

Brookfield DTLA Fund Office Trust Investor Inc.

Consolidated Financial Statements
as of and for the Six Months Ended June 30, 2024

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

**QUARTERLY REPORT
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2024**

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FINANCIAL INFORMATION**Financial Statements.****BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.****CONSOLIDATED BALANCE SHEETS****(Unaudited; in thousands)**

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|--|----------------------------|----------------------------|
| ASSETS | | |
| Investments in Real Estate: | | |
| Land | \$ 108,234 | \$ 108,234 |
| Buildings and improvements | 1,046,588 | 1,046,160 |
| Tenant improvements | 159,798 | 157,944 |
| Investments in real estate, gross | <u>1,314,620</u> | <u>1,312,338</u> |
| Less: accumulated depreciation | <u>183,870</u> | <u>163,309</u> |
| Investments in real estate, net | 1,130,750 | 1,149,029 |
| Investment in unconsolidated real estate joint venture | 34,042 | 38,523 |
| Cash and cash equivalents | 14,759 | 13,174 |
| Restricted cash | 84,193 | 61,235 |
| Rents, deferred rents and other receivables, net | 94,040 | 90,890 |
| Intangible assets, net | 2,589 | 3,279 |
| Deferred charges, net | 30,021 | 31,771 |
| Due from affiliates | 7,262 | 9,078 |
| Prepaid and other assets, net | 11,495 | 3,535 |
| Assets held for sale | 968,367 | 976,143 |
| Total assets | <u>\$ 2,377,518</u> | <u>\$ 2,376,657</u> |
| LIABILITIES AND DEFICIT | | |
| Liabilities: | | |
| Secured debt, net | \$ 2,290,934 | \$ 2,289,843 |
| Accounts payable and other liabilities | 195,994 | 123,506 |
| Due to affiliates | 5,764 | 12,714 |
| Intangible liabilities, net | 1,747 | 1,830 |
| Liabilities associated with assets held for sale | 27,626 | 29,737 |
| Total liabilities | <u>2,522,065</u> | <u>2,457,630</u> |
| 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)

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|--|----------------------|--------------------------|
| 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 June 30, 2024 and December 31, 2023 | \$ 511,949 | \$ 502,675 |
| Noncontrolling Interests: | | |
| Series A-1 preferred interest | 495,484 | 486,878 |
| Senior participating preferred interest | 1,205 | (62) |
| Series B preferred interest | 224,703 | 206,247 |
| Total mezzanine equity | 1,233,341 | 1,195,738 |
| Stockholders' Deficit: | | |
| Common stock, \$0.01 par value, 1,000 shares issued and outstanding as of June 30, 2024 and December 31, 2023 | — | — |
| Additional paid-in capital | 205,629 | 205,299 |
| Accumulated deficit | (1,583,564) | (1,482,050) |
| Noncontrolling interests | 47 | 40 |
| Total stockholders' deficit | (1,377,888) | (1,276,711) |
| Total liabilities and deficit | \$ 2,377,518 | \$ 2,376,657 |

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 June 30, | | For the Six Months Ended June 30, | |
|--|-------------------------------------|--------------------|-----------------------------------|---------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Revenue: | | | | |
| Lease income | \$ 53,954 | \$ 65,023 | \$ 115,950 | \$ 127,666 |
| Parking | 9,026 | 8,193 | 17,618 | 16,399 |
| Interest and other | 179 | 2,147 | 857 | 5,198 |
| Total revenue | 63,159 | 75,363 | 134,425 | 149,263 |
| Expenses: | | | | |
| Rental property operating and maintenance | 26,486 | 26,084 | 53,286 | 51,351 |
| Real estate taxes | 7,178 | 9,987 | 17,658 | 19,976 |
| Parking | 2,711 | 2,824 | 6,072 | 6,083 |
| Other expenses | 652 | 4,838 | 1,447 | 10,472 |
| Depreciation and amortization | 11,752 | 19,447 | 23,667 | 46,122 |
| Interest | 50,235 | 43,655 | 100,565 | 81,462 |
| Impairment charges | — | 20,377 | — | 20,377 |
| Total expenses | 99,014 | 127,212 | 202,695 | 235,843 |
| Other Loss: | | | | |
| Equity in loss of unconsolidated real estate joint venture | (1,927) | (502) | (4,481) | (484) |
| Total other loss | (1,927) | (502) | (4,481) | (484) |
| Net loss | (37,782) | (52,351) | (72,751) | (87,064) |
| Net income (loss) attributable to noncontrolling interests: | | | | |
| Series A-1 preferred interest returns | 4,302 | 4,303 | 8,606 | 8,606 |
| Senior participating preferred interest redemption measurement adjustment | 1,330 | (1,320) | 1,213 | (2,971) |
| Series B preferred interest returns | 4,995 | 4,496 | 9,663 | 8,627 |
| Series B common interest – allocation of net income | 3 | 20 | 7 | 29 |
| Net loss attributable to Brookfield DTLA | (48,412) | (59,850) | (92,240) | (101,355) |
| Series A preferred stock dividends | 4,637 | 4,637 | 9,274 | 9,274 |
| Net loss attributable to common interest holders of Brookfield DTLA | \$ (53,049) | \$ (64,487) | \$ (101,514) | \$ (110,629) |

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, 2023 | 1,000 | \$ — | \$ 205,299 | \$ (1,482,050) | \$ 40 | \$ (1,276,711) |
| Net (loss) income | | | | (43,828) | 8,859 | (34,969) |
| Contributions | | | 80 | | | 80 |
| Dividends, preferred returns and redemption measurement adjustments on mezzanine equity | | | | (4,637) | (8,855) | (13,492) |
| Balance, March 31, 2024 | 1,000 | — | 205,379 | (1,530,515) | 44 | (1,325,092) |
| Net (loss) income | | | | (48,412) | 10,630 | (37,782) |
| Contributions | | | 250 | | | 250 |
| Dividends, preferred returns and redemption measurement adjustments on mezzanine equity | | | | (4,637) | (10,627) | (15,264) |
| Balance, June 30, 2024 | 1,000 | \$ — | \$ 205,629 | \$ (1,583,564) | \$ 47 | \$ (1,377,888) |

| | 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) |

See accompanying notes to consolidated financial statements.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in thousands)

| | For the Six Months Ended June 30, | |
|--|-----------------------------------|------------------|
| | 2024 | 2023 |
| Cash flows from operating activities: | | |
| Net loss | \$ (72,751) | \$ (87,064) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 23,667 | 46,122 |
| Equity in loss of unconsolidated real estate joint venture | 4,481 | 484 |
| (Recovery) write-off of lease receivables previously deemed uncollectible | (224) | 11 |
| Amortization of acquired below-market leases, net of acquired above-market leases | 229 | 153 |
| Straight-line rent amortization | 8,578 | (1,759) |
| Amortization of tenant inducements | 1,654 | 1,381 |
| Amortization and write-off of debt financing costs | 506 | 1,680 |
| Unrealized loss on interest rate cap contracts | — | 5,270 |
| Impairment charges | — | 20,377 |
| Increase in mortgage debt due to paid-in-kind interest | 585 | 261 |
| Changes in assets and liabilities: | | |
| Rents, deferred rents and other receivables, net | (4,351) | (3,438) |
| Deferred charges, net | (650) | 79 |
| Due from affiliates | 788 | 74 |
| Prepaid and other assets, net | (7,382) | 1,367 |
| Accounts payable and other liabilities | 69,155 | 20,494 |
| Due to affiliates | 2,491 | 2,759 |
| Net cash provided by operating activities | 26,776 | 8,251 |
| Cash flows from investing activities: | | |
| Expenditures for real estate improvements | (1,969) | (9,175) |
| Net cash used in investing activities | (1,969) | (9,175) |
| Cash flows from financing activities: | | |
| Proceeds from Series B preferred interest | 3,140 | 12,024 |
| Proceeds from senior participating preferred interest | — | 238 |
| Distributions to Series B preferred interest | (3,626) | — |
| Distributions to senior participating preferred interest | (108) | — |
| Contributions to additional paid-in capital | 330 | 930 |
| Debt financing costs paid | — | (406) |
| Net cash (used in) provided by financing activities | (264) | 12,786 |
| Net change in cash, cash equivalents and restricted cash | 24,543 | 11,862 |
| Cash, cash equivalents and restricted cash at beginning of period | 74,409 | 58,729 |
| Cash, cash equivalents and restricted cash at end of period | \$ 98,952 | \$ 70,591 |

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 Six Months Ended June 30, | |
|--|-----------------------------------|-----------|
| | 2024 | 2023 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest, net | \$ 24,369 | \$ 49,139 |
| Cash received from income taxes refund, net | \$ (363) | \$ — |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Accrual for current-period additions to real estate investments | \$ 2,136 | \$ 5,851 |
| Writeoff of fully amortized intangible liabilities | \$ 205 | \$ — |
| Noncash contributions to Series B preferred interest | \$ 9,279 | \$ — |
| Noncash contributions to senior participating preferred interest | \$ 162 | \$ — |

The following is a reconciliation of Brookfield DTLA's cash, cash equivalents and restricted cash at the beginning and end of the six months ended June 30, 2024 and 2023:

| | For the Six Months Ended June 30, | |
|--|-----------------------------------|------------------|
| | 2024 | 2023 |
| Cash and cash equivalents at beginning of period | \$ 13,174 | \$ 23,523 |
| Restricted cash at beginning of period | 61,235 | 35,206 |
| Cash, cash equivalents and restricted cash at beginning of period | \$ 74,409 | \$ 58,729 |
| Cash and cash equivalents at end of period | \$ 14,759 | \$ 20,247 |
| Restricted cash at end of period | 84,193 | 50,344 |
| Cash, cash equivalents and restricted cash at end of period | \$ 98,952 | \$ 70,591 |

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 June 30, 2024 and December 31, 2023, 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 six months ended June 30, 2023, Gas Company Tower and EY Plaza were transferred to receivership by court order due to defaults on loans secured by these properties. During the three months ended March 31, 2024, lenders of the loans secured by Gas Company Tower recorded a Notice of Default against the Gas Company Tower which initiated the process of foreclosure on the property. In May 2024, the Court approved the receiver’s request to market Gas Company Tower for sale. 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

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 June 30, 2024 and December 31, 2023 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 June 30, 2024 and December 31, 2023, and for the three and six months ended June 30, 2024 and 2023.

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.

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 June 30, 2024, these consolidated VIEs had in aggregate total consolidated assets of \$2.3 billion (of which \$2.0 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.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

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

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 June 30, 2024 and December 31, 2023, the Company’s ownership interest in the unconsolidated real estate joint venture was 18.8% and 19.2%, 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)**

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 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. Based on its review, management concluded that no additional impairments were required on Brookfield DTLA’s real estate properties during the three and six months ended June 30, 2024. For impairment charges during the same periods in 2023, see [Note 2 — Basis of Presentation — Assets & Liabilities, Held for Sale](#) for details.

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 June 30, 2024 and December 31, 2023.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

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

Assets & Liabilities, Held for Sale

During the three and six months ended June 30, 2023, Gas Company Tower and EY Plaza were placed into receivership by court order due to defaults on loans secured by these properties. 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 loans along with the property securing the loans for sale. 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. Depreciation and amortization of the Disposal Group cease upon designation as held for sale. During the three and six months ended June 30, 2023, the Company recorded impairment losses of \$20.4 million related to EY Plaza upon transfer to held-for-sale as its carrying amount was higher than its estimated fair value less costs to sell. See [Note 11 — Assets Classified as Held for Sale](#) for details.

During the three months ended March 31, 2024, lenders of the loans secured by Gas Company Tower recorded a Notice of Default against the Gas Company Tower which initiated the process of foreclosure on the property. In May 2024, the Court approved the receiver's request to market Gas Company Tower for sale.

Subsequent to the six months ended June 30, 2024, the non-recourse mortgage and mezzanine loans secured by 777 Tower were sold on July 25, 2024. The property was conveyed to the new lender on July 31, 2024 under a deed-in-lieu transaction in exchange for cancellation of obligations under our debt agreement with the new lender. The new lender accepted the deed in lieu of the outstanding debt, and released us from our obligation.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Rents, Deferred Rents and Other Receivables, Net

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 recovered lease income totaling \$15 thousand and \$224 thousand that were previously deemed uncollectible, respectively, during the three and six months ended June 30, 2024, and wrote off uncollectible lease income of \$107 thousand and \$11 thousand, respectively, during the three and six months ended June 30, 2023.

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 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 three and six months ended June 30, 2024 and 2023. The Company's various TRS recorded no income tax receivable as of June 30, 2024, compared to \$452 thousand as of December 31, 2023.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)****Note 3—Restricted Cash**

Restricted cash as of June 30, 2024 and December 31, 2023 is summarized as follows:

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|---|----------------------|--------------------------|
| Leasing costs, tenant improvements and capital expenditure reserves | \$ 5,082 | \$ 6,578 |
| Tax and insurance | 8,863 | 9,014 |
| Parking and security deposit reserves | 9,939 | 10,013 |
| Cash sweep reserves | 45,048 | 15,931 |
| Receivership restricted cash balance | 15,261 | 19,699 |
| Restricted Cash | \$ 84,193 | \$ 61,235 |

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

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

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|--|----------------------|--------------------------|
| Straight-line and other deferred rents | \$ 108,991 | \$ 116,732 |
| Tenant inducements receivable | 32,762 | 28,855 |
| Tenant receivables | 8,880 | 5,665 |
| Other receivables | 3,734 | 6,280 |
| Rents, deferred rents and other receivables, gross | 154,367 | 157,532 |
| Less: accumulated amortization of tenant inducements | (15,302) | (13,648) |
| Rents, deferred rents and other receivables, net | \$ 139,065 | \$ 143,884 |
| Less: rents, deferred rents and other receivables, net held for sale | (45,025) | (52,994) |
| Rents, deferred rents and other receivables, net | \$ 94,040 | \$ 90,890 |

See [Note 2 “Basis of Presentation”](#) for a discussion of assessments regarding the collectability of rents and deferred rent receivables and related adjustments made during the three and six months ended June 30, 2024 and 2023.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Note 5—Secured Debt, Net

Brookfield DTLA’s secured debt as of June 30, 2024 and December 31, 2023 is as follows:

| | Maturity Date | Contractual Interest Rates | Principal Amount as of | |
|---|-------------------------|----------------------------|------------------------|---------------------|
| | | | June 30, 2024 | December 31, 2023 |
| Variable-Rate Loans: | | | | |
| 777 Tower ⁽¹⁾ | 12/30/2022 | SOFR + 1.60% | \$ 243,595 | \$ 243,595 |
| 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 | 266,946 |
| 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 | 68,565 |
| Wells Fargo Center–North Tower ⁽⁵⁾⁽⁶⁾⁽⁷⁾ | 1/8/2024 ⁽⁸⁾ | SOFR + 5.11% | 37,086 | 37,086 |
| Total variable-rate loans | | | 1,831,537 | 1,831,537 |
| Fixed-Rate Debt: | | | | |
| BOA Plaza ⁽⁹⁾ | 9/1/2024 | 4.05 % | 400,000 | 400,000 |
| FIGat7th ⁽¹⁰⁾ | 3/1/2026 | 8.00 % | 59,930 | 59,345 |
| Total fixed-rate debt | | | 459,930 | 459,345 |
| Total secured debt, gross | | | 2,291,467 | 2,290,882 |
| Less: unamortized debt financing costs | | | (533) | (1,039) |
| Total secured debt, net | | | \$ 2,290,934 | \$ 2,289,843 |

- (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 engaged a broker and marketed the loans along with the property securing the loans for sale in November 2023. Subsequent to the six months ended June 30, 2024, the non-recourse mortgage and mezzanine loans secured by 777 Tower were sold on July 25, 2024. The property was conveyed to the new lender on July 31, 2024 under a deed-in-lieu transaction in exchange for cancellation of obligations under our debt agreement with the new lender. The new lender accepted the deed in lieu of the outstanding debt, and released us from our obligation. See [Note 2 — Basis of Presentation — Assets Held for Sale](#) for details.
- (2) In April 2023, the Gas Company Tower Loans were transferred to a receiver. During the three months ended March 31, 2024, the lenders recorded a Notice of Default against the Gas Company Tower which initiated the process of foreclosure on the property. In May 2024, the Court approved the receiver’s request to market Gas Company Tower for sale. See [Note 2 — Basis of Presentation — 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 — Assets Held for Sale](#) for details.
- (4) The loan is currently in maturity default and management is under extension negotiations with the lenders. As of the date of this Quarterly Report, management is in negotiations with the lenders under which the lenders would forbear exercising their remedies under the loan through November 6, 2025. The property is currently in a cash sweep with the lenders.
- (5) Since September 30, 2023, the total net worth of the 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.

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

- (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 both June 30, 2024 and December 31, 2023, Mezzanine I and Mezzanine II loans included paid-in-kind (“PIK”) interest of \$3.6 million and \$2.1 million, respectively.
- (8) The loans are currently 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 lenders for remediation.
- (10) The 8.0% fixed interest rate comprised of 6.0% payable current, and 2.0% deferred and payable at maturity. The 2.0% deferred interest (also called PIK interest) is added to the principal balance so that the interest is paid, together with the principal, at maturity. As of June 30, 2024 and December 31, 2023, the total amount of PIK interest included in the principal balance amounted \$1.4 million and \$845 thousand, respectively.

Debt Maturities

The following table provides information regarding the Company’s minimum future principal payments due on the Company’s secured debt as of June 30, 2024:

| | | |
|--|-----------|------------------|
| Remainder of 2024 ⁽¹⁾ | \$ | 400,000 |
| 2026 | | 59,930 |
| Total secured debt | \$ | 459,930 |
| Principal loan balances with maturity prior to June 30, 2024 | | 1,831,537 |
| | \$ | 2,291,467 |

(1) Represents debt of 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 three and six months ended June 30, 2024.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

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

Note 6—Accounts Payable and Other Liabilities

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

| | June 30, 2024 | December 31, 2023 |
|--|-------------------|-------------------|
| Tenant improvements and inducements payable | \$ 21,121 | \$ 23,973 |
| Unearned rent and tenant payables | 21,258 | 21,952 |
| Accrued capital expenditures and leasing commissions | 4,005 | 3,172 |
| Accrued expenses and other liabilities | 176,794 | 103,704 |
| Accounts payable and other liabilities | \$ 223,178 | \$ 152,801 |
| Less: Accounts payable and other liabilities held for sale | (27,184) | (29,295) |
| Accounts payable and other liabilities | \$ 195,994 | \$ 123,506 |

Note 7—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 June 30, 2024 and December 31, 2023, 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 June 30, 2024, \$60.9 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 8—“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 8—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, 2023 | 9,730,370 | \$ 502,675 | \$ 486,878 | \$ (62) | \$ 206,247 | \$ 1,195,738 |
| Issuance of Series B preferred interest | | | | | 11,348 | 11,348 |
| Dividends | | 4,637 | | | | 4,637 |
| Preferred returns | | | 4,304 | | 4,668 | 8,972 |
| Redemption measurement adjustments | | | | (117) | | (117) |
| Contributions from noncontrolling interests | | | | 162 | | 162 |
| Distributions to noncontrolling interests | | | | (108) | (3,625) | (3,733) |
| Balance, March 31, 2024 | <u>9,730,370</u> | <u>507,312</u> | <u>491,182</u> | <u>(125)</u> | <u>218,638</u> | <u>1,217,007</u> |
| Issuance of Series B preferred interest | | | | | 1,071 | 1,071 |
| Dividends | | 4,637 | | | | 4,637 |
| Preferred returns | | | 4,302 | | 4,995 | 9,297 |
| Redemption measurement adjustments | | | | 1,330 | | 1,330 |
| Contributions from noncontrolling interests | | | | — | | — |
| Distributions to noncontrolling interests | | | | — | (1) | (1) |
| Balance, June 30, 2024 | <u>9,730,370</u> | <u>\$ 511,949</u> | <u>\$ 495,484</u> | <u>\$ 1,205</u> | <u>\$ 224,703</u> | <u>\$ 1,233,341</u> |

| | 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 |
| Distributions to noncontrolling interests | | | | — | — | — |
| Balance, March 31, 2023 | <u>9,730,370</u> | <u>488,763</u> | <u>473,969</u> | <u>10,226</u> | <u>194,670</u> | <u>1,167,628</u> |
| 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 |
| Distributions to noncontrolling interests | | | | — | — | — |
| Balance, June 30, 2023 | <u>9,730,370</u> | <u>\$ 493,400</u> | <u>\$ 478,272</u> | <u>\$ 8,944</u> | <u>\$ 203,137</u> | <u>\$ 1,183,753</u> |

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

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

Series A Preferred Stock

As of June 30, 2024, the Series A preferred stock is reported at its redemption value of \$511.9 million calculated using the redemption price of \$243.3 million plus \$268.7 million of accumulated and unpaid dividends on such Series A preferred stock through June 30, 2024.

No dividends were declared on the Series A preferred stock during the three and six months ended June 30, 2024 and 2023. 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.

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 June 30, 2024, the Series A-1 preferred interest is reported at its redemption value of \$495.5 million calculated using its liquidation value of \$225.7 million plus \$269.7 million of unpaid interest through June 30, 2024. 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 June 30, 2024, the senior participating preferred interest is reported at its redemption value of \$1.2 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 June 30, 2024, the Series B preferred interest is reported at its redemption value of \$224.7 million calculated using its liquidation value of \$203.0 million plus \$21.7 million of unpaid preferred returns on such Series B preferred interest through June 30, 2024. Brookfield DTLA is entitled to receive a market rate of return on its contributions, currently 9.0% as of June 30, 2024.

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 7 — “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 9— 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.

Recurring Measurements—

As of both June 30, 2024 and December 31, 2023, there were no assets or liabilities measured at fair value on a recurring basis.

BROOKFIELD DTLA FUND OFFICE TRUST INVESTOR INC.

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

Nonrecurring Measurements—

As of June 30, 2024, there were no assets measured at fair value on a nonrecurring basis, as no additional impairments of Brookfield DTLA’s real estate properties were recorded during the three and six months ended June 30, 2024. As of December 31, 2023, 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.

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 % |

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

| As of December 31, 2023 | Total | Level 1 | Level 2 | Level 3 |
|-----------------------------------|--------------|----------------|----------------|----------------|
| Investments in Real Estate Assets | \$ 1,301,456 | \$ — | \$ — | \$ 1,301,456 |

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>June 30, 2024</u> | <u>December 31, 2023</u> |
|----------------|----------------------|--------------------------|
| Fair Value | \$ 2,297,205 | \$ 2,304,296 |
| Carrying Value | \$ 2,290,934 | \$ 2,289,843 |

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 10—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 six months ended June 30, 2024 and 2023:

| 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 June 30, | | For the Six Months Ended June 30, | |
|---|--|-------------|--|-------------|
| | 2024 | 2023 | 2024 | 2023 |
| Property management (3) | \$ 1,392 | \$ 1,775 | \$ 2,882 | \$ 3,742 |
| Asset management (2) | \$ — | \$ 1,635 | \$ — | \$ 3,273 |
| Leasing | \$ (7) | \$ 44 | \$ 13 | \$ 175 |
| Construction management (3) | \$ 130 | \$ 474 | \$ 174 | \$ 574 |
| Development management (1) | \$ — | \$ 39 | \$ — | \$ 108 |
| Entitlement | \$ 32 | \$ 4 | \$ 41 | \$ 7 |
| General, administrative and reimbursable expenses | \$ 349 | \$ 968 | \$ 995 | \$ 1,955 |

- (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) Effective January 1, 2024, asset management fee was borne by and charged to DTLA Holdings. In connection with this change, the Company's asset management fee payable balance of \$9.4 million as of December 31, 2023 was transferred to DTLA Holdings in the form of noncash contributions to Series B preferred interest and senior participating preferred interest of \$9.3 million and \$0.2 million, respectively. Consequently, the Company's asset management fee expense for the three and six months ended and the related payable as of June 30, 2024 totaled \$0.0 million.
- (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:

| | <u>For the Three Months Ended June 30,</u> | | <u>For the Six Months Ended June 30,</u> | |
|-----------------------|--|-------------|--|-------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Insurance expense (1) | \$ 2,941 | \$ 3,115 | \$ 7,106 | \$ 6,249 |

(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 \$40 thousand and \$31 thousand, respectively, during the three months ended June 30, 2024 and 2023, and \$116 thousand and \$62 thousand, respectively, during the six months ended June 30, 2024 and 2023.

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 June 30, | | For the Six Months Ended June 30, | |
|------------------------------------|-------------------------------------|----------|-----------------------------------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Lease income (1) | \$ 3,290 | \$ 3,249 | \$ 6,725 | \$ 6,700 |
| Parking revenue (1) | \$ 247 | \$ 247 | \$ 494 | \$ 494 |
| Lease income — regional office (2) | \$ 349 | \$ 337 | \$ 698 | \$ 674 |
| Interest expense (3)(4) | \$ 986 | \$ 1,093 | \$ 1,981 | \$ 2,248 |

- (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 three and six months ended June 30, 2024, Mezzanine II loan interest expense incurred totaled \$1.0 million and \$2.0 million, respectively, compared to \$0.8 million and \$1.6 million, respectively, during the same periods in 2023, which was reported in “interest expense” in the consolidated statements of operations, and the interest payable balance was \$3.1 million and \$1.2 million as of June 30, 2024 and December 31, 2023, respectively, reported in "Due to Affiliates" in the consolidated balance sheets. As of both June 30, 2024 and December 31, 2023, \$2.1 million of forborne interest was included in the principal balance in accordance with the loan agreement as amended. See [Note 5—“Secured Debt, Net.”](#) for details.
- (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. On July 26, 2023, the affiliate of Brookfield Corporation sold this security. Consequently, during the three and six months ended June 30, 2024, the Company incurred interest expense of \$0.0 million on this CMBS to Brookfield Corporation, compared to \$338 thousand and \$647 thousand during the same periods in 2023.

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 11—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 June 30, 2024 and December 31, 2023 are as follows:

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|---|--------------------------|--------------------------|
| Investments in real estate, net | \$ 902,557 | \$ 902,316 |
| Rents, deferred rents and other receivables, net | 45,025 | 52,994 |
| Intangible assets, net | 4,080 | 4,080 |
| Deferred charges, net | 16,545 | 16,189 |
| Prepaid and other assets, net | 160 | 754 |
| Due from affiliates | — | (190) |
| Assets held for sale | <u>\$ 968,367</u> | <u>\$ 976,143</u> |
| Accounts payable and other liabilities | \$ 27,184 | \$ 29,295 |
| Intangible liabilities, net | 442 | 442 |
| Liabilities associated with assets held for sale | <u>\$ 27,626</u> | <u>\$ 29,737</u> |

Note 12—Subsequent Events

The Company has evaluated the impact of all subsequent events through August 22, 2024, which is the date that these consolidated financial statements were available to be issued. No material events, other than those disclosed elsewhere in these consolidated financial statements, have occurred subsequent to June 30, 2024, which require further disclosure in the consolidated financial statements.