Properties") containing an aggregate of approximately 25.2 million net rentable square feet. In addition, as of June 30, 2015, the Company owned economic interests in 18 unconsolidated real estate ventures that own properties containing an aggregate of approximately 5.6 million net rentable square feet (collectively, the "Real Estate Ventures"). As of June 30, 2015, the Company also owned 430 acres of undeveloped land, and held options to purchase approximately 63 additional acres of undeveloped land. As of June 30, 2015, the total potential development that these land parcels could support, under current zoning, entitlements or combination thereof, amounted to an estimated 7.2 million square feet of development, inclusive of options to purchase approximately 63 additional acres of undeveloped land. The Properties and the properties owned by the Real Estate Ventures are located in or near Philadelphia, Pennsylvania; Metropolitan Washington, D.C.; Southern New Jersey; Richmond, Virginia; Wilmington, Delaware; Austin, Texas; and Oakland, Concord and Carlsbad, California.

The Company conducts its third-party real estate management services business primarily through wholly-owned management company subsidiaries. As of June 30, 2015, the management company subsidiaries were managing properties containing an aggregate of approximately 33.0 million net rentable square feet, of which approximately 25.2 million net rentable square feet related to Properties owned by the Company and approximately 7.8 million net rentable square feet related to properties owned by third parties and Real Estate Ventures.

Unless otherwise indicated, all references in this Form 10-Q to square feet represent net rentable area.

2. BASIS OF PRESENTATION

Basis of Presentation

The consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for interim financial statements. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments (consisting solely of normal recurring matters) for a fair statement of the financial position of the Company as of June 30, 2015, the results of its operations for the three and six-month periods ended June 30, 2015 and 2014 and its cash flows for the six-month periods ended June 30, 2015 and 2014 have been included. The results of operations for such interim periods are not necessarily indicative of the results for a full year. These consolidated financial statements should be read in conjunction with the Parent Company's and the Operating Partnership's consolidated financial statements and footnotes included in their combined 2014 Annual Report on Form 10-K filed with the SEC on February 19, 2015.

The Company's Annual Report on Form 10-K for the year ended December 31, 2014 contains a discussion of our significant accounting policies under Note 2, "Summary of Significant Accounting Policies". There have been no significant changes in our significant accounting policies since December 31, 2014. Management discusses our significant accounting policies and management's judgments and estimates with the Company's Audit Committee.

Recent Accounting Pronouncements

On July 9, 2015, the Financial Accounting Standards Board ("FASB") elected to defer the effective date of the revenue recognition standard issued in May 2014 by one year. Reporting entities may choose to adopt the standard as of the original effective date or for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Calendar year-end public entities are therefore required to apply the new revenue guidance beginning in their 2018 interim and annual financial statements. The Company has not yet determined the impact, if any, that the adoption of this guidance will have on its consolidated financial statements. See Note 2, "Summary of Significant Accounting Policies," included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 for the Company's initial disclosure of this standard.

In April 2015, the FASB issued guidance simplifying the presentation of debt issuance costs. The guidance requires that all costs incurred to issue debt be presented in the balance sheet as a direct deduction from the carrying value of the debt. The amortization of these costs will remain under the interest method and will continue to be reported as interest expense. The guidance is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The new guidance will be applied on a retrospective basis. The Company has not yet determined the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

In February 2015, the FASB issued guidance modifying the analysis a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The guidance does not change the general order in which the consolidation models are applied. A reporting entity that holds an economic interest in, or is otherwise involved with, another legal entity first determines if the variable interest entity model applies, and if so, whether it holds a controlling financial interest under that model. If the entity being evaluated for consolidation is not a variable interest entity, then the voting model should be applied to determine whether the entity should be consolidated by the reporting entity. Key changes to the guidance include, though are not limited to; (i.) limiting the extent to which related party interests are included in the other economic interest criterion to the decision maker’s effective interest holding, (ii.) requiring limited partners of a limited partnership, or the members of a limited liability company that is similar to a limited partnership, to have, at minimum, kick-out or participating rights to demonstrate that the partnership is a voting entity, (iii.) changing the evaluation of whether the equity holders at risk lack decision making rights when decision making is outsourced and (iv.) changing how the economics test is performed. The guidance does not amend the existing disclosure requirements for variable interest entities or voting model entities. The guidance is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company has not yet determined the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

3. REAL ESTATE INVESTMENTS

As of June 30, 2015 and December 31, 2014, the gross carrying value of the Company’s Properties was as follows (in thousands):

	June 30, 2015	December 31, 2014
Land	$677,644	$669,635
Building and improvements	3,476,667	3,409,303
Tenant improvements	546,528	524,754
	4,700,839	4,603,692
Assets held for sale - real estate investments (a)	—	27,436
Total	$4,700,839	$4,631,128

(a) Real estate investments related to assets held for sale above represents gross real estate assets and does not include accumulated depreciation or other assets on the balance sheets of the properties held for sale.

Acquisitions

On June 22, 2015, through a series of transactions with International Business Machines ("IBM"), the Company acquired the remaining 50.0% interest in Broadmoor Austin Associates, consisting of seven office buildings and the 66.0 acre underlying land parcel located in Austin, Texas, for an aggregate purchase price of $211.4 million. The office buildings contain 1,112,236 net rentable square feet of office space and were 100.0% occupied as of June 30, 2015. The Company funded the cost of the acquisition with an aggregate cash payment of $143.8 million, consisting of $81.0 million from available corporate funds and $62.8 million previously held in escrow related to a Section 1031 like-kind exchange. Part of the cash payment was used at closing to repay, at no repayment penalty, the remaining $51.2 million of secured debt. The Company incurred $0.2 million of acquisition related costs that are classified within general and administrative expenses.

The Company previously accounted for its 50.0% non-controlling interest in Broadmoor Austin Associates under the equity method of accounting. As a result of acquiring IBM's remaining 50.0% common interest in Broadmoor Austin Associates, the Company obtained control of Broadmoor Austin Associates and the Company's existing investment balance was remeasured based on fair value of the underlying properties acquired and the existing distribution provisions under the relevant partnership agreement. As a result, the Company recorded a $0.8 million gain on remeasurement.

The Company has treated its acquisition of the 50.0% ownership interest in Broadmoor Austin Associates as a business combination and allocated the purchase price to the tangible and intangible assets and liabilities. The Company utilized a number of sources in making estimates of fair values for purposes of allocating the purchase price to tangible and intangibles assets acquired and intangible liabilities assumed. As of June 30, 2015, the purchase price is preliminary and subject to change. The purchase price has been allocated as follows:

	June 22, 2015
Building, land and improvements	$161,252
Land inventory	8,064
Intangible assets acquired (a)	50,637
Below market lease liabilities assumed (b)	(8,600)
	$211,353
Return of existing equity method investment	(67,261)
Net working capital assumed	(271)
Total cash payment at settlement	$143,821

(a) Weighted average amortization period of 4.0 years.
(b) Weighted average amortization period of 1.5 years.

The unaudited pro forma information below summarizes the Company's combined results of operations for the three and six-month periods ended June 30, 2015 and 2014, respectively, as though the acquisition of Broadmoor Austin Associates was completed on January 1, 2014. The supplemental pro forma operating data is not necessarily indicative of what the actual results of operations would have been assuming the transaction had been completed as set forth above, nor do they purport to represent the Company's results of operations for future periods (in thousands except for per share amounts).

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2015	2014	2015	2014
Pro forma revenue	$148,677	$153,893	$302,323	$309,771
Pro forma income from continuing operations	5,210	3,767	16,277	4,391
Pro forma net income available to common shareholders	3,407	2,907	12,590	1,727
Earnings (loss) per common share from continuing operations:				
Basic -- as reported	$0.01	$0.01	$0.06	$(0.01)
Basic -- as pro forma	$0.03	$0.02	$0.09	$0.03
Diluted -- as reported	$0.01	$0.01	$0.06	$(0.01)
Diluted -- as pro forma	$0.03	$0.02	$0.09	$0.03
Earnings (loss) per common share:				
Basic -- as reported	$—	$—	$0.04	$(0.02)
Basic -- as pro forma	$0.02	$0.02	$0.07	$0.01
Diluted -- as reported	$—	$—	$0.04	$(0.02)
Diluted -- as pro forma	$0.02	$0.02	$0.07	$0.01

Included in the pro forma income for the three-month periods ended June 30, 2015 and 2014 are total revenues of $3.2 million and $3.4 million, respectively, and net income attributable to common shareholders of $2.7 million and $2.5 million, respectively. Included in the pro forma income for the six-month periods ended June 30, 2015 and 2014 are total revenues of $6.5 million and $7.2 million, respectively, and net income attributable to common shareholders of $5.1 million and $5.4 million, respectively. For both the three and six-month periods ended June 30, 2015 and 2014, $0.2 million of acquisition related costs is included in 2014 as if the transaction occurred January 1, 2014.

On April 9, 2015, the Company acquired the leasehold interest in a 0.4 acre land parcel at 405 Colorado Street located in the central business district of Austin, Texas for $2.6 million. The property is currently being operated as a surface parking lot with the intent to develop the site into an office property. The Company accounted for this transaction as an asset acquisition.

On April 6, 2015, the Company acquired a 0.8 acre parcel of land, located at 25 M Street Southeast, Washington, D.C. for $20.3 million. The Company funded the cost of this acquisition with available corporate funds. The Company capitalized $0.3 million of acquisition related costs and these costs are included as part of land inventory on the Company's consolidated balance sheet. On May 12, 2015, the Company subsequently contributed the land parcel into a newly formed real estate venture known as 25 M Street Holdings, LLC (“25 M Street”), a joint venture between the Company and Jaco 25 M Investors, LLC (“Akridge”), an unaffiliated third party, with the intent to construct a 271,000 square foot Class A office property. The Company holds a 95.0% ownership interest in 25 M Street and Akridge contributed $1.0 million in cash for its 5.0% ownership interest in 25 M Street. The $1.0 million contribution from Akridge was distributed to the Company. The partners of the venture have not determined the timing and cost of construction for the project as of June 30, 2015.

On April 2, 2015, the Company acquired, from an unaffiliated third party, a property comprised of a parking garage with 330 parking spaces and mixed-use space totaling 14,404 rentable square feet located at 618 Market Street in Philadelphia, Pennsylvania for an aggregate fair value of $19.4 million. The property is currently fully operational. The purchase price includes contingent consideration, recorded at fair value and payable to the seller upon commencement of development, totaling $1.6 million and cash of $17.8 million.

The Company has treated the acquisition of 618 Market Street as a business combination and allocated the purchase price to the tangible and intangible assets. The Company utilized a number of sources in making estimates of fair values for purposes of allocating the purchase price to tangible and intangibles assets acquired. The Company allocated $19.2 million to building, land and improvements and $0.2 million to intangible assets.

The fair value of contingent consideration was determined using a probability weighted discounted cash flow model. The significant input to the model was the Company's weighted average cost of capital. As this input is unobservable, the Company determined the input used to value this liability falls within Level 3 for fair value reporting.

Dispositions

The Company sold the following properties during the six-month period ended June 30, 2015 (dollars in millions).

Disposition Date	Property Name	Property Location	Property Type	Number of Properties	Sale Price	Gain/(Loss) On Sale (a)		Rentable Square Feet
June 10, 2015	100 Gateway Centre Parkway	Richmond, VA	Office	1	$4.1	$—	(b)	74,991
April 24, 2015	Delaware Corporate Center I & II/Christian Corporate Center	Wilmington, DE/Newark, DE	Office	5	50.1	1.6		485,182
April 9, 2015	Lake Merritt Tower	Oakland, CA	Office	1	65.0	—	(c)	204,336
January 8, 2015	Atrium I/Libertyview	Mt. Laurel, NJ/Cherry Hill, NJ	Office	2	28.3	9.0		221,405
Total Dispositions				9	$147.5	$10.6		985,914

(a) Gain/(Loss) on Sale is net of closing and other transaction related costs.

(b) The Company recorded an impairment loss of $0.8 million for 100 Gateway Centre Parkway during the second quarter of 2015. As such, there was no gain/(loss) at disposition for this property.

(c) The Company recorded an impairment loss of $1.7 million for Lake Merritt Tower at March 31, 2015. As such, there was no gain/(loss) at disposition for this property. Sales proceeds were deposited in escrow under Section 1031 of the Internal Revenue Code and applied to purchase the Broadmoor Austin portfolio. Refer to Broadmoor Austin Associates acquisition summary, above, for further details.

The sales of properties referenced above do not represent a strategic shift that has a major effect on the Company's operations and financial results. The operating results of these properties remain classified within continuing operations for all periods presented.

As a result of selling $147.5 million of real estate as of June 30, 2015, the Company increased its current year business plan disposition target from $180.0 million to $300.0 million. The Company is exploring the disposition of several properties, individually or as a portfolio, during the remainder of 2015 in alignment with its business plan. As of June 30, 2015, the Company has not entered into agreements to sell additional properties nor can we provide assurance as to any/or which properties for which a sale might be realized. Accordingly, the Company has prepared undiscounted cash flow analyses for the relevant properties based upon several reasonably possible scenarios and the estimated likelihood of each scenario occurring. These estimated probability weighted undiscounted cash flows exceed the carrying values for the properties, and, therefore, no impairment charge has been recorded at June 30, 2015. Significant estimates were made in the determination of the future undiscounted cash flows, including expected future rents and operating expenses, holding periods, cash proceeds at the end of the estimated holding period and the probability of the various reasonably possible scenarios. Changes to estimates made by management for certain properties, including those related to holding periods, may result in the recognition of impairment losses, and such amounts could be material to the Company’s results of operations.

Impairments Measured at Fair Value on a Non-recurring Basis

During the six-month period ended June 30, 2015, the Company recognized $2.5 million in impairment charges on properties sold to reduce the carrying value of the properties to their sales price in connection with the anticipated disposition. The fair value measurement related to these impairment charges was determined by the respective sales agreement. As the sales price is unobservable, the Company determined that the significant input used to value these real estate investments falls within Level 3 for fair value reporting.

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4. INVESTMENT IN UNCONSOLIDATED VENTURES

As of June 30, 2015, the Company held ownership interests in 18 unconsolidated Real Estate Ventures for an aggregate investment balance of $199.8 million, of which $201.0 million is included in assets and $1.2 million is included in other liabilities relating to the negative investment balance of one real estate venture. The Company formed or acquired interests in these ventures with unaffiliated third parties to develop or manage office, residential, and/or mixed-use properties or to acquire land in anticipation of possible development of office, residential and/or mixed-use properties. As of June 30, 2015, ten of the real estate ventures owned 58 office buildings that contain an aggregate of approximately 5.6 million net rentable square feet; four real estate ventures owned 5.2 acres of undeveloped parcels of land; two real estate ventures owned 21.8 acres of land under development; one real estate venture owned a residential tower that contains 345 apartment units and one real estate venture owned a hotel property that contains 137 rooms in Conshohocken, PA.

The Company accounts for its unconsolidated interests in its Real Estate Ventures using the equity method. The Company's unconsolidated interests range from 20% to 70%, subject to specified priority allocations of distributable cash in certain of the Real Estate Ventures.

The amounts reflected in the following tables (except for the Company's share of equity and income) are based on the historical financial information of the individual Real Estate Ventures. The Company does not record operating losses of a Real Estate Venture in excess of its investment balance unless the Company is liable for the obligations of the Real Estate Venture or is otherwise committed to provide financial support to the Real Estate Venture.

The following is a summary of the financial position of the Real Estate Ventures as of June 30, 2015 and December 31, 2014 (in thousands):

	June 30, 2015	December 31, 2014
Net property	$1,295,947	$1,281,282
Other assets	165,693	195,121
Other liabilities	59,472	68,481
Debt	927,032	965,077
Equity	475,136	442,845
Company's share of equity (Company's basis) (a) (b)	$201,034	$225,004

(a) This amount includes the effect of the basis difference between the Company's historical cost basis and the basis recorded at the Real Estate Venture level, which is typically amortized over the life of the related assets and liabilities. Basis differentials occur from the impairment of investments, purchases of third party interests in existing Real Estate Ventures and upon the transfer of assets that were previously owned by the Company into a Real Estate Venture. In addition, certain acquisition, transaction and other costs may not be reflected in the net assets at the Real Estate Venture level.

(b) Does not include the negative investment balance of one real estate venture totaling $1.2 million as of June 30, 2015 and December 31, 2014, respectively, which is included in other liabilities.

The Company held interests in 18 Real Estate Ventures containing an aggregate of approximately 5.6 million net rentable square feet as of the three and six-month periods ended June 30, 2015 and 17 Real Estate Ventures containing an aggregate of approximately 5.9 million net rentable square feet as of the three and six-month periods ended June 30, 2014. The following is a summary of results of operations of the Real Estate Ventures in which the Company had interests during these periods (in thousands):

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2015	2014	2015	2014
Revenue	$43,239	$35,074	$89,348	$69,459
Operating expenses	(19,132)	(14,842)	(37,665)	(28,824)
Interest expense, net	(10,136)	(8,889)	(19,982)	(16,989)
Depreciation and amortization	(17,412)	(13,273)	(36,536)	(26,871)
Net loss	$(3,441)	$(1,930)	$(4,835)	$(3,225)
Company’s share of loss (Company’s basis)	$(873)	$(489)	$(742)	$(247)

JBG - Ventures

On May 29, 2015, the Company and an unaffiliated third party, JBG/DC Manager, LLC ("JBG"), formed 51 N 50 Patterson, Holdings, LLC Venture ("51 N Street") and 1250 First Street Office, LLC Venture ("1250 First Street"), as real estate ventures, with the Company owning a 70.0% interest and JBG owning a 30.0% interest in each of the two ventures. At formation, the Company and JBG made cash contributions of $15.2 million and $6.5 million, respectively, to 51 N Street, which was used to purchase 0.9 acres of undeveloped land. At formation, the Company and JBG made cash capital contributions of $13.2 million and $5.7 million, respectively, to 1250 First Street, which was used to purchase 0.5 acres of undeveloped land.

Based upon the facts and circumstances at formation of each of the two ventures with JBG, the Company determined that each venture is a VIE in accordance with the accounting standard for the consolidation of VIEs. As a result, the Company used the variable interest model under the accounting standard for consolidation in order to determine whether to consolidate the JBG Ventures. JBG is the managing member of the ventures, and pursuant to the operating and related agreements, major decisions require the approval of both members. Based upon each member's shared power over the activities of each of the two ventures, which most significantly impact the economics of the ventures, neither venture is consolidated by the Company. Each venture is accounted for under the equity method of accounting.

Broadmoor Austin Associates

On June 22, 2015, the Company became the sole owner of Broadmoor Austin Associates upon the Company's acquisition from an unaffiliated third party of the remaining 50.0% ownership interest in Broadmoor Austin Associates. Broadmoor Austin Associates owns seven office buildings in Austin, Texas. See Note 3, "Real Estate Investments," for further information.

25 M Street (Akridge)

On May 12, 2015, the Company contributed the parcel of land purchased on April 9, 2015 into a newly formed real estate venture known as 25 M Street, a joint venture between the Company and Akridge, an unaffiliated third party. See Note 3, "Real Estate Investments," for further information.

Based on the facts and circumstances at formation of 25 M Street, the Company determined that 25 M Street is a variable interest entity (VIE) in accordance with the accounting standard for consolidation of VIEs. Accordingly, the Company used the variable interest model under the accounting standard for consolidation in order to determine whether to consolidate 25 M Street. Under the operating and related agreements the Company has the power to control substantially all of the activities which most significantly impact the economics of 25 M Street, and accordingly, 25 M Street is consolidated within the Company’s financial statements.

DRA - PA Venture

On December 19, 2007, the Company formed G&I Interchange Office LLC, a real estate venture (the “Interchange Venture”), with an unaffiliated third party, G&I VI Investment Interchange Office LLC (“G&I VI”), an investment vehicle advised by DRA Advisors LLC. The Interchange Venture owns 29 office properties containing an aggregate of 1,611,961 net rentable square feet located in Montgomery, Lehigh and Bucks counties, Pennsylvania. The Company contributed these 29 properties to the Interchange Venture upon the Venture's formation and in exchange for the contribution received a cash distribution from the Venture and a 20.0% ownership interest in the Venture.

On February 27, 2015, the Venture entered into a forbearance agreement with an unaffiliated lender that holds a nonrecourse mortgage on the Venture's assets. The mortgage secures a nonrecourse loan with an outstanding balance of $174.2 million. The loan matured on January 1, 2015. The forbearance agreement extended the maturity date of the mortgage loan to July 31, 2015 and contains, at the lender’s option, a 60-day extension option. The lender has the exclusive right to sell the properties to a third-party purchaser during the forbearance period. The lender will receive the net proceeds from the sale of the properties. If the properties are not sold during the forbearance period, then the lender will foreclose on the assets.

The Company has no obligation to fund any amounts to the lender under the loan or mortgage. The Company has not had any investment basis in the Venture since formation of the Venture in 2007. The Company is not obligated to fund any of the losses incurred by the Venture and, as a result, has not recognized losses in excess of its invested capital balance.

Austin Venture

On January 30, 2015, the Austin Venture closed on a mortgage loan with a non-affiliated institutional lender, and used the proceeds of the loan to repay in full an $88.0 million short-term secured loan made by the Company to fund costs of the Austin Venture's acquisition of River Place. For further information regarding this acquisition, see Note 4, "Investment In Unconsolidated Ventures," included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Guarantees

As of June 30, 2015, the Company had provided guarantees on behalf of certain real estate ventures, consisting of (i) a $24.7 million payment guarantee on the construction loan for the project being undertaken by evo at Cira; (ii) a $3.2 million payment guarantee on the construction loan for the development project being undertaken by TB-BDN Plymouth Apartments; and (iii) a $0.5 million payment guarantee on a loan provided to PJP VII. In addition, during construction undertaken by real estate ventures, the Company has provided and expects to continue to provide cost overrun and completion guarantees, with rights of contribution among partners in the real estate ventures, as well as customary environmental indemnities and guarantees of customary exceptions to nonrecourse provisions in loan agreements. For additional information regarding these real estate ventures, see Note 4, "Investments in Unconsolidated Ventures," in notes to the audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

5. INTANGIBLE ASSETS AND LIABILITIES

As of June 30, 2015 and December 31, 2014, the Company’s intangible assets/liabilities were comprised of the following (in thousands):

	June 30, 2015		
	Total Cost	Accumulated Amortization	Intangible assets/liabilities, net
Intangible assets, net:			
In-place lease value	$176,041	$(48,435)	$127,606
Tenant relationship value	30,203	(24,339)	5,864
Above market leases acquired	5,510	(1,690)	3,820
Total intangible assets, net	$211,754	$(74,464)	$137,290
Acquired lease intangibles, net:			
Below market leases acquired	$60,963	$(29,398)	$31,565

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	December 31, 2014		
	Total Cost	Accumulated Amortization	Intangible assets/liabilities, net
Intangible assets, net:			