

Brookfield DTLA Fund Office Trust Investor Inc.

Consolidated Financial Statements
as of and for the Nine Months Ended September 30, 2023

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.
QUARTERLY REPORT
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2023

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FINANCIAL INFORMATION

Financial Statements.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited; in thousands)

	September 30, 2023	December 31, 2022
ASSETS		
Investments in Real Estate:		
Land	\$ 143,449	\$ 216,982
Buildings and improvements	1,275,613	2,145,830
Tenant improvements	190,475	420,010
Investments in real estate, gross	1,609,537	2,782,822
Less: accumulated depreciation	167,561	561,382
Investments in real estate, net	1,441,976	2,221,440
Investment in unconsolidated real estate joint venture	41,187	44,421
Cash and cash equivalents	9,388	23,523
Restricted cash	69,069	35,206
Rents, deferred rents and other receivables, net	100,996	135,447
Intangible assets, net	3,649	10,067
Deferred charges, net	37,262	54,877
Due from affiliates	10,481	6,823
Prepaid and other assets, net	1,572	12,365
Assets held for sale	699,155	—
Total assets	\$ 2,414,735	\$ 2,544,169
LIABILITIES AND DEFICIT		
Liabilities:		
Secured debt, net	\$ 2,283,568	\$ 2,279,573
Accounts payable and other liabilities	90,747	71,029
Due to affiliates	9,327	5,553
Intangible liabilities, net	1,867	2,905
Liabilities associated with assets held for sale	34,833	—
Total liabilities	2,420,342	2,359,060

Commitments and Contingencies

See accompanying notes to consolidated financial statements.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

CONSOLIDATED BALANCE SHEETS (continued)

(Unaudited; in thousands, except share amounts)

	September 30, 2023	December 31, 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 September 30, 2023 and December 31, 2022	\$ 498,037	\$ 484,126
Noncontrolling Interests:		
Series A-1 preferred interest	482,575	469,666
Senior participating preferred interest	504	11,677
Series B preferred interest	199,692	182,486
Total mezzanine equity	1,180,808	1,147,955
Stockholders' Deficit:		
Common stock, \$0.01 par value, 1,000 shares issued and outstanding as of September 30, 2023 and December 31, 2022	—	—
Additional paid-in capital	205,299	204,369
Accumulated deficit	(1,391,738)	(1,167,270)
Noncontrolling interests	24	55
Total stockholders' deficit	(1,186,415)	(962,846)
Total liabilities and deficit	\$ 2,414,735	\$ 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 Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue:				
Lease income	\$ 63,471	\$ 66,402	\$ 191,137	\$ 196,924
Parking	8,816	7,962	25,215	22,504
Interest and other	4,500	167	9,698	846
Total revenue	76,787	74,531	226,050	220,274
Expenses:				
Rental property operating and maintenance	29,269	27,711	80,620	77,609
Real estate taxes	10,189	10,035	30,165	29,749
Parking	3,187	2,781	9,270	7,712
Other expenses	6,348	1,905	16,820	5,709
Depreciation and amortization	15,580	25,125	61,702	76,273
Interest	47,651	28,046	129,113	67,793
Impairment of real estate and deferred charges	70,239	95,447	90,616	95,447
Total expenses	182,463	191,050	418,306	360,292
Other (Loss) Income:				
Equity in (loss) earning of unconsolidated real estate joint venture	(2,751)	395	(3,235)	986
Total other (expense) income	(2,751)	395	(3,235)	986
Net loss	(108,427)	(116,124)	(195,491)	(139,032)
Net income (loss) attributable to noncontrolling interests:				
Series A-1 preferred interest returns	4,303	4,303	12,909	12,909
Senior participating preferred interest redemption measurement adjustment	(8,051)	(4,016)	(11,022)	(4,075)
Series B preferred interest returns	4,583	3,401	13,210	10,713
Series B common interest – allocation of net income	(60)	86,545	(31)	71,285
Net loss attributable to Brookfield DTLA	(109,202)	(206,357)	(210,557)	(229,864)
Series A preferred stock dividends	4,637	4,637	13,911	13,911
Net loss attributable to common interest holders of Brookfield DTLA	\$ (113,839)	\$ (210,994)	\$ (224,468)	\$ (243,775)

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)

	Number of Shares					
	Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Non- controlling Interests	Total Stockholders' Deficit
Balance, December 31, 2022	1,000	\$ —	\$ 204,369	\$ (1,167,270)	\$ 55	\$ (962,846)
Net (loss) income				(41,505)	6,792	(34,713)
Contributions			300			300
Dividends, preferred returns and redemption measurement adjustments on mezzanine equity				(4,637)	(6,783)	(11,420)
Balance, March 31, 2023	1,000	\$ —	\$ 204,669	\$ (1,213,412)	\$ 64	\$ (1,008,679)
Net (loss) income				(59,850)	7,499	(52,351)
Contributions			630			630
Dividends, preferred returns and redemption measurement adjustments on mezzanine equity				(4,637)	(7,479)	(12,116)
Balance, June 30, 2023	1,000	\$ —	\$ 205,299	\$ (1,277,899)	\$ 84	\$ (1,072,516)
Net (loss) income				(109,202)	775	(108,427)
Other comprehensive income						—
Contributions			—			—
Dividends, preferred returns and redemption measurement adjustments on mezzanine equity				(4,637)	(835)	(5,472)
Balance, September 30, 2023	1,000	\$ —	\$ 205,299	\$ (1,391,738)	\$ 24	\$ (1,186,415)

	Number of Shares					
	Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Non- controlling Interests	Total Stockholders' Deficit
Balance, December 31, 2021	1,000	\$ —	\$ 203,369	\$ (865,927)	\$ (71,246)	\$ (733,804)
Net (loss) income				(15,185)	4,788	(10,397)
Contributions			500			500
Dividends, preferred returns and redemption measurement adjustments on mezzanine equity				(4,637)	(7,852)	(12,489)
Balance, March 31, 2022	1,000	\$ —	\$ 203,869	\$ (885,749)	\$ (74,310)	\$ (756,190)
Net loss				(8,322)	(4,189)	(12,511)
Contributions			—			—
Dividends, preferred returns and redemption measurement adjustments on mezzanine equity				(4,637)	(8,007)	(12,644)
Balance, June 30, 2022	1,000	\$ —	\$ 203,869	\$ (898,708)	\$ (86,506)	\$ (781,345)
Net (loss) income				(206,357)	90,233	(116,124)
Other comprehensive income						—
Contributions			500			500
Dividends, preferred returns and redemption measurement adjustments on mezzanine equity				(4,637)	(3,688)	(8,325)
Balance, September 30, 2022	1,000	\$ —	\$ 204,369	\$ (1,109,702)	\$ 39	\$ (905,294)

See accompanying notes to consolidated financial statements.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in thousands)

	For the Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (195,491)	\$ (139,032)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	61,702	76,273
Equity in loss (earning) of unconsolidated real estate joint venture	3,234	(986)
Write-off (recovery) of lease receivables (previously) deemed uncollectible	501	(280)
Amortization of acquired below-market leases, net of acquired above-market leases	189	(147)
Straight-line rent amortization	(3,364)	(1,690)
Amortization of tenant inducements	2,115	1,943
Amortization and write-off of debt financing costs	2,348	5,251
Unrealized loss (gain) on interest rate cap contracts	9,228	(449)
Impairment of real estate and deferred charges	90,521	95,447
Increase in mortgage debt due to paid-in-kind interest	553	—
Changes in assets and liabilities:		
Rents, deferred rents and other receivables, net	(3,321)	(1,093)
Deferred charges, net	(617)	(5,948)
Due from affiliates	(2,008)	1,324
Prepaid and other assets, net	1,250	8,537
Accounts payable and other liabilities	57,149	7,589
Due to affiliates	3,774	2,347
Net cash provided by operating activities	27,763	49,086
Cash flows from investing activities:		
Expenditures for real estate improvements	(13,904)	(37,065)
Net cash used in investing activities	(13,904)	(37,065)
Cash flows from financing activities:		
Proceeds from secured debt	1,499	16,362
Proceeds from Series B preferred interest	13,324	14,930
Proceeds from senior participating preferred interest	238	146
Distributions to Series B preferred interest	(9,328)	(9,825)
Repurchases of Series B preferred interest	—	(46,975)
Distributions to senior participating preferred interest	(389)	(1,188)
Contributions to additional paid-in capital	930	1,000
Debt financing costs paid	(405)	—
Net cash provided by (used in) financing activities	5,869	(25,550)
Net change in cash, cash equivalents and restricted cash	19,728	(13,529)
Cash, cash equivalents and restricted cash at beginning of period	58,729	88,223
Cash, cash equivalents and restricted cash at end of period	\$ 78,457	\$ 74,694

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 Nine Months Ended September 30,			
	2023		2022	
Supplemental disclosure of cash flow information:				
Cash paid for interest, net	\$	72,614	\$	60,350
Cash paid for income taxes	\$	—	\$	(12)
Supplemental disclosure of non-cash investing and financing activities:				
Accrual for current-period additions to real estate investments	\$	5,028	\$	17,541
Writeoff of fully depreciated investments in real estate	\$	251,009	\$	—
Writeoff of fully amortized intangible assets	\$	14,122	\$	—
Writeoff of fully amortized intangible liabilities	\$	18,241	\$	—
Writeoff of fully amortized deferred charges	\$	1,069		

The following is a reconciliation of Brookfield DTLA's cash, cash equivalents and restricted cash at the beginning and end of the nine months ended September 30, 2023 and 2022:

	For the Nine Months Ended			
	September 30,			
	2023		2022	
Cash and cash equivalents at beginning of period	\$	23,523	\$	38,901
Restricted cash at beginning of period		35,206		49,322
Cash, cash equivalents and restricted cash at beginning of period	\$	58,729	\$	88,223
Cash and cash equivalents at end of period	\$	9,388	\$	33,354
Restricted cash at end of period		69,069		41,340
Cash, cash equivalents and restricted cash at end of period	\$	78,457	\$	74,694

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 September 30, 2023 and December 31, 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 nine months ended September 30, 2023, Gas Company Tower and EY Plaza were transferred to receivership. 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 property. A Temporary Certificate of Occupancy, which signifies the substantial completion stage of Beaudry residential property, was achieved and first move-ins took place in April 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

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

In the opinion of management, all adjustments, consisting of only those of a normal and recurring nature, considered necessary for a fair presentation of the financial position and interim results of Brookfield DTLA as of and for the periods presented have been included. The results of operations for interim periods are not necessarily indicative of those that may be expected for a full fiscal year.

The consolidated balance sheets as of September 30, 2023 and December 31, 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 September 30, 2023 and December 31, 2022, and for the three and nine months ended September 30, 2023 and 2022.

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 September 30, 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 \$2.4 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 earning (loss) of unconsolidated real estate joint venture. As of September 30, 2023 and December 31, 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 the fair value of debt. Actual results could ultimately differ from such estimates.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

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.

When conducting the impairment review 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, 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 would be recorded to write down the carrying amount of such property to its fair value.

During the nine months ended September 30, 2023, to reduce their carrying amounts to their estimated fair value, the Company recognized impairment charges on Wells Fargo Center–South Tower of \$39.3 million, Wells Fargo - North Tower of \$9.1 million, and 777 Tower of \$21.8 million. For the nine months ended September 30, 2022 the Company recognized an impairment on Wells Fargo Center–South Tower of \$95.5 million. 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 8 - Fair Value Measurements” for a detailed discussion of the factors that were considered when determining the fair value of Wells Fargo Center–South Tower.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

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 September 30, 2023 and December 31, 2022.

Assets Held for Sale

During the nine months ended September 30, 2023, Gas Company Tower and EY Plaza were placed into receivership. As a result of the receiver's appointment and its contractual rights, the receiver is managing the operations of the properties. Certain assets and liabilities of Gas Company Tower and EY Plaza (the "Disposal Group") are classified as held for sale as certain 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 an impairment for Ernst and Young Plaza of \$20.4 million. Depreciation and amortization of the disposal group cease upon designation of a disposal as held for sale. See [Note 10 — Assets Classified as Held for Sale](#) for details.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Rents, Deferred Rents and Other Receivables

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 lease income totaling \$490 thousand and \$501 thousand respectively, during the three and nine months ended September 30, 2023, and wrote off \$55 thousand and recovered \$280 thousand, respectively, during the three and nine months ended September 30, 2022.

Income Taxes

Brookfield DTLA has elected to be taxed as a real estate investment trust ("REIT") pursuant to Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, commencing with its tax period ended December 31, 2013. Brookfield DTLA conducts its operations with the intent to continue to qualify as a REIT. Accordingly, Brookfield DTLA is not subject to U.S. federal income tax, provided that it continues to qualify as a REIT and makes distributions to its stockholders, if any, that generally equal or exceed its taxable income.

Brookfield DTLA has elected to treat certain of its subsidiaries as taxable REIT subsidiaries ("TRS"). A TRS is permitted to engage in activities that a 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 accrued income tax expenses of \$0 thousand during the three and nine months ended September 30, 2023, and reversed income tax expenses of \$69 thousand and \$118 thousand, respectively, during the three and nine months ended September 30, 2022.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Note 3—Rents, Deferred Rents and Other Receivables, Net

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

	September 30, 2023	December 31, 2022
Straight-line and other deferred rents	\$ 116,093	\$ 114,414
Tenant inducements receivable	32,575	31,689
Tenant receivables	5,674	2,406
Other receivables	(11)	1,588
Rents, deferred rents and other receivables, gross	154,331	150,097
Less: accumulated amortization of tenant inducements	16,764	14,650
Rents, deferred rents and other receivables, net	\$ 137,567	\$ 135,447
Reclassification to assets held for sale	(36,570)	—
Rents, deferred rents and other receivables, net	\$ 100,997	\$ 135,447

See [Note 2 “Basis of Presentation—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 three and nine months ended September 30, 2023 and 2022.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

Note 4—Secured Debt, Net

Brookfield DTLA’s secured debt as of September 30, 2023 is as follows:

			Principal Amount as of	
	Maturity Date	Contractual Interest Rates	September 30, 2023	December 31, 2022
Variable-Rate Loans:				
777 Tower (1)	12/30/2022	SOFR + 1.60%	243,594	243,594
777 Tower (1)	12/30/2022	SOFR + 4.25%	45,345	45,345
Wells Fargo Center–North Tower (2)	10/9/2023	SOFR + 1.76%	\$ 400,000	\$ 400,000
Wells Fargo Center–North Tower (2)	10/9/2023	SOFR + 4.11%	65,000	65,000
Wells Fargo Center–North Tower (2)(3)	10/9/2023	SOFR + 5.11%	35,000	35,000
Wells Fargo Center–South Tower (4)	11/4/2023	SOFR + 1.91%	266,946	265,447
EY Plaza (5)	4/12/2023	LIBOR + 2.86%	275,000	275,000
EY Plaza (5)	4/12/2023	SOFR+ 11.448	30,000	30,000
Gas Company Tower (6)	2/9/2023	LIBOR + 1.89%	350,000	350,000
Gas Company Tower (6)	2/9/2023	LIBOR + 5.00%	65,000	65,000
Gas Company Tower (6)	2/9/2023	LIBOR + 7.75%	50,000	50,000
Total variable-rate loans			1,825,885	1,824,386
Fixed-Rate Debt:				
BOA Plaza (8)	9/1/2024	4.05 %	400,000	400,000
FIGat7th (7)	3/1/2026	8.00 %	59,053	58,500
Total fixed-rate debt			459,053	458,500
Total secured debt			2,284,938	2,282,886
Less: unamortized debt financing costs			1,370	3,313
Total secured debt, net			\$ 2,283,568	\$ 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.
- (2) Collectively, the “Wells Fargo Center—North Tower Loans”. As of September 30, 2023 the total net worth of the Wells Fargo—North Tower Loans’ non-recourse carveout guarantor, DTLA Holdings, fell below the minimum net worth required by the underlying loan agreements. In addition, a cash sweep is in effect on these Loans due to debt yield requirements. 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.
- (3) Brookfield Corporation owns a significant interest in a company whose subsidiary is the lender of this loan.
- (4) As a result of failing to meet the minimum debt yield ratio, a cash sweep is in effect on the mortgage loan secured by Wells Fargo—South Tower. This does not constitute an event of default under the terms of the underlying loan agreement. In July, 2023 we made our final advance request under this loan to fund approved leasing costs (as defined in the underlying loan agreement), including tenant improvements and inducements, leasing commissions, and common area improvements. There are no remaining future amounts available. Management is currently under maturity extension negotiations with the lender.
- (5) Collectively the “EY Plaza Loans”. As of the issuance date of this Quarterly Report, the EY Borrowers have not made the monthly interest payments on the EY Plaza Loans. As a result, since March 2023, an Event of Default (as defined in the underlying loan agreements) has occurred, and in May 2023, the EY Plaza Loans were transferred to a receiver.
- (6) Collectively the “Gas Company Tower Loans”. The Company did not exercise the option to extend the maturity of the loans secured by Gas Company Tower and therefore on February 9, 2023, the Gas Company Tower Loans matured and, since this loan has not been repaid, an event of default has occurred and is continuing, and in April 2023, the Gas Company Tower Loans were transferred to a receiver.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

- (7) 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 September 30, 2023, the total amount of PIK interest included in the principal balance amounted \$553 thousand.
- (8) As of the date of this filing the Guarantor has failed to meet the guarantor minimum net worth requirement. This constitutes an event of default under the terms of the underlying loan agreement. Management plans to engage in negotiations with the lender to remedy the event of default.

Debt Maturities

The following table provides information regarding the Company’s minimum future principal payments due on the Company’s secured debt as of September 30, 2023:

Remainder of 2023	\$	1,825,885
2024		400,000
2025		—
2026		59,053
Total secured debt	\$	2,284,938

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.

Note 5—Accounts Payable and Other Liabilities

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

	September 30, 2023	December 31, 2022
Tenant improvements and inducements payable	\$ 21,064	\$ 23,644
Unearned rent and tenant payables	20,705	27,136
Accrued capital expenditures and leasing commissions	5,380	6,162
Accrued expenses and other liabilities	77,985	14,087
Accounts payable and other liabilities	\$ 125,134	\$ 71,029
Reclassification to liabilities associated with assets held for sale	(34,390)	—
Accounts payable and other liabilities	\$ 90,744	\$ 71,029

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Note 6—Noncontrolling Interests

Mezzanine Equity Component

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

Series A Preferred Stock. As of September 30, 2023 and December 31, 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.

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 amendments to the Limited Liability Company Agreement of Fund II effective November 2020, May 2022 and November 2022, such contribution commitment by DTLA Holdings increased by \$50.0 million, \$40.0 million and \$75.0 million, respectively, to \$425.0 million. As of September 30, 2023, \$75.3 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 7—“Mezzanine Equity.”](#)

Stockholders’ Deficit Component

Common interests held by DTLA Holdings are presented as “noncontrolling interests” as part of

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

Stockholders' Deficit in the consolidated balance sheets.

Note 7—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, 2022	9,730,370	\$ 484,126	\$ 469,666	\$ 11,677	\$ 182,486	\$ 1,147,955
Issuance of Series B preferred interest					8,053	8,053
Dividends		4,637				4,637
Preferred returns			4,303		4,131	8,434
Redemption measurement adjustments				(1,651)		(1,651)
Contributions from noncontrolling interests				200		200
Repurchases of noncontrolling interests					—	—
Distributions to noncontrolling interests				—	—	—
Balance, March 31, 2023	9,730,370	\$ 488,763	\$ 473,969	\$ 10,226	\$ 194,670	\$ 1,167,628
Issuance of Series B preferred interest					3,971	3,971
Dividends		4,637				4,637
Preferred returns			4,303		4,496	8,799
Redemption measurement adjustments				(1,320)		(1,320)
Contributions from noncontrolling interests				38		38
Repurchases of noncontrolling interests					—	—
Distributions to noncontrolling interests				—	—	—
Balance, June 30, 2023	9,730,370	\$ 493,400	\$ 478,272	\$ 8,944	\$ 203,137	\$ 1,183,753
Issuance of Series B preferred interest					1,300	1,300
Dividends		4,637				4,637
Preferred returns			4,303		4,583	8,886
Redemption measurement adjustments				(8,051)		(8,051)
Contributions from noncontrolling interests				—		—
Repurchases of noncontrolling interests					—	—
Distributions to noncontrolling interests				(389)	(9,328)	(9,717)
Balance, September 30, 2023	9,730,370	\$ 498,037	\$ 482,575	\$ 504	\$ 199,692	\$ 1,180,808

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Unaudited)

	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					10,330	10,330
Dividends		4,637				4,637
Preferred returns			4,303		3,750	8,053
Redemption measurement adjustments				(201)		(201)
Contributions from noncontrolling interests				125		125
Repurchases of noncontrolling interests					(15,795)	(15,795)
Distributions to noncontrolling interests				(379)	(5,005)	(5,384)
Balance, March 31, 2022	9,730,370	\$ 470,214	\$ 456,757	\$ 20,736	\$ 170,570	\$ 1,118,277
Issuance of Series B preferred interest					—	—
Dividends		4,637				4,637
Preferred returns			4,303		3,562	7,865
Redemption measurement adjustments				142		142
Contributions from noncontrolling interests				—		—
Repurchases of noncontrolling interests					(15,441)	(15,441)
Distributions to noncontrolling interests				(638)	(1,259)	(1,897)
Balance, June 30, 2022	9,730,370	\$ 474,851	\$ 461,060	\$ 20,240	\$ 157,432	\$ 1,113,583
Issuance of Series B preferred interest					4,600	4,600
Dividends		4,637				4,637
Preferred returns			4,303		3,401	7,704
Redemption measurement adjustments				(4,016)		(4,016)
Contributions from noncontrolling interests				21		21
Repurchases of noncontrolling interests					(15,739)	(15,739)
Distributions to noncontrolling interests				(171)	(3,561)	(3,732)
Balance, September 30, 2022	9,730,370	\$ 479,488	\$ 465,363	\$ 16,074	\$ 146,133	\$ 1,107,058

Series A Preferred Stock

As of September 30, 2023, the Series A preferred stock is reported at its redemption value of \$498.0 million calculated using the redemption price of \$243.3 million plus \$254.8 million of accumulated and unpaid dividends on such Series A preferred stock through September 30, 2023.

No dividends were declared on the Series A preferred stock during the three and nine months ended September 30, 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.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

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

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.

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 September 30, 2023, the Series A-1 preferred interest is reported at its redemption value of \$482.6 million calculated using its liquidation value of \$225.7 million plus \$256.8 million of unpaid interest through September 30, 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 September 30, 2023, the senior participating preferred interest is reported at its redemption value of \$0.5 million 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 September 30, 2023, the Series B preferred interest is reported at its redemption value of \$199.7 million calculated using its liquidation value of \$188.7 million plus \$11.0 million of unpaid preferred returns on such Series B preferred interest through September 30, 2023. Brookfield DTLA is entitled to receive a market rate of return on its contributions, currently 9.0% as of September 30, 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 6 — “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 8— Financial Instruments, Fair Value Measurements and Disclosures

Derivative Financial Instruments

The following table presents the interest rate cap contracts pursuant to the terms of certain of its loan agreements as of September 30, 2023:

	Notional Amount	Strike Rate (1)	Expiration Date
Interest Rate Caps:			
Wells Fargo Center–North Tower	\$ 400,000	3.40% (1)	10/15/2023
Wells Fargo Center–North Tower	65,000	3.40% (1)	10/15/2023
Wells Fargo Center–North Tower	35,000	3.40% (1)	10/15/2023
Wells Fargo Center–South Tower	270,054	2.87% (1)	11/4/2023
EY Plaza	275,000	6.02% (1)	10/15/2023
EY Plaza	30,000	6.02% (1)	10/15/2023
Total derivatives not designated as cash flow hedging instruments	\$ 1,075,054		

(1) The index used for these derivative financial instruments is 1-Month SOFR.

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 \$5.0 million and \$10.3 million as of September 30, 2023 and December 31, 2022, respectively. The Company classified them as Level 2 in the fair value hierarchy.

Nonrecurring Measurements—

As of September 30, 2023 and December 31, 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 nine months ended September 30, 2023, impairment losses of \$90.6 million were recorded related to EY Plaza, Wells Fargo Center - North and South Towers, and 777 Tower. During the nine months ended September 30 2022, impairment losses of \$95.4 million were related to Wells Fargo Center — South Tower.

The Company uses the discounted cash flow method to assess the fair value of investments in real estate, including EY Plaza, Wells Fargo Center - North and South Towers, and 777 Tower. 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.

The following table presents the carrying amounts of assets that were still held and had fair value adjustments measured on a nonrecurring basis as of September 30, 2023 and December 31, 2022:

As of September 30, 2023	Total	Level 1	Level 2	Level 3
Investments in Real Estate Assets	\$ 1,330,746	\$ —	\$ —	\$ 1,330,746
As of December 31, 2022	Total	Level 1	Level 2	Level 3
Investments in Real Estate Assets	\$ 311,066	\$ —	\$ —	\$ 311,066

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Fair Value	\$ 2,275,283	\$ 2,265,201
Carrying value	\$ 2,283,568	\$ 2,279,573

Other financial instruments — As of September 30, 2023 and December 31, 2022, 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 9—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 three and nine months ended September 30, 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 Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Property management	\$ 1,523	\$ 2,050	\$ 5,265	\$ 6,025
Asset management (2)	\$ 1,664	\$ 1,583	\$ 4,937	\$ 4,714
Leasing	\$ 343	\$ 488	\$ 518	\$ 1,153
Construction management	\$ 147	\$ 559	\$ 721	\$ 697
Development management (1)	\$ 54	\$ 241	\$ 162	\$ 1,208
Entitlement	\$ 3	\$ 30	\$ 10	\$ 101
General, administrative and reimbursable expenses	\$ 726	\$ 1,090	\$ 2,700	\$ 2,830

- (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 September 30, 2023 and December 31, 2022, asset management fee payables totaled \$8.2 million and \$3.2 million, 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, and development management fees are capitalized and included in the investment in unconsolidated real estate joint venture in the consolidated balance sheets.

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 Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Insurance expense (1)	\$ 4,742	\$ 3,106	\$ 10,990	\$ 9,271

- (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 \$99 thousand and \$32 thousand, respectively, during the three months ended September 30, 2023 and 2022, and \$230 thousand and \$96 thousand, respectively, during the nine months ended September 30, 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 Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Lease income (1)	\$ 3,344	\$ 3,770	\$ 10,044	\$ 10,855
Parking revenue (1)	\$ 247	\$ 247	\$ 741	\$ 741
Lease income — regional office (2)	\$ 339	\$ —	\$ 1,013	\$ —
Interest expense (3)(4)	\$ 854	\$ 861	\$ 3,003	\$ 2,055

- (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 \$35.0 million mezzanine loan secured by Wells Fargo Center–North Tower. Interest payable to the lender totaled \$3.1 million and \$146 thousand as of September 30, 2023 and December 31, 2022, respectively, and is reported as part of accounts payable and other liabilities in the consolidated balance sheets. See [Note 4—“Secured Debt, Net.”](#) Interest expense on this loan has been reported as a related party transaction since the date of acquisition by Brookfield Corporation.
- (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 three and nine months ended September 30, 2023, the Company incurred interest expense of \$90 thousand and \$737 thousand, respectively, on this CMBS to Brookfield Corporation, compared to \$220 thousand and \$449 thousand during the same periods in 2022. On July 26, 2023, 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)**10. 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 September 30, 2023 are as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Investments in real estate — net	\$ 646,982	\$ —
Rents, deferred rents and other receivables — net	36,570	—
Intangible assets — net	4,062	—
Deferred charges — net	11,465	—
Prepaid and other assets — net	76	—
Assets held for sale	<u>\$ 699,155</u>	<u>\$ —</u>
Accounts payable and other liabilities	\$ 34,390	\$ —
Intangible liabilities	443	—
Liabilities associated with assets held for sale	<u>\$ 34,833</u>	<u>\$ —</u>

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Note 11—Subsequent Events

The Company has evaluated the impact of all subsequent events through December 4, 2023, which is the date that these consolidated financial statements were available to be issued. No material events have occurred subsequent to September 30, 2023, which require further disclosure in the consolidated financial statements.