

BRANDYWINE REALTY TRUST

Form 10-Q

May 04, 2011

Table of Contents

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

FORM 10-Q

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2011**

or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____**

**Commission file number
001-9106 (Brandywine Realty Trust)
000-24407 (Brandywine Operating Partnership, L.P.)**

**Brandywine Realty Trust
Brandywine Operating Partnership, L.P.
(Exact name of registrant as specified in its charter)**

**MARYLAND (Brandywine Realty Trust)
DELAWARE (Brandywine Operating Partnership
L.P.)**

**23-2413352
23-2862640**

**(State or other jurisdiction of
Incorporation or organization)**

**(I.R.S. Employer
Identification No.)**

**555 East Lancaster Avenue
Radnor, Pennsylvania
(Address of principal executive offices)**

**19087
(Zip Code)**

Registrant's telephone number, including area code (610) 325-5600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Brandywine Realty Trust Yes No
Brandywine Operating Partnership, L.P. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Brandywine Realty Trust Yes No
Brandywine Operating Partnership, L.P. Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, or a non-accelerated filer. See definitions of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Brandywine Realty Trust:

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

Brandywine Operating Partnership, L.P.:

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Brandywine Realty Trust Yes No

Brandywine Operating Partnership, L.P. Yes No

A total of 135,341,358 Common Shares of Beneficial Interest, par value \$0.01 per share, were outstanding as of May 2, 2011.

Table of Contents

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended March 31, 2011 of Brandywine Realty Trust (the Parent Company) and Brandywine Operating Partnership (the Operating Partnership). The Parent Company is a Maryland real estate investment trust, or REIT, that owns its assets and conducts its operations through the Operating Partnership, a Delaware limited partnership, and subsidiaries of the Operating Partnership. The Parent Company, the Operating Partnership and their consolidated subsidiaries are collectively referred to in this report as the Company . In addition, terms such as we , us , or our used in this report may refer to the Company, the Parent Company or the Operating Partnership.

The Parent Company is the sole general partner of the Operating Partnership and, as of March 31, 2011, owned a 93.1% interest in the Operating Partnership. The remaining 6.9% interest consists of common units of limited partnership interest issued by the Operating Partnership to third parties in exchange for contributions of properties to the Operating Partnership. As the sole general partner of the Operating Partnership, the Parent Company has full and complete authority over the Operating Partnership's day-to-day operations and management.

The Company believes that combining the quarterly reports on Form 10-Q of the Parent Company and the Operating Partnership into a single report will result in the following benefits:

- facilitate a better understanding by the investors of the Parent Company and the Operating Partnership by enabling them to view the business as a whole in the same manner as management views and operates the business;

- remove duplicative disclosures and provide a more straightforward presentation in light of the fact that a substantial portion of the disclosure applies to both the Parent Company and the Operating Partnership; and
- create time and cost efficiencies through the preparation of one combined report instead of two separate reports.

Management operates the Parent Company and the Operating Partnership as one enterprise. The management of the Parent Company consists of the same members as the management of the Operating Partnership. These members are officers of both the Parent Company and of the Operating Partnership.

There are few differences between the Parent Company and the Operating Partnership, which are reflected in the footnote disclosures in this report. The Company believes it is important to understand the differences between the Parent Company and the Operating Partnership in the context of how these entities operate as an interrelated consolidated company. The Parent Company is a REIT, whose only material asset is its ownership of the partnership interests of the Operating Partnership. As a result, the Parent Company does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing public equity from time to time and guaranteeing the debt obligations of the Operating Partnership. The Operating Partnership holds substantially all the assets of the Company and directly or indirectly holds the ownership interests in the Company's real estate ventures. The Operating Partnership conducts the operations of the Company's business and is structured as a partnership with no publicly traded equity. Except for net proceeds from equity issuances by the Parent Company, which are contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required by the Company's business through the Operating Partnership's operations, by the Operating Partnership's direct or indirect incurrence of indebtedness or through the issuance of partnership units of the Operating Partnership or equity interests in subsidiaries of the Operating Partnership.

The equity and non-controlling interests in the Parent Company and the Operating Partnership's equity are the main areas of difference between the consolidated financial statements of the Parent Company and the Operating Partnership. The common units of limited partnership interest in the Operating Partnership are accounted for as partners' equity in the Operating Partnership's financial statements while the common units of limited partnership interests held by parties other than the Parent Company are presented as non-controlling interests in the Parent Company's financial statements. The differences between the Parent Company and the Operating Partnership's equity relate to the differences in the equity issued at the Parent Company and Operating Partnership levels.

To help investors understand the significant differences between the Parent Company and the Operating Partnership, this report presents the following as separate notes or sections for each of the Parent Company and the Operating Partnership:

consolidated financial statements;

Parent Company's and Operating Partnership's Equity; and

Liquidity and Capital Resources in the Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report also includes separate Item 4. (Controls and Procedures) disclosures and separate Exhibit 31 and 32 certifications for each of the Parent Company and the Operating Partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that the Parent Company and Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. § 1350.

Table of Contents

In order to highlight the differences between the Parent Company and the Operating Partnership, the separate sections in this report for the Parent Company and the Operating Partnership specifically refer to the Parent Company and the Operating Partnership. In the sections that combine disclosures of the Parent Company and the Operating Partnership, this report refers to such disclosures as those of the Company. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and real estate ventures and holds assets and debt, reference to the Company is appropriate because the business is one enterprise and the Parent Company operates the business through the Operating Partnership.

As general partner with control of the Operating Partnership, the Parent Company consolidates the Operating Partnership for financial reporting purposes, and the Parent Company does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities of the Parent Company and the Operating Partnership are the same on their respective financial statements. The separate discussions of the Parent Company and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company's operations on a consolidated basis and how management operates the Company.

TABLE OF CONTENTS

Page

PART I FINANCIAL INFORMATION

Item 1. Brandywine Realty Trust

Financial Statements of Brandywine Realty Trust (unaudited)

Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010 5

Consolidated Statements of Operations for the three-month periods ended March 31, 2011 and 2010 6

Consolidated Statements of Comprehensive Income for the three-month periods ended March 31, 2011 and 2010 7

Consolidated Statements of Equity for the three-month periods ended March 31, 2011 and 2010 8

Consolidated Statements of Cash Flows for the three-month periods ended March 31, 2011 and 2010 9

Brandywine Operating Partnership, L.P.

Financial Statements of Brandywine Operating Partnership, L.P. (unaudited)

Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010 10

Consolidated Statements of Operations for the three-month periods ended March 31, 2011 and 2010 11

Consolidated Statements of Comprehensive Income for the three-month periods ended March 31, 2011 and 2010 12

Consolidated Statements of Cash Flows for the three-month periods ended March 31, 2011 and 2010 13

Notes to Unaudited Consolidated Financial Statements 14

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 41

Item 3. Quantitative and Qualitative Disclosures about Market Risk 56

Item 4. Controls and Procedures (Brandywine Realty Trust) 56

Controls and Procedures (Brandywine Operating Partnership, L.P.) 56

PART II OTHER INFORMATION

Item 1. Legal Proceedings 57

Item 1A. Risk Factors 57

<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	57
<u>Item 3. Defaults Upon Senior Securities</u>	57
<u>Item 4. Removed and Reserved</u>	57
<u>Item 5. Other Information</u>	57
<u>Item 6. Exhibits</u>	58
<u>Signatures</u>	59
<u>Exhibit 31.1</u>	
<u>Exhibit 31.2</u>	
<u>Exhibit 31.3</u>	
<u>Exhibit 31.4</u>	
<u>Exhibit 32.1</u>	
<u>Exhibit 32.2</u>	
<u>Exhibit 32.3</u>	
<u>Exhibit 32.4</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	
<u>EX-101 SCHEMA DOCUMENT</u>	
<u>EX-101 CALCULATION LINKBASE DOCUMENT</u>	
<u>EX-101 LABELS LINKBASE DOCUMENT</u>	
<u>EX-101 PRESENTATION LINKBASE DOCUMENT</u>	
<u>EX-101 DEFINITION LINKBASE DOCUMENT</u>	

Filing Format

This combined Form 10-Q is being filed separately by Brandywine Realty Trust and Brandywine Operating Partnership, L.P.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. - Financial Statements**

BRANDYWINE REALTY TRUST
CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands, except share and per share information)

	March 31, 2011	December 31, 2010
ASSETS		
Real estate investments:		
Rental properties	\$ 4,858,470	\$ 4,834,111
Accumulated depreciation	(807,631)	(776,078)
Operating real estate investments, net	4,050,839	4,058,033
Construction-in-progress	37,220	33,322
Land inventory	119,901	110,055
Total real estate investments, net	4,207,960	4,201,410
Cash and cash equivalents	249	16,565
Accounts receivable, net	18,411	16,009
Accrued rent receivable, net	99,414	95,541
Investment in real estate ventures, at equity	83,706	84,372
Deferred costs, net	107,918	106,117
Intangible assets, net	92,124	97,462
Notes receivable	19,177	18,205
Other assets	57,760	54,697
Total assets	\$ 4,686,719	\$ 4,690,378
LIABILITIES AND BENEFICIARIES EQUITY		
Mortgage notes payable	\$ 707,634	\$ 711,789
Borrowing under credit facilities	197,000	183,000
Unsecured term loan	183,000	183,000
Unsecured senior notes, net of discounts	1,353,094	1,352,657
Accounts payable and accrued expenses	81,760	72,235
Distributions payable	22,699	22,623
Deferred income, gains and rent	115,605	121,552
Acquired below market leases, net	27,550	29,233
Other liabilities	40,657	36,515
Total liabilities	2,728,999	2,712,604
Commitments and contingencies (Note 17)		
Brandywine Realty Trust's equity:		
Preferred Shares (shares authorized-20,000,000):		
7.50% Series C Preferred Shares, \$0.01 par value; issued and outstanding- 2,000,000 in 2011 and 2010, respectively	20	20
7.375% Series D Preferred Shares, \$0.01 par value; issued and outstanding- 2,300,000 in 2011 and 2010, respectively	23	23

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Common Shares of Brandywine Realty Trust's beneficial interest, \$0.01 par value; shares authorized 200,000,000; 134,788,025 and 134,601,796 issued in 2011 and 2010, respectively and 134,759,179 and 134,485,117 outstanding in 2011 and 2010, respectively	1,345	1,343
Additional paid-in capital	2,673,151	2,671,217
Deferred compensation payable in common stock	5,633	5,774
Common shares in treasury, at cost, 28,846 and 116,679 in 2011 and 2010, respectively	(600)	(3,074)
Common shares in grantor trust, 295,852 in 2011 and 291,281 in 2010	(5,633)	(5,774)
Cumulative earnings	482,194	483,439
Accumulated other comprehensive loss	(2,524)	(1,945)
Cumulative distributions	(1,323,889)	(1,301,521)
Total Brandywine Realty Trust's equity	1,829,720	1,849,502
Non-controlling interests	128,000	128,272
Total equity	1,957,720	1,977,774
Total liabilities and equity	\$ 4,686,719	\$ 4,690,378

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

Table of Contents

BRANDYWINE REALTY TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except share and per share information)

	For the three-month periods ended	
	March 31,	
	2011	2010
Revenue:		
Rents	\$ 121,011	\$ 114,378
Tenant reimbursements	23,121	20,914
Termination fees	568	1,754
Third party management fees, labor reimbursement and leasing	2,753	3,467
Other	1,098	921
Total revenue	148,551	141,434
Operating Expenses:		
Property operating expenses	46,155	44,487
Real estate taxes	14,448	12,788
Third party management expenses	1,510	1,412
Depreciation and amortization	51,721	52,102
General and administrative expenses	6,244	6,092
Total operating expenses	120,078	116,881
Operating income	28,473	24,553
Other Income (Expense):		
Interest income	441	865
Interest expense	(32,393)	(31,524)
Interest expense amortization of deferred financing costs	(928)	(1,011)
Equity in income of real estate ventures	1,233	1,296
Net gain on sale of interests in real estate	2,791	
Loss on early extinguishment of debt		(1,192)
Loss from continuing operations	(383)	(7,013)
Discontinued operations:		
Income (loss) from discontinued operations	(107)	265
Net gain on disposition of discontinued operations		6,349
Total discontinued operations	(107)	6,614
Net loss	(490)	(399)
Net loss (income) from discontinued operations attributable to non-controlling interests LP units	2	(141)
Net loss attributable to non-controlling interests LP units	49	192
Net loss attributable to non-controlling interests	51	51

Net loss attributable to Brandywine Realty Trust		(439)		(348)
Distribution to Preferred Shares		(1,998)		(1,998)
Amount allocated to unvested restricted shareholders		(142)		(128)
Net loss attributable to Common Shareholders of Brandywine Realty Trust	\$	(2,579)	\$	(2,474)
Basic loss per Common Share:				
Continuing operations	\$	(0.02)	\$	(0.07)
Discontinued operations		(0.00)		0.05
	\$	(0.02)	\$	(0.02)
Diluted loss per Common Share:				
Continuing operations		(0.02)	\$	(0.07)
Discontinued operations		(0.00)		0.05
	\$	(0.02)	\$	(0.02)
Basic weighted average shares outstanding		134,577,421		128,767,718
Diluted weighted average shares outstanding		134,577,421		128,767,718
Net loss attributable to Brandywine Realty Trust				
Loss from continuing operations	\$	(334)	\$	(6,821)
Income (loss) from discontinued operations		(105)		6,473
Net loss	\$	(439)	\$	(348)

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

Table of Contents

BRANDYWINE REALTY TRUST
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands)

	For the three-month periods ended March 31,	
	2011	2010
Net loss	\$ (490)	\$ (399)
Comprehensive income (loss):		
Unrealized gain (loss) on derivative financial instruments	(613)	1,816
Reclassification of realized (gains)/losses on derivative financial instruments to operations, net	22	(15)
Total comprehensive income (loss)	(591)	1,801
Comprehensive income (loss)	(1,081)	1,402
Comprehensive loss attributable to non-controlling interest	63	13
Comprehensive income (loss) attributable to Brandywine Realty Trust	\$ (1,018)	\$ 1,415

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

Table of Contents

BRANDYWINE REALTY TRUST
CONSOLIDATED STATEMENTS OF BENEFICIARIES EQUITY
For the Three-Month Periods Ended March 31, 2011 and 2010
(unaudited, in thousands, except number of shares)

March 31, 2011

Par Value of Preferred Shares	Number of Common Shares	Treasury Shares	Number of Rabbi Trust/Deferred Compensation Shares	Common Shares of Brandywine Realty Beneficial interest	Additional Paid-in Capital	Common Shares in Treasury	Deferred Compensation Payable in Common Stock	Common Shares in Grantor Trust	Cumulative Earnings	Accumulated Other Comprehensive Income (Loss)	Cumulative Distributions
000 \$ 43	134,601,796	116,679	291,281	\$ 1,343	\$ 2,671,217	\$ (3,074)	\$ 5,774	\$ (5,774)	\$ 483,439	\$ (1,945)	\$ (1,301,521)
	188,400			2	2,303					(439)	
		(463)	463		(104)	12	5	(5)	(6)		
		(87,370)	9,043		(1,518)	2,462			(800)		
					806						
					330						
					344						
	(487)		(4,935)		54		(146)	146			
					(16)						

(1,684)

(55)

(210)

(1,998)

(20,370)