

Brookfield DTLA Fund Office Trust Investor Inc.

Consolidated Financial Statements
as of and for the Year Ended December 31, 2023

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023**

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FINANCIAL INFORMATION

Financial Statements.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited; in thousands)

	As of December 31,	
	2023	2022
ASSETS		
Investments in Real Estate:		
Land	\$ 108,234	\$ 216,982
Buildings and improvements	1,046,160	2,145,830
Tenant improvements	157,944	420,010
Investments in real estate, gross	1,312,338	2,782,822
Less: accumulated depreciation	163,309	561,382
Investments in real estate, net	1,149,029	2,221,440
Investment in unconsolidated real estate joint venture	38,523	44,421
Cash and cash equivalents	13,174	23,523
Restricted cash	61,235	35,206
Rents, deferred rents and other receivables, net	90,890	135,447
Intangible assets, net	3,279	10,067
Deferred charges, net	31,771	54,877
Due from affiliates	9,078	6,823
Prepaid and other assets, net	3,535	12,365
Assets held for sale	976,143	—
Total assets	\$ 2,376,657	\$ 2,544,169
LIABILITIES AND DEFICIT		
Liabilities:		
Secured debt, net	\$ 2,289,843	\$ 2,279,573
Accounts payable and other liabilities	123,506	71,029
Due to affiliates	12,714	5,553
Intangible liabilities, net	1,830	2,905
Liabilities associated with assets held for sale	29,737	—
Total liabilities	2,457,630	2,359,060

Commitments and Contingencies [\(See Note 15\)](#)

See accompanying notes to consolidated financial statements.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.**CONSOLIDATED BALANCE SHEETS (continued)****(Unaudited; in thousands, except share amounts)**

	As of December 31,	
	2023	2022
LIABILITIES AND DEFICIT (continued)		
Mezzanine Equity:		
7.625% Series A Cumulative Redeemable Preferred Stock, \$0.01 par value, 9,730,370 shares issued and outstanding as of December 31, 2023 and 2022	\$ 502,675	\$ 484,126
Noncontrolling Interests:		
Series A-1 preferred interest	486,878	469,666
Senior participating preferred interest	(62)	11,677
Series B preferred interest	206,247	182,486
Total mezzanine equity	1,195,738	1,147,955
Stockholders' Deficit:		
Common stock, \$0.01 par value, 1,000 shares issued and outstanding as of December 31, 2023 and 2022	—	—
Additional paid-in capital	205,299	204,369
Accumulated deficit	(1,482,050)	(1,167,270)
Noncontrolling interests	40	55
Total stockholders' deficit	(1,276,711)	(962,846)
Total liabilities and deficit	\$ 2,376,657	\$ 2,544,169

See accompanying notes to consolidated financial statements.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in thousands)

	For the Year Ended December 31,	
	2023	2022
Revenue:		
Lease income	\$ 252,733	\$ 264,090
Parking	33,457	30,725
Interest and other	14,500	1,085
Total revenue	300,690	295,900
Expenses:		
Rental property operating and maintenance	110,612	108,719
Real estate taxes	38,857	39,719
Parking	12,009	11,128
Other expenses	18,810	10,535
Depreciation and amortization	74,638	101,252
Interest	190,592	101,801
Impairment charges	122,069	112,073
Total expenses	567,587	485,227
Other (Loss) Income:		
Equity in (loss) income of unconsolidated real estate joint venture	(5,898)	1,230
Total other (loss) income	(5,898)	1,230
Net loss	(272,795)	(188,097)
Net income (loss) attributable to noncontrolling interests:		
Series A-1 preferred interest returns	17,212	17,212
Senior participating preferred interest redemption measurement adjustment	(11,588)	(8,248)
Series B preferred interest returns	17,827	14,432
Series B common interest – allocation of net income	(15)	71,301
Net loss attributable to Brookfield DTLA	(296,231)	(282,794)
Series A preferred stock dividends	18,549	18,549
Net loss attributable to common interest holders of Brookfield DTLA	\$ (314,780)	\$ (301,343)

See accompanying notes to consolidated financial statements.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited; in thousands, except share amounts)

	<u>Number of Shares</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Non- controlling Interests</u>	<u>Total Stockholders' Deficit</u>
	<u>Common Stock</u>	<u>Common Stock</u>				
Balance, December 31, 2021	1,000	\$ —	\$ 203,369	\$ (865,927)	\$ (71,246)	\$ (733,804)
Net (loss) income				(282,794)	94,697	(188,097)
Contributions			1,000			1,000
Dividends, preferred returns and redemption measurement adjustments on mezzanine equity				(18,549)	(23,396)	(41,945)
Balance, December 31, 2022	1,000	—	204,369	(1,167,270)	55	(962,846)
Net (loss) income				(296,231)	23,436	(272,795)
Contributions			930			930
Dividends, preferred returns and redemption measurement adjustments on mezzanine equity				(18,549)	(23,451)	(42,000)
Balance, December 31, 2023	1,000	\$ —	\$ 205,299	\$ (1,482,050)	\$ 40	\$ (1,276,711)

See accompanying notes to consolidated financial statements.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in thousands)

	For the Year Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (272,795)	\$ (188,097)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	74,467	101,252
Equity in loss (income) of unconsolidated real estate joint venture	5,898	(1,230)
Write-off (recovery) of lease receivables (previously deemed uncollectible)	297	(196)
Amortization of acquired below-market leases, net of acquired above-market leases	311	(141)
Straight-line rent amortization	(3,554)	(3,655)
Amortization of tenant inducements	2,822	2,529
Amortization and write-off of debt financing costs	2,679	6,763
Unrealized loss on interest rate cap contracts	10,262	1,832
Impairment charges	122,069	112,073
Increase in mortgage debt due to paid-in-kind interest	6,497	—
Changes in assets and liabilities:		
Rents, deferred rents and other receivables, net	(9,503)	(6,282)
Deferred charges, net	(1,879)	(8,965)
Due from affiliates	(864)	1,324
Prepaid and other assets, net	(2,264)	10,157
Accounts payable and other liabilities	83,079	8,692
Due to affiliates	7,161	3,771
Net cash provided by operating activities	24,683	39,827
Cash flows from investing activities:		
Expenditures for real estate improvements	(16,810)	(64,660)
Net cash used in investing activities	(16,810)	(64,660)
Cash flows from financing activities:		
Proceeds from secured debt	1,499	18,590
Proceeds from Series B preferred interest	15,261	47,564
Proceeds from senior participating preferred interest	238	288
Distributions to Series B preferred interest	(9,327)	(9,825)
Repurchases of Series B preferred interest	—	(46,975)
Distributions to senior participating preferred interest	(389)	(1,554)
Contributions to additional paid-in capital	930	1,000
Purchase of interest rate cap contracts	—	(12,048)
Debt financing costs paid	(405)	(1,701)
Net cash provided by (used in) financing activities	7,807	(4,661)
Net change in cash, cash equivalents and restricted cash	15,680	(29,494)
Cash, cash equivalents and restricted cash at beginning of year	58,729	88,223
Cash, cash equivalents and restricted cash at end of year	\$ 74,409	\$ 58,729

See accompanying notes to consolidated financial statements.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(Unaudited; in thousands)

	For the Year Ended December 31,	
	2023	2022
Supplemental disclosure of cash flow information:		
Cash paid for interest, net	\$ 90,233	\$ 91,596
Cash (received from) paid for income taxes (refund)	\$ (957)	\$ 473
Supplemental disclosure of non-cash investing and financing activities:		
Accrual for current-year additions to real estate investments	\$ 8,797	\$ 15,946
Writeoff of fully depreciated investments in real estate	\$ 23,142	\$ 24,008
Writeoff of fully amortized intangible assets	\$ —	\$ 6,322
Writeoff of fully amortized intangible liabilities	\$ 8,185	\$ 14,746
Writeoff of fully amortized deferred charges	\$ 2,969	\$ —

The following is a reconciliation of Brookfield DTLA's cash, cash equivalents and restricted cash at the beginning and end of the years ended December 31, 2023 and 2022:

	For the Year Ended December 31,	
	2023	2022
Cash and cash equivalents at beginning of year	\$ 23,523	\$ 38,901
Restricted cash at beginning of year	35,206	49,322
Cash, cash equivalents and restricted cash at beginning of year	\$ 58,729	\$ 88,223
Cash and cash equivalents at end of year	\$ 13,174	\$ 23,523
Restricted cash at end of year	61,235	35,206
Cash, cash equivalents and restricted cash at end of year	\$ 74,409	\$ 58,729

See accompanying notes to consolidated financial statements.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

As used in these notes to consolidated financial statements, tabular amounts are presented in thousands, except share amounts, percentage data and dates.

Note 1—Organization and Description of Business

Brookfield DTLA Fund Office Trust Investor Inc. (“Brookfield DTLA” or the “Company”) is a Maryland corporation and was incorporated on April 19, 2013. Brookfield DTLA was formed for the purpose of consummating the transactions contemplated in the Agreement and Plan of Merger dated as of April 24, 2013, as amended, and the issuance of shares of 7.625% Series A Cumulative Redeemable Preferred Stock (the “Series A preferred stock”) in connection with the acquisition of MPG Office Trust, Inc. and MPG Office, L.P. (together, “MPG”). Brookfield DTLA is a direct subsidiary of Brookfield DTLA Holdings LLC, a Delaware limited liability company (“DTLA Holdings”, and together with its affiliates excluding the Company and its subsidiaries, the “Manager”). DTLA Holdings is an indirect partially-owned subsidiary of Brookfield Property Partners L.P. (“BPY”), an exempted limited partnership under the Laws of Bermuda, which in turn is the flagship commercial property entity wholly-owned by Brookfield Corporation, a corporation under the laws of Ontario, and the primary vehicle through which Brookfield Corporation invests in real estate on a global basis.

As of December 31, 2023 and 2022, Brookfield DTLA owned Bank of America Plaza (“BOA Plaza”), EY Plaza, Wells Fargo Center–North Tower, Wells Fargo Center–South Tower, Gas Company Tower and 777 Tower, which are Class A office properties, and FIGat7th, a retail center nestled between EY Plaza and 777 Tower. During the year ended December 31, 2023, Gas Company Tower and EY Plaza were transferred to receivership by court order. Additionally, Brookfield DTLA Fund Properties II LLC (“Fund II”) has a noncontrolling interest in an unconsolidated real estate joint venture with Brookfield DTLA FP IV Holdings LLC (“DTLA FP IV Holdings”), a wholly-owned subsidiary of DTLA Holdings, which owns Beaudry (previously known as 755 South Figueroa), a residential development that was substantially completed in May 2023. All of these properties are located in the Los Angeles Central Business District (the “LACBD”) in Downtown Los Angeles, which has long been a major office district for law firms, accounting firms and government agencies.

Brookfield DTLA primarily receives its income from lease income, including tenant reimbursements, generated from the operations of its office and retail properties, and to a lesser extent, revenue from its parking garages.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Note 2—Basis of Presentation and Summary of Significant Accounting Policies

As used in these consolidated financial statements and related notes, unless the context requires otherwise, the terms “Brookfield DTLA,” the “Company,” “us,” “we” and “our” refer to Brookfield DTLA Fund Office Trust Investor Inc. together with its direct and indirect subsidiaries.

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements and related notes have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). The consolidated balance sheets as of December 31, 2023 and 2022 include the accounts of Brookfield DTLA and subsidiaries in which it has a controlling financial interest. All material intercompany transactions have been eliminated in consolidation as of and for the years ended December 31, 2023 and 2022.

Liquidity and Going Concern

The consolidated financial statements have been prepared in accordance with GAAP applicable to a going concern. The going concern basis of accounting is dependent upon the Company's ability to effectively implement plans related to the secured debt currently in default and the secured debt that matures within one year after the date of the issuance of the annual report. This presentation contemplates the realization of assets and the satisfaction of liabilities in the normal course of business and does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties surrounding the debts described below (“Debt in Default”). Pursuant to *ASC 205—40, Presentation of Financial Statements – Going Concern (“ASC 205—40”)*, management must evaluate whether there are conditions and events considered in aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date that these consolidated financial statements are issued.

As of December 31, 2023, the Company had \$2,290.9 million of total consolidated debt, including \$2,231.5 million past due or maturing in 2024, and \$59.3 million maturing in 2026. Our substantial indebtedness requires us to use a material portion of our cash flow to service interest on our debt. Additionally, except for the debt secured by Figat7th, our consolidated debt also includes \$2,231.5 million of mortgage and mezzanine loans that are in default as of December 31, 2023. The Company has experienced a decline in occupancy since the onset of the COVID-19 pandemic as tenant leases expire which has resulted in a decrease in cash flow from operations and has negatively impacted the market values of the properties. Additionally, to attract or retain tenants needed to increase occupancy and sustain operations, the Company needs to spend a substantial amount on capital leasing costs (such as leasing commissions and tenant improvements), however, the Company has limited amounts of liquidity to make these capital commitments. Furthermore, since 2022, the Federal Reserve materially raising interest rates to fight inflation has not only increased the cost of our floating rate debt and the rates or spread on any refinancing we may seek, but it also materially increased the cost of interest rate protection agreements and interest rate risk hedging. We are required to obtain interest rate protection agreements with respect to the Company’s existing floating rate secured loans (and which we expect may be required to obtain for refinancing our maturing debt).

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

The Company may be unable to extend or refinance the upcoming loan maturities at current terms and may be required to pay down a portion of the maturing debt to extend or refinance the loans. With the Company's limited amount of unrestricted cash on hand, the Company's ability to make any loan paydowns is limited without the sale of real estate assets, and we do not have any contracts to sell our properties as of the issuance date of this Annual Report. If one or more of the properties securing our Debt in Default were to be foreclosed upon by the lenders, these secured debt obligations are not cross collateralized with other properties in the portfolio. Nevertheless, these conditions and events in aggregate raise substantial doubt about the Company's ability to continue as a going concern.

Debt in Default:

Wells Fargo Center — North Tower — As of December 31, 2023, and the issuance date of this Annual Report, wholly-owned subsidiaries of the Company (the “WFC North Borrowers”) had and continue to have secured loans of \$505.7 million on Wells Fargo Center — North Tower, comprised of a \$400.0 million mortgage loan, a \$68.6 million Mezzanine I loan, and a \$37.1 million Mezzanine II loan (collectively, the “WFC North Loans”). The maturity date of the WFC North Loans was extended to January 8, 2024. The Loans are now past due, in maturity default and management is under discussions with lenders for a restructuring of the debt. Since March and April 2023, the lenders of the mezzanine and junior mezzanine loans agreed, respectively, subject to certain conditions, to forbear from exercising any remedy because of non-payment of the monthly debt service payments for the mezzanine and junior mezzanine loans. Since September 30, 2023, the total net worth of the WFC North Loans' non-recourse carveout guarantor, DTLA Holdings, fell below the minimum net worth required by the underlying loan agreements, which is an Event of Default, as defined in the loan agreement. The amount of cash the property currently generates from its operations is not sufficient to cover the upcoming debt obligations, leasing costs and capital expenditures with respect to Wells Fargo Center – North Tower. The WFC North Borrowers are attempting to negotiate favorable amendments to the WFC North Loans and/or additional interest payment forbearances from the current lenders. If WFC North Borrowers are unsuccessful, the forbearance agreement with any lender lapses, and the interest payments are not made on the due date, then the lenders would have the right to exercise the remedies under the WFC North Loans, including, but not limited to, declaring the debt to be immediately payable and foreclosing on Wells Fargo Center – North Tower.

Gas Company Tower — Wholly-owned subsidiaries of the Company (the “Gas Company Borrowers”) have outstanding secured loans of \$465.0 million on Gas Company Tower, comprised of a \$350.0 million mortgage loan, a \$65.0 million mezzanine loan and a \$50.0 million junior mezzanine loan (collectively, the “Gas Company Tower Loans”) as of December 31, 2023, and the issuance date of this Annual Report. The initial maturity date of the Gas Company Tower Loans was February 9, 2023, with three one-year extension options. Gas Company Borrowers did not exercise the option to extend the maturity of the loans and therefore, on February 9, 2023, the Gas Company Tower Loans matured, and an Event of Default (as defined in the underlying loan agreements) has occurred and is continuing. In addition, as of the issuance date of this Annual Report, the Gas Company Borrowers have not paid interest expense accrued on the mezzanine loan since March 2023 and currently do not intend to pay this or the future interest expense accrued on the Gas Company Tower Loans. The lenders may exercise their remedies under the loans, including foreclosing on Gas Company Tower. Effective April 17, 2023, a receiver was appointed by court order to take possession and control of Gas Company Tower.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

EY Plaza — As of December 31, 2023, and the issuance date of this Annual Report, wholly-owned subsidiaries of the Company (the “EY Borrowers”) have outstanding secured loans of \$305.0 million on EY Plaza, comprised of a \$275.0 million mortgage loan and a \$30.0 million mezzanine loan (collectively, the “EY Plaza Loans”). The EY Borrowers did not make the semi-annual property tax and monthly interest payments due in April 2023 on the EY Plaza Loans. As a result, an Event of Default (as defined in the underlying loan agreements) occurred and is continuing. In addition, the EY Borrowers have received notices from certain tenants of EY Plaza stating that they are not in compliance with the terms of their respective lease agreements. In April 2023, certain mechanics liens were filed on the EY Plaza and the EY Borrowers received a notice of default from the lenders as a result of such non-compliance with the leases. The maturity date of the EY Plaza Loans was October 9, 2023. In addition, as of the issuance date of this Annual Report, the EY Borrowers have not paid interest expense accrued on the mezzanine loan since March 2023 and currently do not intend to pay this or the future interest expense accrued on the EY Plaza Loans. The lenders may exercise their remedies under the loans, including foreclosing on EY Plaza. Effective May 24, 2023, a receiver was appointed by court order to take possession and control of EY Plaza.

777 Tower — Wholly-owned subsidiaries of the Company (the “777 Borrowers”) have outstanding secured loans of \$288.9 million on 777 Tower, comprised of a \$243.6 million mortgage loan and a \$45.3 million mezzanine loan (collectively, the “777 Tower Loans”) as of December 31, 2023, and the issuance date of this Annual Report. In November 2022, the 777 Borrowers did not obtain an Interest Rate Protection Agreement (as defined in the underlying loan agreements) which constitutes an Event of Default (as defined in the underlying loan agreements). Wells Fargo Bank, National Association, as Administrative Agent for the lenders under the mortgage loan, and Mesa West Core Lending Fund, LLC, have notified the 777 Borrowers that defaults have occurred under the loan and that the lenders have the right to exercise their remedies under the 777 Tower Loans, including, without limitation, declaring the debt to be immediately due and payable and foreclosing on 777 Tower. As a result of the default under the mortgage loan and not satisfying debt service payments on the mezzanine loan in 2023, an Event of Default (as defined in the underlying loan agreements) has occurred and is continuing under the mezzanine loan. The amount of cash the property currently generates from its operations is not sufficient to cover the upcoming debt obligations, leasing costs and capital expenditures with respect to 777 Tower. In November 2023, the senior lender exercised its rights under the default provisions of the loan agreement to publicly market the asset for sale.

Wells Fargo Center — South Tower — As of December 31, 2023, and the issuance date of this Annual Report, wholly-owned subsidiaries of the Company had and continue to have an outstanding secured mortgage loan of \$266.9 million on Wells Fargo Center—South Tower (the “WFC South Loan”) that matured on November 4, 2023. We are currently attempting to extend the Wells Fargo Center South Loan with the current lender with modified terms. As of the issuance date of this Annual Report, we currently are in negotiations with the lenders under which the lenders would forbear exercising their remedies under the loan through November 6, 2024. We do not currently have any commitment for additional capital to the extent any paydown requires cash in excess of the unrestricted cash on hand that we would be able or willing to allocate to such paydown. If we are unable to negotiate a loan modification with the current lender, then the lender would have the right to exercise the remedies under the WFC South Loan, including, but not limited to, declaring the debt to be immediately payable and foreclosing on Wells Fargo Center — South Tower.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

BOA Plaza — As of December 31, 2023, and the issuance date of this Annual Report, wholly-owned subsidiaries of the Company had and continue to have a secured mortgage loan of \$400.0 million on BOA Plaza (the "BOA Loan") that matures on September 1, 2024. As of September 30, 2023, DTLA Holdings, as guarantor, no longer met the minimum net worth covenants, which is an Event of Default (as defined in the underlying loan agreement). As of the issuance date of this Annual Report, the lenders have not exercised any of their remedies under the BOA Loan. The lender may exercise their remedies under the loan, including, but not limited to, declaring the debt to be immediately payable and foreclosing on BOA Plaza. It is unlikely that we will be able to obtain additional sources of liquidity or negotiate favorable amendments to the BOA Loan from the lenders. As of the issuance date of this Annual Report, we currently do not have a commitment from the lenders to extend the maturity date of this loan. Additionally, we do not know what paydown may be required upon any refinancing of this loan, and therefore are not certain we will have sufficient unrestricted cash on hand to make any such paydown. If we are unable to negotiate a loan modification with the current lender or refinance the BOA Loan, then the lender would have the right to exercise the remedies under the BOA Loan, including, but not limited to, declaring the debt to be immediately payable and foreclosing on BOA Plaza.

There are several potential outcomes with respect to Debt in Default, including negotiating a modification to the loans, refinancing the loans, or consensual short sales. However, it is probable that we will not be successful in effectively implementing plans related to these loans. If unsuccessful, the lenders would retain their right to exercise the remedies under the loans including, but not limited to, declaring the debt to be immediately payable and foreclosing on the assets. Consequently, there is substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Determination of Controlling Financial Interest

We consolidate entities in which Brookfield DTLA is considered to be the primary beneficiary of a variable interest entity ("VIE") or has a majority of the voting interest in the entity. We are deemed to be the primary beneficiary of a VIE when we have (i) the power to direct the activities of the VIE that most significantly impact its economic performance, and (ii) the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. We do not consolidate entities in which the other parties have substantive kick-out rights to remove the Company's power to direct the activities, and most significantly impacting the economic performance, of the VIE. In determining whether we are the primary beneficiary, we consider factors such as ownership interest, management representation, authority to control decisions, and contractual and substantive participating rights of each party.

Brookfield DTLA Fund Properties II LLC. The Company earns a return through an indirect investment in Fund II. DTLA Holdings, the parent of Brookfield DTLA, owns all of the common interest in Fund II. Brookfield DTLA has an indirect preferred stock interest in Fund II and its wholly-owned subsidiary is the managing member of Fund II. The Company determined that Fund II is a VIE. As a result of having the power to direct the significant activities of Fund II that impact Fund II's economic performance, and the obligation to absorb losses of, or the right to receive benefits from, Fund II that could potentially be significant to the Fund II, Brookfield DTLA meets the two conditions for being the primary beneficiary of Fund II.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

We consolidate entities through which we conduct substantially all of our business, and own, directly and through subsidiaries, substantially all of our assets. As of December 31, 2023, these consolidated VIEs had in aggregate total consolidated assets of \$2.4 billion (of which \$2.1 billion is related to investments in real estate) and total consolidated liabilities of \$2.5 billion (of which \$2.3 billion is related to non-recourse debt secured by our office and retail properties). The Company is obligated to repay substantially all of the liabilities of our consolidated VIEs, except for the non-recourse secured debt.

Investment in Unconsolidated Real Estate Joint Venture. Fund II has a noncontrolling interest in a joint venture, Brookfield DTLA Fund Properties IV LLC (“**Fund IV**”), with DTLA FP IV Holdings. The Company determined that the joint venture is a VIE mainly because its equity investment at risk is insufficient to finance the joint venture’s activities without additional subordinated financial support. While the joint venture meets the definition of a VIE, Brookfield DTLA is not its primary beneficiary as the Company lacks the power through voting or similar rights to direct the activities that most significantly impact the joint venture’s economic performance. Therefore, the Company accounts for its ownership interest in the joint venture under the equity method. Under the equity method of accounting, we initially recognize Fund II’s investment in the joint venture at the fair value of the assets contributed, and subsequently adjust the joint venture’s carrying amount for Fund II’s share of the joint venture’s redemption value and other-than-temporary impairments (if any). The redemption value represents the amount to be distributed to Fund II in the event of termination or liquidation of the joint venture. Adjustments to the joint venture’s carrying amount to its redemption value are recorded in the consolidated statements of operations as equity in income (loss) of unconsolidated real estate joint venture. As of December 31, 2023 and 2022, the Company’s ownership interest in the unconsolidated real estate joint venture was 19.2% and 22.1%, respectively.

The liabilities of the joint venture may only be settled using the Beaudry assets and are not recourse to the Company. Brookfield DTLA’s exposure to its investment in the joint venture is limited to its investment balance and the Company has no obligation to make future contributions to the joint venture. Pursuant to the operating agreement of the joint venture, DTLA FP IV Holdings may be required to fund additional amounts for the Beaudry development, routine operating costs, and guaranties or commitments of the joint venture.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. The Company bases its estimates on historical experience and on various other assumptions that it considers to be reasonable under the circumstances. For example, estimates and assumptions have been made with respect to the useful lives of assets, recoverable amounts of receivables, impairment of long-lived assets, as well as the fair value of assets held for sale and debt. Actual results could ultimately differ from such estimates.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Significant Accounting Policies

Investments in Real Estate, Net—

Land is carried at cost. Buildings are recorded at historical cost and are depreciated on a straight-line basis over their estimated useful lives of up to 60 years. Building improvements are recorded at historical cost and are depreciated on a straight-line basis over their estimated useful lives, ranging from 5 years to 25 years. Land improvements are combined with building improvements for financial reporting purposes and are carried at cost. Tenant improvements that are determined to be assets of Brookfield DTLA are recorded at cost and amortized on a straight-line basis over the shorter of their estimated useful life or the applicable lease term, with the related amortization reported as part of depreciation and amortization expense in the consolidated statements of operations.

Depreciation expense related to investments in real estate during the years ended December 31, 2023 and 2022 totaled \$65.5 million and \$87.3 million, respectively, and is reported as part of depreciation and amortization expense in the consolidated statements of operations.

The Company capitalizes costs associated with capital expenditures and tenant improvements. Capitalization of costs is required while activities are ongoing to prepare an asset for its intended use. Costs incurred after the capital expenditures and tenant improvement projects are substantially complete and ready for their intended use are expensed as incurred. Expenditures for repairs and maintenance, real estate taxes and insurance are expensed as incurred.

Impairment Review

Investments in long-lived assets, including our investments in real estate, are individually reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the long-lived assets might not be recoverable, which is referred to as a “triggering event” or an “impairment indicator.” Indicators of potential impairment include the following:

- Change in strategy resulting in an increased or decreased holding period;
- Lower stabilized occupancy levels;
- Deterioration of the rental market as evidenced by rent decreases, record-high capital expense obligations, and/or elevated concessions such as tenant improvement, over numerous quarters;
- Properties with recent impairment issues that are adjacent to or located in the same submarket;
- Significant decrease in properties’ market price;
- Tenant financial problems; and/or
- Comparable market barriers of competitors in the same submarket.

The carrying amount of long-lived assets to be held and used is deemed not recoverable if it exceeds the sum of undiscounted cash flows expected to result from the use and eventual disposition of the asset. Triggering events or impairment indicators for long-lived assets to be held and used are assessed by property and include significant fluctuations in estimated net operating income, changes in leasing activity, significant near-term lease expirations, current and historical operating and/or cash flow losses, rental rates, and other market factors.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

When conducting the impairment review of our investments in real estate, we assess the expected undiscounted cash flows based upon numerous factors. These factors include, but are not limited to, the credit quality of our tenants, available market information, known trends, current market/economic conditions that may affect the asset, and historical and forecasted financial and operating information relating to the property, such as net operating income, leasing activity statistics, vacancy projections, renewal percentage, and rent collection rates. If the undiscounted cash flows expected to be generated by a property are less than its carrying amount, the Company determines the fair value of the property and an impairment loss is recorded to write down the carrying amount of such property to its fair value.

During the year ended December 31, 2023, to reduce their carrying amounts to their estimated fair value, the Company recognized impairment charges on Wells Fargo Center — South Tower of \$38.2 million, Wells Fargo Center — North Tower of \$8.1 million, compared to impairment charge of \$112.1 million on Wells Fargo Center — South Tower during the same period in 2022. In light of the evolving office leasing business environment and the slowdown in economic growth in the near term because of rising interest rates, decreases in our property valuations may lead to additional impairment charges in our portfolio in the near future. See [“Note 11 — Fair Value Measurements and Disclosures”](#) for a detailed discussion of the factors that were considered when determining the fair values.

The Company’s investment in its unconsolidated real estate joint venture is also reviewed for impairment quarterly or when conditions exist that may indicate that the decrease in the carrying amount of the investment has occurred and is other than temporary. Triggering events or impairment indicators for the Company’s unconsolidated real estate joint venture include its recurring operating losses, and other events such as significant changes in construction costs, estimated completion dates, intended holding periods, and other factors related to the Beaudry development. Upon determination that an other-than-temporary impairment has occurred, a write-down is recognized to reduce the carrying amount of the investment to its estimated fair value. Based on its review, management concluded that Brookfield DTLA’s investment in its unconsolidated real estate joint venture was not impaired as of December 31, 2023 and 2022.

Assets & Liabilities, Held for Sale

During the year ended December 31, 2023, Gas Company Tower and EY Plaza were placed into receivership by court order. As a result of the receiver’s appointment and its contractual rights, the receiver is managing the operations of the properties. We do not have direct access to these properties’ rental payments as tenants are required to deposit payments into restricted lockbox accounts, controlled by the receiver. While we retain an ownership interest in the assets of these properties, we no longer believe we will be able to successfully modify the loans encumbering these properties. We will cooperate in any sale or foreclosure of the properties and will focus on an orderly exit from the assets, although there is no assurance that we will be able to achieve a resolution on a timely basis. Additionally, since December 2022, the mortgage and mezzanine loans secured by 777 Tower are in default. In November, 2023 the senior lender decided to exit the mortgage by marketing the loan for sale and allowing the purchaser of the debt to foreclose on the assets. As a result, certain assets and liabilities of Gas Company Tower, EY Plaza and 777 Tower (the “Disposal Group”) are classified as held for sale as criteria set forth in the *Long-Lived Assets Classified as Held for Sale* Subsections of FASB Codification Topic 360 are met. The Disposal group is reported at the lower of its carrying amount or its estimated fair value less costs to sell, resulting in impairment charges for EY Plaza and 777 Tower of \$21.1 million and \$54.6 million, respectively. Depreciation and amortization of the Disposal group cease upon designation as held for sale. See [Note 14 — Assets Classified as Held for Sale](#) for details.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Cash and Cash Equivalents—

Cash and cash equivalents include cash, deposits with major commercial banks, and short-term investments with an original maturity of three months or less.

Restricted Cash—

Restricted cash consists primarily of deposits for leasing costs, tenant improvements and capital expenditures; real estate taxes and insurance reserves, debt service reserves and other items as required by certain of the Company's secured debt agreements. It also includes cash accounts controlled by loan administrative agents, receivers or lenders pursuant to cash sweep events associated with the loans secured by certain properties. See [Note 6 — Secured Debts, Net](#) for details.

Rents, Deferred Rents and Other Receivables, Net

Deferred rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with lease agreements.

The Company offers various types of lease incentives to induce tenants to sign a lease, including free rent lease periods, and various allowances such as cash paid to tenants and for tenant improvements that are the assets of the tenants. The Company records these allowances as tenant inducements, which are included in rents, deferred rents and other receivables in the consolidated balance sheet and amortized as a reduction to lease income on a straight-line basis over the term of the related lease.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Under ASC Topic 842, *Leases*, Brookfield DTLA must assess on an individual lease basis whether it is probable that the Company will collect future lease payments throughout the term of the lease. The Company considers the tenant's payment history and current credit status when assessing collectability. If the collectability of the lease payments is probable at lease commencement, the Company recognizes lease income over the term of the lease on a straight-line basis. During the term of the lease, Brookfield DTLA monitors the credit quality and any related material changes of our tenants by (i) reviewing financial statements of the tenants that are publicly available or that are required to be delivered to us pursuant to the applicable lease, (ii) monitoring news reports regarding our tenants and their respective businesses, (iii) monitoring the tenant's payment history and current credit status, and (iv) analyzing current economic trends, and reasonable and supportable forecasts of future economic conditions. When collectability is not deemed probable at the lease commencement date, the Company's lease income is constrained to the lesser of (i) the income that would have been recognized if collection were probable, or (ii) the lease payments that have been collected from the lessee. If the collectability assessment changes to probable after the lease commencement date, any difference between the lease income that would have been recognized if collectability had always been assessed as probable and the lease income recognized to date is recognized as a current-period adjustment to lease income. If the collectability assessment changes to not probable after the lease commencement date, lease income is reversed to the extent that the lease payments that have been collected from the lessee are less than the lease income recognized to date. Changes to the collectability of operating leases are recorded as adjustments to lease income in the consolidated statements of operations. As the result of our assessment of the collectability of amounts due under leases with our tenants, the Company (wrote off) recovered lease income totaling \$(297) thousand and \$196 thousand, respectively, during the years ended December 31, 2023 and 2022.

Intangible Assets and Liabilities, Net—

Brookfield DTLA evaluates each acquisition of real estate to determine whether the integrated set of assets and activities meets the definition of a business and needs to be accounted for as a business combination. An acquisition of an integrated set of assets and activities that does not meet the definition of a business is accounted for as an asset acquisition. For acquisitions of real estates that are accounted for as business combinations, the Company allocates the acquisition consideration (excluding acquisition costs) to the assets acquired, liabilities assumed, noncontrolling interests, and any previously existing ownership interests at fair value as of the acquisition date. Acquired assets include tangible real estate assets consisting primarily of land, buildings, and tenant improvements, as well as identifiable intangible assets and liabilities, consisting primarily of acquired above- and below-market leases, in-place leases and tenant relationships.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

The principal valuation technique employed by Brookfield DTLA in determining the fair value of identified assets acquired and liabilities assumed is the income approach, which is then compared to the cost approach. Tangible values for investments in real estate are calculated based on replacement costs for like-type quality assets. Above- and below-market lease values are determined by comparing in-place rents with current market rents. In-place lease amounts are determined by calculating the potential lost revenue during the replacement of the current leases in place. Leasing commissions and legal/marketing fees are determined based upon market allowances pro-rated over the remaining lease terms. Loans assumed in an acquisition are analyzed using current market terms for similar debt.

The value of acquired above- and below-market leases are amortized and recorded as either a decrease (in the case of above-market leases) or an increase (in the case of below-market leases) to lease income in the consolidated statements of operations over the remaining terms of the associated leases. The value of tenant relationships is amortized as an expense over the expected term of the relationship, which includes an estimated probability of lease renewal. The value of in-place leases is amortized as an expense over the remaining life of the leases. Amortization of tenant relationships and in-place leases is included as part of depreciation and amortization in the consolidated statements of operations.

Deferred Charges, Net—

Deferred charges mainly include initial direct costs, primarily commissions related to the leasing of the Company's office properties, and are stated net of accumulated amortization of \$43.5 million and \$52.0 million as of December 31, 2023 and 2022, respectively.

All leasing commissions paid for new or renewed leases are capitalized and deferred. Deferred leasing costs are amortized on a straight-line basis over the initial fixed terms of the related leases as part of depreciation and amortization expense in the consolidated statements of operations. Costs to negotiate or arrange a lease, regardless of its outcome, such as tax or legal advice to negotiate lease terms, and lessor costs related to advertising or soliciting potential tenants, are expensed as incurred.

Due From/To Affiliates—

Amounts due from/to affiliates consisted of related party receivables from and payables due to affiliates of BPY and Brookfield Corporation, primarily related to lease income, parking revenue, and fees for property, development and asset management and other services. See [Note 12—“Related Party Transactions.”](#)

Prepaid and Other Assets, Net—

Prepaid and other assets, net, mainly include interest rate cap contracts and real estate taxes.

Secured Debt, Net—

Debt secured by our properties is presented in the consolidated balance sheets net of unamortized debt financing costs.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Debt financing costs totaling \$2.7 million and \$6.8 million were amortized during the years ended December 31, 2023 and 2022, respectively, over the terms of the related loans using the effective interest method and are included as part of interest expense in the consolidated statements of operations. Any unamortized amounts remaining upon early repayment of debt are written off, and the related costs and accumulated amortization are removed from the consolidated balance sheets.

Mezzanine Equity—

Mezzanine equity in the consolidated balance sheets is comprised of the Series A preferred stock, a Series A-1 preferred interest, a senior participating preferred interest, and a Series B preferred interest (collectively, the “Preferred Interests”). The Series A-1 preferred interest, senior participating preferred interest and Series B preferred interest are held by a noncontrolling interest holder. The Preferred Interests are classified as mezzanine equity because they are callable, and the holder of the Series A-1 preferred interest, senior participating preferred interest, Series B preferred interest, and some of the Series A preferred stock indirectly controls the ability to elect to redeem such instruments, through its controlling interest in the Company and its subsidiaries. There is no commitment or obligation on the part of Brookfield DTLA or DTLA Holdings to redeem the Preferred Interests.

The Preferred Interests included within mezzanine equity were recorded at fair value on the date of issuance and have been adjusted to the greater of their carrying amount or redemption value as of each reporting period. Adjustments to increase or decrease the carrying amount to redemption value are recorded in the consolidated statements of operations as redemption measurement adjustments.

Revenue Recognition—

Lease Income—

Brookfield DTLA’s lease income primarily represents revenue related to agreements for rental of our investments in real estate, subject to ASC Topic 842, *Leases*. All of the leases in which the Company is the lessor are classified as operating leases. The Company’s leases do not have guarantees of residual value of the underlying assets. We manage the risk associated with the residual value of our leased assets by carefully selecting our tenants and monitoring their credit quality throughout their respective lease terms. Upon the expiration or termination of a lease, the Company often has the ability to re-lease the space with an existing tenant or to a new tenant within a reasonable amount of time.

The Company’s lease income is comprised of variable payments including fixed and contingent rental payments and tenant recoveries. Fixed contractual payments from the Company’s leases are recognized on a straight-line basis over the terms of the respective leases. This means that, with respect to a particular lease, actual amounts billed in accordance with the lease during any given period may be higher or lower than the amount of lease income recognized during the period. Straight-line rental revenue is commenced when the tenant assumes control of the leased premises.

Certain leases with retail tenants also provide for the payment by the lessee of additional rent based on a percentage of the tenant’s sales. Percentage rents are recognized as lease income in the consolidated statements of operations only after the tenant sales thresholds have been achieved.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Tenant recoveries, including reimbursements of utilities, repairs and maintenance, common area expenses, real estate taxes and insurance, and other operating expenses, are recognized as part of lease income in the consolidated statements of operations in the period when the applicable expenses are incurred and the tenant's obligation to reimburse us arises.

Some of the Company's leases have termination options that allow the tenant to terminate the lease prior to the end of the lease term under certain circumstances. Termination options generally become effective halfway or further into the original lease term and require advance notification from the tenant and payment of a termination fee that reimburses the Company for a portion of the remaining rent under the original lease term and the undepreciated lease inception costs such as commissions, tenant improvements and lease incentives. Termination fees are recognized as part of lease income in the consolidated statements of operations at the later of when the tenant has vacated the space or the lease has expired, a fully executed lease termination agreement has been delivered to the Company, the amount of the fee is determinable and collectability of the fee is reasonably assured.

Parking Revenue—

Parking revenue is recognized in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, when the services are provided and the performance obligations are satisfied, which normally occurs at a point in time.

Income Taxes

Brookfield DTLA made elections to treat certain subsidiaries as real estate investment trusts ("REIT Subs") pursuant to Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with the tax period ended December 31, 2013. The REIT Subs conduct their operations with the intent to continue to qualify as a REIT. Accordingly, such REIT Subs are not subject to U.S. federal income tax, provided that they continue to qualify as a REIT and make distributions to stockholders, if any, that generally equal or exceed its taxable income.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Brookfield DTLA has also elected to treat certain of its subsidiaries as taxable REIT subsidiaries (“TRS”). A TRS is permitted to engage in activities that the REIT cannot engage in directly, such as performing non-customary services for the Company’s tenants, holding assets that the Company cannot hold directly and conducting certain affiliate transactions. A TRS is subject to both federal and state income taxes. The Company’s various TRS did not have significant tax provisions or deferred income taxes during the years ended December 31, 2023 and 2022. The Company’s various TRS had an income tax receivable balance of \$452 thousand as of December 31, 2023, which considers a federal income tax refund of \$957 thousand received during the current year. In comparison, the Company’s various TRS recorded an income tax receivable balance of \$1,465 thousand as of December 31, 2022.

Qualification and taxation as a REIT depend upon REIT Subs’ ability to meet the various qualification tests imposed under the Code related to annual operating results, asset diversification, distribution levels and diversity of stock ownership. Accordingly, no assurance can be given that the REIT Subs will be organized or be able to operate in a manner so as to continue to qualify or remain qualified as REITs. If a REIT Sub fails to qualify as a REIT in any taxable year, it will be subject to federal and state income tax on our taxable income at regular corporate tax rates, and it may be ineligible to qualify as a REIT for four subsequent tax years. The REIT Subs may be subject to certain state or local income taxes, or franchise taxes on its REIT activities.

As of December 31, 2023 and 2022, REIT Subs had combined net operating loss carryforwards (“NOLs”) totaling \$630.2 million and \$474.0 million, respectively. Net operating losses generated prior to 2018 expire between 2033 and 2037. Net operating losses generated during 2018 and after have an indefinite carryover. REIT Subs do not expect to utilize these NOLs and as a result, the deferred tax assets have full valuation allowances and therefore no impact to the consolidated balance sheets as of December 31, 2023 and 2022.

Derivative Financial Instruments—

Brookfield DTLA uses interest rate cap contracts to manage interest rate fluctuation risk by limiting the impact of changes in index rates (LIBOR and SOFR) on certain of its debt. Interest rate caps involve the receipt of variable-rate amounts beyond a specified strike price over the life of the agreements without exchange of the underlying principal amount. The Company believes these contracts are with counterparties who are creditworthy financial institutions. The Company does not elect hedge accounting for these contracts, and as such, changes in fair value are recorded in the period of change as part of other expenses in the consolidated statements of operations.

Derivative financial instruments in asset and liability position at each period end are included in “Prepaid and other assets — net” and “Accounts payable and other liabilities” in the consolidated balance sheets, respectively. Interest rate cap contracts pay out to the purchaser of the cap if the index rate (LIBOR or SOFR) increases above the “strike rate”. Payments of \$10.8 million for the year ended December 31, 2023 were recorded as “Interest and other” in the consolidated statements of operations, compared to \$0.6 million accrued for the same period in 2022.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Other Financial Instruments—

Brookfield DTLA's other financial instruments that are exposed to concentrations of credit risk consist primarily of cash and lease receivables. Brookfield DTLA assesses collectibility of lease receivables by monitoring the credit quality and any related material changes of our tenants. This involves (i) reviewing financial statements of the tenants that are publicly available or that are required to be delivered to us pursuant to the applicable lease, (ii) monitoring news reports regarding our tenants and their respective businesses, (iii) monitoring the tenant's payment history and current credit status, and (iv) analyzing current economic trends. As a consequence, management believes that its lease receivable credit risk exposure is limited. Brookfield DTLA places its temporary cash investments with federally insured institutions. Cash balances with any one institution may at times be in excess of the federally insured limits.

Fair Value Measurements—

Under GAAP, the Company is required to measure certain financial instruments at fair value on a recurring basis, such as interest rate cap contracts. In addition, the Company is required to measure other financial instruments and balances at fair value on a non-recurring basis (e.g., carrying value of impaired long-lived assets such as investments in real estate and unconsolidated real estate joint venture). Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date and, in many cases, requires management to make a number of significant judgments. Based on the observable inputs used in the valuation techniques, Brookfield DTLA classifies its assets and liabilities measured and disclosed at fair value in accordance with a three-level hierarchy (i.e., Level 1, Level 2 and Level 3) established under ASC Topic 820, *Fair Value Measurement*.

The Company estimates the fair value of its debt by calculating the credit-adjusted present value of principal and interest payments for each loan. The calculation incorporates observable market interest rates, which management considers to be Level 2 inputs, assumes that each loan will be outstanding until maturity, and excludes any options to extend the maturity date of the loan available per the terms of the loan agreement, if any. See [Note 11—"Fair Value Measurements and Disclosures"](#).

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Recently Issued Accounting Literature

New Accounting Pronouncements Adopted

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides accounting relief from the future impact of the cessation of LIBOR by, among other things, providing optional expedients to treat contract modifications resulting from such reference rate reform as a continuation of the existing contract and for hedging relationships to not be de-designated resulting from such changes provided certain criteria are met. The guidance is effective beginning on March 12, 2020, and we may elect to apply the amendments prospectively through December 31, 2022 (the “sunset date”). In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*, which amends the scope of ASU 2020-04 to include derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. ASU 2021-01 became effective upon issuance and may be applied on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively for contract modifications made on or before December 31, 2022 (the “sunset date”). The Company adopted ASU 2020-04 and ASU 2021-01 on a prospective basis on January 1, 2022. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, which defers the sunset date of ASC 848, Reference Rate Reform, from December 31, 2022 to December 31, 2024. ASU 2022-06 is effective immediately for all entities. At the time of adoption, the guidance did not have a material impact on the Company’s consolidated financial statements. LIBOR ceased in June, 2023 and the guidance continued to not significantly impact the Company’s consolidated financial statements.

Accounting Pronouncements Issued But Not Yet Adopted

The Company does not anticipate any recently issued accounting standards pronouncements to have a significant impact on the consolidated financial position or results of operations in these or future consolidated financial statements.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Note 3—Restricted Cash

Restricted cash at December 31, 2023 and 2022, is summarized as follows:

	As of December 31,	
	2023	2022
Leasing costs, tenant improvements and capital expenditure reserves	\$ 6,578	\$ 7,120
Tax and insurance	9,014	8,445
Parking and security deposit reserves	10,013	7,737
Cash sweep reserves	15,931	11,904
Receivership restricted cash balance	19,699	—
Restricted Cash	\$ 61,235	\$ 35,206

Note 4—Rents, Deferred Rents and Other Receivables, Net

Brookfield DTLA’s rents, deferred rents and other receivables are comprised of the following:

	As of December 31,	
	2023	2022
Straight-line and other deferred rents	\$ 116,732	\$ 114,414
Tenant inducements receivable	28,855	31,689
Tenant receivables	5,665	2,406
Other receivables	6,280	1,588
Rents, deferred rents and other receivables, gross	157,532	150,097
Less: accumulated amortization of tenant inducements	(13,648)	(14,650)
Rents, deferred rents and other receivables, net	\$ 143,884	\$ 135,447
Less: rents, deferred rents and other receivables, net held for sale	(52,994)	—
Rents, deferred rents and other receivables, net	\$ 90,890	\$ 135,447

See [Note 2 “Basis of Presentation and Summary of Significant Accounting Policies—Rents, Deferred Rents and Other Receivables”](#) for a discussion of assessments regarding the collectability of rents and deferred rent receivables and related adjustments made during the years ended December 31, 2023 and 2022.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Note 5—Intangible Assets and Liabilities

Brookfield DTLA’s intangible assets and liabilities are summarized as follows:

	As of December 31,	
	2023	2022
<i>Intangible Assets</i>		
In-place leases	\$ 19,671	\$ 32,678
Tenant relationships	644	2,151
Above-market leases	7,104	8,231
Intangible assets, gross	27,419	43,060
Less: accumulated amortization	(20,060)	(32,993)
Less: intangible assets held for sale	(4,080)	—
Intangible assets, net	\$ 3,279	\$ 10,067
<i>Intangible Liabilities</i>		
Below-market leases	\$ 3,780	\$ 18,670
Less: accumulated amortization	(1,508)	(15,765)
Less: intangible liability held for sale	(442)	—
Intangible liabilities, net	\$ 1,830	\$ 2,905

A summary of the effect of amortization/accretion of intangible assets and liabilities reported in the consolidated financial statements is as follows:

	For the Year Ended December 31,	
	2023	2022
Lease income	\$ (311)	\$ 141
Depreciation and amortization expense	\$ 1,536	\$ 3,562

As of December 31, 2023, amortization of intangible assets and liabilities in future periods is as follows:

	In-Place Leases	Other Intangible Assets	Intangible Liabilities
2024	\$ 309	\$ 1,075	\$ 168
2025	243	506	151
2026	113	14	151
2027	113	—	151
2028	113	—	151
Thereafter	790	3	1,058
Total future amortization of intangibles	\$ 1,681	\$ 1,598	\$ 1,830

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)
Note 6—Secured Debt, Net

Brookfield DTLA's secured debt as of December 31, 2023 is as follows:

	Maturity Date	Contractual Interest Rates	Principal Amount as of December 31,	
			2023	2022
Variable-Rate Loans:				
777 Tower ⁽¹⁾	12/30/2022	SOFR + 1.60%	\$ 243,595	\$ 243,594
777 Tower ⁽¹⁾	12/30/2022	SOFR + 4.25%	45,345	45,345
Gas Company Tower ⁽²⁾	2/9/2023	SOFR + 1.89%	350,000	350,000
Gas Company Tower ⁽²⁾	2/9/2023	SOFR + 5.00%	65,000	65,000
Gas Company Tower ⁽²⁾	2/9/2023	SOFR + 7.75%	50,000	50,000
EY Plaza ⁽³⁾	4/12/2023	SOFR + 2.86%	275,000	275,000
EY Plaza ⁽³⁾	4/12/2023	SOFR + 6.85%	30,000	30,000
Wells Fargo Center—South Tower ⁽⁴⁾	11/4/2023	SOFR + 1.91%	266,946	265,447
Wells Fargo Center—North Tower ⁽⁵⁾	1/8/2024 ⁽⁸⁾	SOFR + 1.76%	400,000	400,000
Wells Fargo Center—North Tower ⁽⁵⁾⁽⁷⁾	1/8/2024 ⁽⁸⁾	SOFR + 4.11%	68,565	65,000
Wells Fargo Center—North Tower ⁽⁵⁾⁽⁶⁾⁽⁷⁾	1/8/2024 ⁽⁸⁾	SOFR + 5.11%	37,086	35,000
Total variable-rate loans			1,831,537	1,824,386
Fixed-Rate Debt:				
BOA Plaza ⁽⁹⁾	9/1/2024	4.05 %	400,000	400,000
FIGat7th ⁽¹⁰⁾	3/1/2026	8.00 %	59,345	58,500
Total fixed-rate debt			459,345	458,500
Total secured debt, gross			2,290,882	2,282,886
Less: unamortized debt financing costs			(1,039)	(3,313)
Total secured debt, net			\$ 2,289,843	\$ 2,279,573

- (1) Starting December 2022, the mortgage and mezzanine loans secured by 777 Tower were in default for failing to enter into interest rate cap contracts. The lender has engaged a broker and listed the collateral for sale in November 2023. See [Note 2 — Basis of Presentation and Summary of Significant Accounting Policies — Assets Held for Sale](#) for details.
- (2) In April 2023, the Gas Company Tower Loans were transferred to a receiver. See [Note 2 — Basis of Presentation and Summary of Significant Accounting Policies — Assets Held for Sale](#) for details.
- (3) In May 2023, the EY Plaza Loans were transferred to a receiver. See [Note 2 — Basis of Presentation and Summary of Significant Accounting Policies — Assets Held for Sale](#) for details.
- (4) In July 2023, we made our final advance request under this loan to fund approved leasing costs (as defined in the underlying loan agreement). There are no remaining future loan commitments available. The loan is currently in maturity default and management is under extension negotiations with the lender. As of the date of this Annual Report, management is in negotiations with the lenders under which the lenders would forbear exercising their remedies under the loan through November 6, 2024. The property is currently in a cash sweep with the lender.
- (5) Since September 30, 2023, the total net worth of the WFC North Loans' non-recourse carveout guarantor, DTLA Holdings, fell below the minimum net worth required by the underlying loan agreements which is an Event of Default as defined in the loan agreement. Management is currently under maturity extension negotiations with the lender. The property is currently in a cash sweep with the lender.
- (6) Brookfield Corporation owns a significant interest in a company whose subsidiary is the lender of this loan.
- (7) In October 2023, the Company entered into an amendment to the mezzanine loan agreements where the debt service payments under forbearance during the year ended December 31, 2023 shall be added to the outstanding loan balances. As of December 31, 2023, \$3.6 million and \$2.1 million were added in aggregate to the loan balances of Wells Fargo Center — North Tower Mezzanine I and Mezzanine II loans, respectively, as paid-in-kind interest.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

- (8) On October 6, 2023, the Company entered into an extension agreement with the lender to extend the maturity date of these loans to January 8, 2024. The Loans are now past due, in maturity default and management is under discussions with lenders for a restructuring of the debt.
- (9) The Guarantor has failed to meet the guarantor minimum net worth since September 2023. This constitutes an event of default under the terms of the underlying loan agreement. We are currently negotiating with the lender for remediation.
- (10) In April 2023, the lender granted a 3-year loan extension extending the maturity date from March 1, 2023 to March 1, 2026 with a one-year extension option. The fixed interest rate was increased to 8.0% starting from the loan modification date on March 1, 2023 (comprised of 6.0% payable current, and 2.0% deferred and payable at maturity). The 2.0% deferred interest is added to the principal balance so that the interest is paid, together with the principal, at maturity. This form of deferred interest is called paid-in-kind (“PIK”) interest. As of December 31, 2023, the total amount of PIK interest included in the principal balance amounted \$845 thousand.

Debt Maturities

The following table provides information regarding the Company’s minimum future principal payments due on the Company’s secured debt as of December 31, 2023:

2024 ⁽¹⁾	\$	905,651
2026		59,345
Total secured debt	\$	964,996
Principal loan balances with maturity prior to December 31, 2023		1,325,886
	\$	2,290,882

(1) Represents debt of Wells Fargo Center — North Tower and BOA Plaza which is in default but not considered past due.

Non-Recourse Carve Out Guarantees

All of our secured debt is subject to “non-recourse carve out” guarantees that expire upon elimination of the underlying loan obligations. In connection with these loans, Brookfield DTLA entered into “non-recourse carve out” guarantees, which provide for these otherwise non-recourse loans to become partially or fully recourse against DTLA Holdings, if certain triggering events (as defined in the loan agreements) occur. None of these triggering events occurred during the year ended December 31, 2023.

London Interbank Offered Rate (“LIBOR”) Transition

The chief executive of the United Kingdom Financial Conduct Authority (“FCA”), which regulates LIBOR, previously announced that the FCA intended to stop compelling banks to submit rates for the calculation of LIBOR after 2021. In response, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee (“ARRC”) which identified the SOFR as its preferred alternative to USD-LIBOR in derivatives and other financial contracts. In November 2020, the Intercontinental Exchange (“ICE”) Benchmark Administration Limited, the benchmark administrator for USD-LIBOR rates, proposed extending the publication of certain commonly used USD-LIBOR settings until June 30, 2023, and the FCA issued a statement supporting such proposal. In connection with this proposal, certain U.S. banking regulators issued guidance strongly encouraging banks to generally cease entering into new contracts referencing USD-LIBOR as soon as practicable and in any event by December 31, 2021.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

As of December 31, 2023, all outstanding variable debt are indexed and have been transitioned to SOFR.

Note 7—Accounts Payable and Other Liabilities

Brookfield DTLA’s accounts payable and other liabilities are comprised of the following:

	As of December 31,	
	2023	2022
Tenant improvements and inducements payable	\$ 23,973	\$ 23,644
Unearned rent and tenant payables	21,952	27,136
Accrued capital expenditures and leasing commissions	3,172	6,162
Accrued expenses and other liabilities	103,704	14,087
Accounts payable and other liabilities	\$ 152,801	\$ 71,029
Less: Accounts payable and other liabilities held for sale	(29,295)	—
Accounts payable and other liabilities	\$ 123,506	\$ 71,029

Note 8—Noncontrolling Interests

Mezzanine Equity Component

Mezzanine equity in the consolidated balance sheets is comprised of the following:

Series A Preferred Stock. Brookfield DTLA is authorized to issue up to 10,000,000 shares of Series A preferred stock, \$0.01 par value per share, with a liquidation preference of \$25.00 per share. As of December 31, 2023 and 2022, 9,730,370 shares of Series A preferred stock were outstanding, of which 9,357,469 shares were issued to third parties and 372,901 shares were issued to DTLA Fund Holding Co., a subsidiary of DTLA Holdings.

Series A Preferred Interest. The Series A preferred interest in Fund II is indirectly held by the Company through wholly owned subsidiaries (subject to certain REIT accommodation preferred interests).

Series A-1 Preferred Interest. The Series A-1 preferred interest is held by DTLA Holdings or wholly-owned subsidiaries of DTLA Holdings.

Senior Participating Preferred Interest. Brookfield DTLA Fund Properties III LLC (“Fund III”), a wholly-owned subsidiary of DTLA Holdings, issued a senior participating preferred interest to DTLA Holdings in connection with the formation of Brookfield DTLA and the MPG acquisition.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Series B Preferred Interest. At the time of the merger with MPG, DTLA Holdings made a commitment to contribute up to \$260.0 million in cash or property to Fund II, which directly or indirectly owns the Brookfield DTLA properties. Pursuant to the latest amendments to the Limited Liability Company Agreement of Fund II, such contribution commitment by DTLA Holdings increased to \$425.0 million. As of December 31, 2023, \$73.4 million is available to the Company under this commitment for future funding. The Series B preferred interest in Fund II held by DTLA Holdings is senior to the interest in Fund II indirectly held by the Company and has a priority on distributions senior to the equity securities of such subsidiaries held indirectly by the Company and, as a result, rank senior to the Series A preferred stock. The Series B preferred interest in Fund II may limit the amount of funds available to the Company for any purpose, including for dividends or other distributions to holders of its capital stock, including the Series A preferred stock.

The Series A-1 preferred interest, senior participating preferred interest and Series B preferred interest are held by a noncontrolling interest holder. Series A preferred stock, Series A-1 preferred interest, senior participating preferred interest and Series B preferred interest (collectively, the “Preferred Interests”) are classified as mezzanine equity because they are callable, and the holder of the Series A-1 preferred interest, senior participating preferred interest, Series B preferred interest, and some of the Series A preferred stock indirectly controls the ability to elect to redeem such instruments, through its controlling interest in the Company and its subsidiaries. See [Note 9—“Mezzanine Equity.”](#)

Stockholders’ Deficit Component

Common interests held by DTLA Holdings are presented as “noncontrolling interests” as part of Stockholders’ Deficit in the consolidated balance sheets.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Note 9—Mezzanine Equity

A summary of the change in mezzanine equity is as follows:

	Number of Shares of Series A Preferred Stock	Series A Preferred Stock	Noncontrolling Interests			Total Mezzanine Equity
			Series A-1 Preferred Interest	Senior Participating Preferred Interest	Series B Preferred Interest	
Balance, December 31, 2021	9,730,370	\$ 465,577	\$ 452,454	\$ 21,191	\$ 177,290	\$ 1,116,512
Issuance of Series B preferred interest					47,564	47,564
Dividends		18,549				18,549
Preferred returns			17,212		14,432	31,644
Redemption measurement adjustments				(8,248)		(8,248)
Contributions from noncontrolling interests				288		288
Repurchases of noncontrolling interests					(46,975)	(46,975)
Distributions to noncontrolling interests				(1,554)	(9,825)	(11,379)
Balance, December 31, 2022	<u>9,730,370</u>	<u>\$ 484,126</u>	<u>\$ 469,666</u>	<u>\$ 11,677</u>	<u>\$ 182,486</u>	<u>\$ 1,147,955</u>
Issuance of Series B preferred interest					15,261	15,261
Dividends		18,549				18,549
Preferred returns			17,212		17,827	35,039
Redemption measurement adjustments				(11,588)		(11,588)
Contributions from noncontrolling interests				238		238
Repurchases of noncontrolling interests					—	—
Distributions to noncontrolling interests				(389)	(9,327)	(9,716)
Balance, December 31, 2023	<u>9,730,370</u>	<u>\$ 502,675</u>	<u>\$ 486,878</u>	<u>\$ (62)</u>	<u>\$ 206,247</u>	<u>\$ 1,195,738</u>

Series A Preferred Stock

As of December 31, 2023, the Series A preferred stock is reported at its redemption value of \$502.7 million calculated using the redemption price of \$243.3 million plus \$259.4 million of accumulated and unpaid dividends on such Series A preferred stock through December 31, 2023.

No dividends were declared on the Series A preferred stock during the years ended December 31, 2023 and 2022. Dividends on the Series A preferred stock are cumulative, and therefore, will continue to accrue at an annual rate of \$1.90625 per share.

The Series A preferred stock does not have a stated maturity and is not subject to any sinking fund or mandatory redemption provisions. We may, at our option, redeem the Series A preferred stock, in whole or in part, for \$25.00 per share, plus all accumulated and unpaid dividends on such Series A preferred stock up to and including the redemption date. Other than as required under the “Distribution Waterfall” in this footnote, there is no commitment or obligation on the part of Brookfield DTLA or DTLA Holdings to redeem or make distributions to the Series A preferred stock. The Series A preferred stock is not convertible into or exchangeable for any other property or securities of Brookfield DTLA.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Noncontrolling Interests

There is no commitment or obligation on the part of Brookfield DTLA or DTLA Holdings to redeem the Preferred Interests.

Series A-1 Preferred Interest

As of December 31, 2023, the Series A-1 preferred interest is reported at its redemption value of \$486.9 million calculated using its liquidation value of \$225.7 million plus \$261.1 million of unpaid interest through December 31, 2023. Interest earned on the Series A-1 preferred interest is cumulative and accrues at an annual rate of 7.625%.

Senior Participating Preferred Interest

As of December 31, 2023, the senior participating preferred interest is reported at its redemption value of \$(62.0) thousand using the 4.0% participating interest in the residual value of BOA Plaza, EY Plaza and FIGat7th upon disposition or liquidation.

Series B Preferred Interest

As of December 31, 2023, the Series B preferred interest is reported at its redemption value of \$206.2 million calculated using its liquidation value of \$190.6 million plus \$15.6 million of unpaid preferred returns on such Series B preferred interest through December 31, 2023. Brookfield DTLA is entitled to receive a market rate of return on its contributions, currently 9.0% as of December 31, 2023.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Distribution Waterfall

Brookfield DTLA may, at its discretion, distribute all or a portion of its available cash (as defined in the limited liability company agreement of Fund II) in the following priority: (1)

- First to: Series B preferred interest unpaid preferred return
- Second to: Series B preferred interest unreturned preferred capital
- Third, proportionally in respect of unpaid preferred return to:
- Series A preferred interest unpaid preferred return (2)
- Series A-1 preferred interest unpaid preferred return (3)
- Fourth, proportionally in respect of unreturned capital to: (2) (4)
- Series A preferred interest unreturned capital
- Series A-1 preferred interest unreturned capital (3)
- And fifth to: Common interests to Brookfield DTLA and DTLA Holdings (5)

- (1) Cash available to Fund II arises from its interests in its investments. Fund II owns indirectly all of the interests in Gas Company Tower, Wells Fargo Center–South Tower, Wells Fargo Center–North Tower, 777 Tower and an interest in the 755 South Figueroa development site which will decrease as capital is called to fund the development. See [Note 1 — “Organization and Description of Business”](#). In addition, Fund II owns 96% indirectly of the interests in EY Plaza, FIGat7th and BOA Plaza (the “Fund III Assets”). DTLA Holdings owns the remaining 4% interest in the Fund III Assets. The amounts due to DTLA Holdings on the senior participating preferred interest for its preferred return and unreturned capital in Fund III were fully paid as of December 31, 2015. All of Fund II’s interests in these assets are subject to certain REIT accommodation preferred interests. This waterfall may be affected by future equity issuances in respect of Fund II, Fund III, Fund IV, or their subsidiaries, and are subject to all of the indebtedness of the entities.
- (2) The Fund II Series A preferred interest is comprised of two parts, one is a preferred component with the analogous economic terms as the Company’s Series A Preferred Stock and a common component, which is junior to the preferred component of the Series A interest on analogous terms to the relationship between the Company’s Series A Preferred Stock and Common Stock. The Series A preferred interest is junior to the Fund II Series B preferred interest. See [Note 8 — “Noncontrolling Interests — Series B Preferred Interest”](#). Amounts paid in respect of the Fund II’s Series A preferred interest are generally available upon distribution to the Company for further distribution in respect of the Company’s Series A Preferred Stock, and, when and if distributed in respect of the Series A Preferred Stock, will be distributed first to accumulated and unpaid dividends and to reduce its unreturned liquidation capital.
- (3) DTLA Holdings in its capacity as the holder of the Series A-1 preferred interest can waive receipt of distributions that would otherwise be made to it in respect of the Series A-1 preferred interest and such amounts shall be paid instead to the Series A preferred interest or as otherwise provided by the subsequent provisions of the waterfall. Any amounts waived by DTLA Holdings shall not reduce the Series A-1 unpaid preferred return or unreturned capital.
- (4) Applicable if distribution is (a) in connection with a liquidating event or redemption or (b) at the election of Brookfield DTLA.
- (5) Based on the interests of the Series A and Series B interests of the Fund after repayment of the preferred capital portion of each of them, until the Senior A junior unreturned liquidation capital is reduced to zero.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Note 10—Stockholders’ Deficit

Common Stock

Brookfield DTLA is authorized to issue up to 1,000,000 shares of common stock, \$0.01 par value per share. As of December 31, 2023 and 2022, 1,000 shares of common stock were issued and outstanding. No dividends were declared on the Company’s common stock during the years ended December 31, 2023 and 2022.

Brookfield DTLA has not paid any cash dividends on its common stock in the past. Any future dividends declared would be at the discretion of Brookfield DTLA’s board of directors and would depend on its financial condition, results of operations, contractual obligations and the terms of its financing agreements at the time a dividend is considered, and other relevant factors.

Additional Paid-in Capital

During the years ended December 31, 2023 and 2022, Brookfield DTLA recorded contributions to additional paid-in capital totaling \$0.9 million and \$1.0 million, respectively, from DTLA Holdings, which were used for general corporate purposes.

Note 11— Fair Value Measurements and Disclosures

Fair Value Measurement

ASC Topic 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value. The objective of fair value is to determine the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the “exit price”).

ASC Topic 820 established a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three categories:

- Level 1— Quoted prices (unadjusted) in active markets that are accessible at the measurement date.
- Level 2— Observable prices that are based on inputs not quoted in active markets but corroborated by market data.
- Level 3— Unobservable prices that are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. Brookfield DTLA utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible, as well as consider counterparty credit risk in its assessment of fair value.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)***Recurring Measurements—*

The fair value of interest rate cap contracts was \$0.0 million and \$10.3 million as of December 31, 2023 and 2022, respectively. The Company classified them as Level 2 in the fair value hierarchy.

Nonrecurring Measurements—

As of December 31, 2023 and 2022, assets measured at fair value on a nonrecurring basis on our consolidated balance sheets consisted of real estate assets and their associated intangible assets or deferred charges that have been written down to estimated fair value for impairment losses. During the year ended December 31, 2023, impairment losses of \$122.1 million were recorded related to EY Plaza, 777 Tower, and Wells Fargo Center — North and South Towers. During the year ended December 31, 2022, impairment losses of \$112.1 million were charged to Wells Fargo Center — South Tower.

The Company uses the discounted cash flow method to assess the fair value of investments in real estate. All inputs used to value investments in real estate fall within Level 3 of the fair value hierarchy. Even if observable market data is available, such inputs are considered Level 3 if any significant data point used in the valuation process is not observable. When estimating the fair value of our investments in real estate, we assessed the expected undiscounted cash flows based upon numerous factors. These factors include, but are not limited to, available market information, known trends, current market/economic conditions that may affect the asset, and historical and forecasted financial and operating information relating to the property, such as net operating income, leasing activity statistics, vacancy projections, renewal percentage, and rent collection rates. Fair value is primarily determined by discounting the expected future cash flows, generally over a term of 10 years including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows. The measurement of the fair value of the Company's investment is impacted by the discount rate and terminal capitalization rate utilized in the discounted cash flows model which are significant unobservable inputs. As of December 31, 2023, the discount and terminal capitalization rates used in the discounted cash flows model of EY Plaza, 777 Tower, and Wells Fargo Center — North and South Towers, which were measured at fair value on a nonrecurring basis, are listed in the table below.

Valuation Technique	Unobservable Inputs	Range
Discounted Cash Flows	Discount Rate	8.05% — 9.68%
	Termination Capitalization Rate	6.50 %

As of December 31, 2022, the discount and terminal capitalization rates used in the discounted cash flows model of Wells Fargo Center — South Tower, which was measured at fair value on a nonrecurring basis, were 9.3% and 5.8%, respectively.

The following table presents the carrying amounts of assets that had fair value adjustments measured on a nonrecurring basis as of December 31, 2023 and 2022:

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

As of December 31, 2023	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments in Real Estate Assets	\$ 1,301,456	\$ —	\$ —	\$ 1,301,456

As of December 31, 2022	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments in Real Estate Assets	\$ 311,066	\$ —	\$ —	\$ 311,066

Disclosures about Fair Value of Financial Instruments—

Secured debt — The Company estimates the fair value of its debt by calculating the credit-adjusted present value of principal and interest payments for each loan. The calculation incorporates observable market interest rates (Level 2 inputs), assumes that each loan will be outstanding until maturity, and excludes any options to extend the maturity date of the loan available per the terms of the loan agreement, if any. For loans where the principal balance is higher than the reported appraised value, the fair value of the debt is set equal to the negative of the property floor, effectively setting the net fair value at \$0. The table below presents the estimated fair value and carrying value of the Company’s secured debt included in liabilities:

	As of December 31,	
	<u>2023</u>	<u>2022</u>
Fair Value	\$ 2,304,296	\$ 2,265,201
Carrying Value	\$ 2,289,843	\$ 2,279,573

Other financial instruments — The carrying values of cash and cash equivalents, restricted cash, tenant and other receivables, other assets, accounts payable and other liabilities, and balances with affiliates approximate fair value because of the short-term nature of these instruments.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Note 12—Related Party Transactions

Management Agreements

Certain subsidiaries of Brookfield DTLA have entered into arrangements with the Manager, pursuant to which the Manager provides property management and various other services. The following table presents the basis of fees incurred to the Manager and Brookfield affiliates during the years ended December 31, 2023 and 2022:

Fee Type	Affiliate	Fee Description
Property management	The Manager	2.75% of rents collected / gross receipts (as defined in the management agreements)
Asset management	BPY and Brookfield Corporation	0.75% of DTLA Holdings' invested equity in Brookfield DTLA's properties
Leasing	The Manager and Brookfield affiliates	1.00% to 4.00% of expected rents, depending on the terms of the lease and whether a third-party broker was paid a commission for the transaction
Construction management	The Manager	3.00% of hard and soft construction costs
Development management	Affiliate of the Manager	3.00% of hard and soft construction costs
Entitlement	Affiliate of the Manager	20.00% of the entitlement costs incurred by BOA Plaza, if the entitlement budget is less than \$3,000,000

A summary of fees and costs incurred by the applicable Brookfield DTLA subsidiaries under these arrangements is as follows:

	For the Year Ended December 31,	
	2023	2022
Property management (3)	\$ 6,642	\$ 8,045
Asset management (2)	\$ 6,225	\$ 6,346
Leasing	\$ 1,045	\$ 1,549
Construction management (3)	\$ 796	\$ 1,148
Development management (1)	\$ 195	\$ 1,230
Entitlement	\$ 26	\$ 111
General, administrative and reimbursable expenses	\$ 3,555	\$ 3,904

- (1) Amounts presented are calculated by applying the Company's ownership interest percentage in the unconsolidated real estate joint venture as of period end to the costs incurred during the period.
- (2) As of December 31, 2023 and 2022, asset management fee payables totaled \$9.4 million and \$3.2 million, respectively. Effective October 2023, the asset managers, BPY and Brookfield Corporation, ceased to charge asset management fees relating to Gas Company Tower and EY Plaza allocated Invested Capital.
- (3) The court appointed receiver ended the Brookfield management agreements on April 17, 2023 and August 1, 2023 for Gas Company Tower and EY Plaza, respectively.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Expenses incurred under these arrangements are included in rental property operating and maintenance expense in the consolidated statements of operations, with the exception of asset management fee which is included in other expenses. Leasing fees are capitalized as deferred charges, construction management and entitlement fees are capitalized as part of investments in real estate. Development management fees are capitalized and included in the investment in unconsolidated real estate joint venture in the consolidated balance sheets up until June 1, 2023. Upon substantial completion of the Beaudry project, development management fees originally capitalized and incurred subsequent to June 1, 2023 are expensed in “Equity in (loss) income of unconsolidated real estate joint venture” in the consolidated statements of operations.

Insurance Agreements

Properties held by certain Brookfield DTLA subsidiaries and affiliates are covered under insurance policies entered into by the Manager. Insurance premiums for Brookfield DTLA’s properties are paid by the Manager. Brookfield DTLA reimburses the Manager for fees and expenses related to such policies that have been allocated to the Company’s properties as determined by the Manager in its reasonable discretion taking into consideration certain facts and circumstances, including the value of the Company’s properties.

A summary of costs incurred by the applicable Brookfield DTLA subsidiaries and affiliates under this arrangement, which are included in rental property operating and maintenance expense in the consolidated statements of operations, is as follows:

	For the Year Ended December 31,	
	2023	2022
Insurance expense (1)	\$ 14,860	\$ 12,905

(1) The Company’s terrorism insurance coverage is purchased through a captive facility that is an affiliate of BPY. Insurance premiums incurred in connection of this arrangement totaled \$316 thousand and \$127 thousand, respectively, during the years ended December 31, 2023 and 2022.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)***Other Related Party Transactions with Brookfield Corporation Affiliates*

A summary of the impact of other related party transactions with Brookfield Corporation affiliates on the Company's consolidated statements of operations is as follows:

	For the Year Ended December 31,	
	2023	2022
Lease income (1)	\$ 13,499	\$ 14,315
Parking revenue (1)	\$ 988	\$ 988
Lease income — regional office (2)	\$ 1,356	\$ —
Interest expense (3)(4)	\$ 3,296	\$ 3,087

- (1) In September 2019, Brookfield Corporation acquired a significant interest in Oaktree Capital Group, LLC (“Oaktree”), an existing tenant at Wells Fargo Center–North Tower. Lease income and parking revenue from Oaktree and its subsidiaries have been reported as related party transactions since the date of acquisition by Brookfield Corporation.
- (2) Represents lease income charged to Brookfield Properties (USA II) LLC by Wells Fargo Center–North Tower related to the Company's regional office space effective May 2022.
- (3) A subsidiary of Oaktree is the lender of the \$37.1 million Mezzanine II loan secured by Wells Fargo Center–North Tower. The loan is in maturity default. Since April 2023, the lender of the Mezzanine II loan agreed to forbear from exercising any remedy because of non-payment of the monthly debt service payments for the loan. During the year ended December 31, 2023, Mezzanine II loan interest expense incurred totaled \$3.2 million, which was reported in “interest expense” in the consolidated statements of operations. The related liability balance was bifurcated into (i) \$1.2 million interest payable (including forborne interest) reported in “Due to Affiliates” in the consolidated balance sheets; and (ii) \$2.1 million added to the principal loan balance as PIK interest in accordance with the loan agreement as amended. See [Note 6—“Secured Debt, Net.”](#) for details. In comparison, as of December 31, 2022, \$146 thousand interest payable is reported as part of “Due to Affiliates” in the consolidated balance sheets.
- (4) In February 2021, Brookfield Corporation purchased \$18.2 million of commercial mortgage-backed securities (“CMBS”) secured by the Gas Company Tower loans in the open market. The CMBS are payable in monthly installments over a two-year period at a floating interest rate of one-month LIBOR + 2.35%. The transaction was conducted on an arm's length basis at fair market value. In September 2021, this CMBS was sold to Brookfield Corporation Reinsurance Ltd., an affiliate of Brookfield Corporation. During the year ended December 31, 2023, the Company incurred interest expense of \$737 thousand on this CMBS to Brookfield Corporation, compared to \$712 thousand during the same period in 2022. On July 26, 2023, the affiliate of Brookfield Corporation sold this security and received \$14.8 million in proceeds from the sale.

The Manager or its affiliates may incur certain out-of-pocket expenses on behalf of the Company and pass through such expenses at cost to the Company.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Note 13—Future Minimum Base Rents

Brookfield DTLA leases space to tenants primarily under non-cancelable operating leases that generally contain provisions for payment of base rent plus reimbursement of certain operating expenses. The table below presents the undiscounted cash flows for future minimum base rents on our non-cancelable office and retail leases as of December 31, 2023:

2024	\$	147,227
2025		133,180
2026		117,825
2027		92,690
2028		94,716
Thereafter		385,090
Total future minimum base rents	\$	970,728

Note 14—Assets Classified as Held for Sale

The major classes of assets and liabilities associated with the Disposal Group that were classified as held for sale as of December 31, 2023 are as follows:

	As of December 31,	
	2023	2022
Investments in real estate, net	\$ 902,316	\$ —
Rents, deferred rents and other receivables, net	52,994	—
Intangible assets, net	4,080	—
Deferred charges, net	16,189	—
Prepaid and other assets, net	754	—
Due from affiliates	(190)	—
Assets held for sale	\$ 976,143	\$ —
Accounts payable and other liabilities	\$ 29,295	\$ —
Intangible liabilities, net	442	—
Liabilities associated with assets held for sale	\$ 29,737	\$ —

Note 15—Commitments and Contingencies

Litigation

Brookfield DTLA and its subsidiaries may be subject to pending legal proceedings and litigation incidental to its business. After consultation with legal counsel, management believes that any liability that may potentially result upon resolution of such matters is not expected to have a material adverse effect on the Company's business, financial condition or consolidated financial statements as a whole.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Concentration of Tenant Credit Risk

Credit risk arises from the possibility that tenants may be unable to fulfill their lease commitments. Brookfield DTLA's properties are typically leased to high credit-rated tenants for lease terms ranging from five to ten years, although we also enter into some shorter as well as longer-term leases. As our entire portfolio is located in the LACBD, any specific economic changes within that location could affect our tenant base, and by extension, our profitability.

Brookfield DTLA generally does not require collateral or other security from its tenants, other than security deposits or letters of credit. Our credit risk is mitigated by the high quality of our existing tenant base, review of prospective tenants' risk profiles prior to lease execution, and frequent monitoring of our tenant portfolio to identify problem tenants. However, since we may have a concentration of lease income from certain tenants, the inability of those tenants to make payments under their leases could have a material adverse effect on our results of operations, cash flows or financial condition.

Capital Commitments

As of December 31, 2023, the Company had \$35.5 million in tenant-related commitments, including tenant improvements, tenant inducements and leasing commissions, which are based on executed leases. As of December 31, 2023, \$24.0 million of our tenant-related commitments, including those related to properties under receivership, were expected to be paid in 2024.

Liens

There are certain mechanics liens that have been filed against 777 Tower and EY Plaza which are currently under lender control due to events of default under the property debt (See [Note 6—“Secured Debt, Net.”](#)). These liens are for work completed by contractors and accrued by the Company but remain unpaid as of the date of this Annual Report. These liens are collateralized by the building's assets and attached to the property title and will either be resolved by the lender or transfer to the next owner of the property as part of the settlement of the related mortgage debt.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)**

Note 16—Subsequent Events

The Company has evaluated the impact of all subsequent events through March 28, 2024, which is the date that these consolidated financial statements were available to be issued. No material events have occurred subsequent to December 31, 2023, which require further disclosure in the consolidated financial statements.