

**Section 1: 10-Q (10-Q)**

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

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For quarterly period ended June 30, 2019

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

COMMISSION FILE NO. 1-6622

**WASHINGTON REAL ESTATE  
INVESTMENT TRUST**

(Exact name of registrant as specified in its charter)

Maryland  
(State of incorporation)

53-0261100  
(IRS Employer Identification Number)

1775 EYE STREET, NW, SUITE 1000, WASHINGTON, DC 20006  
(Address of principal executive office) (Zip code)

Registrant's telephone number, including area code: (202) 774-3200

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Shares of Beneficial Interest	WRE	NYSE

**Securities registered pursuant to Section 12(g) of the Act: None**

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 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. Yes  No

Indicate by checkmark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of July 25, 2019, 80,083,801 common shares were outstanding.

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WASHINGTON REAL ESTATE INVESTMENT TRUST

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**PART I**  
**FINANCIAL INFORMATION**

**ITEM 1: FINANCIAL STATEMENTS**

The information furnished in the accompanying unaudited Consolidated Balance Sheets, Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Comprehensive (Loss) Income, Consolidated Statements of Equity and Consolidated Statements of Cash Flows reflects all adjustments, consisting of normal recurring items, which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The accompanying financial statements and notes thereto should be read in conjunction with the financial statements and notes for the three years ended December 31, 2018 included in Washington Real Estate Investment Trust's 2018 Annual Report on Form 10-K.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	June 30, 2019 (Unaudited)	December 31, 2018
<b>Assets</b>		
Land	\$ 597,258	\$ 526,572
Income producing property	2,407,898	2,055,349
	3,005,156	2,581,921
Accumulated depreciation and amortization	(697,714)	(669,281)
Net income producing property	2,307,442	1,912,640
Properties under development or held for future development	107,969	87,231
Total real estate held for investment, net	2,415,411	1,999,871
Investment in real estate held for sale, net	199,865	203,410
Cash and cash equivalents	5,756	6,016
Restricted cash	1,650	1,624
Rents and other receivables	65,739	63,962
Prepaid expenses and other assets	113,434	123,670
Other assets related to properties held for sale	16,242	18,551
Total assets	<u>\$ 2,818,097</u>	<u>\$ 2,417,104</u>
<b>Liabilities</b>		
Notes payable, net	\$ 1,445,444	\$ 995,397
Mortgage notes payable, net	47,563	48,277
Line of credit	218,000	188,000
Accounts payable and other liabilities	62,603	57,946
Dividend payable	—	24,022
Advance rents	8,801	9,965
Tenant security deposits	10,588	9,501
Other liabilities related to properties held for sale	14,390	15,518
Total liabilities	<u>1,807,389</u>	<u>1,348,626</u>
<b>Equity</b>		
<b>Shareholders' equity</b>		
Preferred shares; \$0.01 par value; 10,000 shares authorized; no shares issued or outstanding	—	—
Shares of beneficial interest, \$0.01 par value; 100,000 shares authorized; 80,082 and 79,910 shares issued and outstanding, as of June 30, 2019 and December 31, 2018, respectively	801	799
Additional paid in capital	1,532,497	1,526,574
Distributions in excess of net income	(521,661)	(469,085)
Accumulated other comprehensive (loss) income	(1,272)	9,839
Total shareholders' equity	<u>1,010,365</u>	<u>1,068,127</u>
Noncontrolling interests in subsidiaries	343	351
Total equity	<u>1,010,708</u>	<u>1,068,478</u>
Total liabilities and equity	<u>\$ 2,818,097</u>	<u>\$ 2,417,104</u>

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE DATA)  
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Revenue</b>				
Real estate rental revenue	\$ 76,820	\$ 75,344	\$ 148,254	\$ 148,989
<b>Expenses</b>				
Real estate expenses	28,134	26,919	54,277	53,950
Depreciation and amortization	33,044	27,552	60,101	55,183
General and administrative expenses	5,043	5,649	12,472	11,470
Lease origination expenses	492	—	870	—
Real estate impairment	—	—	8,374	1,886
	66,713	60,120	136,094	122,489
(Loss) gain on sale of real estate	(1,046)	2,495	(1,046)	2,495
Real estate operating income	9,061	17,719	11,114	28,995
<b>Other expense</b>				
Interest expense	(15,252)	(13,156)	(27,748)	(25,813)
Loss on extinguishment of debt	—	—	—	(1,178)
	(15,252)	(13,156)	(27,748)	(26,991)
(Loss) income from continuing operations	(6,191)	4,563	(16,634)	2,004
<b>Discontinued operations:</b>				
Income from operations of properties sold or held for sale	7,178	6,187	13,216	12,045
Net income (loss)	987	10,750	(3,418)	14,049
Less: Net income attributable to noncontrolling interests in subsidiaries	—	—	—	—
Net income (loss) attributable to the controlling interests	\$ 987	\$ 10,750	\$ (3,418)	\$ 14,049
<b>Basic net (loss) income attributable to the controlling interests per share:</b>				
Continuing operations	\$ (0.08)	\$ 0.06	\$ (0.21)	\$ 0.02
Discontinued operations	0.09	0.08	0.17	0.15
Net income (loss) attributable to the controlling interests per share <sup>(1)</sup>	\$ 0.01	\$ 0.14	\$ (0.05)	\$ 0.18
<b>Diluted net (loss) income attributable to the controlling interests per share:</b>				
Continuing operations	\$ (0.08)	\$ 0.06	\$ (0.21)	\$ 0.02
Discontinued operations	0.09	0.08	0.17	0.15
Net income (loss) attributable to the controlling interests per share <sup>(1)</sup>	\$ 0.01	\$ 0.13	\$ (0.05)	\$ 0.18
Weighted average shares outstanding – basic	79,934	78,520	79,908	78,501
Weighted average shares outstanding – diluted	79,934	78,616	79,908	78,582

<sup>(1)</sup> Earnings per share may not sum due to rounding

See accompanying notes to the consolidated financial statements.

**WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**  
**(IN THOUSANDS)**  
**(UNAUDITED)**

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net income (loss)	\$ 987	\$ 10,750	\$ (3,418)	\$ 14,049
Other comprehensive (loss) income:				
Unrealized (loss) gain on interest rate hedges	(6,942)	2,223	(11,111)	6,288
Comprehensive (loss) income	(5,955)	12,973	(14,529)	20,337
Less: Comprehensive income attributable to noncontrolling interests	—	—	—	—
Comprehensive (loss) income attributable to the controlling interests	<u>\$ (5,955)</u>	<u>\$ 12,973</u>	<u>\$ (14,529)</u>	<u>\$ 20,337</u>

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY  
(IN THOUSANDS)  
(UNAUDITED)

	Shares Issued and Outstanding	Shares of Beneficial Interest at Par Value	Additional Paid in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance at December 31, 2018	79,910	\$ 799	\$ 1,526,574	\$ (469,085)	\$ 9,839	\$ 1,068,127	\$ 351	\$ 1,068,478
Cumulative effect of change in accounting principle (see note 2)	—	—	—	(906)	—	(906)	—	(906)
Net loss attributable to the controlling interests	—	—	—	(3,418)	—	(3,418)	—	(3,418)
Unrealized loss on interest rate hedges	—	—	—	—	(11,111)	(11,111)	—	(11,111)
Distributions to noncontrolling interests	—	—	—	—	—	—	(8)	(8)
Dividends	—	—	—	(48,252)	—	(48,252)	—	(48,252)
Shares issued under dividend reinvestment program	64	1	1,672	—	—	1,673	—	1,673
Share grants, net of forfeitures and tax withholdings	108	1	4,251	—	—	4,252	—	4,252
Balance at June 30, 2019	<u>80,082</u>	<u>\$ 801</u>	<u>\$ 1,532,497</u>	<u>\$ (521,661)</u>	<u>\$ (1,272)</u>	<u>\$ 1,010,365</u>	<u>\$ 343</u>	<u>\$ 1,010,708</u>

	Shares Issued and Outstanding	Shares of Beneficial Interest at Par Value	Additional Paid in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance, December 31, 2017	78,510	\$ 785	\$ 1,483,980	\$ (399,213)	\$ 9,419	\$ 1,094,971	\$ 365	\$ 1,095,336
Net income attributable to the controlling interests	—	—	—	14,049	—	14,049	—	14,049
Unrealized gain on interest rate hedges	—	—	—	—	6,288	6,288	—	6,288
Distributions to noncontrolling interests	—	—	—	—	—	—	(7)	(7)
Dividends	—	—	—	(47,421)	—	(47,421)	—	(47,421)
Shares issued under dividend reinvestment program	56	1	1,245	—	—	1,246	—	1,246
Share grants, net of forfeitures and tax withholdings	95	1	3,141	—	—	3,142	—	3,142
Balance, June 30, 2018	<u>78,661</u>	<u>\$ 787</u>	<u>\$ 1,488,366</u>	<u>\$ (432,585)</u>	<u>\$ 15,707</u>	<u>\$ 1,072,275</u>	<u>\$ 358</u>	<u>\$ 1,072,633</u>

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY  
(IN THOUSANDS)  
(UNAUDITED)

	Shares Issued and Outstanding	Shares of Beneficial Interest at Par Value	Additional Paid in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance at March 31, 2019	80,029	\$ 800	\$ 1,529,916	\$ (498,537)	\$ 5,670	\$ 1,037,849	\$ 347	\$ 1,038,196
Net income attributable to the controlling interests	—	—	—	987	—	987	—	987
Unrealized loss on interest rate hedges	—	—	—	—	(6,942)	(6,942)	—	(6,942)
Distributions to noncontrolling interests	—	—	—	—	—	—	(4)	(4)
Dividends	—	—	—	(24,111)	—	(24,111)	—	(24,111)
Shares issued under Dividend Reinvestment Program	21	1	575	—	—	576	—	576
Share grants, net of share grant amortization and forfeitures	32	—	2,006	—	—	2,006	—	2,006
Balance at June 30, 2019	80,082	\$ 801	\$ 1,532,497	\$ (521,661)	\$ (1,272)	\$ 1,010,365	\$ 343	\$ 1,010,708

	Shares Issued and Outstanding	Shares of Beneficial Interest at Par Value	Additional Paid in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance, March 31, 2018	78,636	\$ 786	\$ 1,485,765	\$ (419,633)	\$ 13,484	\$ 1,080,402	\$ 362	\$ 1,080,764
Net income attributable to the controlling interests	—	—	—	10,750	—	10,750	—	10,750
Unrealized gain on interest rate hedges	—	—	—	—	2,223	2,223	—	2,223
Distributions to noncontrolling interests	—	—	—	—	—	—	(4)	(4)
Dividends	—	—	—	(23,702)	—	(23,702)	—	(23,702)
Shares issued under dividend reinvestment program	19	1	528	—	—	529	—	529
Share grants, net of forfeitures and tax withholdings	6	—	2,073	—	—	2,073	—	2,073
Balance, June 30, 2018	78,661	\$ 787	\$ 1,488,366	\$ (432,585)	\$ 15,707	\$ 1,072,275	\$ 358	\$ 1,072,633

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)  
(UNAUDITED)

	Six Months Ended June 30,	
	2019	2018
<b>Cash flows from operating activities</b>		
Net (loss) income	\$ (3,418)	\$ 14,049
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	64,968	59,847
Credit (recoveries) losses on lease related receivables	(133)	778
Real estate impairment	8,374	1,886
Loss (gain) on sale of real estate	1,046	(2,495)
Share-based compensation expense	4,527	3,370
Amortization of debt premiums, discounts and related financing costs	1,404	1,015
Loss on extinguishment of debt	—	1,178
Changes in operating other assets	(5,781)	(998)
Changes in operating other liabilities	(10,444)	(7,925)
Net cash provided by operating activities	60,543	70,705
<b>Cash flows from investing activities</b>		
Real estate acquisitions, net	(458,604)	(106,400)
Net cash received for sale of real estate	31,334	175,024
Capital improvements to real estate	(18,634)	(18,094)
Development in progress	(19,445)	(15,428)
Real estate deposits, net	(1,744)	—
Non-real estate capital improvements	(121)	(465)
Net cash (used in) provided by investing activities	(467,214)	34,637
<b>Cash flows from financing activities</b>		
Line of credit borrowings, net	30,000	3,000
Dividends paid	(72,274)	(71,002)
Principal payments – mortgage notes payable	(1,231)	(137,083)
Repayments of unsecured term loan debt	—	(150,000)
Proceeds from term loan	450,000	250,000
Payment of financing costs	(1,219)	(5,565)
Distributions to noncontrolling interests	(8)	(7)
Proceeds from dividend reinvestment program	1,673	1,245
Payment of tax withholdings for restricted share awards	(504)	(300)
Net cash provided by (used in) financing activities	406,437	(109,712)
Net decrease in cash, cash equivalents and restricted cash	(234)	(4,370)
Cash, cash equivalents and restricted cash at beginning of period	7,640	12,623
Cash, cash equivalents and restricted cash at end of period	\$ 7,406	\$ 8,253

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)  
(UNAUDITED)

	Six Months Ended June 30,	
	2019	2018
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 26,418	\$ 25,196
Change in accrued capital improvements and development costs	(5,277)	885
Accrued selling costs related to sale of 2445 M Street	—	727
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 5,756	\$ 5,952
Restricted cash	1,650	2,301
Cash, cash equivalents and restricted cash	<u>\$ 7,406</u>	<u>\$ 8,253</u>

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

(UNAUDITED)

**NOTE 1: NATURE OF BUSINESS**

Washington Real Estate Investment Trust ("WashREIT"), a Maryland real estate investment trust, is a self-administered equity real estate investment trust, successor to a trust organized in 1960. Our business consists of the ownership and operation of income producing real estate properties in the greater Washington metro region. We own a diversified portfolio of commercial office buildings, multifamily buildings and retail centers. During the 2019 Quarter, we executed two purchase and sale agreements for the sale of eight retail properties (see note 3). These properties met the criteria for classification as held for sale as of June 30, 2019 and are classified as discontinued operations. The remaining retail properties do not meet the qualitative or quantitative criteria for a reportable segment (see note 11). The acquisitions of multifamily properties and planned dispositions of retail properties are part of a strategic shift away from the retail sector to the multifamily sector. This strategic shift simplifies our portfolio to two reportable segments (office and multifamily) and reduces our exposure to future retail lease expirations.

*Federal Income Taxes*

We believe that we qualify as a real estate investment trust ("REIT") under Sections 856-860 of the Internal Revenue Code of 1986, as amended (the "Code"), and intend to continue to qualify as such. We have considered the provisions of the Tax Cuts and Jobs Act (the "TCJA"), which was signed into law on December 22, 2017 and which generally took effect for taxable years beginning on or after January 1, 2018, and the TCJA does not have a material impact on our ability to continue to qualify as a REIT. To maintain our status as a REIT, we are, among other things, required to distribute 90% of our REIT taxable income (which is, generally, our ordinary taxable income, with certain modifications), excluding any net capital gains and any deductions for dividends paid to our shareholders on an annual basis. When selling a property, we generally have the option of (a) reinvesting the sales proceeds of property sold, in a way that allows us to defer recognition of some or all taxable gain realized on the sale, (b) distributing gains to the shareholders with no tax to us or (c) treating net long-term capital gains as having been distributed to our shareholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to our shareholders.

Generally, and subject to our ongoing qualification as a REIT, no provisions for income taxes are necessary except for taxes on undistributed taxable income and taxes on the income generated by our taxable REIT subsidiaries ("TRSs"). Our TRSs are subject to corporate federal and state income tax on their taxable income at regular statutory rates, or as calculated under the alternative minimum tax, as appropriate. As of both June 30, 2019 and December 31, 2018, our TRSs had a deferred tax asset of \$1.4 million that was fully reserved. As of both June 30, 2019 and December 31, 2018, we had deferred state and local tax liabilities of \$0.6 million. These deferred tax liabilities are primarily related to temporary differences in the timing of the recognition of revenue, depreciation and amortization.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATIONS**

*Significant Accounting Policies*

We have prepared our consolidated financial statements using the accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2018, except as noted in note 4 related to our adoption of ASU 2016-02, *Leases (Topic 842)* as of January 1, 2019.

*Pronouncements Adopted*

Standard/Description	Effective Date and Adoption Considerations	Effect on Financial Statements or Other significant Matters
<p>ASU 2016-02, <i>Leases (Topic 842)</i> (“ASU 2016-02”). This standard amends existing lease accounting standards for both lessees and lessors.</p> <p><b>Lessees</b></p> <p>Lessees must classify most leases as either finance or operating leases. For lease contracts, or contracts with an embedded lease, with a duration of more than one year in which we are the lessee, the present value of future lease payments are recognized on our consolidated balance sheets as a right-of-use asset and a corresponding lease liability.</p> <p><b>Lessors</b></p> <p>Lease contracts currently classified as operating leases are accounted for similarly to as under existing guidance. However, lessors are required to account for each lease and non-lease component, such as common area maintenance or tenant service revenues, of a contract separately. In July 2018, the Financial Accounting Standards Board (“FASB”) issued 2018-11, <i>Leases (Topic 842) - Targeted Improvements</i> (“ASU 2018-11”), which provides lessors optional transition relief from implementing this aspect of ASU 2016-02 if the following criteria are met: (1) both components have the same timing and pattern of revenue and (2) if accounted for separately, both components would be classified as an operating lease.</p> <p>Also under ASU 2016-02, only incremental costs or initial direct costs of executing a lease contract qualify for capitalization, while prior accounting standards allowed for the capitalization of indirect leasing costs.</p>	<p>We adopted the new standard as of January 1, 2019.</p>	<p>We adopted ASU 2016-02 as of January 1, 2019 using the modified retrospective approach and by applying the transitional practical expedients noted below. Under the modified retrospective approach, we recognized a cumulative effect adjustment of \$0.9 million to retained earnings as of January 1, 2019 (see note 4 for further discussion of the impact of adoption on our consolidated financial statements). We did not elect the hindsight expedient, which would have allowed us to reevaluate lease terms in calculating lease liabilities as part of adoption.</p> <p>Under ASU 2018-11, the FASB offered optional transition relief, if elected as a package, and applied consistently by an entity to all of its leases. Accordingly, upon adoption we elected, as a package, the practical expedients for all leases as follows: (1) we will not reassess whether any expired or existing contracts are or contain leases, (2) we will not reassess the lease classification for any expired or existing leases, and (3) we will not reassess initial direct costs for any existing leases.</p>

*Pronouncements Not Yet Adopted*

Standard/Description	Effective Date and Adoption Considerations	Effect on Financial Statements or Other significant Matters
ASU 2016-13, <i>Measurement of Credit Losses on Financial Instruments</i> . This standard requires financial assets measured at an amortized cost basis, including trade receivables, to be presented at the net amount expected to be collected.	The new standard is effective for public entities for fiscal years beginning after December 15, 2019 and for interim periods therein, with adoption one year earlier permitted.	We are currently evaluating the impact the new standard may have on our consolidated financial statements.
ASU 2018-15, <i>Intangibles - Goodwill and Other - Internal-Use Software</i> . This standard requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance to determine which implementation costs to capitalize as assets.	The standard is effective for public entities for fiscal years beginning after December 31, 2019 and for interim periods therein, with early adoption permitted.	We are currently evaluating the impact the new standard may have on our consolidated financial statements.

*Principles of Consolidation and Basis of Presentation*

The accompanying unaudited consolidated financial statements include the consolidated accounts of WashREIT, our majority-owned subsidiaries and entities in which WashREIT has a controlling interest. All intercompany balances and transactions have been eliminated in consolidation.

We have prepared the accompanying unaudited financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information presented not misleading. In addition, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for the periods presented have been included. These unaudited financial statements should be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Within these notes to the financial statements, we refer to the three months ended June 30, 2019 and June 30, 2018 as the “2019 Quarter” and the “2018 Quarter,” respectively, and the six months ended June 30, 2019 and June 30, 2018 as the “2019 Period” and the “2018 Period,” respectively.

*Discontinued Operations*

We classify properties as held for sale when they meet the necessary criteria, which include: (a) senior management commits to a plan to sell the assets, (b) the assets are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets, (c) an active program to locate a buyer and other actions required to complete the plan to sell the assets have been initiated, (d) the sale of the assets is probable, and transfer of the assets is expected to qualify for recognition as a completed sale, within one year, (e) the assets are being actively marketed for sale at a price that is reasonable in relation to its current fair value and (f) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Depreciation on these properties is discontinued at the time they are classified as held for sale, but operating revenues, operating expenses and interest expense continue to be recognized until the date of sale.

Revenues and expenses of properties that are either sold or classified as held for sale are presented as discontinued operations for all periods presented in the consolidated statements of operations if the dispositions represent a strategic shift that has (or will have) a major effect on our operations and financial results. Interest on debt that can be identified as specifically attributed to these properties is included in discontinued operations. If the dispositions do not represent a strategic shift that has (or will have) a major effect on our operations and financial results, then the revenues and expenses of the properties that are classified as sold or held for sale are presented as continuing operations in the consolidated statements of operations for all periods presented.

### Restricted Cash

Restricted cash includes funds escrowed for tenant security deposits, real estate tax, insurance and mortgage escrows and escrow deposits required by lenders on certain of our properties to be used for future building renovations or tenant improvements.

### Use of Estimates in the Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make certain 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 period. Actual results could differ from those estimates.

### NOTE 3: REAL ESTATE

#### Acquisitions

We acquired the following properties (collectively, the “Assembly Portfolio”) during the 2019 Period:

Acquisition Date	Property	Type	# of units (unaudited)	Contract Purchase Price (in thousands)
April 30, 2019	Assembly Portfolio - Virginia <sup>(1)</sup>	Multifamily	1,685	\$ 379,100
June 27, 2019	Assembly Portfolio - Maryland <sup>(2)</sup>	Multifamily	428	82,070
			2,113	\$ 461,170

<sup>(1)</sup> Consists of Assembly Alexandria, Assembly Manassas, Assembly Dulles, Assembly Leesburg, and Assembly Herndon.

<sup>(2)</sup> Consists of Assembly Germantown and Assembly Watkins Mill.

The purchase of the Assembly Portfolio (the “2019 acquisition”) was structured as a reverse exchange under Section 1031 of the Internal Revenue Code in a manner such that legal title will be held by a Qualified Intermediary until certain identified properties are sold and the reverse exchange transaction is completed. We retain all of the legal and economic benefits and obligations related to the Assembly Portfolio. As such, the Assembly Portfolio is considered to be a VIE until legal title is transferred to us upon completion of the 1031 exchange, which is expected during the third quarter of 2019. We have consolidated the assets and liabilities of the Assembly Portfolio because we have determined that WashREIT is the primary beneficiary of the Assembly Portfolio.

The results of operations from the 2019 acquisition are included in the consolidated statements of operations as of their acquisition dates and are as follows:

	Three and Six Months Ended June 30, 2019
Real estate rental revenue	\$ 5,453
Net loss	(3,481)

We accounted for the 2019 acquisition as an asset acquisition. Accordingly, we capitalized \$2.4 million of costs directly associated with the acquisition. We measured the value of the acquired physical assets (land and building) and in-place leases (absorption costs) by allocating the total cost of the acquisition on a relative fair value basis.

The total cost of the acquisition of the Assembly Portfolio was as follows (in thousands):

Contract purchase price	\$ 461,170
Credit to seller	(2,252)
Capitalized acquisition costs	2,362
Total	\$ 461,280

We have recorded the total cost of the acquisition of the Assembly Portfolio as follows (in thousands):

Land	\$	80,102
Building		367,427
Absorption costs		13,751
Total	\$	<u>461,280</u>

The weighted remaining average life for the leasing commissions/absorption costs is five months.

The difference in the total cost of the acquisition of \$461.3 million and the acquisition cost per the consolidated statements of cash flows of \$458.6 million is primarily due to credits received at settlement totaling \$2.4 million and additional acquisition-related costs not paid at closing of \$0.3 million.

#### *Development/Redevelopment*

We have properties under development/redevelopment and held for current or future development as of June 30, 2019.

In the multifamily segment, we have The Trove, a multifamily development adjacent to The Wellington, and own land held for future multifamily development adjacent to Riverside Apartments. As of June 30, 2019, we had invested \$81.7 million and \$23.6 million, including the costs of acquiring the land, in The Trove and the development adjacent to Riverside Apartments, respectively.

We also had a redevelopment project to add rentable space at Spring Valley Village, a retail center in Washington, DC. As of June 30, 2019, we had invested \$6.5 million in the redevelopment. We substantially completed major construction activities on this project during the fourth quarter of 2018 and placed into service assets totaling \$4.2 million.

#### *Properties Sold and Held for Sale*

We intend to hold our properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning our properties, and to make occasional sales of the properties that no longer meet our long-term strategy or return objectives and where market conditions for sale are favorable. The proceeds from the sales may be reinvested into other properties, used to fund development operations or to support other corporate needs, or distributed to our shareholders. We had eight properties classified as held for sale requiring discontinuation of depreciation during the 2019 Quarter. Operating revenues, other operating expenses and interest will continue to be recognized until the date of sale.

We classified as held for sale or sold the following properties during 2019 and 2018:

Disposition Date	Property Name	Property Type	Rentable Square Feet	Contract Sales Price (in thousands)	(Loss) Gain on Sale (in thousands)
July 23, 2019	Shopping Center Portfolio <sup>(1)</sup>	Retail	800,000	\$ 485,250	N/A
N/A	Power Center Portfolio <sup>(2)</sup>	Retail	850,000	84,600	N/A
June 26, 2019	Quantico Corporate Center	Office	272,000	33,000	(1,046)
	<b>Total 2019</b>		<u>1,922,000</u>	<u>\$ 602,850</u>	<u>\$ (1,046)</u>
January 19, 2018	Braddock Metro Center	Office	356,000	\$ 93,000	\$ —
June 28, 2018	2445 M Street	Office	292,000	101,600	2,495
	<b>Total 2018</b>		<u>648,000</u>	<u>\$ 194,600</u>	<u>\$ 2,495</u>

<sup>(1)</sup> Consists of five retail properties: Gateway Overlook, Wheaton Park, Olney Village Center, Bradlee Shopping Center and Shoppes of Foxchase.

<sup>(2)</sup> Consists of three retail properties: Centre at Hagerstown, Frederick Crossing and Frederick County Square. The contract sales price listed in this table reflects the purchase and sale agreement in place as of June 30, 2019. Subsequent to the end of the 2019 Quarter, the purchase and sale agreement to sell the Power Center Portfolio was amended to include only Frederick Crossing and Frederick County Square.

During the first quarter of 2018, we executed a purchase and sale agreement to sell 2445 M Street, a 292,000 square foot office property in Washington, DC, for a contract sales price of \$100.0 million, with settlement originally scheduled for the third quarter

of 2018. During 2017, we evaluated 2445 M Street for impairment and recognized a \$24.1 million impairment charge in order to reduce the carrying value of the property to its estimated fair value. Upon execution of the purchase and sale agreement, the property met the criteria for classification as held for sale. Due to the property's classification as held for sale, we recorded an additional impairment charge of \$1.9 million in the first quarter of 2018 in order to reduce the carrying value of the property to its estimated fair value, less estimated selling costs. We based this fair value on the expected sales price from a potential sale. There are few observable market transactions for similar properties. This fair valuation falls into Level 2 of the fair value hierarchy due to its reliance on a quoted price in a market that is not active. During the second quarter of 2018, we executed an amendment to the purchase and sale agreement which increased the contract sales price to \$101.6 million and advanced the settlement date. On June 28, 2018, we sold 2445 M Street, recognizing a gain on sale of real estate of \$2.5 million.

During the first quarter of 2019, we executed a letter of intent for the sale of Quantico Corporate Center, an office property in Stafford, Virginia, consisting of two office buildings totaling 272,000 square feet. The property did not meet the criteria for classification as held for sale as of March 31, 2019. Due to the negotiations to sell the property, we evaluated Quantico Corporate Center for impairment and recognized an \$8.4 million impairment charge during the first quarter of 2019 in order to reduce the carrying value of the property to its estimated fair value. We based this fair valuation on the expected sale price from a potential sale. There are few observable market transactions for similar properties. This fair valuation falls into Level 2 of the fair value hierarchy due to its reliance on a quoted price in a market that is not active. On April 22, 2019, we executed a purchase and sale agreement to sell Quantico Corporate Center for a contract sale price of \$33.0 million. On June 26, 2019, we sold Quantico Corporate Center, recognizing a loss on sale of real estate of \$1.0 million.

We have fully transferred control of the assets associated with the sold properties: Quantico Corporate Center, 2445 M Street and Braddock Metro Center.

In June 2019, we entered into two separate purchase and sale agreements with two separate buyers to sell the Shopping Center Portfolio and the Power Center Portfolio (collectively, the "Retail Portfolio"). As of June 30, 2019, we had a non-refundable deposit from the potential buyer of the Shopping Center Portfolio and expected to receive a non-refundable deposit from the potential buyer of the Power Center Portfolio in July 2019. As of June 30, 2019, the properties in the Retail Portfolio met the criteria for classification as held for sale. The disposition of the Retail Portfolio represents a strategic shift that will have a major effect on our financial results and we have accordingly reported the Retail Portfolio as discontinued operations. The Retail Portfolio represents a majority of our retail assets and we have determined that our retail line of business is no longer a reportable segment (see note 11).

We closed on the Shopping Center Portfolio sale transaction on July 23, 2019. Prior to closing on the disposition of the Shopping Center Portfolio, we prepaid the mortgage note secured by Olney Village Center, incurring a loss on extinguishment of debt of approximately \$0.8 million, which we will recognize in the third quarter of 2019.

Subsequent to the end of the 2019 Quarter, the purchase and sale agreement to sell the Power Center Portfolio was amended to include only Frederick Crossing and Frederick County Square. We currently expect to close on this sale transaction during the third quarter of 2019. Following the amendment to the purchase and sale agreement to sell the Power Center Portfolio, we marketed Centre at Hagerstown for sale and identified a potential buyer. We have executed a letter of intent for the sale of Centre at Hagerstown to a separate buyer. We have not yet entered into a purchase and sale agreement with the potential buyer, but assuming we are able to do so, we expect to close on the sale during the third quarter of 2019. No assurance can be given that any of these power center sales will be completed.

As of June 30, 2019, we anticipate the disposition of certain properties prior to the end of their useful lives. We assessed these properties for impairment as of June 30, 2019 and did not recognize any impairment charges during the 2019 Quarter. We applied reasonable estimates and judgments in evaluating each of the properties as of June 30, 2019. Should external or internal circumstances change requiring the need to shorten holding periods or adjust future estimated cash flows from our properties, we could be required to record impairment charges in the future.

## Discontinued Operations

The results of the Retail Portfolio are classified as discontinued operations and are summarized as follows (amounts in thousands, except for share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Real estate rental revenue	\$ 12,334	\$ 11,262	\$ 24,074	\$ 22,498
Real estate expenses	(2,641)	(2,584)	(5,708)	(5,454)
Depreciation and amortization	(2,377)	(2,326)	(4,867)	(4,664)
Interest expense	(138)	(165)	(283)	(335)
Income from operations of properties sold or held for sale	\$ 7,178	\$ 6,187	\$ 13,216	\$ 12,045
Basic net income per share	\$ 0.09	\$ 0.08	\$ 0.17	\$ 0.15
Diluted net income per share	\$ 0.09	\$ 0.08	\$ 0.17	\$ 0.15
Capital expenditures	\$ 810	\$ 617	\$ 1,583	\$ 905

As of June 30, 2019 and December 31, 2018, assets related to the Retail Portfolio were as follows (in thousands):

	June 30, 2019	December 31, 2018
Land	\$ 88,087	\$ 88,087
Income producing property	217,313	216,577
	305,400	304,664
Accumulated depreciation and amortization	(105,535)	(101,254)
Income producing property, net	199,865	203,410
Rents and other receivables	9,526	9,898
Prepaid expenses and other assets	6,716	8,653
Total assets	\$ 216,107	\$ 221,961

As of June 30, 2019 and December 31, 2018, liabilities related to the Retail Portfolio were as follows (in thousands):

	June 30, 2019	December 31, 2018
Mortgage notes payable, net	\$ 10,476	\$ 11,515
Accounts payable and other liabilities	1,570	1,620
Advance rents	1,628	1,771
Tenant security deposits	716	612
Liabilities related to properties sold or held for sale	\$ 14,390	\$ 15,518

## NOTE 4: LEASE ACCOUNTING

### *Leasing as a Lessor*

#### Revenue Recognition

We lease multifamily properties under operating leases with terms of generally one year or less. We lease commercial properties (our office and retail properties) under operating leases with an average term of seven years. Substantially all commercial leases contain fixed escalations or, in some instances, changes based on the Consumer Price Index, which occur at specified times during the term of the lease. In certain commercial leases, variable lease income, such as percentage rent, is recognized when rents are earned. We recognize rental income and rental abatements from our multifamily and commercial leases when earned on a straight-line basis over the lease term. Recognition of rental income commences when control of the leased space has been transferred to the tenant.

We recognize cost reimbursement income from pass-through expenses on an accrual basis over the periods in which the expenses were incurred. Pass-through expenses are comprised of real estate taxes, operating expenses and common area maintenance costs which are reimbursed by tenants in accordance with specific allowable costs per tenant lease agreements.

Parking revenues are derived from leases, monthly parking agreements and transient parking. We recognize parking revenues from leases on a straight-line basis over the lease term and other parking revenues as earned. We recognize transient parking revenue when our performance obligation is met.

Upon adoption of ASU 2016-02, we elected not to bifurcate lease contracts into lease and non-lease components, since the timing and pattern of revenue is not materially different and the non-lease components are not the primary component of the lease. Accordingly, both lease and non-lease components are presented in "Real estate rental revenue" in our consolidated financial statements. The adoption of ASU 2016-02 did not result in a material change to our recognition of real estate rental revenue.

#### Accounts Receivable

Lease related receivables, which include contractual amounts accrued and unpaid from tenants and accrued straight-line rents receivable, are reduced for credit losses. Such amounts are recognized as a reduction to real estate rental revenues. We evaluate the collectability of lease receivables monthly using several factors including a lessee's creditworthiness. We recognize the credit loss on lease related receivables when, in the opinion of management, collection of substantially all lease payments is not probable. When collectability is determined not probable, any lease income recognized subsequent to recognizing the credit loss is limited to the lesser of the lease income reflected on a straight-line basis or cash collected. The adoption of ASU 2016-02 resulted in an adjustment to our opening distributions in excess of net income balance of \$0.9 million, associated with lease related receivables where collection of substantially all operating lease payments was not probable as of January 1, 2019.

#### Future Minimum Rental Income

As of June 30, 2019, non-cancelable commercial operating leases provide for future minimum rental income from continuing operations as follows (in thousands). Apartment leases are not included as the terms are generally for one year or less.

2019	\$	77,813
2020		147,274
2021		129,169
2022		113,740
2023		96,577
Thereafter		308,503
	<u>\$</u>	<u>873,076</u>

As of December 31, 2018, non-cancelable commercial operating leases provide for future minimum rental income from continuing operations as follows (in thousands):

2019	\$	154,260
2020		143,566
2021		125,008
2022		108,688
2023		89,969
Thereafter		253,749
	<u>\$</u>	<u>875,240</u>

#### Leasing as a Lessee

2000 M Street, an office property in Washington, DC, is subject to an operating ground lease with a remaining term of 52 years. Rental payments under this lease are subject to percentage rent variable payments, which are not included as part of our measurement of straight-line rental expense. We recognized variable rental payments of \$0.3 million during each of the 2019 and 2018 Quarters and \$0.6 million during each of the 2019 and 2018 Periods.

Upon adoption of ASU 2016-02, we recognized a right of use asset (included in Income producing property) and lease liability (included in Accounts payable and other liabilities) of \$4.2 million. We used a discount rate of approximately 5.9%, which was derived from our assessment of securitized rates for similar assets and credit quality. We recognized \$0.1 million of right-of-use and lease liability amortization during each of the 2019 Quarter and 2019 Period. In addition, as of January 1, 2019 we reclassified the associated below-market ground lease intangible asset of \$10.0 million, net of accumulated amortization of \$2.1 million, from Prepaid expenses and other assets to Income producing property on our consolidated balance sheets.

The following table sets forth the undiscounted cash flows of our scheduled obligations for future minimum payments on our operating ground lease as of June 30, 2019 and a reconciliation of those cash flows to the operating lease liability as of June 30, 2019 (in thousands):

2019	\$	130
2020		260
2021		260
2022		260
2023		260
2024		260
Thereafter		11,895
		<u>13,325</u>
Imputed interest		(9,231)
Lease liability	\$	<u>4,094</u>

#### **NOTE 5: UNSECURED LINE OF CREDIT PAYABLE**

During the first quarter of 2018, we entered into an amended and restated credit agreement (“Credit Agreement”) which provides for a \$700.0 million unsecured revolving credit facility (“Revolving Credit Facility”), the continuation of an existing \$150.0 million unsecured term loan (“2015 Term Loan”) and an additional \$250.0 million unsecured term loan (“2018 Term Loan”). The Revolving Credit Facility has a four-year term ending in March 2022, with two six-month extension options. The Credit Agreement has an accordion feature that allows us to increase the aggregate facility to \$1.5 billion, subject to the lenders’ agreement to provide additional revolving loan commitments or term loans.

The Revolving Credit Facility bears interest at a rate of either one month LIBOR plus a margin ranging from 0.775% to 1.55% or the base rate plus a margin ranging from 0.0% to 0.55% (in each case depending upon WashREIT’s credit rating). The base rate is the highest of the administrative agent’s prime rate, the federal funds rate plus 0.50% and the LIBOR market index rate plus 1.0%. In addition, the Revolving Credit Facility requires the payment of a facility fee ranging from 0.10% to 0.30% (depending on WashREIT’s credit rating) on the \$700.0 million committed revolving loan capacity, without regard to usage. As of June 30, 2019, the interest rate on the Revolving Credit Facility is one month LIBOR plus 1.00%, the one month LIBOR is 2.40% and the facility fee is 0.20%.

All outstanding advances for the Revolving Credit Facility are due and payable upon maturity in March 2022, unless extended pursuant to one or both of the two six-month extension options. Interest only payments are due and payable generally on a monthly basis.

The 2018 Term Loan increases and replaces the \$150.0 million unsecured term loan, initially entered into on July 22, 2016 (“2016 Term Loan”), that was scheduled to mature in July 2023. The 2018 Term Loan is scheduled to mature in July 2023 and bears interest at a rate of either one month LIBOR plus a margin ranging from 0.85% to 1.75% or the base rate plus a margin ranging from 0.0% to 0.75% (in each case depending upon WashREIT’s credit rating). We used the \$100.0 million of additional proceeds from the 2018 Term Loan primarily to repay outstanding borrowings on the Revolving Credit Facility.

We had previously used interest rate derivatives to effectively fix the interest rate of the 2016 Term Loan. These interest rate derivatives now effectively fix the interest rate on a \$150.0 million portion of the 2018 Term Loan at 2.31%. In March 2018, we entered into interest rate derivatives that commenced on June 29, 2018 to effectively fix the interest rate on the remaining \$100.0 million of the 2018 Term Loan at 3.71%. The 2018 Term Loan has an all-in fixed interest rate of 2.87%.

The amount of the Revolving Credit Facility's unsecured line of credit unused and available at June 30, 2019 is as follows (in thousands):

Committed capacity	\$	700,000
Borrowings outstanding		(218,000)
Unused and available	\$	482,000

We executed borrowings and repayments on the Revolving Credit Facility during the 2019 Period as follows (in thousands):

Balance at December 31, 2018	\$	188,000
Borrowings		552,000
Repayments		(522,000)
Balance at June 30, 2019	\$	218,000

#### **NOTE 6: NOTES PAYABLE**

On April 30, 2019, we entered into a six-month, \$450.0 million unsecured term loan facility ("2019 Term Loan"), maturing on October 30, 2019 with an option to extend for a six-month period. The 2019 Term Loan bears interest, at WashREIT's option, at a rate of either LIBOR plus a margin ranging from 0.75% to 1.65% or the base rate plus a margin ranging 0.0% to 0.65% (in each case depending upon WashREIT's credit rating). The base rate is the highest of the administrative agent's prime rate, the federal funds rate plus 0.50% and the daily one-month LIBOR rate plus 1.0%. The 2019 Term Loan currently has an interest rate of one-week LIBOR plus 100 basis points, based on WashREIT's current unsecured debt rating. As of June 30, 2019, \$450.0 million of borrowings were outstanding and the all-in rate was 3.39%. The 2019 Term Loan was used to fund the acquisition of the Assembly Portfolio (see note 3).

Subsequent to end of 2019 Quarter, we repaid \$350.0 million of the borrowings on the 2019 Term Loan with proceeds from the sale of the Shopping Center Portfolio (see note 3).

#### **NOTE 7: DERIVATIVE INSTRUMENTS**

On September 15, 2015, we entered into two interest rate swap arrangements with a total notional amount of \$150.0 million to swap the floating interest rate under the \$150.0 million 2015 Term Loan (see note 5) to an all-in fixed interest rate of 2.72% starting on October 15, 2015 and extending until the maturity of the 2015 Term Loan on March 15, 2021.

On July 22, 2016, we entered into two forward interest rate swap arrangements with a total notional amount of \$150.0 million to swap the floating interest rate under the \$150.0 million 2016 Term Loan (see note 5) to an all-in fixed interest rate of 2.86% starting on March 31, 2017 and extending until the maturity of the 2016 Term Loan on July 21, 2023.

On March 29, 2018, we entered into the \$250.0 million 2018 Term Loan (see note 5) maturing on July 21, 2023, which increased and replaced the 2016 Term Loan. The interest rate swap arrangements that had effectively fixed the 2016 Term Loan now effectively fix the interest rate on a \$150.0 million portion of the 2018 Term Loan at 2.31%. On March 29, 2018, we entered into four interest rate swap arrangements with a total notional amount of \$100.0 million to effectively fix the interest rate on the remaining \$100.0 million of the 2018 Term Loan at 3.71%, that commenced on June 29, 2018 and extending until the maturity of the 2018 Term Loan on July 21, 2023. The \$250.0 million 2018 Term Loan has an all-in fixed interest rate of 2.87%.

The interest rate swaps qualify as cash flow hedges and are recorded at fair value in accordance with GAAP, based on discounted cash flow methodologies and observable inputs. We record the total change in fair value of the interest rate swap arrangements associated with our cash flow hedges in other comprehensive (loss) income. The resulting unrealized (loss) gain of the cash flow hedges was the only activity in other comprehensive (loss) income during the periods presented in our consolidated financial statements. We assess the effectiveness of our cash flow hedges both at inception and on an ongoing basis. The cash flow hedges were highly effective for all periods presented.

The fair values of the interest rate swaps as of June 30, 2019 and December 31, 2018, are as follows (in thousands):

Derivative Instrument	Aggregate Notional Amount	Effective Date	Maturity Date	Fair Value	
				June 30, 2019	December 31, 2018
Interest rate swaps	\$ 150,000	October 15, 2015	March 15, 2021	\$ 191	\$ 2,720
Interest rate swaps	150,000	March 31, 2017	July 21, 2023	2,423	7,918
Interest rate swaps	100,000	June 29, 2018	July 21, 2023	(3,886)	(799)
	<u>\$ 400,000</u>			<u>\$ (1,272)</u>	<u>\$ 9,839</u>

We record interest rate swaps on our consolidated balance sheets within prepaid expenses and other assets when in a net asset position and within accounts payable and other liabilities when in a net liability position. The interest rate swaps have been effective since inception. The net gains or losses on the effective swaps are recognized in other comprehensive (loss) income, as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Unrealized (loss) gain on interest rate swaps	\$ (6,942)	\$ 2,223	\$ (11,111)	\$ 6,288

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. During the next twelve months, we estimate that an additional \$0.6 million will be reclassified as a decrease to interest expense.

We have agreements with each of our derivative counterparties that contain a provision whereby we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to our default on the indebtedness. As of June 30, 2019, the fair value of derivative assets, including accrued interest, was \$2.6 million, and the fair value of the derivative liabilities, including accrued interest, was \$3.9 million. As of June 30, 2019, we have not posted any collateral related to these agreements.

Derivative instruments expose us to credit risk in the event of non-performance by the counterparty under the terms of the interest rate hedge agreements. We believe that we minimize our credit risk on these transactions by dealing with major, creditworthy financial institutions. We monitor the credit ratings of counterparties and our exposure to any single entity, thus minimizing our credit risk concentration.

#### **NOTE 8: FAIR VALUE DISCLOSURES**

##### *Assets and Liabilities Measured at Fair Value*

For assets and liabilities measured at fair value on a recurring basis, quantitative disclosures about the fair value measurements are required to be disclosed separately for each major category of assets and liabilities, as follows:

- Level 1: Quoted prices in active markets for identical assets
- Level 2: Significant other observable inputs
- Level 3: Significant unobservable inputs

The only assets or liabilities we had at June 30, 2019 and December 31, 2018 that are recorded at fair value on a recurring basis are the assets held in the Supplemental Executive Retirement Plan ("SERP"), which primarily consist of investments in mutual funds, and the interest rate swaps (see note 7).

We base the valuations related to the SERP on assumptions derived from significant other observable inputs and accordingly these valuations fall into Level 2 in the fair value hierarchy.

The valuation of the interest rate swaps is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each interest rate swap. This analysis reflects the contractual terms of the interest rate swaps, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed

cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. To comply with the provisions of ASC 820, *Fair Value Measurement*, we incorporate credit valuation adjustments in the fair value measurements to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk. These credit valuation adjustments were concluded to not be significant inputs for the fair value calculations for the periods presented. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as the posting of collateral, thresholds, mutual puts and guarantees. The valuation of interest rate swaps fall into Level 2 in the fair value hierarchy.

The fair values of these assets and liabilities at June 30, 2019 and December 31, 2018 were as follows (in thousands):

	June 30, 2019				December 31, 2018			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
<b>Assets:</b>								
SERP	\$ 1,585	\$ —	\$ 1,585	\$ —	\$ 1,364	\$ —	\$ 1,364	\$ —
Interest rate swaps	2,614	—	2,614	—	10,638	—	10,638	—
<b>Liabilities:</b>								
Interest rate swaps	\$ (3,886)	\$ —	\$ (3,886)	\$ —	\$ (799)	\$ —	\$ (799)	\$ —

#### *Financial Assets and Liabilities Not Measured at Fair Value*

The following disclosures of estimated fair value were determined by management using available market information and established valuation methodologies, including discounted cash flow models. Many of these estimates involve significant judgment. The estimated fair value disclosed may not necessarily be indicative of the amounts we could realize on disposition of the financial instruments. The use of different market assumptions or estimation methodologies could have an effect on the estimated fair value amounts. In addition, fair value estimates are made at a point in time and thus, estimates of fair value subsequent to June 30, 2019 may differ significantly from the amounts presented. The valuations of cash and cash equivalents and restricted cash fall into Level 1 in the fair value hierarchy and the valuations of debt instruments fall into Level 3 in the fair value hierarchy.

As of June 30, 2019 and December 31, 2018, the carrying values and estimated fair values of our financial instruments were as follows (in thousands):

	June 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ 5,756	\$ 5,756	\$ 6,016	\$ 6,016
Restricted cash	1,650	1,650	1,624	1,624
Mortgage notes payable, net <sup>(1)</sup>	47,563	48,544	48,277	48,368
Line of credit	218,000	218,000	188,000	188,000
Notes payable, net	1,445,444	1,475,299	995,397	1,015,210

<sup>(1)</sup> Excludes mortgage note secured by Olney Village Center classified as Other liabilities related to properties held for sale.

The mortgage note secured by Olney Village Center has been reclassified to Other liabilities related to properties held for sale (see note 3). As of June 30, 2019 and December 31, 2018, the carrying values and estimated fair values of the mortgage note secured by Olney Village Center were as follows (in thousands):

	June 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgage notes payable, net	\$ 10,476	\$ 11,108	\$ 11,515	\$ 12,03

## **NOTE 9: STOCK BASED COMPENSATION**

WashREIT maintains short-term (“STIP”) and long-term (“LTIP”) incentive plans that allow for stock based awards to officers and non-officer employees. Stock based awards are provided to officers and non-officer employees, as well as trustees, under the Washington Real Estate Investment Trust 2016 Omnibus Incentive Plan which allows for awards in the form of restricted shares, restricted share units, options and other awards up to an aggregate of 2,400,000 shares over the ten-year period in which the plan will be in effect. Restricted share units are converted into shares of our stock upon full vesting through the issuance of new shares.

During the first quarter of 2019, we amended the STIP for executive officers and the STIP and LTIP for non-executive officers and staff to replace the use of core funds available for distribution as a performance metric and performance goal, respectively, with a Leasing Target performance metric and performance goal. Leasing Target means the aggregate annual leasing target amount (measured in square feet of leasing space) as approved by the compensation committee of our board of trustees for a given performance period and performance year, respectively, with regards to our office and retail properties. The amendments became effective as of March 18, 2019 for performance periods beginning on or after January 1, 2019.

### *Total Compensation Expense*

Total compensation expense recognized in the consolidated financial statements for all outstanding share based awards was \$1.7 million and \$1.8 million for the 2019 Quarter and 2018 Quarter, respectively, and \$4.5 million and \$3.4 million for the 2019 Period and 2018 Period, respectively.

### *Restricted Share Awards*

The total fair values of restricted share awards vested was \$1.7 million and \$1.1 million for the 2019 Period and 2018 Period, respectively.

The total unvested restricted share awards at June 30, 2019 was 441,867 shares, which had a weighted average grant date fair value of \$28.02 per share. As of June 30, 2019, the total compensation cost related to unvested restricted share awards was \$8.8 million, which we expect to recognize over a weighted average period of 26 months.

## **NOTE 10: EARNINGS PER COMMON SHARE**

We determine “Basic earnings per share” using the two-class method as our unvested restricted share awards and units have non-forfeitable rights to dividends, and are therefore considered participating securities. We compute basic earnings per share by dividing net income attributable to the controlling interest less the allocation of undistributed earnings to unvested restricted share awards and units by the weighted-average number of common shares outstanding for the period.

We also determine “Diluted earnings per share” as the more dilutive of the two-class method or the treasury stock method with respect to the unvested restricted share awards. We further evaluate any other potentially dilutive securities at the end of the period and adjust the basic earnings per share calculation for the impact of those securities that are dilutive. Our dilutive earnings per share calculation includes the dilutive impact of operating partnership units under the if-converted method and our share based awards with performance conditions prior to the grant date and all market condition awards under the contingently issuable method.

The computations of basic and diluted earnings per share for the three and six months ended June 30, 2019 and 2018 were as follows (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Numerator:</b>				
(Loss) income from continuing operations	\$ (6,191)	\$ 4,563	\$ (16,634)	\$ 2,004
Net income attributable to noncontrolling interests in subsidiaries	—	—	—	—
Allocation of earnings to unvested restricted share awards to continuing operations	(133)	(144)	(267)	(289)
Adjusted (loss) income from continuing operations attributable to the controlling interests	(6,324)	4,419	(16,901)	1,715
Income from discontinued operations	7,178	6,187	13,216	12,045
Adjusted net income (loss) attributable to the controlling interests	\$ 854	\$ 10,606	\$ (3,685)	\$ 13,760
<b>Denominator:</b>				
Weighted average shares outstanding – basic	79,934	78,520	79,908	78,501
Effect of dilutive securities:				
Operating partnership units	—	12	—	12
Employee restricted share awards	—	84	—	69
Weighted average shares outstanding – diluted	79,934	78,616	79,908	78,582
<b>Earnings per common share, basic:</b>				
Continuing operations	\$ (0.08)	\$ 0.06	\$ (0.21)	\$ 0.02
Discontinued operations	0.09	0.08	0.17	0.15
Basic net income (loss) attributable to the controlling interests per common share <sup>(1)</sup>	\$ 0.01	\$ 0.14	\$ (0.05)	\$ 0.18
<b>Earnings per common share, diluted:</b>				
Continuing operations	\$ (0.08)	\$ 0.06	\$ (0.21)	\$ 0.02
Discontinued operations	0.09	0.08	0.17	0.15
Diluted net income (loss) attributable to the controlling interests per common share <sup>(1)</sup>	\$ 0.01	\$ 0.13	\$ (0.05)	\$ 0.18
<b>Dividends declared per common share</b>	<b>\$ 0.30</b>	<b>\$ 0.30</b>	<b>\$ 0.60</b>	<b>\$ 0.60</b>

<sup>(1)</sup> Earnings per share may not sum due to rounding.

#### **NOTE 11: SEGMENT INFORMATION**

We previously had three reportable segments: office, multifamily and retail. Office properties provide office space for various types of businesses and professions. Multifamily properties provide rental housing for individuals and families throughout the greater Washington metro region. Retail properties are typically grocery store-anchored neighborhood centers that include other small shop tenants or regional power centers with several junior box tenants. During the 2019 Quarter, we executed purchase and sale agreements for the sale of eight retail properties (see note 3). These properties met the criteria for classification as held for sale as of June 30, 2019 and are classified as discontinued operations. The remaining retail properties do not meet the qualitative or quantitative criteria for a reportable segment, and have been classified within “Corporate and other” on our segment disclosure tables. The planned dispositions of the eight retail properties are part of a strategic shift away from the retail sector. This strategic shift simplifies our portfolio to two reportable segments (office and multifamily) and reduces our exposure to future retail lease expirations.

We evaluate performance based upon net operating income from the combined properties in each segment. Our reportable operating segments are consolidations of similar properties. GAAP requires that segment disclosures present the measure(s) used by the chief operating decision maker for purposes of assessing each segment’s performance. Net operating income is a key measurement of our segment profit and loss. Net operating income is defined as real estate rental revenue less real estate expenses.

The following tables present revenues, net operating income, capital expenditures and total assets for the three and six months ended June 30, 2019 and 2018 from these segments, and reconcile net operating income of reportable segments to net income (loss) attributable to the controlling interests as reported (in thousands):

	<b>Three Months Ended June 30, 2019</b>			
	<b>Office</b>	<b>Multifamily</b>	<b>Corporate and Other <sup>(1)</sup></b>	<b>Consolidated</b>
Real estate rental revenue	\$ 42,061	\$ 29,887	\$ 4,872	\$ 76,820
Real estate expenses	15,565	11,226	1,343	28,134
Net operating income	\$ 26,496	\$ 18,661	\$ 3,529	\$ 48,686
Depreciation and amortization				(33,044)
General and administrative expenses				(5,043)
Lease origination expenses				(492)
Interest expense				(15,252)
Loss on sale of real estate				(1,046)
Discontinued operations:				
Income from operations of properties sold or held for sale				7,178
Net income				987
Less: Net income attributable to noncontrolling interests in subsidiaries				—
Net income attributable to the controlling interests				\$ 987
Capital expenditures	\$ 5,385	\$ 5,296	\$ 726	\$ 11,407
Total assets	\$ 1,196,703	\$ 1,260,847	\$ 360,547	\$ 2,818,097

	<b>Three Months Ended June 30, 2018</b>			
	<b>Office</b>	<b>Multifamily</b>	<b>Corporate and Other <sup>(1)</sup></b>	<b>Consolidated</b>
Real estate rental revenue	\$ 47,273	\$ 23,552	\$ 4,519	\$ 75,344
Real estate expenses	16,361	9,276	1,282	26,919
Net operating income	\$ 30,912	\$ 14,276	\$ 3,237	\$ 48,425
Depreciation and amortization				(27,552)
General and administrative expenses				(5,649)
Interest expense				(13,156)
Gain on sale of real estate				2,495
Discontinued operations:				
Income from operations of properties sold or held for sale				6,187
Net income				10,750
Less: Net income attributable to noncontrolling interests in subsidiaries				—
Net income attributable to the controlling interests				\$ 10,750
Capital expenditures	\$ 4,444	\$ 4,935	\$ 1,163	\$ 10,542
Total assets	\$ 1,253,594	\$ 773,997	\$ 381,537	\$ 2,409,128

	Six Months Ended June 30, 2019			
	Office	Multifamily	Corporate and Other <sup>(1)</sup>	Consolidated
Real estate rental revenue	\$ 84,354	\$ 54,222	\$ 9,678	\$ 148,254
Real estate expenses	30,789	20,696	2,792	54,277
Net operating income	\$ 53,565	\$ 33,526	\$ 6,886	\$ 93,977
Depreciation and amortization				(60,101)
General and administrative				(12,472)
Leasing origination expense				(870)
Interest expense				(27,748)
Real estate impairment				(8,374)
Loss on sale of real estate				(1,046)
Discontinued operations:				
Income from operations of properties sold or held for sale				13,216
Net loss				(3,418)
Less: Net income attributable to noncontrolling interests in subsidiaries				—
Net loss attributable to the controlling interests				\$ (3,418)
Capital expenditures	\$ 10,308	\$ 7,099	\$ 1,348	\$ 18,755

	Six Months Ended June 30, 2018			
	Office	Multifamily	Corporate and Other <sup>(1)</sup>	Consolidated
Real estate rental revenue	\$ 92,820	\$ 47,215	\$ 8,954	\$ 148,989
Real estate expenses	32,663	18,715	2,572	53,950
Net operating income	\$ 60,157	\$ 28,500	\$ 6,382	\$ 95,039
Depreciation and amortization				(55,183)
General and administrative				(11,470)
Interest expense				(25,813)
Gain on sale of real estate				2,495
Real estate impairment				(1,886)
Loss on extinguishment of debt				(1,178)
Discontinued operations:				
Income from operations of properties sold or held for sale				12,045
Net income				14,049
Less: Net income attributable to noncontrolling interests in subsidiaries				—
Net income attributable to the controlling interests				\$ 14,049
Capital expenditures	\$ 9,389	\$ 7,360	\$ 1,810	\$ 18,559

<sup>(1)</sup> Net operating income includes the retail properties not classified as discontinued operations: Takoma Park, Westminster, Concord Center, Chevy Chase Metro Plaza, 800 S. Washington Street, Randolph Shopping Center, Montrose Shopping Center and Spring Valley Village, and total assets and capital expenditures include all retail properties, including those classified as discontinued operations.

## **NOTE 12: SHAREHOLDERS' EQUITY**

On May 4, 2018, we entered into eight separate equity distribution agreements (collectively, the “Equity Distribution Agreements”) with each of Wells Fargo Securities, LLC, BNY Mellon Capital Markets, LLC, Capital One Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, KeyBanc Capital Markets Inc. and SunTrust Robinson Humphrey, Inc. relating to the issuance of up to \$250.0 million of our common shares from time to time. Issuances of our common shares are made at market prices prevailing at the time of issuance. We may use net proceeds from the issuance of common shares under this program for general corporate purposes, including, without limitation, working capital, the acquisition, renovation,

expansion, improvement, development or redevelopment of income producing properties or the repayment of debt. During each of the 2019 and 2018 Quarters and Periods, we issued no common shares under the Equity Distribution Agreements.

We have a dividend reinvestment program, whereby shareholders may use their dividends and optional cash payments to purchase common shares. The common shares sold under this program may either be common shares issued by us or common shares purchased in the open market. Net proceeds under this program were used for general corporate purposes.

Our issuances and net proceeds on the dividend reinvestment program were as follows (in thousands, except per share data):

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Issuance of common shares	21	19	64	56
Weighted average price per share	\$ 26.97	\$ 29.97	\$ 26.23	\$ 28.80
Net proceeds	\$ 576	\$ 529	\$ 1,673	\$ 1,246

**NOTE 13: SUBSEQUENT EVENT**

During the 2019 Quarter, we executed a purchase and sale agreement for the acquisition of Cascade at Landmark, a 277-unit multifamily property in Alexandria, Virginia, for a contract purchase price of \$69.8 million. We closed on this acquisition on July 23, 2019.

## **ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with our consolidated financial statements and the notes thereto appearing in Item 1 of this report and the more detailed information contained in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission ("SEC") on February 19, 2019.

We refer to the three months ended June 30, 2019 and June 30, 2018 as the "2019 Quarter" and the "2018 Quarter," respectively, and the six months ended June 30, 2019 and June 30, 2018 as the "2019 Period" and the "2018 Period," respectively.

### **Forward-Looking Statements**

This Form 10-Q contains forward-looking statements which involve risks and uncertainties. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. Such statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of WashREIT to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to the risks associated with the ownership of real estate in general and our real estate assets in particular; the risk of failure to enter into/and or complete contemplated dispositions at all, within the price ranges anticipated and on the terms and timing anticipated; the economic health of the greater Washington Metro region; fluctuations in interest rates; reductions in or actual or threatened changes to the timing of federal government spending; the risks related to use of third-party providers and joint venture partners; the ability to control our operating expenses; the economic health of our tenants; the supply of competing properties; shifts away from brick and mortar stores to e-commerce; the availability and terms of financing and capital and the general volatility of securities markets; compliance with applicable laws, including those concerning the environment and access by persons with disabilities; terrorist attacks or actions and/or cyber-attacks; weather conditions and natural disasters; ability to maintain key personnel; failure to qualify and maintain our qualification as a REIT and the risks of changes in laws affecting REITs; and other risks and uncertainties detailed from time to time in our filings with the SEC, including our 2018 Form 10-K and subsequent Quarterly Reports on Form 10-Q. While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We undertake no obligation to update our forward-looking statements or risk factors to reflect new information, future events, or otherwise.

### **General**

#### *Introductory Matters*

We provide our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations and financial condition. We organize the MD&A as follows:

- *Overview.* Discussion of our business outlook, operating results, investment activity, financing activity and capital requirements to provide context for the remainder of MD&A.
- *Results of Operations.* Discussion of our financial results comparing the 2019 Quarter to the 2018 Quarter.
- *Liquidity and Capital Resources.* Discussion of our financial condition and analysis of changes in our capital structure and cash flows.
- *Funds From Operations.* Calculation of NAREIT Funds From Operations ("NAREIT FFO"), a non-GAAP supplemental measure to net income.
- *Critical Accounting Policies and Estimates.* Descriptions of accounting policies that reflect significant judgments and estimates used in the preparation of our consolidated financial statements.

When evaluating our financial condition and operating performance, we focus on the following financial and non-financial indicators:

- *Net operating income ("NOI"),* calculated as set forth below under the caption "Results of Operations - Net Operating Income." NOI is a non-GAAP supplemental measure to net income.
- *Funds From Operations ("NAREIT FFO"),* calculated as set forth below under the caption "Funds from Operations." NAREIT FFO is a non-GAAP supplemental measure to net income.

- *Ending occupancy*, calculated as occupied square footage as a percentage of total square footage as of the last day of that period.
- *Leased percentage*, calculated as the percentage of available physical net rentable area leased for our office and retail properties and percentage of apartments leased for our multifamily properties.
- *Leasing activity*, including new leases, renewals and expirations.

For purposes of evaluating comparative operating performance, we categorize our properties as “same-store”, “non-same-store” or discontinued operations. Same-store properties include properties that were owned for the entirety of the years being compared, and exclude properties under redevelopment or development and properties acquired, sold or classified as held for sale during the years being compared. We define development properties as those for which we have planned or ongoing major construction activities on existing or acquired land pursuant to an authorized development plan. We consider a property's development activities to be complete when the property is ready for its intended use. The property is categorized as same-store when it has been ready for its intended use for the entirety of the years being compared. We define redevelopment properties as those for which we have planned or ongoing significant development and construction activities on existing or acquired buildings pursuant to an authorized plan, which has an impact on current operating results, occupancy and the ability to lease space with the intended result of a higher economic return on the property. We categorize a redevelopment property as same-store when redevelopment activities have been complete for the majority of each year being compared.

## Overview

Our revenues are derived primarily from the ownership and operation of income producing properties in the greater Washington metro region. As of June 30, 2019, we owned a diversified portfolio of 53 properties, totaling approximately 5.8 million square feet of commercial space and 6,381 multifamily units, and land held for development. These 53 properties consisted of 17 office properties, 16 retail centers and 20 multifamily properties.

During the 2019 Quarter, we acquired seven multifamily properties in Virginia and Maryland with a total of 2,113 units, known as the Assembly Portfolio, for a contract purchase price of \$461.2 million. Additionally, during the 2019 Quarter, we also executed a purchase and sale agreement for the sale of five retail shopping centers (see note 3 to the condensed consolidated financial statements), which sale closed in July 2019. In addition, we also currently expect to sell three retail power centers in the third quarter 2019 - Frederick Crossing and Frederick County Square in Frederick, Maryland, and Centre at Hagerstown, in Hagerstown, Maryland. Frederick Crossing and Frederick County Square are currently under contract, and subject to customary closing conditions, however no assurance can be given that any of these power center sales will be completed. These five retail shopping centers and three retail power centers met the criteria for classification as held for sale as of June 30, 2019 and are classified as discontinued operations.

After giving effect to the sale of these five retail shopping centers in July 2019 and the expected sale of these three retail power centers, our remaining retail properties would consist of: Takoma Park, Westminster, Concord Centre, Chevy Chase Metro Plaza, 800 S. Washington Street, Randolph Shopping Center, Montrose Shopping Center and Spring Valley Village. These remaining retail properties do not meet the qualitative or quantitative criteria for a reportable segment (see note 11 to the condensed consolidated financial statements).

The acquisitions of multifamily properties and planned dispositions of retail properties are part of a strategic shift away from the retail sector to the multifamily sector. This strategic shift simplifies our portfolio to two reportable segments (office and multifamily) and reduces our exposure to future retail lease expirations.

## Operating Results

Net (loss) income attributable to the controlling interests, NOI and NAREIT FFO for the three months ended June 30, 2019 and 2018 were as follows (in thousands):

	Three Months Ended June 30,		\$ Change	% Change
	2019	2018		
Net income attributable to the controlling interests	\$ 987	\$ 10,750	\$ (9,763)	(90.8)%
NOI <sup>(1)</sup>	\$ 48,686	\$ 48,425	\$ 261	0.5 %
NAREIT FFO <sup>(2)</sup>	\$ 37,454	\$ 38,133	\$ (679)	(1.8)%

<sup>(1)</sup> See page 33 of the MD&A for a reconciliation of NOI to net income.

<sup>(2)</sup> See page 42 of the MD&A for a reconciliation of NAREIT FFO to net income.

The lower net income attributable to the controlling interests is primarily due to higher depreciation and amortization (\$5.5 million), a gain on sale of real estate in the 2018 Quarter (\$2.5 million), a loss on sale of real estate in the 2019 Quarter (\$1.0 million), higher interest expense (\$2.1 million) and higher lease origination expenses (\$0.5 million), partially offset by higher income from discontinued operations (\$1.0 million), lower general and administrative expenses (\$0.6 million) and higher NOI (\$0.3 million).

The higher NOI is primarily due to the acquisition of Assembly Portfolio (\$3.4 million), partially offset by sale of 2445 M Street (\$2.6 million) during the 2018 Quarter and lower NOI from Arlington Tower (\$0.3 million) and same-store properties (\$0.3 million). The lower same-store NOI is explained in further detail beginning on page 33 (Results of Operations - 2019 Quarter Compared to 2018 Quarter). Same-store ending occupancy decreased to 93.3% as of June 30, 2019 from 94.7% as of June 30, 2018, primarily due to lower occupancy in the office segment.

The lower NAREIT FFO is primarily attributable to higher interest (\$2.1 million) and lease origination (\$0.5 million) expenses, partially offset by higher income from discontinued operations (\$1.0 million), lower general and administrative expenses (\$0.6 million) and higher NOI (\$0.3 million) during the 2019 Quarter.

## Investment and Financing Activity

Significant investment and financing transactions during the 2019 Period included the following:

- The acquisition of the Assembly Portfolio, consisting of seven multifamily properties in Virginia and Maryland with a total of 2,113 units, for a contract purchase price of \$461.2 million. In connection with the acquisition of these properties, we obtained the 2019 Term Loan in the original principal amount of \$450.0 million (see note 6 to the condensed consolidated financial statements).
- The disposition of Quantico Corporate Center, an office property in Stafford, Virginia, consisting of two office buildings totaling 272,000 square feet for a contract sales price of \$33.0 million.

During the 2019 Quarter, we entered into two separate purchase and sale agreements to sell the Retail Portfolio (see note 3 to the condensed consolidated financial statements). We closed on the Shopping Center Portfolio sale transaction on July 23, 2019. Prior to closing on the disposition of the Shopping Center Portfolio, we prepaid the mortgage note secured by Olney Village Center, incurring a loss on extinguishment of debt of approximately \$0.8 million. We repaid \$350.0 million of the borrowings on the 2019 Term Loan with proceeds from the sale of the Shopping Center Portfolio.

Subsequent to the end of the 2019 Quarter, the purchase and sale agreement to sell the Power Center Portfolio was amended to include only Frederick Crossing and Frederick County Square, which we currently expect to close on during the third quarter of 2019. We have an executed letter of intent for the sale of Centre at Hagerstown to a separate buyer. We have not yet entered into a purchase and sale agreement with the potential buyer for the sale of Centre at Hagerstown, but assuming we are able to do so, we expect to close on the sale of Centre at Hagerstown during the third quarter of 2019.

As of June 30, 2019, the properties in the Retail Portfolio met the criteria for classification as held for sale. The disposition of Retail Portfolio represents a strategic shift that will have a major effect on our financial results and we have accordingly reported the Retail Portfolio as discontinued operations. The Retail Portfolio represents a majority of our retail assets and we have determined that our retail line of business is no longer a reportable segment (see note 11).

Also during the 2019 Quarter, we executed a purchase and sale agreement for the acquisition of Cascade at Landmark, a 277-unit multifamily property in Alexandria, Virginia, for a contract purchase price of \$69.8 million. We closed on this acquisition on July 23, 2019.

As of June 30, 2019, the interest rate on the \$700.0 million unsecured revolving credit facility (“Revolving Credit Facility”) was one month LIBOR plus 1.00% and the facility fee was 0.20%. As of July 25, 2019, our Revolving Credit Facility has a borrowing capacity of \$500.0 million.

#### *Capital Requirements*

We have no debt maturities in 2019. We expect to have additional capital requirements as set forth on page 39 (Liquidity and Capital Resources - Capital Requirements).

#### **Results of Operations**

The discussion that follows is based on our consolidated results of operations for the 2019 Quarter and 2018 Quarter. The ability to compare one period to another is significantly affected by acquisitions completed and dispositions made during 2019 and 2018 (see note 3 to the consolidated financial statements).

#### *Net Operating Income*

NOI, defined as real estate rental revenue less real estate expenses, is a non-GAAP measure. NOI is calculated as net income, less non-real estate revenue and the results of discontinued operations (including the gain or loss on sale, if any), plus interest expense, depreciation and amortization, lease origination expenses, general and administrative expenses, real estate impairment and gain or loss on extinguishment of debt. We believe that NOI is useful as a performance measure because, when compared across periods, NOI reflects the impact on operations of trends in occupancy rates, rental rates and operating costs on an unleveraged basis, providing perspective not immediately apparent from net income. NOI excludes certain components from net income in order to provide results more closely related to a property’s results of operations. For example, interest expense is not necessarily linked to the operating performance of a real estate asset. In addition, depreciation and amortization, because of historical cost accounting and useful life estimates, may distort operating performance at the property level. As a result of the foregoing, we provide NOI as a supplement to net income, calculated in accordance with GAAP. NOI does not represent net income or income from continuing operations, in either case calculated in accordance with GAAP. As such, it should not be considered an alternative to these measures as an indication of our operating performance. A reconciliation of NOI to net income follows.

## 2019 Quarter Compared to 2018 Quarter

The following table reconciles NOI to net income attributable to the controlling interests and provides the basis for our discussion of our consolidated results of operations and NOI in the 2019 Quarter compared to the 2018 Quarter. All amounts are in thousands, except percentage amounts.

	Same-Store				Non-Same-Store						Consolidated			
			\$	%	Acquisitions <sup>(1)</sup>		Development/ Re-development <sup>(2)</sup>		Held for Sale or Sold <sup>(3)</sup>				\$	%
	2019	2018			2019	2018	2019	2018	2019	2018	2019	2018		
Real estate rental revenue	\$ 64,267	\$ 63,826	\$ 441	0.7 %	\$ 11,118	\$ 5,904	\$ —	\$ —	\$ 1,435	\$ 5,614	\$ 76,820	\$ 75,344	\$ 1,476	2.0 %
Real estate expenses	24,185	23,492	693	2.9 %	3,441	1,311	—	64	508	2,052	28,134	26,919	1,215	4.5 %
NOI	\$ 40,082	\$ 40,334	\$ (252)	(0.6)%	\$ 7,677	\$ 4,593	\$ —	\$ (64)	\$ 927	\$ 3,562	\$ 48,686	\$ 48,425	\$ 261	0.5 %
<b>Reconciliation to net income attributable to the controlling interests:</b>														
Depreciation and amortization											(33,044)	(27,552)	(5,492)	19.9 %
General and administrative expenses											(5,043)	(5,649)	606	(10.7)%
Lease origination expenses											(492)	—	(492)	— %
(Loss) gain on sale of real estate											(1,046)	2,495	(3,541)	(141.9)%
Interest expense											(15,252)	(13,156)	(2,096)	15.9 %
Discontinued operations <sup>(4)</sup> :														
Income from properties sold or held for sale											7,178	6,187	991	16.0 %
Net income											987	10,750	(9,763)	(90.8)%
Less: Net income attributable to noncontrolling interests											—	—	—	— %
Net income attributable to the controlling interests											\$ 987	\$ 10,750	\$ (9,763)	(90.8)%

(1) Acquisitions:  
2019 Multifamily - Assembly Portfolio  
2018 Office - Arlington Tower

(2) Development/redevelopment:  
Multifamily development property – land adjacent to Riverside Apartments

(3) Sold:  
2019 Office - Quantico Corporate Center  
2018 Office - 2445 M Street

(4) Discontinued operations:  
2019 Retail - Wheaton Park, Bradlee Shopping Center, Shoppes of Foxchase, Gateway Overlook, Olney Village Center, Frederick County Square, Centre at Hagerstown and Frederick Crossing

### Real Estate Rental Revenue

Real estate rental revenue is comprised of (a) minimum base rent, which includes rental revenues recognized on a straight-line basis, (b) revenue from the recovery of operating expenses from our tenants, (c) credit losses on lease related receivables, (d) revenue from the collection of lease termination fees and (e) parking and other tenant charges such as percentage rents.

Real estate rental revenue from same-store properties by segment was as follows (in thousands):

	Three Months Ended June 30,			
	2019	2018	\$ Change	% Change
Office	\$ 34,961	\$ 35,755	\$ (794)	(2.2)%
Multifamily	24,434	23,552	882	3.7 %
Other	4,872	4,519	353	7.8 %
Total same-store real estate rental revenue	\$ 64,267	\$ 63,826	\$ 441	0.7 %

- *Office*: Decrease primarily due to lower rental revenue (\$0.5 million) due to lease expirations at Watergate 600 and 2000 M Street and higher rent abatements (\$0.5 million), partially offset by higher lease termination fees (\$0.3 million).
- *Multifamily*: Increase primarily due to higher rental rates across the portfolio.

Real estate rental revenue from acquisitions increased due to the acquisition of Assembly Portfolio (\$5.4 million) during the 2019 Quarter, partially offset by lower real estate rental revenue from Arlington Tower (\$0.2 million).

Real estate rental revenue from held for sale and sold properties classified as continuing operations decreased due to the sale of 2445 M Street (\$4.2 million) during the 2018 Quarter.

Ending occupancy is calculated as occupied square footage indicated as a percentage of total square footage as of the last day of that period. Ending occupancy for properties classified as continuing operations by segment for the 2019 Quarter and 2018 Quarter was as follows:

Segment	June 30, 2019			June 30, 2018			Increase (decrease)		
	Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total
Office	91.8%	81.9%	90.7%	95.4%	82.3%	93.1%	(3.6)%	(0.4)%	(2.4)%
Multifamily	95.4%	95.4%	95.4%	95.2%	N/A	95.2%	0.2 %	N/A	0.2 %
Other	88.7%	N/A	88.7%	89.0%	N/A	89.0%	(0.3)%	N/A	(0.3)%
Total	93.3%	93.1%	93.2%	94.7%	82.3%	93.7%	(1.4)%	10.8 %	(0.5)%

- *Office*: The decrease in same-store ending occupancy was primarily due to lower ending occupancy at Watergate 600, 1227 25th Street and 1600 Wilson Boulevard, partially offset by higher ending occupancy at Army Navy Building.
- *Multifamily*: The increase in same-store ending occupancy was primarily due to higher ending occupancy at Riverside and The Ashby at McLean, partially offset by lower ending occupancy at The Kenmore and The Wellington.

During the 2019 Quarter, we executed new and renewal leases in our office segment as follows:

	Square Feet (in thousands)	Average Rental Rate (per square foot)	% Rental Rate Increase (Decrease)	Leasing Costs <sup>(1)</sup> (per square foot)	Free Rent (weighted average months)
Office	84	\$ 43.39	5.9%	\$ 81.14	7.1

<sup>(1)</sup> Consists of tenant improvements and leasing commissions.

#### Real Estate Expenses

Real estate expenses as a percentage of revenue for the 2019 Quarter and 2018 Quarter were 36.6% and 35.7%, respectively.

Real estate expenses from same-store properties by segment were as follows (in thousands):

	Three Months Ended June 30,			
	2019	2018	\$ Change	% Change
Office	\$ 13,663	\$ 12,998	\$ 665	5.1 %
Multifamily	9,179	9,212	(33)	(0.4)%
Other	1,343	1,282	61	4.8 %
Total same-store real estate expenses	\$ 24,185	\$ 23,492	\$ 693	2.9 %

- *Office*: Increase primarily due to higher real estate tax (\$0.4 million) and administrative (\$0.3 million) expenses.
- *Multifamily*: Decrease primarily due to lower utilities (\$0.1 million) and real estate tax (\$0.1 million) expenses, partially offset by higher administrative expenses (\$0.1 million).

#### Other Income and Expenses

*Depreciation and Amortization*: Increase primarily due to the acquisition of the Assembly Portfolio (\$6.9 million), partially offset by lower depreciation and amortization at Arlington Tower (\$0.5 million), same-store properties (\$0.5 million) and the disposition of Quantico Corporate Center (\$0.4 million).

*General and administrative expenses*: Decrease primarily due to the reversal of a tax liability related to a prior acquisition.

*Lease Origination Expenses*: In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), which amended existing lease accounting standards for both lessees and lessors (see note 2 to the condensed consolidated financial statements). We adopted the new standard for the fiscal year beginning on January 1, 2019. Under ASU 2016-02, the FASB determined that only incremental costs or initial direct costs of executing a lease

contract qualify for capitalization, while prior accounting standards allowed for the capitalization of indirect leasing costs. We incurred \$0.5 million of indirect leasing expenses during the 2019 Quarter.

*Loss (gain) on sale of real estate:* The loss during 2019 Quarter is due to the sale of Quantico Corporate Center. Gain during the 2018 Quarter is due to completion of the sale of 2445 M Street. An amendment to the purchase and sale agreement executed during the second quarter of 2018 increased the contract sales price to \$101.6 million.

*Interest Expense:* Interest expense by debt type for the three months ended June 30, 2019 and 2018 was as follows (in thousands):

Debt Type	Three Months Ended June 30,		\$ Change	% Change
	2019	2018		
Notes payable	\$ 13,168	\$ 9,978	\$ 3,190	32.0 %
Mortgage notes payable	519	961	(442)	(46.0)%
Line of credit	2,354	2,607	(253)	(9.7)%
Capitalized interest	(789)	(390)	(399)	102.3 %
<b>Total</b>	<b>\$ 15,252</b>	<b>\$ 13,156</b>	<b>\$ 2,096</b>	<b>15.9 %</b>

- *Notes payable:* Increase primarily due to executing the 2019 Term Loan in April 2019, which was used to partially fund the acquisitions during the 2019 Quarter.
- *Mortgage notes payable:* Decrease primarily due to repayment of the mortgage note secured by Kenmore Apartments in August 2018.
- *Line of credit:* Decrease primarily due to lower weighted average borrowings of \$190.8 million during the 2019 Quarter, as compared to \$260.8 million during the 2018 Quarter. The impact of the lower weighted average borrowings was partially offset by a higher weighted average interest rate of 3.5% during the 2019 Quarter, as compared to 2.9% during the 2018 Quarter.
- *Capitalized interest:* Increase primarily due to higher spending related to the Trove, the multifamily development adjacent to The Wellington and the capitalization of interest on spending related to the multifamily development adjacent to Riverside Apartments.

*Income from discontinued operations:* Increase primarily due to higher recoveries (\$0.7 million) and rental income (\$0.3 million) from retail properties classified as discontinued operations.

## 2019 Period Compared to 2018 Period

The following tables reconcile NOI to net income attributable to the controlling interests and provide the basis for our discussion of our consolidated results of operations and NOI in the 2019 Period compared to the 2018 Period. All amounts are in thousands, except percentage amounts.

	Same-Store				Non-Same-Store						All Properties							
	2019		2018		Acquisitions <sup>(1)</sup>		Development/Redevelopment <sup>(2)</sup>		Held for Sale or Sold <sup>(3)</sup>		2019		2018		\$		%	
			\$	%	2019	2018	2019	2018	2019	2018	2019	2018	Change	Change	Change	Change		
Real estate rental revenue	\$ 128,816	\$ 126,627	\$ 2,189	1.7%	\$ 16,601	\$ 10,538	\$ —	\$ —	\$ 2,837	\$ 11,824	\$ 148,254	\$ 148,989	\$ (735)	(0.5)%				
Real estate expenses	48,489	47,100	1,389	2.9%	4,793	2,238	—	85	995	4,527	54,277	53,950	327	0.6%				
NOI	<u>\$ 80,327</u>	<u>\$ 79,527</u>	<u>\$ 800</u>	1.0%	<u>\$ 11,808</u>	<u>\$ 8,300</u>	<u>\$ —</u>	<u>\$ (85)</u>	<u>\$ 1,842</u>	<u>\$ 7,297</u>	<u>\$ 93,977</u>	<u>\$ 95,039</u>	<u>\$ (1,062)</u>	(1.1)%				

### Reconciliation to net income attributable to the controlling interests:

Depreciation and amortization											(60,101)	(55,183)	(4,918)	8.9%
General and administrative expenses											(12,472)	(11,470)	(1,002)	8.7%
Lease origination expenses											(870)	—	(870)	—%
Real estate impairment											(8,374)	(1,886)	(6,488)	344.0%
(Loss) gain on sale of real estate											(1,046)	2,495	(3,541)	(141.9)%
Interest expense											(27,748)	(25,813)	(1,935)	7.5%
Loss on extinguishment of debt											—	(1,178)	1,178	(100.0)%
Discontinued operations <sup>(4)</sup> :														
Income from properties sold or held for sale											13,216	12,045	1,171	9.7%
Net (loss) income											(3,418)	14,049	(17,467)	(124.3)%
Less: Net income attributable to noncontrolling interests											—	—	—	
Net (loss) income attributable to the controlling interests											<u>\$ (3,418)</u>	<u>\$ 14,049</u>	<u>\$ (17,467)</u>	(124.3)%

<sup>(1)</sup> Acquisitions:  
2019 Multifamily - Assembly Portfolio  
2018 Office - Arlington Tower

<sup>(2)</sup> Development/redevelopment:  
Multifamily development property - land adjacent to Riverside Apartments

<sup>(3)</sup> Sold:  
2019 Office - Quantico Corporate Center  
2018 Office - Braddock Metro Center and 2445 M Street

<sup>(4)</sup> Discontinued operations:  
2019 Retail - Wheaton Park, Bradlee Shopping Center, Shoppes of Foxchase, Gateway Overlook, Olney Village Center, Frederick County Square, Centre at Hagerstown and Frederick Crossing

### Real Estate Rental Revenue

Real estate rental revenue is comprised of (a) minimum base rent, which includes rental revenues recognized on a straight-line basis, (b) revenue from the recovery of operating expenses from our tenants, (c) credit losses on lease related receivables, (d) revenue from the collection of lease termination fees and (e) parking and other tenant charges such as percentage rents.

Real estate rental revenue from same-store properties by segment was as follows (in thousands):

	Six Months Ended June 30,			
	2019	2018	\$ Change	% Change
Office	\$ 70,369	\$ 70,458	\$ (89)	(0.1)%
Multifamily	48,769	47,215	1,554	3.3%
Other	9,678	8,954	724	8.1%
Total same-store real estate rental revenue	<u>\$ 128,816</u>	<u>\$ 126,627</u>	<u>\$ 2,189</u>	1.7%

- *Office*: Decrease primarily due to higher rent abatements (\$0.7 million) and lower rental income (\$0.4 million) due to lease expirations at Watergate 600 and 1600 Wilson Boulevard, partially offset by higher lease termination fees (\$0.6 million) and higher operating expense reimbursements (\$0.3 million).

- *Multifamily*: Increase primarily due to higher rental rates (\$1.3 million) and lower rent abatements (\$0.2 million) across the portfolio.

Real estate rental revenue from acquisitions increased due to the acquisition of Assembly Portfolio (\$5.5 million) in the 2019 Period and Arlington Tower (\$0.6 million) in the 2018 Period.

Real estate rental revenue from held for sale and sold properties classified as continuing operations decreased due to the sale of 2445 M Street (\$8.7 million) during the 2018 Quarter and Braddock Metro Center (\$0.4 million) during the first quarter of 2018; partially offset by the sale of Quantico Corporate Center (\$0.1 million) during the 2019 Quarter.

During the 2019 Period, we executed new and renewal leases in our office segment as follows:

	Square Feet (in thousands)	Average Rental Rate (per square foot)	% Rental Rate Increase	Leasing Costs <sup>(1)</sup> (per square foot)	Free Rent (weighted average months)
Office	260	\$ 50.68	12.8%	\$ 110.78	6.1

<sup>(1)</sup> Consists of tenant improvements and leasing commissions.

#### Real Estate Expenses

Real estate expenses as a percentage of revenue for the 2019 Period and 2018 Period were 36.6% and 36.2%, respectively.

Real estate expenses from same-store properties by segment were as follows (in thousands):

	Six Months Ended June 30,		\$ Change	% Change
	2019	2018		
Office	\$ 27,048	\$ 25,898	\$ 1,150	4.4%
Multifamily	18,649	18,630	19	0.1%
Other	2,792	2,572	220	8.6%
Total same-store real estate expenses	\$ 48,489	\$ 47,100	\$ 1,389	2.9%

- *Office*: Increase primarily due to higher real estate tax (\$0.6 million) and administrative (\$0.6 million) expenses.
- *Multifamily*: Increase primarily due to higher administrative (\$0.1 million) and contract maintenance (\$0.1 million) expenses, offset by lower real estate tax (\$0.2 million) expenses.

#### Other Income and Expenses

*Depreciation and Amortization*: Increase primarily due to acquisition of Assembly Portfolio (\$6.9 million), partially offset by lower depreciation and amortization at Arlington Tower (\$0.6 million), same-store properties (\$0.5 million) and the dispositions of Quantico Corporate Center (\$0.5 million) and 2445 M Street (\$0.4 million).

*General and administrative expenses*: Increase primarily due to higher share-based compensation (\$1.2 million) and severance expenses (\$0.7 million) related to a corporate restructuring, partially offset by the reversal of a transfer tax liability related to an acquisition from prior years (\$0.7 million).

*Lease Origination Expenses*: In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), which amended existing lease accounting standards for both lessees and lessors (see note 2 to the consolidated financial statements). We adopted the new standard for the fiscal year beginning on January 1, 2019. Under ASU 2016-02, the FASB determined that only incremental costs or initial direct costs of executing a lease contract qualify for capitalization, while prior accounting standards allowed for the capitalization of indirect leasing costs. We incurred \$0.9 million of indirect leasing expenses during the 2019 Period.

*Real estate impairment*: The real estate impairment charge of \$8.4 million during the first quarter of 2019 reduced the carrying value of Quantico Corporate Center to its estimated fair value (see note 3 to the consolidated financial statements). During the first quarter of 2018, 2445 M Street met the criteria for classification as held for sale. We consequently recorded an impairment charge of \$1.9 million during the first quarter of 2018 in order to reduce the carrying value of the property to its estimated fair value, less estimated selling costs.

*Loss (gain) on sale of real estate:* The loss during 2019 Period is due to the sale of Quantico Corporate Center. Gain during the 2018 Period is due to completion of the sale of 2445 M Street. An amendment to the purchase and sale agreement executed during the second quarter of 2018 increased the contract sales price to \$101.6 million.

*Interest Expense:* Interest expense by debt type for the six months ended June 30, 2019 and 2018 was as follows (in thousands):

Debt Type	Six Months Ended June 30,		\$ Change	% Change
	2019	2018		
Notes payable	\$ 23,300	\$ 19,416	\$ 3,884	20.0 %
Mortgage notes payable	1,040	1,926	(886)	(46.0)%
Line of credit	4,910	5,233	(323)	(6.2)%
Capitalized interest	(1,502)	(762)	(740)	97.1 %
Total	\$ 27,748	\$ 25,813	\$ 1,935	7.5 %

- *Notes payable:* Increase primarily due to executing the 2019 Term Loan in April 2019 and a \$250.0 million term loan in March 2018, which increased and replaced a \$150 million term loan.
- *Mortgage notes payable:* Decrease primarily due to the repayment of the mortgage notes secured by the Kenmore Apartments in August 2018.
- *Line of credit:* Decrease primarily due to weighted average borrowings of \$200.5 million during the 2019 Period as compared to \$285.6 million during the 2018 Period. The impact of the lower weighted average borrowings was partially offset by a higher weighted average interest rate of 3.5% during the 2019 Period, as compared to 2.8% during the 2018 Period.
- *Capitalized interest:* Increase primarily due to higher spending related to the Trove, the multifamily development adjacent to The Wellington, and the capitalization of interest on spending related to the multifamily development adjacent to Riverside Apartments.

*Loss on extinguishment of debt:* We recognized a \$1.2 million non-cash loss on extinguishment of debt during the 2018 Period related to the write-off of unamortized loan origination costs associated with the refinancing of an existing \$150.0 million seven-year unsecured term loan with a \$250.0 million five-year unsecured term loan and the execution of an amended, extended and expanded \$700 million unsecured revolving credit facility (see note 5 to the consolidated financial statements).

*Income from discontinued operations:* Increase primarily due to higher recoveries (\$0.7 million) and rental income (\$0.5 million) from retail properties classified as discontinued operations.

## Liquidity and Capital Resources

### Capital Requirements

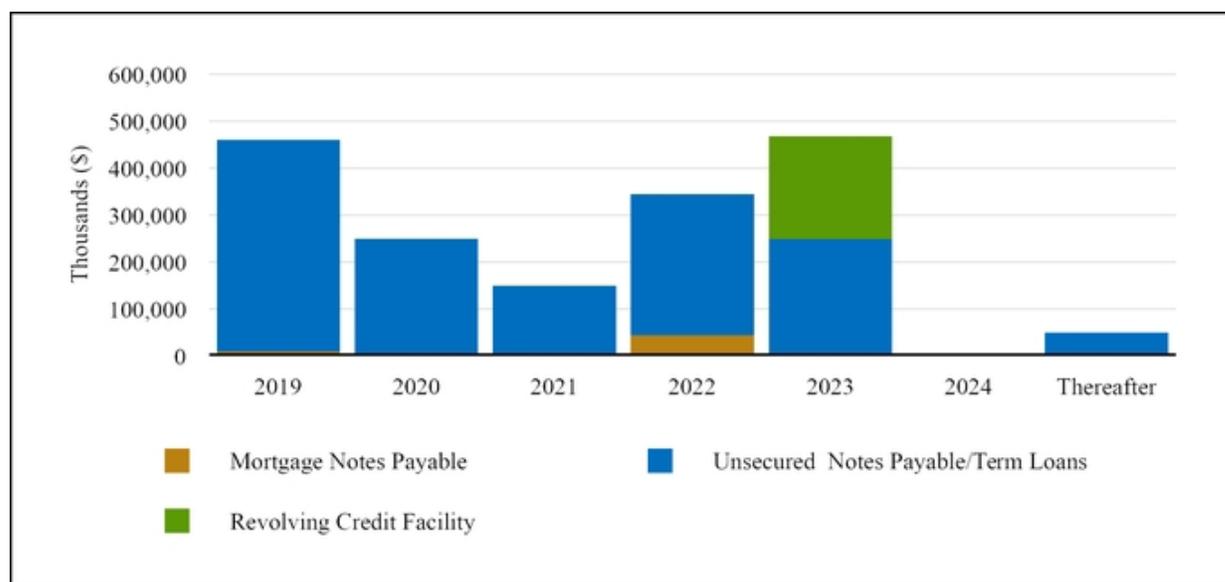
As of the end of the second quarter of 2019, we summarize our full-year 2019 capital requirements as follows:

- Funding dividends and distributions to our shareholders;
- Approximately \$80 - \$85 million to invest in our existing portfolio of operating assets, including approximately \$22.5 - \$27.5 million to fund tenant-related capital requirements and leasing commissions;
- Approximately \$47.5 - \$52.5 million to invest in our development and redevelopment projects; and
- Funding for potential property acquisitions throughout 2019, offset by proceeds from potential property dispositions.

### Debt Financing

We generally use secured or unsecured, corporate-level debt, including unsecured notes, our Revolving Credit Facility, bank term loans and mortgages, to meet our borrowing needs. Long-term, we generally use fixed rate debt instruments in order to match the returns from our real estate assets. If we issue unsecured debt in the future, we would seek to “ladder” the maturities of our debt to mitigate exposure to interest rate risk in any particular future year. We also utilize variable rate debt for short-term financing purposes. At times, our mix of variable and fixed rate debt may not suit our needs. At those times, we may use derivative financial instruments including interest rate swaps and caps, forward interest rate options or interest rate options in order to assist us in managing our debt mix. We may hedge our variable rate debt to give it an effective fixed interest rate and hedge fixed rate debt to give it an effective variable interest rate.

Our future debt principal payments are scheduled as follows (in thousands):



*Future Maturities of Debt*

Year	Secured Debt	Unsecured Debt	Revolving Credit Facility	Total Debt	Average Interest Rate
2019	\$ 10,232 <sup>(1)</sup>	\$ 450,000 <sup>(2)</sup>	\$ —	\$ 460,232	3.4%
2020	—	250,000	—	250,000	5.1%
2021	—	150,000 <sup>(3)</sup>	—	150,000	2.7%
2022	44,517	300,000	—	344,517	4.0%
2023	—	250,000 <sup>(4)</sup>	218,000 <sup>(5)</sup>	468,000	3.1%
2024	—	—	—	—	
Thereafter	—	50,000	—	50,000	7.4%
Scheduled principal payments	\$ 54,749	\$ 1,450,000	\$ 218,000	\$ 1,722,749	3.7%
Scheduled amortization payments	1,391	—	—	1,391	4.0%
Net premiums/discounts	2,098	(993)	—	1,105	
Loan costs, net of amortization	(199)	(3,563)	—	(3,762)	
Total	<u>\$ 58,039</u>	<u>\$ 1,445,444</u>	<u>\$ 218,000</u>	<u>\$ 1,721,483</u>	3.7%

- <sup>(1)</sup> The balance includes the mortgage note payable secured by Olney Village Center, which has been reclassified to Other liabilities related to properties held for sale.
- <sup>(2)</sup> Maturity date for the \$450.0 million term loan facility in October 2019 excludes the option for an additional 6-month period. The loan currently bears interest at LIBOR plus 100 basis points (see note 6 to the condensed consolidated financial statements).
- <sup>(3)</sup> WashREIT uses interest rate swaps to effectively fix the \$150.0 million term loan's variable interest rate at 2.72%.
- <sup>(4)</sup> WashREIT uses interest rate swaps to effectively fix the \$250.0 million term loan's variable interest rate at 2.87%.
- <sup>(5)</sup> Maturity date for credit facility in March 2023 assumes election of option for two additional 6-month periods.

The weighted average maturity for our debt is 2.4 years. If principal amounts due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, our cash flow may be insufficient to repay all maturing debt. Prevailing interest rates or other factors at the time of a refinancing, such as possible reluctance of lenders to make commercial real estate loans, may result in higher interest rates and increased interest expense or inhibit our ability to finance our obligations.

From time to time, we may seek to repurchase and cancel our outstanding unsecured notes and term loans through open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

*Debt Covenants*

Our Revolving Credit Facility contains financial and other covenants with which we must comply. Some of these covenants include:

- ratio of total debt to total asset value of not more than 0.60 to 1.00 (subject to a higher level following material acquisitions);
- ratio of adjusted EBITDA (earnings before noncontrolling interests, interest expense, income tax expense, depreciation, amortization, acquisition costs, and extraordinary, unusual or nonrecurring gains and losses) to fixed charges of not less than 1.50 to 1.00;
- ratio of secured indebtedness to total asset value of not more than 0.40 to 1.00;
- ratio of adjusted net operating income from unencumbered properties satisfying certain criteria specified in the amended and restated credit agreement ("Revolving Credit Agreement") to interest expense on unsecured indebtedness of not less than 1.75 to 1.00; and
- ratio of unsecured indebtedness to the unencumbered pool value of properties satisfying certain criteria specified in, and valued per the terms of, the Revolving Credit Agreement of not more than 0.60 to 1.00 (subject to a higher level following material acquisitions).

Our mortgage notes contain covenants with which we must comply.

Our unsecured notes contain covenants with which we must comply, including:

- A maximum ratio of 65.0% of total indebtedness to total assets;
- A maximum ratio of 40.0% of secured indebtedness to total assets;
- A minimum ratio of 1.50 of our income available for debt service payments to required debt service payments; and
- A minimum ratio of 1.50 of total unencumbered assets to total unsecured indebtedness.

Failure to comply with any of the covenants under our mortgage notes, Revolving Credit Facility, unsecured notes or other debt instruments could result in a default under one or more of our debt covenants. This could cause our lenders to accelerate the timing of payments and could therefore have a material adverse effect on our business, operations, financial condition and liquidity. In addition, our ability to draw on our Revolving Credit Facility or incur other unsecured debt in the future could be restricted by the debt covenants.

As of June 30, 2019, we were in compliance with the covenants related to our mortgage notes, Revolving Credit Facility and unsecured notes.

#### *Common Equity*

We have authorized for issuance 100.0 million common shares, of which 80.1 million shares were outstanding at June 30, 2019.

On May 4, 2018, we entered into eight separate equity distribution agreements (collectively, the “Equity Distribution Agreements”) with each of Wells Fargo Securities, LLC, BNY Mellon Capital Markets, LLC, Capital One Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, KeyBanc Capital Markets Inc. and SunTrust Robinson Humphrey, Inc. relating to the issuance of up to \$250.0 million of our common shares from time to time. Issuances of our common shares are made at market prices prevailing at the time of issuance. We may use net proceeds from the issuance of common shares under this program for general corporate purposes, including, without limitation, working capital, the acquisition, renovation, expansion, improvement, development or redevelopment of income producing properties or the repayment of debt. During the 2019 Quarter, no common shares were issued under the Equity Distribution Agreements.

The Equity Distribution Agreements replaced our previous equity distribution agreements with Wells Fargo Securities, LLC, BNY Mellon Capital Markets, LLC, Citigroup Global Markets Inc. and RBC Capital Markets LLC, dated June 23, 2015. During the 2019 Quarter and 2019 Period and the 2018 Quarter and 2018 Period, we did not issue common shares under the previous equity distribution agreements.

We have a dividend reinvestment program, whereby shareholders may use their dividends and optional cash payments to purchase common shares. The common shares sold under this program may either be common shares issued by us or common shares purchased in the open market.

Our issuances and net proceeds on the dividend reinvestment program are summarized as follows (in thousands; except per share data):

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Issuance of common shares	21	19	64	56
Weighted average price per share	\$ 26.97	\$ 29.97	\$ 26.23	\$ 28.80
Net proceeds	\$ 576	\$ 529	\$ 1,673	\$ 1,246

#### *Preferred Equity*

WashREIT’s board of trustees can, at its discretion, authorize the issuance of up to 10.0 million preferred shares. The ability to issue preferred equity provides WashREIT an additional financing tool that may be used to raise capital for future acquisitions or other business purposes. As of June 30, 2019, no preferred shares were issued or outstanding.

### Historical Cash Flows

Cash flows from operations are an important factor in our ability to sustain our dividend at its current rate. If our cash flows from operations were to decline significantly from current levels, we may have to reduce our dividend. Consolidated cash flow information is summarized as follows (in thousands):

	Six Months Ended June 30,		Change	
	2019	2018	\$	%
Net cash provided by operating activities	\$ 60,543	\$ 70,705	\$ (10,162)	(14.4)%
Net cash (used in) provided by investing activities	(467,214)	34,637	(501,851)	1,448.9 %
Net cash provided by (used in) financing activities	406,437	(109,712)	516,149	(470.5)%

Net cash provided by operating activities decreased primarily due to the the sale of 2445 M Street in June 2018, partially offset by the acquisition of the Assembly Portfolio during the 2019 Quarter.

Net cash used in investing activities increased primarily due to the acquisition of the Assembly Portfolio during the 2019 Quarter.

Net cash provided by financing activities increased primarily due to borrowings under the 2019 Term Loan used to fund the acquisition of the Assembly Portfolio during the 2019 Quarter.

### Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as of June 30, 2019 that are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### Funds From Operations

NAREIT FFO is defined by the National Association of Real Estate Investment Trusts, Inc. ("NAREIT") in its NAREIT FFO White Paper - 2018 Restatement as net income (computed in accordance with GAAP) excluding gains (or losses) associated with sales of properties; impairments of depreciable real estate, and real estate depreciation and amortization. We consider NAREIT FFO to be a standard supplemental measure for equity real estate investment trusts (REITs) because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which historically assumes that the value of real estate assets diminishes predictably over time. Since real estate values have instead historically risen or fallen with market conditions, we believe that NAREIT FFO more accurately provides investors an indication of our ability to incur and service debt, make capital expenditures and fund other needs. Our NAREIT FFO may not be comparable to FFO reported by other REITs. These other REITs may not define the term in accordance with the current NAREIT definition or may interpret the current NAREIT definition differently. NAREIT FFO is a non-GAAP measure.

The following table provides the calculation of our NAREIT FFO and a reconciliation of NAREIT FFO to net income for the three and six months ended June 30, 2019 and 2018 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income (loss)	\$ 987	\$ 10,750	\$ (3,418)	\$ 14,049
Adjustments:				
Depreciation and amortization	33,044	27,552	60,101	55,183
Real estate impairment	—	—	8,374	1,886
Net loss (gain) on sale of depreciable real estate	1,046	(2,495)	1,046	(2,495)
Income from discontinued operations	(7,178)	(6,187)	(13,216)	(12,045)
Funds from continuing operations	27,899	29,620	52,887	56,578
Discontinued operations:				
Income from discontinued operations	7,178	6,187	13,216	12,045
Depreciation and amortization	2,377	2,326	4,867	4,664
Funds from discontinued operations	9,555	8,513	18,083	16,709
NAREIT FFO	\$ 37,454	\$ 38,133	\$ 70,970	\$ 73,287

### Critical Accounting Policies and Estimates

We base the discussion and analysis of our financial condition and results of operations upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. There were no changes made by management to the critical accounting policies in the six months ended June 30, 2019 other than our adoption of ASU 2016-02, *Leases (Topic 842)* as of January 1, 2019, which changed our policy with respect to estimating credit losses on lease related receivables (see note 3 to the consolidated financial statements). For all other critical accounting estimates, see our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 19, 2019.

### **ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The principal material financial market risk to which we are exposed is interest rate risk. Our exposure to market risk for changes in interest rates relates primarily to refinancing long-term fixed rate obligations, the opportunity cost of fixed rate obligations in a falling interest rate environment and our variable rate line of credit.

The table below presents principal, interest and related weighted average fair value interest rates by year of maturity, with respect to debt outstanding on June 30, 2019 (in thousands).

	2019	2020	2021	2022	2023	Thereafter	Total	Fair Value
<b>Unsecured fixed rate debt <sup>(1), (2)</sup></b>								
Principal	\$ 450,000	\$ 250,000	\$ 150,000	\$ 300,000	\$ 250,000	\$ 50,000	\$ 1,450,000	\$ 1,475,299
Interest payments	\$ 24,629	\$ 39,102	\$ 23,665	\$ 22,644	\$ 7,807	\$ 16,313	\$ 134,160	
Interest rate on debt maturities	3.4%	5.1%	2.7%	4.0%	2.9%	7.4%	3.8%	
<b>Unsecured variable rate debt <sup>(3)</sup></b>								
Principal	\$ —	\$ —	\$ —	\$ —	\$ 218,000	\$ —	\$ 218,000	\$ 218,000
Variable interest rate on debt maturities	—%	—%	—%	—%	3.4%	—%	3.4%	
<b>Mortgages <sup>(4), (5)</sup></b>								
Principal amortization (30 year schedule)	\$ 10,486	\$ 529	\$ 560	\$ 44,565	\$ —	\$ —	\$ 56,140	\$ 59,652
Interest payments	\$ 1,313	\$ 2,520	\$ 2,490	\$ 412	\$ —	\$ —	\$ 6,735	
Weighted average interest rate on principal amortization	4.9%	3.8%	3.8%	3.8%	—%	—%	4.0%	

<sup>(1)</sup> Includes \$450.0 million term loan facility with floating interest rates, currently based on LIBOR plus 100 basis points. The maturity date in 2019 excludes the option for an additional six-month period.

<sup>(2)</sup> Includes \$150.0 million and \$250.0 million term loans with floating interest rates. The interest rates on the \$150.0 million and \$250.0 million term loans are effectively fixed by interest rate swap agreements at 2.72% and 2.87%, respectively.

<sup>(3)</sup> Maturity date on the unsecured credit facility of 2023 assumes the election of two additional six-month options.

<sup>(4)</sup> Principal amortization in 2019 reflects the prepayment during the third quarter of 2019 of the mortgage note secured by Olney Village Center, which has been reclassified to Other liabilities related to properties held for sale.

<sup>(5)</sup> Principal amortization excludes net premiums of \$2.1 million and net unamortized debt issuance costs of \$0.2 million as of June 30, 2019.

We entered into various interest rate swap arrangements to swap the floating interest rates under our \$250.0 million and \$150.0 million term loans. These interest rate swaps, designated and qualifying as cash flow hedges, reduce our exposure to the variability in future cash flows attributable to changes in interest rates. Derivative instruments expose us to credit risk in the event of non-performance by the counterparty under the terms of the interest rate hedge agreement. We believe that we minimize our credit risk on these transactions by dealing with major, creditworthy financial institutions. As part of our ongoing control procedures, we monitor the credit ratings of counterparties and our exposure to any single entity, thus minimizing our credit risk concentration.

The following table sets forth information pertaining to interest rate swap contracts in place as of June 30, 2019 and December 31, 2018 and their respective fair values (in thousands):

Notional Amount	Fixed Rate	Floating Index Rate	Effective Date	Expiration Date	Fair Value as of:	
					June 30, 2019	December 31, 2018
\$ 75,000	1.619%	One-Month LIBOR	10/15/2015	3/15/2021	\$ 100	\$ 1,367
75,000	1.626%	One-Month LIBOR	10/15/2015	3/15/2021	91	1,353
100,000	1.205%	One-Month LIBOR	3/31/2017	7/21/2023	1,615	5,270
50,000	1.208%	One-Month LIBOR	3/31/2017	7/21/2023	808	2,648
25,000	2.610%	One-Month LIBOR	6/29/2018	7/21/2023	(974)	(202)
25,000	2.610%	One-Month LIBOR	6/29/2018	7/21/2023	(970)	(200)
25,000	2.610%	One-Month LIBOR	6/29/2018	7/21/2023	(973)	(199)
25,000	2.610%	One-Month LIBOR	6/29/2018	7/21/2023	(969)	(198)
<b>\$ 400,000</b>					<b>\$ (1,272)</b>	<b>\$ 9,839</b>

We enter into debt obligations primarily to support general corporate purposes including acquisition of real estate properties, capital improvements and working capital needs.

As the majority of our outstanding debt is long-term, fixed rate debt, our interest rate risk has not changed significantly from what was disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 19, 2019. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Debt Financing.”

#### **ITEM 4: CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There have not been any changes in WashREIT’s internal control over financial reporting (as defined by Rule 13a-15(f)) that occurred during the period covered by the report that have materially affected, or are reasonably likely to materially affect, WashREIT’s internal control over financial reporting.

**PART II  
OTHER INFORMATION**

**ITEM 1: LEGAL PROCEEDINGS**

None.

**ITEM 1A: RISK FACTORS**

As of June 30, 2019, there have been no material changes from the risk factors previously disclosed in response to “Part I - Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2018.

**ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3: DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4: MINE SAFETY DISCLOSURES**

None.

**ITEM 5: OTHER INFORMATION**

None.

**ITEM 6: EXHIBITS**

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File Number	Exhibit	Filing Date	
10.1	<a href="#">Purchase and sale agreement, dated April 2, 2019, for the Assembly Portfolio by and among Washington Real Estate Investment Trust and Barton's Crossing LP, Magazine Carlyle Station LP, Magazine Fox Run LP, Magazine Glen LP, Magazine Lionsgate LP, Magazine Village At McNair Farms LP, and Magazine Watkins Station LP</a>					X
10.2	<a href="#">First amendment to purchase and sale agreement, dated April 19, 2019, for the Assembly Portfolio</a>					X
10.3	<a href="#">Commitment Letter, dated April 2, 2019, from Wells Fargo Bank, National Association, Wells Securities, LLC, PNC Bank, National Association, KeyBank National Association and Capital One, National Association</a>					X
10.4	<a href="#">Term Loan Agreement, dated April 30, 2019, by and among Washington Real Estate Investment Trust, as borrower, Wells Fargo Bank, National Association, as administrative agent, and the financial institutions party thereto as lenders or agents</a>	8-K	001-06622	10.1	5/1/2019	
10.5	<a href="#">Purchase and Sale Agreement, dated June 26, 2019, by and between Washington Real Estate Investment Trust and Global Retail Investors, LLC</a>	8-K	001-06622	10.1	7/26/2019	
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended ("the Exchange Act")</a>					X
31.2	<a href="#">Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act</a>					X
31.3	<a href="#">Certification of the Chief Accounting Officer pursuant to Rule 13a-14 (a) of the Exchange Act</a>					X
32	<a href="#">Certification of the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>					X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File Because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Taxonomy Extension Schema Document					X
101.CAL	Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Taxonomy Extension Definition Linkbase Document					X
101.LAB	Taxonomy Extension Label Linkbase Document					X
101.PRE	Taxonomy Extension Presentation Linkbase Document					X

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WASHINGTON REAL ESTATE INVESTMENT TRUST

/s/ Paul T. McDermott

Paul T. McDermott  
President and Chief Executive Officer

/s/ Stephen E. Riffie

Stephen E. Riffie  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

/s/ W. Drew Hammond

W. Drew Hammond  
Vice President, Chief Accounting Officer and Treasurer  
(Principal Accounting Officer)

DATE: July 29, 2019

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## Section 2: EX-10.1 (EXHIBIT 10.1)

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### AGREEMENT OF SALE

by and among

**BARTON'S CROSSING LP, a Delaware limited partnership**  
**MAGAZINE CARLYLE STATION LP, a Delaware limited partnership**  
**MAGAZINE FOX RUN LP, a Delaware limited partnership**  
**MAGAZINE GLEN LP, a Delaware limited partnership**  
**MAGAZINE LIONSGATE LP, a Delaware limited partnership**  
**MAGAZINE VILLAGE AT MCNAIR FARMS LP, a Delaware limited partnership**  
**MAGAZINE WATKINS STATION LP, a Delaware Limited Partnership**  
**"Seller"**

and

**WASHINGTON REAL ESTATE INVESTMENT TRUST,**

**a Maryland real estate investment trust**

**“Buyer”**

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## EXHIBIT LIST

### EXHIBIT

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- K. Assignment and Assumption of Services Agreements, Warranties and Leases
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- M. Form of Tenant Notice
- N. Termination of Management Agreement
- O. Form of Certificate of Compliance
- P. Montgomery County Disclosures
- Q. Form of Owner's Affidavit

## AGREEMENT OF SALE

THIS AGREEMENT OF SALE (“**Agreement**”) is made this 2nd day of April, 2019 (the “**Effective Date**”) by and among BARTON’S CROSSING LP, a Delaware limited partnership (“**Barton’s Crossing Seller**”), MAGAZINE CARLYLE STATION LP, a Delaware limited partnership (“**Carlyle Station Seller**”), MAGAZINE FOX RUN LP, a Delaware limited partnership (“**Fox Run Seller**”), MAGAZINE GLEN LP, a Delaware limited partnership (“**Glen Seller**”), MAGAZINE LIONSGATE LP, a Delaware limited partnership (“**Lionsgate Seller**”), MAGAZINE VILLAGE AT MCNAIR FARMS LP, a Delaware limited partnership (“**McNair Farms Seller**”), MAGAZINE WATKINS STATION LP, a Delaware Limited Partnership (“**Watkins Station Seller**”), each having an office at c/o Pantzer Properties, Inc., 540 Madison Avenue, 35<sup>th</sup> Floor, New York, New York 10022 (Barton’s Crossing Seller, Carlyle Station Seller, Fox Run Seller, Glen Seller, Lionsgate Seller, McNair Farms Seller, and Watkins Station Seller are each herein a “**Seller**” and collectively, the “**Sellers**”) and WASHINGTON REAL ESTATE INVESTMENT TRUST, a Maryland real estate investment trust, having an office at 1775 Eye Street, NW, Suite 1000, Washington, DC 20006 (“**Buyer**”).

### W I T N E S S E T H:

1.        Sale and Purchase.

(a) The Point at Alexandria. Barton’s Crossing Seller hereby agrees to sell and convey to Buyer, and Buyer hereby agrees to purchase from Seller, upon the terms and conditions hereinafter set forth, all of Barton’s Crossing Seller’s right, title and interest in and to the following:

(i) Real Property. That certain lot or parcel of real property located in Alexandria, Virginia, containing approximately 10.2171 acres and commonly known as The Point at Alexandria, and having a street address of 205 Century Place, Alexandria, VA 22304 which is more particularly described on Exhibit “A-1” hereto, and the buildings and improvements situated on each such parcel (collectively, “**The Point at Alexandria Premises**”), consisting of five hundred thirty-two (532) apartment units together with all the rights and appurtenances pertaining to The Point at Alexandria Premises, including any right, title and interest of Barton’s Crossing Seller (if any) in and to adjacent streets and rights-of-way;

(ii) Personal Property. The fixtures, furnishings, equipment and other items of personal property, if any, owned by Barton’s Crossing Seller and located on, and used in connection with the operation of The Point at Alexandria Premises, including, without limitation the items, if any, listed on Exhibit “B-1” hereto (collectively, “**The Point at Alexandria Personal Property**”, and, together with The Point at Alexandria Premises, “**The Point at Alexandria Property**”), provided however, in no event shall the Personal Property include the domain name or content in connection with which the name the “The Point”, “The Point at Alexandria” or any of the “Marks” (as defined in Section 32 below), all of which are and shall remain proprietary to Barton’s Crossing Seller; and

(iii) Related Materials. To the extent transferable and in the possession of Barton’s Crossing Seller or Barton Crossing’s Seller’s property manager, (i) all other licenses, permits, warranties, and guaranties, if any, which relate to the Point at Alexandria Property

being conveyed by Barton's Crossing Seller to Buyer on the date hereof, (ii) all plans for development of the land and construction of the buildings and improvements, (iii) all of Barton Crossing Seller's rights, title and interest in all Existing Leases (as defined below), security deposits, pet deposits, and application fees, and (iv) all Existing Agreements relating to The Point at Alexandria Property and not rejected by Buyer in accordance with this Agreement, and other intangible property not excluded under Section 1(a)(ii) above (collectively, "**The Point at Alexandria Related Materials**").

(b) The Point at Bull Run. Carlyle Station Seller hereby agrees to sell and convey to Buyer, and Buyer hereby agrees to purchase from Seller, upon the terms and conditions hereinafter set forth, all of Carlyle Station Seller's right, title and interest in and to the following:

(i) Real Property. That certain lot or parcel of real property located in Alexandria, Virginia, containing approximately 34.1622 acres and commonly known as The Point at Bull Run, and having a street address of 10519 Lariat Lane, Manassas, VA 20109 which is more particularly described on Exhibit "A-2" hereto, and the buildings and improvements situated on each such parcel (collectively, "**The Point at Bull Run Premises**"), consisting of four hundred eight (408) apartment units together with all the rights and appurtenances pertaining to The Point at Bull Run Premises, including any right, title and interest of Carlyle Station Seller (if any) in and to adjacent streets and rights-of-way;

(ii) Personal Property. The fixtures, furnishings, equipment and other items of personal property, if any, owned by Carlyle Station Seller and located on, and used in connection with the operation of The Point at Bull Run Premises, including, without limitation the items, if any, listed on Exhibit "B-2" hereto (collectively, "**The Point at Bull Run Personal Property**"), and, together with The Point at Bull Run Premises, "**The Point at Bull Run Property**"), provided however, in no event shall The Point at Bull Run Personal Property include the domain name or content in connection with which the name the "The Point", "The Point at Bull Run" or any of the "Marks" (as defined in Section 32 below), all of which are and shall remain proprietary to Carlyle Station Seller; and

(iii) Related Materials. To the extent transferable and in the possession of Carlyle Station Seller or Carlyle Station Seller's property manager, (i) all other licenses, permits, warranties, and guaranties, if any, which relate to The Point at Bull Run Property being conveyed by Carlyle Station Seller to Buyer on the date hereof, (ii) all plans for development of the land and construction of the buildings and improvements, (iii) all of Carlyle Station Seller's rights, title and interest in all Existing Leases (as defined below), security deposits, pet deposits, and application fees, and (iv) all Existing Agreements relating to The Point at Bull Run Property and not rejected by Buyer in accordance with this Agreement, and other intangible property not excluded under Section 1(b)(ii) above (collectively, "**The Point at Bull Run Related Materials**").

(c) The Point at Germantown. Fox Run Seller hereby agrees to sell and convey to Buyer, and Buyer hereby agrees to purchase from Seller, upon the terms and conditions hereinafter set forth, all of Fox Run Seller's right, title and interest in and to the following:

(i) Real Property. That certain lot or parcel of real property located in Germantown, Maryland, containing approximately 10.065 acres and commonly known as The

Point at Germantown, and having a street address of 2 Observation Court, Germantown, MD 20876 which is more particularly described on Exhibit "A-3" hereto, and the buildings and improvements situated on each such parcel (collectively, "**The Point at Germantown Premises**"), consisting of two hundred eighteen (218) apartment units together with all the rights and appurtenances pertaining to The Point at Germantown Premises, including any right, title and interest of Fox Run Seller (if any) in and to adjacent streets and rights-of-way;

(ii) Personal Property. The fixtures, furnishings, equipment and other items of personal property, if any, owned by Fox Run Seller and located on, and used in connection with the operation of The Point at Germantown Premises, including, without limitation the items, if any, listed on Exhibit "B-3" hereto (collectively, "**The Point at Germantown Personal Property**", and, together with The Point at Germantown Premises, "**The Point at Germantown Property**"), provided however, in no event shall The Point at Germantown Personal Property include the domain name or content in connection with which the name the "The Point", "The Point at Germantown" or any of the "Marks" (as defined in Section 32 below), all of which are and shall remain proprietary to Fox Run Seller; and

(iii) Related Materials. To the extent transferable and in the possession of Fox Run Seller or Fox Run Seller's property manager, (i) all other licenses, permits, warranties, and guaranties, if any, which relate to The Point at Germantown Property being conveyed by Fox Run Seller to Buyer on the date hereof, (ii) all plans for development of the land and construction of the buildings and improvements, (iii) all of Fox Run Seller's rights, title and interest in all Existing Leases (as defined below), security deposits, pet deposits, and application fees, and (iv) all Existing Agreements relating to The Point at Germantown Property and not rejected by Buyer in accordance with this Agreement, and other intangible property not excluded under Section 1(c)(ii) above (collectively, "**The Point at Germantown Related Materials**").

(d) The Point at Leesburg. Glen Seller hereby agrees to sell and convey to Buyer, and Buyer hereby agrees to purchase from Seller, upon the terms and conditions hereinafter set forth, all of Glen Seller's right, title and interest in and to the following:

(i) Real Property. That certain lot or parcel of real property located in Leesburg, Virginia, containing approximately 6.12 acres and commonly known as The Point at Leesburg, and having a street address of 86 Heritage Way, NE, Leesburg, VA 20176 which is more particularly described on Exhibit "A-4" hereto, and the buildings and improvements situated on each such parcel (collectively, "**The Point at Leesburg Premises**"), consisting of one hundred thirty-four (134) apartment units together with all the rights and appurtenances pertaining to The Point at Leesburg Premises, including any right, title and interest of Glen Seller (if any) in and to adjacent streets and rights-of-way;

(ii) Personal Property. The fixtures, furnishings, equipment and other items of personal property, if any, owned by Glen Seller and located on, and used in connection with the operation of The Point at Leesburg Premises, including, without limitation the items, if any, listed on Exhibit "B-4" hereto (collectively, "**The Point at Leesburg Personal Property**", and, together with The Point at Leesburg Premises, "**The Point at Leesburg Property**"), provided however, in no event shall The Point at Leesburg Personal Property include the domain name or

content in connection with which the name the “The Point”, “The Point at Leesburg” or any of the “Marks” (as defined in Section 32 below), all of which are and shall remain proprietary to Glen Seller; and

(iii) Related Materials. To the extent transferable and in the possession of Glen Seller or Glen Seller’s property manager, (i) all other licenses, permits, warranties, and guaranties, if any, which relate to The Point at Leesburg Property being conveyed by Glen Seller to Buyer on the date hereof, (ii) all plans for development of the land and construction of the buildings and improvements, (iii) all of Glen Seller’s rights, title and interest in all Existing Leases (as defined below), security deposits, pet deposits, and application fees, and (iv) all Existing Agreements relating to The Point at Leesburg Property and not rejected by Buyer in accordance with this Agreement, and other intangible property not excluded under Section 1(d)(ii) above (collectively, “**The Point at Leesburg Related Materials**”).

(e) The Point at Dulles. Lionsgate Seller hereby agrees to sell and convey to Buyer, and Buyer hereby agrees to purchase from Seller, upon the terms and conditions hereinafter set forth, all of Lionsgate Seller’s right, title and interest in and to the following:

(i) Real Property. That certain lot or parcel of real property located in Herndon, Virginia, containing approximately 15.4999 acres and commonly known as The Point at Dulles, and having a street address of 13690 Legacy Circle, Herndon, VA 20171 which is more particularly described on Exhibit “A-5” hereto, and the buildings and improvements situated on each such parcel (collectively, “**The Point at Dulles Premises**”), consisting of three hundred twenty-eight (328) apartment units together with all the rights and appurtenances pertaining to The Point at Dulles Premises, including any right, title and interest of Lionsgate Seller (if any) in and to adjacent streets and rights-of-way;

(ii) Personal Property. The fixtures, furnishings, equipment and other items of personal property, if any, owned by Lionsgate Seller and located on, and used in connection with the operation of The Point at Dulles Premises, including, without limitation the items, if any, listed on Exhibit “B-5” hereto (collectively, “**The Point at Dulles Personal Property**”, and, together with The Point at Dulles Premises, “**The Point at Dulles Property**”), provided however, in no event shall The Point at Dulles Personal Property include the domain name or content in connection with which the name the “The Point”, “The Point at Dulles” or any of the “Marks” (as defined in Section 32 below), all of which are and shall remain proprietary to Lionsgate Seller; and

(iii) Related Materials. To the extent transferable and in the possession of Lionsgate Seller or Lionsgate Seller’s property manager, (i) all other licenses, permits, warranties, and guaranties, if any, which relate to The Point at Dulles Property being conveyed by Lionsgate Seller to Buyer on the date hereof, (ii) all plans for development of the land and construction of the buildings and improvements, (iii) all of Lionsgate Seller’s rights, title and interest in all Existing Leases (as defined below), security deposits, pet deposits, and application fees, and (iv) all Existing Agreements relating to The Point at Dulles Property and not rejected by Buyer in accordance with this Agreement, and other intangible property not excluded under Section 1(e)(ii) above (collectively, “**The Point at Dulles Related Materials**”).

(f) The Point at McNair Farms. McNair Farms Seller hereby agrees to sell and convey to Buyer, and Buyer hereby agrees to purchase from Seller, upon the terms and conditions hereinafter set forth, all of McNair Farms Seller's right, title and interest in and to the following:

(i) Real Property. That certain lot or parcel of real property located in Herndon, Virginia, containing approximately 12.7153 acres and commonly known as The Point at McNair Farms, and having a street address of 2511 Farmcrest Drive, Herndon, VA 20171 which is more particularly described on Exhibit "A-6" hereto, and the buildings and improvements situated on each such parcel (collectively, "**The Point at McNair Farms Premises**"), consisting of two hundred eighty-three (283) apartment units together with all the rights and appurtenances pertaining to The Point at McNair Farms Premises, including any right, title and interest of McNair Farms Seller (if any) in and to adjacent streets and rights-of-way;

(ii) Personal Property. The fixtures, furnishings, equipment and other items of personal property, if any, owned by McNair Farms Seller and located on, and used in connection with the operation of The Point at McNair Farms Premises, including, without limitation the items, if any, listed on Exhibit "B-6" hereto (collectively, "**The Point at McNair Farms Personal Property**"), and, together with The Point at McNair Farms Premises, "**The Point at McNair Farms Property**"), provided however, in no event shall The Point at McNair Farms Personal Property include the domain name or content in connection with which the name the "The Point", "The Point at McNair Farms" or any of the "Marks" (as defined in Section 32 below), all of which are and shall remain proprietary to McNair Farms Seller; and

(iii) Related Materials. To the extent transferable and in the possession of McNair Farms Seller or McNair Farms Seller's property manager, (i) all other licenses, permits, warranties, and guaranties, if any, which relate to The Point at McNair Farms Property being conveyed by McNair Farms Seller to Buyer on the date hereof, (ii) all plans for development of the land and construction of the buildings and improvements, (iii) all of McNair Farms Seller's rights, title and interest in all Existing Leases (as defined below), security deposits, pet deposits, and application fees, and (iv) all Existing Agreements relating to The Point at McNair Farms Property and not rejected by Buyer in accordance with this Agreement, and other intangible property not excluded under Section 1 (f)(ii) above (collectively, "**The Point at McNair Farms Related Materials**").

(g) The Point at Watkins Mill. Watkins Mill Seller hereby agrees to sell and convey to Buyer, and Buyer hereby agrees to purchase from Seller, upon the terms and conditions hereinafter set forth, all of Watkins Mill Seller's right, title and interest in and to the following:

(i) Real Property. That certain lot or parcel of real property located in Gaithersburg, Maryland, containing approximately 11.234 acres and commonly known as The Point at Watkins Mill, and having a street address of 99 Watkins Mill Road, Gaithersburg, MD 20878 which is more particularly described on Exhibit "A-7" hereto, and the buildings and improvements situated on each such parcel (collectively, "**The Point at Watkins Mill Premises**"), consisting of two hundred ten (210) apartment units together with all the rights and appurtenances pertaining to

The Point at Watkins Mill Premises, including any right, title and interest of Watkins Mill Seller (if any) in and to adjacent streets and rights-of-way;

(ii) Personal Property. The fixtures, furnishings, equipment and other items of personal property, if any, owned by Watkins Mill Seller and located on, and used in connection with the operation of The Point at Watkins Mill Premises, including, without limitation the items, if any, listed on Exhibit "B-7" hereto (collectively, "**The Point at Watkins Mill Personal Property**"), and, together with The Point at Watkins Mill Premises, "**The Point at Watkins Mill Property**"), provided however, in no event shall The Point at Watkins Mill Personal Property include the domain name or content in connection with which the name the "The Point", "The Point at Watkins Mill" or any of the "Marks" (as defined in Section 32 below), all of which are and shall remain proprietary to Watkins Mill Seller; and

(iii) Related Materials. To the extent transferable and in the possession of Watkins Mill Seller or Watkins Mill Seller's property manager, (i) all other licenses, permits, warranties, and guaranties, if any, which relate to The Point at Watkins Mill Property being conveyed by Watkins Mill Seller to Buyer on the date hereof, (ii) all plans for development of the land and construction of the buildings and improvements, (iii) all of Watkins Mill Seller's rights, title and interest in all Existing Leases (as defined below), security deposits, pet deposits, and application fees, and (iv) all Existing Agreements relating to The Point at Watkins Mill Property and not rejected by Buyer in accordance with this Agreement, and other intangible property not excluded under Section 1(g)(ii) above (collectively, "**The Point at Watkins Mill Related Materials**").

For purposes of this Agreement, (i) the term "**Premises**" shall mean individually, and collectively, as applicable, The Point at Alexandria Premises, The Point at Bull Run Premises, The Point at Germantown Premises, The Point at Leesburg Premises, The Point at Dulles Premises, The Point at McNair Farms Premises, and The Point at Watkins Mill Premises; (ii) the term "**Personal Property**" shall mean individually, and collectively, as applicable, The Point at Alexandria Personal Property, The Point at Bull Run Personal Property, The Point at Germantown Personal Property, The Point at Leesburg Personal Property, The Point at Dulles Personal Property, The Point at McNair Farms Personal Property, and The Point at Watkins Mill Personal Property; (iii) the term "**Property**" shall mean individually, and collectively, as applicable, The Point at Alexandria Property, The Point at Bull Run Property, The Point at Germantown Property, The Point at Leesburg Property, The Point at Dulles Property, The Point at McNair Farms Property, and The Point at Watkins Mill Property; and (iv) the term "**Related Materials**" shall mean individually, and collectively, as applicable, The Point at Alexandria Related Materials, The Point at Bull Run Related Materials, The Point at Germantown Related Materials, The Point at Leesburg Related Materials, The Point at Dulles Related Materials, The Point at McNair Farms Related Materials, and The Point at Watkins Mill Related Materials

## 2. Purchase Price.

(a) The aggregate purchase price to be paid by Buyer to Sellers for the Property is the sum of Four Hundred Sixty-One Million One Hundred Seventy Thousand Dollars (\$461,170,000.00) (the "**Purchase Price**"), adjusted in accordance with Section 7 hereof, and as determined on a Property by Property basis as follows:

(i) The Point at Alexandria Property is the sum of One Hundred Twenty-One Million Three Hundred Thousand Dollars (\$121,300,000.00), adjusted in accordance with Section 7 hereof;

(ii) The Point at Bull Run is the sum of Eighty-Four Million Nine Hundred Thousand Dollars (\$84,900,000.00), adjusted in accordance with Section 7 hereof;

(iii) The Point at Germantown Property is the sum of Forty-Three Million One Hundred Thousand Dollars (\$43,100,000.00), adjusted in accordance with Section 7 hereof;

(iv) The Point at Leesburg Property is the sum of Twenty-Six Million Three Hundred Thousand Dollars (\$26,300,000.00), adjusted in accordance with Section 7 hereof;

(v) The Point at Dulles Property is the sum of Eighty-One Million Nine Hundred Thousand Dollars (\$81,900,000.00), adjusted in accordance with Section 7 hereof;

(vi) The Point at McNair Farms Property is the sum of Sixty-Four Million Seven Hundred Thousand Dollars (\$64,700,000.00), adjusted in accordance with Section 7 hereof; and

(vii) The Point at Watkins Mill is the sum of Thirty-Eight Million Nine Hundred Seventy Thousand Dollars (\$38,970,000.00), adjusted in accordance with Section 7 hereof.

(b) At Closing on the respective Property, Buyer shall pay the applicable Purchase Price to the applicable Seller, adjusted as hereinafter provided, either directly or, if the Closing occurs in escrow with FIDELITY NATIONAL TITLE INSURANCE COMPANY, having an address at 1620 L Street, NW, Fourth Floor, Washington, DC 20036, Attn: Michael A. Segal, Esquire (the "**Title Company**"), through the Title Company, by wire transfer of immediately available cash funds, to one or more accounts specified by Seller at one or more banks designated by Seller.

### 3. Deposit; Inspection Period.

(a) Deposit. Concurrently with the execution of this Agreement, the aggregate sum of Six Million Nine Hundred Seventeen Thousand Five Hundred Fifty Dollars (\$6,917,550.00) (the "**Initial Deposit**", and, together with any Additional Deposits posted by Buyer and any interest accrued on the Initial Deposit and the Additional Deposit, collectively, the "**Deposit**"), in immediately available funds, has been deposited with FIDELITY NATIONAL TITLE INSURANCE COMPANY, having an address at 485 Lexington Avenue, 18th Floor, New York, NY 10017, Attn: Fred Glassman, Esquire (the "**Escrow Agent**") by Buyer. Provided that Buyer has not terminated this Agreement on or before the Inspection Period, Buyer shall deposit, within one (1) Business Day after the expiration of the Inspection Period, the aggregate sum of Six Million Nine Hundred Seventeen Thousand Five Hundred Fifty Dollars (\$6,917,550.00) (the "**Additional Deposit**"), in immediately available funds, with the Escrow Agent, for a total Deposit of Thirteen Million Eight Hundred Thirty-Five Thousand One Hundred Dollars (\$13,835,100.00). The Escrow

Agent shall, pending consummation of this transaction, hold the Deposit in escrow in an interest bearing account in accordance with the terms and provisions of the Deposit Escrow Agreement of even date herewith by and among Sellers, Buyer and Escrow Agent (the “**Deposit Escrow Agreement**”) attached hereto as **Exhibit “C”**. At Closing, the Escrow Agent shall transfer the Deposit to the Title Company, on or before 11:00 a.m. Eastern Time, to be applied in accordance with the terms herein.

(b) **Inspection Period.** The “**Inspection Period**” shall commence on the date hereof and end as of 5:00 p.m. Eastern Time on April 19, 2019. Provided Buyer has not terminated this Agreement prior to the expiration of the Inspection Period, the Deposit shall be non-refundable upon expiration of the Inspection Period, except as expressly otherwise provided in Sections 5, 13(a), 15 (b), 17(c), 18(c) and 33(b) of this Agreement. If Buyer elects to terminate this Agreement prior to the expiration of the Inspection Period in accordance with Section 20(d) below, the Deposit shall be paid to Buyer by the Escrow Agent within one (1) Business Day. If Buyer elects to terminate this Agreement following the expiration of the Inspection Period, except as expressly otherwise provided in Sections 5, 13(a), 15(b), 17(c), 18(c) and 33(b) of this Agreement, the Deposit shall be paid to Sellers by the Escrow Agent within one (1) Business Day. All interest earned on the Deposit shall be added to and made a part of the Deposit for all purposes hereof. At Closing (hereinafter defined) of The Point at Alexandria Property, The Point at Bull Run Property, The Point at Leesburg Property, The Point at Dulles Property and The Point at McNair Farms Property (collectively, the “**Virginia Properties**”), one-third of the Deposit (that is, Four Million Six Hundred Eleven Thousand Seven Hundred Dollars (\$4,611,700.00)) shall be paid by Escrow Agent to the Sellers of the Virginia Properties, pro rata, based upon the portion of the Purchase Price allocated to each of the Virginia Properties pursuant to Section 2(a) above, and credited against the applicable Purchase Price of the Virginia Properties. The balance of the Deposit (that is, Nine Million Two Hundred Twenty-Three Thousand Four Hundred Dollars (\$9,223,400.00)) shall be held by Escrow Agent, pending Closing with respect to The Point at Germantown Property and The Point at Watkins Mill Property (collectively, the “**Maryland Properties**”) (that is, Four Million Eight Hundred Forty-Four Thousand One Hundred Twenty-Nine and 68/100ths Dollars (\$4,844,129.68) with respect to The Point at Germantown Property and Four Million Three Hundred Seventy-Nine Thousand Two Hundred Seventy and 32/100ths Dollars (\$4,379,270.32) with respect to The Point at Watkins Mill Property). At the Closing of each of the Maryland Properties, the prorated portion of the remaining Deposit, based upon relative Purchase Prices allocated to each of the Maryland Properties pursuant to Section 2(a) above, shall be paid to the respective Seller thereof, and credited against the applicable Purchase Price of the relevant Property.

#### 4. Closing.

(a) The closing of the purchase and sale contemplated hereby (the “**Closing**”) shall be held in accordance with a “New York Style” closing (with Seller providing a gap indemnity acceptable to the Title Company) and completed on or before April 30, 2019 (the “**Closing Date**”) with closing deliverables placed in escrow with the Title Company and funds wired by 2:00 p.m. Eastern Time, through the Title Company or in another mutually agreeable manner and location, TIME BEING OF THE ESSENCE.

(b) Notwithstanding the terms of Section 4(a) above, Buyer and Sellers acknowledge and agree that the Maryland Properties are located in Montgomery County, Maryland and the purchase and sale of the Maryland Properties shall be subject, in each instance, to the satisfaction of the Montgomery County Condition (as hereinafter defined). The “**Closing Date**” for the purchase and sale of each of Maryland Properties shall be the date(s) specified by each Seller contemporaneously with such Seller’s satisfaction of the Montgomery County Condition with respect to such Property, which date shall be (i) no earlier than ten (10) Business Days following the satisfaction of the Montgomery County Condition as it relates to the specific Property, and (ii) no later than the end of the calendar month after the month in which the Montgomery County Condition is satisfied with respect to such Property, or in another mutually agreeable manner and location, TIME BEING OF THE ESSENCE.

5. Condition of Title.

(a) Title to Premises and Personal Property. Fee simple title to the Premises shall be conveyed by the applicable Seller to Buyer at Closing by the Deed (as hereinafter defined). Title to each Property shall be subject only to the Permitted Encumbrances (as hereinafter defined). The Related Materials will be conveyed by the General Assignment and Assumption Agreement (as hereinafter defined). Each Seller’s interest in the Personal Property shall be conveyed by such Seller to Buyer at the Closing by the Bill of Sale (as hereinafter defined). Title to the Personal Property, if any, shall be subject only to the Permitted Encumbrances to the extent applicable.

(b) Title Defects. Sellers have delivered to Buyer a copy of their existing title policies with respect to each Premises (the “**Sellers’ Title Policies**”). During the Inspection Period, Buyers shall have the right to obtain title commitments for each Premises from the Title Company (the “**Buyer’s Title Commitments**”), to examine title to the Properties, and identify in writing to the applicable Sellers, no later than five (5) Business Days prior to the expiration of the Inspection Period, any matters of record that Buyer finds objectionable, as well as any requirements of the Title Company required by Buyer to be satisfied by Sellers (collectively, the “**Title Objections**”). Not later than two (2) Business Days after each Seller’s receipt of Buyer’s Title Objections (with respect to such Seller’s Property), the applicable Seller shall respond to Buyer in writing identifying any Title Objections that such Seller will undertake to cure. In the event a Seller elects not to cure or satisfy (as applicable) such Title Objection, then Buyer may, at its election: (i) terminate this Agreement, in which event the Deposit shall be promptly returned to Buyer and the parties shall be relieved from further obligations to one another under this Agreement; or (ii) accept the Premises subject to all matters of record as of the effective date of Buyer’s Title Commitments, without an adjustment to the Purchase Price, and proceed with Closing hereunder. If Buyer does not elect alternative (i) by written notice to Sellers within ten (10) days after the date of a Seller’s notice electing not to cure, then Buyer shall be deemed to have elected alternative (ii). The term “**Mandatory Cure Items**” shall mean (x) any matters of record, survey matters and/or Title Company requirements that any Seller has undertaken to cure in accordance with this Section 5, (y) any matters caused by Seller and first of record after the effective date of Buyer’s Title Commitments, and (z) any financing liens on the Property. The term “**Permitted Encumbrances**” shall mean (i) the Existing Leases (as hereinafter defined) in effect as of the Closing Date, and (ii) any matters of record as of the effective date of Buyer’s Title Commitments that Seller has not undertaken to cure, as provided herein. A Seller’s failure to cure, at or prior to Closing, any Mandatory Cure Item (other than Permitted

Encumbrances) with respect to such Seller's Property shall constitute a Seller default, entitling Buyer to exercise its remedies pursuant to Section 15(b).

(c) Survey. Sellers have delivered to Buyer copies of Sellers' existing ALTA surveys for each Property (the "**Sellers' Surveys**"). Nothing contained in this Agreement shall constitute any warranty, representation or agreement by Sellers as to the location of separate lots in, or acreage of, the Premises. Sellers shall reasonably cooperate with Buyer to facilitate Buyer's having Sellers' Surveys updated and/or recertified to Buyer and the Title Company. Buyer may obtain, at Buyer's expense, not later than the end of the Inspection Period, a current ALTA survey (the "**Buyer's Surveys**") for each Premises prepared by a duly licensed surveyor selected by Buyer. If Buyer's Surveys show any encroachments or violations or other matters which in any manner materially adversely affect the Premises, Buyer may give Sellers notice thereof during the Inspection Period (unless such matters arose after the end of the Inspection Period, in which case within five (5) days after Buyer received notice of such matters), enumerating in writing the materially adverse matters of Buyer's Surveys. Matters of survey not timely objected to by Buyer shall be deemed to have been accepted by Buyer. In the event that any of Buyer's Surveys is unacceptable to Buyer as provided above, and Buyer so notifies Sellers within the aforesaid period, Sellers shall, within two (2) Business Days after receipt of such notice from Buyer (the "**Sellers' Survey Cure Period**"), notify Buyer in writing either (a) that the applicable Seller is unwilling to correct such unacceptable survey matters, or (b) that such Seller shall undertake to eliminate or modify all such unacceptable matters to the reasonable satisfaction of Buyer. In the event a Seller elects not to cure such unacceptable survey matters, then Buyer may, at its election: (i) terminate this Agreement, in which event the Deposit shall be promptly returned to Buyer and the parties shall be relieved from further obligations to one another under this Agreement; or (ii) accept the Premises subject to all matters of survey as of the date of Buyer's Surveys, without an adjustment to the Purchase Price, and proceed with Closing hereunder. If Buyer does not elect alternative (i) by written notice to Sellers within five (5) days after the date of a Seller's notice electing not to cure, Buyer shall be deemed to have elected alternative (ii).

6. Possession, Assignment of Agreements and Leases; Employees.

(a) Existing Leases. Possession of each Premises, the Personal Property and the Related Materials relating thereto is to be given by Sellers to Buyer at the completion of Closing by delivery of an applicable Deed, Bill of Sale and General Assignment and Assumption Agreement. At Closing, pursuant to the General Assignment and Assumption Agreement, each Seller shall assign the Existing Leases in effect as of Closing with respect to the Seller's Premises to Buyer, without any representation or warranty whatsoever except as otherwise expressly set forth in Section 10(a)(v) of this Agreement. The existing leases that are listed on Exhibit "E" hereto and other leases entered into by Sellers in accordance with this Agreement are collectively herein called the "**Existing Leases**". The termination or expiration of any of the Existing Leases prior to Closing shall not excuse Buyer from its obligation to complete Closing and to pay the full Purchase Price. During the period from the Effective Date through Closing (or earlier termination of this Agreement), each Seller shall continue leasing activities with respect its Property in the ordinary course. Sellers shall indemnify, defend and save Buyer harmless from and against any and all claims, demands, actions, causes of action, suits, proceedings, damages, liabilities, costs and expenses of every nature whatsoever relating to the Existing Leases accruing prior to the Closing Date. Buyer agrees to indemnify, defend and

save Sellers harmless from and against any and all claims, demands, actions, causes of action, suits, proceedings, damages, liabilities, costs and expenses of every nature whatsoever relating to the Existing Leases accruing on or after the Closing Date.

(b) Assignment/Existing Agreements. At Closing, pursuant to the General Assignment and Assumption Agreement, each Seller shall assign to Buyer, without any representation or warranty whatsoever (except as otherwise expressly set forth in Section 10 of this Agreement), to the extent assignable, all of such Seller's right, title and interest in, to and under the existing agreements listed on **Exhibit "F"** hereto (together with any other agreements entered into in accordance with this subsection (b) hereinafter collectively called the "**Existing Agreements**"). During the period from the Effective Date up and until the expiration of the Inspection Period, each Seller shall have the right to enter into any new service or maintenance agreements, or modify any existing service or maintenance agreements in any material respect, provided that in such event, such Seller shall promptly deliver true and complete copies of any such agreement or modification to Buyer, and provided further that any agreement or modification entered into by a Seller within five (5) Business Days of the expiration of the Inspection Period must permit termination of such agreement, without penalty or premium, on not more than thirty (30) days' notice. During the period from the Effective Date through Closing (or earlier termination of this Agreement), Sellers shall not have the right to enter into new service or maintenance agreements or modify any existing service or maintenance agreements in any material respect unless such new agreement or the terms of any modification to any existing agreement are on market terms and permit termination of such agreement, without penalty or premium, on not more than thirty (30) days' notice. Except as provided in this Section 6(b) and in Section 6(a) above, each Seller shall not, during the period from the Effective Date until Closing or any earlier termination of this Agreement, enter into any agreement with respect to its Property that would be binding on the Buyer or such Property as of Closing. The termination or expiration of any of the Existing Agreements prior to Closing shall not excuse Buyer from its obligation to complete Closing and to pay the full Purchase Price. Sellers shall indemnify, defend and save Buyer harmless from and against any and all claims, demands, actions, causes of action, suits, proceedings, damages, liabilities, costs and expenses of every nature whatsoever relating to the Existing Agreements accruing prior to the Closing Date. Buyer agrees to indemnify, defend and save Sellers harmless from and against any and all claims, demands, actions, causes of action, suits, proceedings, damages, liabilities, costs and expenses of every nature whatsoever relating to the Existing Agreements accruing on or after the Closing Date.

(c) Intentionally Omitted.

## 7. Apportionments.

(a) Generally

(i) Taxes and Fees. Real estate taxes for the real estate tax year in which the Closing occurs and annual municipal or special district assessments (on the basis of the actual fiscal tax years for which such taxes are assessed), lienable water and sewer rentals, sums paid to or paid or payable by a Seller under the Existing Agreements, license, permit and inspection fees (to the extent such licenses, permits and inspections are transferable) and rentals, sales tax and other sums paid to and received by Sellers under the Existing Leases shall be apportioned as of the Closing Date between Buyer and Sellers. If the tax bill for the real estate tax year for a Premises in which

the Closing occurs has not been issued on or before the date of the Closing, the apportionment of taxes shall be computed based upon the most recent tax bill available. If, on the date of Closing, bills for the real estate taxes imposed upon the Premises for the real estate tax year in which Closing occurs have been issued but shall not have been paid, such taxes shall be paid at the time of Closing. Each Seller expressly reserves the right to, but does not have an obligation to, commence and conduct, at its sole cost and expense, any tax certiorari or reduction proceedings relating to its Premises in respect of the real estate tax year in which the Closing occurs and all prior real estate tax years. Buyer agrees to reasonably cooperate with such Seller in all such proceedings.

(ii) Rent. Rent, including, without limitation, fixed rent, prepaid rent, additional rent and percentage rent, if applicable, shall be apportioned as of the Closing Date in accordance with the provisions of this Section 7 if and to the extent collected. All rent under the Existing Leases collected by Buyer after Closing shall be applied first to unpaid rent accruing on or after the Closing Date, then to any rents past due for the month of Closing and then to unpaid rent accruing for any month prior to the month in which the Closing Date occurs. During the three (3) month period following Closing, Buyer shall use good faith commercially reasonable efforts to recover any rent (or other tenant charge) arrearages in respect of the period prior to the Closing Date, provided that Buyer shall not be required to incur any material cost, terminate any Existing Leases or commence any legal proceeding in connection therewith. With the exception of any actions pending as of the ten (10) business days prior to the Closing Date, Seller shall not sue any tenant before and/or after Closing. The provisions of this clause (ii) of this subsection (a) shall survive Closing and the delivery of the Deed.

(iii) Leasing Costs. Sellers shall pay all leasing commissions in connection with Existing Leases (or, in the case of renewals, extensions and expansions, exercised) accruing prior to Closing, provided the foregoing shall not require Seller to reimburse Buyer for any concessions granted to Tenants. At Closing Buyer shall receive a credit of Six Hundred Fifty Dollars (\$650.00) with respect to any vacant or unrented apartment unit that is not in rent ready condition at least two (2) days prior to Closing. As used herein, "rent ready condition" shall mean an apartment unit that is cleaned and repainted, if and to the extent necessary, and contains all standard appliances and finishes that have been used by such Seller in operating and making ready the apartment units during the year preceding the Effective Date and with appliances in working order and condition, with all carpeting and flooring either replaced or cleaned, but in all cases, consistent with such Seller's prior practices during the year preceding the Effective Date.

(iv) Other Apportionments. Amounts payable under the Existing Agreements and other Premises operation and maintenance expenses and other recurring costs shall be apportioned as of the Closing Date.

(v) Preliminary Closing Adjustment. Sellers and Buyer shall jointly prepare a preliminary Closing Statement (as hereinafter defined) on the basis of the Existing Leases, Existing Agreements, real estate taxes and other sources of income and expenses for the Premises, and shall deliver such preliminary Closing Statement to each other and the Title Company on or prior to the Closing Date. All apportionments and prorations provided for in this Section 7 to be made as of the Closing Date shall be made, on a per diem basis, as of midnight of the day immediately preceding the Closing Date. The preliminary Closing Statement and the apportionments and/or

prorations reflected therein shall be based upon actual figures to the extent available. If any of the apportionments and/or prorations cannot be calculated accurately based on actual figures on the Closing Date, then (other than with respect to determination of real estate taxes that shall be computed as set forth in Clause (i) above) they shall be calculated based on Sellers' and Buyer's good faith estimates thereof, subject to reconciliation as hereinafter provided.

(vi) Post-Closing Reconciliation. If, after Closing, there is an error on the Closing Statement or, if after the actual figures are available as to any items that were estimated on the Closing Statement (including, without limitation, real estate taxes that were computed in accordance with Clause (i) above), it is determined that any actual proration or apportionment varies from the amount thereof reflected on the Closing Statement, the proration or apportionment shall be adjusted based on the actual figures as soon as feasible but not later than six (6) months after the Closing Date. Any party owing the other party a sum of money based on such subsequent proration(s) shall promptly pay said sum to the other party within thirty (30) days of such reconciliation. The provisions of this clause (vi) of this subsection (a) with respect to any particular Seller and Buyer shall survive Closing and delivery of the applicable Deed for a period of nine (9) months.

(b) Tenant Security Deposits. At Closing, each Seller shall deliver or cause its property manager to deliver to Buyer (or give Buyer a credit for), without additional consideration, all security and other deposits then held or required to be held by or on behalf of Sellers under the Existing Leases together with accrued interest as required by law or pursuant to the terms of the Existing Leases, as shown on Exhibit "E" hereto. Buyer will cause the security deposits to be maintained after Closing in accordance with the requirements of applicable law and shall indemnify and defend Sellers from, and hold Sellers harmless from, all claims of tenants with respect to the security deposits actually delivered to Buyer or for which Buyer received a credit at Closing. Each Seller shall be solely responsible for the return of any security or other deposits held or required to be held by such Seller (or its property manager) that is payable to any tenant pursuant to any Existing Lease that is terminated or expires prior to Closing. The provisions of this subsection (b) shall survive Closing and delivery of the applicable Deed.

(c) Utility Readings. Sellers shall use reasonable efforts to obtain readings of the water and electric and/or gas meters on each Premises as of the day before the Closing Date. At or prior to Closing, Sellers shall pay all charges based upon such meter readings and such charges accruing through the Closing Date. However, if after reasonable efforts Sellers are unable to obtain readings of any meters as of the day before Closing, Closing shall be completed without such readings and upon the obtaining thereof after Closing, Sellers shall pay the charges incurred prior to Closing as reasonably determined by Sellers and Buyer based upon such readings. The provisions of this subsection (c) shall survive Closing and delivery of the applicable Deed.

(d) Seller Materials. Prior to the Effective Date Sellers provided to Buyers the Materials (as defined in Section 20(b) below). At the Closing of each Property, Buyer shall pay to the applicable Seller a prorated portion of the total cost incurred by Sellers in obtaining the Materials, not to exceed Ninety-Two Thousand Dollars (\$92,000.00) in the aggregate, based upon the relative Purchase Price for each of the Properties.

8. Closing Costs. Seller shall pay (A) the fees of any counsel representing Seller in connection with this transaction; (B) one-half (1/2) of any escrow fee which may be charged by Escrow Agent or Title Company; and (C) with respect to those Properties located in Virginia, all Grantor's taxes under Section 58.1-802 of the Virginia Code and the Regional WMATA Capital Fee and with respect to those Properties located in Maryland, all state or local transfer or recordation taxes incurred in connection with the recording of the applicable Deeds. Buyer shall pay (A) the fees of any counsel representing Buyer in connection with this transaction; (B) one-half (1/2) of any escrow fees charged by the Escrow Agent or Title Company; (C) with respect to those Properties located in Virginia, the Virginia Grantee tax, and the applicable County recordation tax, and any other state recordation taxes under Section 58.1-801 of the Virginia Code, sales taxes and similar charges, if any, applicable to the transfer of the Property to Buyer; (D) the costs of Buyer's Surveys and Buyer's Title Commitments; (E) the premiums for the owner's title policy and any title insurance endorsements, deletion of the "survey exception," title insurance coverage in excess of the Purchase Price or lender's title insurance policy; (F) the cost of Buyer's inspections of the Property; (G) the title examination fees or charges; (H) any and all recording fees incurred connection with any financing associated with Buyer's purchase of the Properties; and (I) any sales or similar taxes on the transfer of the Personal Property. All other costs and expenses incident to this transaction and the closing thereof shall be paid by the party incurring same.

9. [Reserved]. [Reserved]

10. Sellers' Representations.

(a) Representations and Warranties of Sellers at Closing. Each Seller shall represent to Buyer as of the date hereof and as of the Closing, as follows:

(i) Qualification. Seller is a Delaware limited partnership validly existing under the law of the State of Delaware and authorized to conduct business in the Commonwealth of Virginia or State of Maryland, as applicable.

(ii) Authority of Seller. Seller has all requisite power and authority to own and operate its business, to carry on the same as now conducted, and to effectuate any action contemplated hereby. All requisite partnership action has been taken by Seller in connection with entering into this Agreement, the instruments referenced herein, and the consummation of the transaction contemplated hereby. The person signing this Agreement and the Closing documents as on behalf of the general partner of Seller has and shall have the authority to execute and deliver such agreements and documents as required of Seller under this Agreement. Neither the execution and delivery of this Agreement and the instruments referenced herein, and the consummation of the transaction contemplated hereby, will result (either immediately or after the passage of time and/or the giving of notice) in breach or default by Seller under any agreement or understanding to which Seller is a party, by which Seller may be barred from performing its obligations under this Agreement, or which would have an adverse effect upon Seller's ability to fully perform its obligations under this Agreement.

(iii) Litigation. Except as set forth in **Exhibit "G"** attached hereto, there is no action, suit, litigation, or proceeding pending against Seller or Seller's Property and no

service of process has been made upon Seller or to Seller's knowledge against any of its members, at law or in equity, or before or by any federal, state, municipal, or other governmental department, commission, board, agency, or instrumentality. There are no judgments unsatisfied against Seller or the Seller's Property or, to Seller's knowledge, consent decrees or injunctions to which such Property is subject.

(iv) No Condemnation. Except as set forth on Exhibit "H" attached hereto, there are no existing, pending or threatened (in writing) condemnation proceedings or deeds in lieu of condemnation affecting the Premises.

(v) Existing Leases. To Seller's knowledge, (1) the list of Existing Leases set forth in Exhibit "E" hereto is true and correct in all material respects, and except for the Seller's Existing Leases there are no occupancy or other contracts for the possession of all or any part of the Seller's Premises, (2) there are no unpaid installments of leasing or brokerage commissions that are payable after Closing with respect to the current term of such Existing Leases entered into prior to the date hereof, (3) except as expressly set forth in such Existing Leases, there are no unpaid landlord obligations for tenant improvements that are payable after Closing in connection with the current term of such Existing Leases entered into prior to the date hereof, (4) Seller has not given to any tenant nor received from any tenant any written notice of default that remains uncured under any of the Seller's Existing Leases, except as may be set forth on Exhibit "E-1" and (5) no rental or monetary concessions have been granted to tenants not contained in such Existing Leases. Seller represents that (A) at the time of Closing, Seller shall have accepted no prepayment of rent under any of the Seller's Existing Leases (except for rental for the current month and payments that are required to be made in advance pursuant to the terms and provisions of such Existing Leases or as set forth on Exhibit "E-1" attached hereto), (B) at the time of Closing, Seller shall not have terminated any of such Existing Leases subsequent to the expiration of the Inspection Period by agreement with the tenant (except as permitted by the terms of any such Existing Lease or by reason of a default by the tenant thereunder or except for notices given to indicate the landlord's intention not to permit the term of the lease to continue or be renewed for an additional term), and (C) to Seller's knowledge, the copies of Seller's Existing Leases previously delivered or made available to Buyer by or on behalf of Seller are true, correct and complete in all material respects (including all material amendments thereto). Except as set forth on Exhibit "E-2", none of the Properties is subject to any affordable housing requirement, restriction, covenant or agreement.

(vi) Rent Roll. To Seller's knowledge, (a) the rent roll and the delinquency report (collectively, the "**Rent Roll**") attached here to as Exhibit "E" with respect to the Seller's Property (including a list of tenant security and pet deposits, and a rent concession report) is, in all material respects, accurate, complete, and not misleading, (b) except as set forth on the Rent Roll, no rent for any period after the Effective Date has been collected in advance of the time when the same becomes due under the terms of Seller's Existing Leases, and (c) except as set forth on the Rent Roll, no tenant is entitled to any rent or leasing concession, including, without limitation, any free rent period. Seller represents that the information depicted on the Rent Rolls is the same information that Sellers have used and relied upon in their operation of the Properties.

(vii) Existing Agreements. The copies of the Seller's Existing Agreements delivered to or made available to Buyer are true, correct and complete in all material

respects and constitute the only agreements which, to the extent assumed by Buyer, would be binding upon Buyer or any Property following Closing. Seller covenants that it shall not enter into any agreements in violation of this Agreement.

(viii) Profit and Loss Statements, Cash Receipts. The profit and loss statements and cash receipts provided to Buyer by Seller pursuant to Section 12(a)(i) on or after the Effective Date, are true, accurate and complete in all material respects and maintained by Seller in the ordinary course with respect to its Property.

(ix) Municipal Assessment/Notices. To Seller's knowledge, (A) there are no outstanding unpaid special assessments against the Seller's Premises, (B) all special assessments for improvements that were completed between the date of Seller's acquisition of title to the Seller's Premises and the date hereof and with respect to which the Seller's Premises can be assessed have been paid in full and (C) it has not received any written notice from any public authority concerning the existence of any presently uncorrected material violation of any ordinance, public regulation or statute of any municipal, state or federal government or agency with respect to the Seller's Premises.

(x) Compliance with Laws. To Seller's knowledge, all material licenses required to own and operate the Seller's Premises as a rental apartment project have been issued.

(xi) OFAC. Seller, and all direct beneficial owners of Seller, are in compliance with all laws, statutes, rules and regulations of any federal, state or local governmental authority in the United States of America applicable to such persons or entities, including, without limitation, the requirements of Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) (the "**Order**") and other similar requirements contained in the rules and regulations of the Office of Foreign Asset Control, Department of the Treasury ("**OFAC**") and in any enabling legislation or other Executive Orders in respect thereof (the Order and such other rules, regulations, legislation, or orders are collectively called the "**Orders**").

(xii) Tax Proceedings. As of the Effective Date, no Seller has commenced any tax certiorari or reduction proceedings relating to its Premises and, to Seller's knowledge, no such proceeding is pending with respect to any of the Properties.

(xiii) Terrorism. Neither Seller, nor any direct beneficial owner of Seller: (a) is listed on the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to the Orders and/or on any other list of terrorists or terrorist organizations maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Orders (such lists are collectively referred to as the "**Lists**"); (b) is a person or entity who has been determined by competent authority to be subject to the prohibitions contained in the Orders; or (c) is owned or controlled by, or acts for or on behalf of, any person or entity on the Lists or any other person or entity who has been determined by competent authority to be subject to the prohibitions contained in the Orders.

(xiv) Employees. Sellers have no employees and as of the Closing Date, shall continue to have no employees.

(b) All references in this Section 10 or elsewhere in this Agreement and/or in any other document or instrument executed by Seller in connection with or pursuant to this Agreement, to “Seller’s knowledge” or “to the knowledge of Seller” and words of similar import shall refer solely to facts within the actual knowledge (without independent investigation or inquiry) of Laurie Arehart, the regional manager of Seller and the person directly responsible for supervising the operation of the Premises, after having made inquiry with the property manager and shall not be construed to refer to the knowledge of any other employee, officer, director, shareholder or agent of Seller or any affiliate of Seller, and shall in no event be deemed to include imputed or constructive knowledge. On the Closing Date, Seller shall update or supplement the foregoing representations and Exhibits “E”, “E-1”, “F”, “G” or “H”, to include any additional information that arises between the date of this Agreement and the Closing Date.

(c) **Audits.** If at any time after Closing any of Seller’s federal or state interim, final, or estimated income, excise, property, franchise, or license tax returns for any taxable year beginning before the date of Closing is audited by the Internal Revenue Service, the Department of the Treasury, Virginia Department of Taxation, the Maryland State Department of Assessment and Taxation or any other governmental body, or if any other inquiry is made as to the same, Seller shall at its expense and in a timely fashion take any and all actions reasonably necessary to respond to the same and to resolve any issues presented thereby, and shall pay any and all taxes, penalties, interest, or other charges that may be assessed or shown to be due as a result thereof.

11. Buyer Representations. Buyer hereby represents to Seller, as of the date hereof and as of the date of Closing, as follows:

(a) Organization. Buyer is a real estate investment trust, duly organized and validly existing under the laws of the State of Maryland, and is authorized to conduct business in the Commonwealth of Virginia and the State of Maryland, and has all requisite power and authority to carry on its business as now conducted.

(b) Authorization. Buyer has the requisite power and authority to enter into and perform this Agreement and the transactions contemplated hereby and Buyer has duly authorized the execution of this Agreement and obtained all necessary consents, both internal and external (whether from its officer, board of directors, shareholders, any investment committee, any advisory committee, any governmental authority or other third party of any kind) in order to consummate the transactions contemplated hereby.

(c) No Violation or Conflict. The execution, delivery and performance of the Agreement will not violate any of Buyer’s organizational or governing documents or any contract, agreement, commitment, order, judgment or decree which Buyer is a party to, or by which Buyer is bound.

(d) OFAC. Buyer, and to the knowledge of Buyer, any beneficial owners of Buyer, are in compliance with all laws, statutes, rules and regulations of any federal, state or local governmental authority in the United States of America applicable to such persons or entities, including, without limitation, the Order and other similar requirements contained in the rules and regulations of OFAC and in any enabling legislation or other Orders.

(e) Terrorism. Neither Buyer, nor to the knowledge of Buyer, any beneficial owner of Buyer: (a) is listed on the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to the Orders and/or on any other List of terrorists or terrorist organizations maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Orders; (b) is a person or entity who has been determined by competent authority to be subject to the prohibitions contained in the Orders; or (c) is owned or controlled by, or acts for or on behalf of, any person or entity on the Lists or any other person or entity who has been determined by competent authority to be subject to the prohibitions contained in the Orders.

(f) AML Laws. Neither Buyer, nor to the knowledge of Buyer, any beneficial owner of Buyer: (a) has been convicted a violation of applicable federal anti-money laundering laws and regulations including 18 U.S.C. §§ 1956 and 1957, as amended (“**AML Laws**”) or been the subject of a final enforcement action relating to the AML Laws; (b) has been convicted of a violation of the AML Laws or been the subject of a final enforcement action relating to the AML Laws; (c) has received any notice that it is the subject of any pending proceedings for any violation of the AML Laws and to the best of such party’s knowledge, it is not the subject of any pending proceedings for any violation of the AML Laws; and (d) is the subject of any pending proceedings for any violation of the AML Laws.

(g) ERISA. Buyer is not an “investment company,” or a company under the Control of an “investment company,” as such terms are defined in the Investment Company Act of 1940, as amended. Buyer is not an “employee benefit plan,” as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), which is subject to Title I of ERISA or a “plan” to which Section 4975 of the Tax Code applies, and the assets of Buyer do not constitute “plan assets” of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA. Buyer is not a “governmental plan” within the meaning of Section 3(32) of ERISA, and is not subject to state statutes regulating investments or fiduciary obligations with respect to governmental plans.

## 12. Delivery of Documents.

(a) Deliveries. Each Seller will provide to Buyer true and complete (in all material respects) copies of (or make available to Buyer on a secure website, portal or other electronic delivery) the following as it relates to such Seller’s Property:

(i) The following current books and records (excluding, however, internal memoranda, financial or other records unrelated to the Property proprietary information and records, appraisals and documents and any other information covered by the attorney-client privilege):

(1) Trailing twelve-month profit and loss for the years 2018 and 2019 (to date) including breakdown of detail line items.

(2) Current rent roll.

(3) Current delinquency reports.

(4) Total cash receipts list by month for September 2018 through February 2019, along with copies of depository bank statements.

(5) Any updates or supplements to Seller's representations in Section 10 above and Exhibits "E", "E-1", "F", "G" or "H", which shall include any additional information that arises between the date of this Agreement and the Closing Date.

Items identified under Section 12(a)(i)(1), (2), (3) and (4) are being delivered by Sellers to Buyer contemporaneously with the execution of this Agreement.

(ii) Copies of all Existing Leases and Existing Agreements and any other occupancy agreements currently in force with respect to the Premises to the extent currently in Seller's possession.

(iii) Such other information and documents in Seller's possession as Buyer may reasonably request in connection with its inspection of the Premises.

**(b) NO WARRANTY. NOTWITHSTANDING THE PRIOR PROVISIONS OF THIS SECTION 12 TO THE CONTRARY, BUYER ACKNOWLEDGES AND UNDERSTANDS THAT ANY OF THE MATERIALS THAT INDICATE THEREON THAT THEY WERE PREPARED BY A THIRD PARTY AND DELIVERED BY SELLERS TO BUYER PURSUANT TO THE FOREGOING CLAUSE (iii) HAVE BEEN PREPARED BY PARTIES OTHER THAN SELLERS OR SELLERS' CURRENT PROPERTY MANAGER. SELLERS REPRESENT AND WARRANT THAT THE MATERIALS ARE THE SAME MATERIALS SELLERS HAVE USED AND RELIED UPON IN THEIR OPERATION OF THE PROPERTIES, BUT MAKE NO OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, AS TO THE COMPLETENESS, CONTENT OR ACCURACY OF SUCH DELIVERED MATERIALS.**

13. Conditions Precedent to Closing.

(a) Except as otherwise provided under this Agreement, Buyer shall not be obligated to close under this Agreement unless each of the following conditions shall be satisfied or waived by Buyer on or prior to the Closing Date:

(i) Accuracy of Representations. The representations and warranties made by Sellers in this Agreement shall be true and correct in all material respects as of the Closing Date; and

(ii) Title. Title to the Properties shall be in the condition required pursuant to Section 5 above.

(iii) No Seller Default. Sellers shall not be in default under this Agreement, in any material respect, and except for a default under Section 14(a) below, Buyer shall give Sellers written notice of any such default, and Sellers shall have up to five (5) days to cure such default (and the Closing Date shall be postponed for the duration of the cure period).

(iv) No Litigation. There shall have been no update or supplement to Exhibit "G", identifying any additional action, suit, litigation, or proceeding pending against any Seller or against any portion of the Property that has not been bonded off or otherwise removed as an incumbrance of title, that would be binding on Buyer and/or portion of the Property following Closing.

To the extent the conditions set forth in clauses (i) and (ii) above are not satisfied on or before the Closing Date, and Buyer has not otherwise waived any such unsatisfied condition, Buyer may elect to (X) extend the Closing Date as needed to provide Seller with the time to satisfy such unsatisfied condition, or (Y) terminate this Agreement in its entirety by delivery of notice of termination to Seller, whereupon the Deposit shall be immediately returned to Buyer, provided Buyer is not otherwise in default of this Agreement.

(b) Sellers shall not be obligated to close under this Agreement unless each of the following conditions shall be satisfied or waived by Sellers on or prior to the Closing Date:

(i) Accuracy of Representations. The representations and warranties made by Buyer in this Agreement shall be true and correct in all material respects as of the Closing Date; and

(ii) No Buyer Default. Buyer shall not be in default hereunder in any material respect, and except for a default under Section 14(b) below, Sellers shall give Buyer written notice of any such default, and Buyer shall have up to five (5) days to cure such default (and the Closing Date shall be postponed for the duration of the cure period).

To the extent the conditions set forth in clauses (i) or (ii) above are not satisfied on or before the Closing Date, and Seller has not waived any such unsatisfied condition, Sellers may terminate this Agreement in its entirety by delivery of notice of termination to Buyer, whereupon the Deposit shall be immediately paid to Seller.

#### 14. Deliveries at Closing.

(a) Sellers' Deliveries. On the Closing Date, each Seller shall deliver to Buyer or, at Buyer's direction, to the Title Company, the following:

(i) Special Warranty Deed. A Special Warranty Deed in the form attached hereto as Exhibit "I" for a Virginia Property and a Maryland Property (the "**Deed**") with respect to Seller's Premises.

(ii) Bill of Sale. A bill of sale with respect to the Seller's Personal Property, if any, in substantially the form attached hereto as Exhibit "J" (the "**Bill of Sale**").

(iii) General Assignment and Assumption Agreement. An assignment and assumption of services agreements, warranties and leases with respect to the Seller's Existing Leases and Existing Agreements in substantially the form of Exhibit "K" hereto (the "**General Assignment and Assumption Agreement**").

(iv) Owner's Affidavit. An owner's affidavit and indemnity in the form attached hereto as **Exhibit "Q"**.

(v) Authority Documents. If required by the Title Company, evidence of required limited liability company authority and an incumbency certificate to evidence the capacity of the signatory for Seller.

(vi) FIRPTA Certification. An affidavit in the form attached hereto as **Exhibit "L"** with respect to compliance with the Foreign Investment in Real Property Tax Act (Internal Revenue Code Sec. 1445, as amended, and the regulations issued thereunder, referred to hereafter as "**FIRPTA**").

(vii) Tenant Notices. Written notice from Seller to each tenant of the Seller's Premises under the Existing Leases in substantially the form attached hereto as **Exhibit "M"**.

(viii) Keys. Access to the Keytrak system for the Premises and, to the extent in Seller's possession or the possession of Seller's property manager, any other keys, codes and other security devices (including, without limitation, any physical portions of the Keytrak system, such as key boxes) for the Seller's Premises, including keys for each apartment unit, mailbox and similarly controlled portion of the Property, provided however, as of the Closing Date, Sellers shall provide to Buyer an inventory of all keys from the Keytrak system and to the extent any keys are missing and not locatable, Sellers shall provide Buyer with a credit in the amount of Fifty Dollars (\$50.00) per key.

(ix) Books and Records. To the extent in Seller's possession or the possession of Seller's property manager, copies of all books and records reasonably required for the orderly transition of operation of the Seller's Premises including computer files (except for IBS software and related access programs), elevator certificates and certificates of occupancy, but excluding any proprietary, confidential, or financial records of Seller not related to the Seller's Property, provided that in all events Seller shall provide copies of such materials made available to Buyer during the Inspection Period.

(x) Original Documents. To the extent in Seller's possession or the possession of Seller's property manager originals, or, if unavailable, copies certified, to Seller's knowledge, to be true, correct and complete in all material respects, of all Existing Leases and the Existing Agreements and, to the extent in Seller's possession or the possession of Seller's property manager, permits, licenses and other agreements and approvals relating to the maintenance and operation of the Premises, provided that in all events Seller shall provide copies of materials made available to Buyer during the Inspection Period.

(xi) Closing Statement. A settlement statement (the "**Closing Statement**"), mutually acceptable to Buyer and Seller, prepared in accordance with the terms of this Agreement.

(xii) Termination of Management Agreement. A termination of the current property management agreement in substantially the form attached hereto as **Exhibit "N"**.

(xiii) Updated Rent Roll. An updated Rent Roll and a delinquency report for Seller's Property which shall be certified as true and correct by Seller within three (3) Business Days of the Closing Date.

(xiv) Other Documents. Such other documents as may be reasonably necessary or appropriate to effect the consummation of the transaction which is the subject of this Agreement.

Location at the Seller's Premises on the date of Closing of any of the materials referred to in clauses (viii), (ix) and (xiii) of this subsection (a) shall be deemed delivery to Buyer.

(b) Buyer's Deliveries. On the Closing Date, Buyer will deliver to Seller or, at Seller's direction, to the Title Company, the following:

(i) General Assignment and Assumption Agreement. The General Assignment and Assumption Agreement.

(ii) Authority Documents. An authorizing resolution and an incumbency certificate, and such other documents as may be reasonably necessary to evidence the authority and capacity of Buyer and the authority of the signatory for Buyer.

(iii) Purchase Price. The balance of the Purchase Price adjusted in accordance with Section 7 hereof payable at Closing and written authorization (i) to the Escrow Agent to transfer the Deposit to the Title Company and (ii) to the Title Company to release the Deposit to, or as directed by, Sellers.

(iv) Closing Statement. A Closing Statement for each Property, mutually acceptable to Buyer and the applicable Seller, prepared in accordance with this Agreement.

(v) Other Documents. Such other documents as may be reasonably necessary or appropriate to effect the consummation of the transaction which is the subject of this Agreement.

## 15. Default.

(a) Buyer Default. If Buyer defaults under this Agreement on the Closing Date by failing to complete Closing in accordance with the terms of this Agreement (and, if such default occurs prior to the Closing Date, it continues until the earlier of (i) ten (10) days after Buyer's receipt of written notice thereof, or (ii) the Closing Date), then the Deposit shall immediately be paid to Sellers by the Escrow Agent or the Title Company (as applicable), and the Deposit shall be retained by Sellers as liquidated damages and not as a penalty. The retention of the Deposit shall be Sellers' sole and exclusive remedy in the event of Buyer's default at or prior to the Closing Date, and except as set forth in the remainder of this Section 15(a) Sellers, in such event, hereby waive any right, unless Closing is completed, to recover the balance of the Purchase Price. Sellers and Buyer agree that the actual damages to Sellers in the event of such breach are impractical to ascertain as of the date of this Agreement and the amount of the Deposit is a reasonable estimate thereof. Upon payment of the Deposit to Sellers as liquidated damages, this Agreement shall (except as herein otherwise expressly

provided) be and become null and void and all copies will be surrendered to Sellers. Nothing contained in this Section 15(a) shall be deemed to limit Sellers' rights against Buyer by reason of the indemnity obligations of Buyer to Sellers set forth in this Agreement which shall survive the termination of this Agreement.

(b) Seller Default. The term "**Permitted Event**" shall mean the occurrence of the following on the Closing Date: Buyer shall be ready, willing and able to complete Closing in accordance with this Agreement; and Sellers, notwithstanding the foregoing, shall have defaulted in its obligation to complete Closing in accordance with this Agreement. Buyer agrees that Buyer shall not (and hereby waives any right to) ever file or assert any *lis pendens* against the Premises and Buyer further agrees that it shall not (and hereby waives any right to), except upon the occurrence of the Permitted Event, commence or maintain any action against Sellers for specific performance under this Agreement or for a declaratory judgment as to Buyer's rights under this Agreement. If the only reason the sale of any Premises is not consummated is because of a default under this Agreement on the part of Sellers and Buyer is not in default under this Agreement and is otherwise ready, willing and able to close, Buyer, as its sole and exclusive remedy, may either (i) terminate this Agreement in its entirety by delivery of notice of termination to Sellers, whereupon the Deposit shall be immediately returned to Buyer and Buyer may recover, as its sole recoverable damages (but without limiting its right to receive a refund of the Deposit), its direct, actual and documented out-of-pocket expenses and costs in connection with this transaction, which damages shall not exceed \$250,000.00 in the aggregate, or (ii) continue this Agreement pending Buyer's action for specific performance hereunder provided appropriate proceedings have been commenced by Buyer within sixty (60) days after the Closing Date and prosecuted with diligence and continuity; provided, however, if specific performance is not available to Buyer solely because of a conveyance, financing or other encumbrance of the Property by Seller in intentional and willful violation of this Agreement that results in the inability of Seller to consummate the transaction required by this Agreement in accordance with its terms (each, an "**Affirmative Act**"), then Buyer shall have the right to pursue actual damages against Seller as allowed under applicable law (but not consequential, special or punitive damages). Buyer may seek specific performance of Seller's obligation to close on the sale of the Property pursuant to this Agreement or damages against Seller due to an Affirmative Act only if, as a condition precedent to initiating such litigation for specific performance or damages, Buyer shall (x) not otherwise be in default under this Agreement and (y) file suit therefor with the court on or before the ninetieth (90th) day after the Closing Date. If Buyer fails to file an action for specific performance or damages due to an Affirmative Act within ninety (90) days after the Closing Date, then Buyer shall be deemed to have elected to terminate the Agreement in accordance with subsection (i) above. Buyer agrees that it shall promptly deliver to Seller an assignment of all of Buyer's right, title and interest in and to (together with possession of) all plans, studies, surveys, reports, and other materials paid for with the out-of-pocket expenses reimbursed by Seller pursuant to the first sentence of this Section, provided, however, that Buyer shall have no obligation to provide Sellers with copies of any market or feasibility studies or similar work product or financial analyses or any materials that are privileged, confidential, proprietary or attorney work product, and any materials provided shall be provided by Buyer to Sellers without any representation or warranty whatsoever as to accuracy, completeness or a Seller's ability to use or rely upon the same. Nothing contained in this Section 15(b) shall be deemed to limit Buyer's rights against Sellers by reason of the indemnity obligations of Sellers to Buyer set forth in this Agreement which shall survive the termination of this Agreement.

16. Notices; Computation of Periods.

(a) Notices. All notices given by any party to the others shall be in writing and shall be sent either (i) by United States Postal Service registered or certified mail, postage prepaid, return receipt requested, or (ii) by prepaid nationally recognized overnight courier service for next Business Day delivery, addressed to the other party at the following addresses listed below or (iii) via e-mail to the addresses listed below; *provided, however,* that if such communication is given via e-mail, an original counterpart of such communication shall concurrently be sent in the manner specified in subsection (ii) above. Addresses and facsimile numbers of the parties are as follows:

As to Sellers:

c/o Ballard Spahr LLP  
300 East Lombard Street, 18<sup>th</sup> Floor  
Baltimore, Maryland 21202  
Attn: Thomas A. Hauser, Esq.  
Email: [Hauser@ballardspahr.com](mailto:Hauser@ballardspahr.com)

As to Buyer:

c/o Washington Real Estate Investment Trust  
1775 Eye Street, NW, Suite 1000  
Washington, DC 20006  
Attention: Andrew Leahy,  
Vice President, Investments  
Email: [aleahy@washreit.com](mailto:aleahy@washreit.com)

With copies at the same time to:

c/o Washington Real Estate Investment Trust  
1775 Eye Street, NW, Suite 1000  
Washington, DC 20006  
Attention: Taryn Fielder, Esquire, General Counsel  
Email: [tfielder@washreit.com](mailto:tfielder@washreit.com)

and to:

Venable LLP  
600 Massachusetts Avenue, NW  
Washington, DC 20001  
Attention: Jennifer J. Bruton, Esquire  
Email: [jjbruton@venable.com](mailto:jjbruton@venable.com)

or to such other address as the respective parties may hereafter designate by notice in writing in the manner specified above. Any notice may be given on behalf of any party by its counsel. Notices given

in the manner aforesaid shall be deemed sufficiently served or given for all purposes under this Agreement upon the earliest of (i) actual receipt (including receipt via e-mail, but only if an original of such e-mail is promptly sent by overnight courier as provided above) or refusal by the addressee, or (ii) three (3) Business Days following the date such notices, demands or requests shall be deposited in any Post Office, or branch Post Office regularly maintained by the United States Government, or (iii) one (1) Business Day after delivered to the overnight courier service, as the case may be.

(b) Computation of Periods. If the final day of any period of time in any provision of this Agreement falls upon a Saturday, Sunday or a holiday observed by federally insured banks in the Commonwealth of Virginia, State of Maryland or by the United States Postal Service (any of the foregoing, a “**Holiday**”), then, the time of such period shall be extended to the next day which is not a Saturday, Sunday or Holiday. Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period is so computed is to be included, unless such last day is a Saturday, Sunday or Holiday in which event the period shall run until the end of the next day which is neither a Saturday, Sunday or Holiday. A “**Business Day**” shall be any day that is not a Saturday, Sunday or Holiday.

17. Fire or Other Casualty.

(a) Casualty Insurance. Each Seller agrees to maintain in effect until the Closing Date the fire and extended coverage insurance policies now in effect on the Seller’s Premises (or substitute policies in equal or greater amounts) consistent with the summary of insurance coverage provided to Buyer prior to the Effective Date.

(b) Casualty Damage. If any portion of a Premises shall be damaged or destroyed by fire or other casualty between the date of this Agreement and the Closing Date, Sellers shall promptly give written notice thereof to Buyer. Subject to the right to terminate this Agreement in accordance with subsection (c) below, the obligation of Buyer to complete Closing under this Agreement shall in no way be voided or impaired by reason thereof, and Buyer shall be required to accept the Premises and the Personal Property in their then damaged condition without abatement of the Purchase Price (except as set forth in this Section 17(b)) or any claim against Sellers. In such case, the proceeds of all fire and extended coverage insurance policies attributable to such damage or destruction at the Premises or the Personal Property received by Sellers prior to the Closing Date and not used by Sellers for the protection or repairs to the Premises and the Personal Property (and Buyer hereby authorizes Seller to use the proceeds for such purposes) shall be disbursed by Sellers to Buyer at Closing and any reduction in such insurance proceeds on account of any applicable deductible shall be borne by Sellers via a reduction in the Purchase Price in the amount of such deductible. All unpaid claims under such insurance policies attributable to such damage or destruction at the Premises and Personal Property shall be assigned by Sellers to Buyer on the date of Closing. There shall be no reduction in the Purchase Price by reason of any such unpaid claim.

(c) Right of Termination. Notwithstanding any of the preceding provisions of this Section 17, if substantial damage (as hereinafter defined) shall occur to the buildings on a Premises by fire or other casualty prior to the Closing Date, Buyer shall have the right to terminate this Agreement but solely as it relates to the specific Premises substantially damaged by fire or other

casualty by written notice to Sellers. If Buyer desires to terminate this Agreement as it relates to such Premises pursuant to this subsection (c), Buyer must give a written notice of termination to Seller within five (5) Business Days after Seller's notice to Buyer of the occurrence of the casualty, such Seller's notice to include a written report from the independent third party real estate professional referenced below detailing the extent of the damage caused by the casualty. Upon such termination of this Agreement as it relates to such Premises, the Deposit allocated to such Premises in accordance with Section 3(a) above shall be returned to Buyer, and neither party shall have any further rights or obligations hereunder with respect to such Premises (except the indemnity and other obligations of Buyer to Sellers set forth in this Agreement which shall survive the termination of this Agreement as it relates to such Premises). The term "substantial damage" shall mean such damage that would cost, in the judgment of an independent third-party real estate professional retained by the subject Seller and reasonably approved by Buyer, at least Twenty-Three Million Fifty-Eight Thousand Five Hundred Dollars (\$23,058,500) to repair, or uninsured or underinsured damage in an amount in excess of Twenty-Three Million Fifty-Eight Thousand Five Hundred Dollars (\$23,058,500). If Buyer does not give timely notice of a termination, Buyer's obligations hereunder shall remain in effect notwithstanding such casualty and Buyer shall remain obligated to consummate the purchase in accordance with the terms of this Agreement, including, without limitation, subsection (b) above.

18. Condemnation.

(a) Notice. Each Seller shall provide to Buyer immediate notice in the event that such Seller shall become aware of any of any condemnation proceedings instituted or threatened in writing by any governmental entity having jurisdiction with respect to all or any portion of the Property prior to Closing.

(b) Immaterial Taking. If any part of any Premises shall be taken by exercise of the power of eminent domain after the date of this Agreement that does not materially interfere with the use of the Premises for the purposes for which it is currently used, this Agreement shall continue in full force and effect and there shall be no abatement of the Purchase Price. However, the applicable Seller shall be relieved of its duty to convey title to the portion of the parcel so taken, but such Seller shall, on the Closing Date, assign to Buyer all rights and claims to any awards arising therefrom as well as any money theretofore received by such Seller on account thereof, net of any expenses actually incurred by such Seller, including attorney's fees of collecting the same. Sellers shall promptly furnish Buyer with a copy of the declaration of taking property after Sellers' receipt thereof.

(c) Material Taking. If any taking of a portion of the Premises materially interferes with the use of a Premises for the purposes for which it is currently used, Buyer may terminate this Agreement but solely as it relates to the specific Premises subject to a material taking, by written notice to Sellers within five (5) Business Days of Sellers notice to Buyer of such a taking. Upon the giving of such termination notice by Buyer, the Deposit allocated to such Premises in accordance with Section 3(a) above shall be returned to Buyer and this Agreement shall become null and void as it relates to such Premises, except for the indemnity and other obligations of Buyer to Sellers set forth in this Agreement which will survive termination of this Agreement as it relates to such Premises. If Buyer does not timely give notice of termination, Buyer's obligations hereunder

shall remain in effect notwithstanding such condemnation and Buyer shall remain obligated to consummate the purchase in accordance with the terms of this Agreement.

19. Assignability.

(a) Permitted Assignments. Buyer shall have the right, after notice to Seller and not later than five (5) business days prior to the Closing Date, to assign Buyer's right, title and interest in and to this Agreement in whole but not in part to an entity wholly owned by Buyer that (i) satisfies the representations under Sections 11 (d), (e), (f) and (g) hereunder (as if such entity were Buyer, *mutatis mutandis*) and (ii) completes, in the same manner as Buyer, the due diligence forms previously provided by Buyer to Seller in connection with this Agreement (as if such entity were Buyer, *mutatis mutandis*), and in which Buyer is the managing member or operations manager, pursuant to an agreement whereby any such assignee accepts such assignment and assumes all of Buyer's obligations under this Agreement; and provided, further, that no such assignment and assumption shall relieve Buyer of its obligations hereunder.

(b) Assignments Prohibited. Except as provided above in Section 19(a) and in Section 29, Buyer may not assign or suffer an assignment of this Agreement and or its rights under this Agreement, without the prior written consent of Sellers, which consent Sellers may deny in their sole and absolute discretion. Any assignment made without such prior written consent shall be deemed voidable and a default by Buyer of the terms of this Agreement, entitling Sellers to terminate this Agreement.

(c) Prohibited Assignments. Notwithstanding the foregoing provisions of subsection (a), Buyer shall have no right, under any circumstances, to assign this Agreement to any person, or to any entity which is a "foreign person", "foreign corporation", "foreign partnership", "foreign trust" or "foreign estate" (each as defined by FIRPTA) or has as a direct or indirect owner or partial owner a person with a criminal record, currently under a criminal indictment, or who is not of good moral character.

(d) Successors and Assigns. Subject to the foregoing limitations, this Agreement shall extend to, and shall bind, the respective heirs, executors, personal representatives, successors and assigns of Sellers and Buyer.

20. Inspections/Inspection Period.

(a) Right to Inspect. Buyer, and Buyer's agents and representatives, at Buyer's sole cost and expense, shall have the right, from time to time, prior to the Closing Date or the earlier termination of this Agreement, during normal business hours, to enter upon the Premises for the purpose of conducting inspections of the Premises, testing of machinery and equipment, taking of measurements, making of surveys and generally for the reasonable ascertainment of matters relating to the Premises; *provided, however,* that Buyer shall (i) give Sellers reasonable prior written notice of the time and place of such entry, in order to permit a representative of Seller to accompany Buyer; (ii) use best efforts not to interfere with the operations of the Premises or any tenant thereof; (iii) restore any damage to the Premises caused by such actions; (iv) indemnify, defend and save Sellers and, as the case may be, their partners, trustees, shareholders, directors, members, officers, employees and agents harmless of and from any and all claims and/or liabilities which Sellers and their partners, trustees, shareholders, directors, members, officers, employees and agents may suffer or be subject by reason of or in any manner relating to such entry and such activities, including, without limitation, any claims by tenants and/or invitees of the Premises; (v) not enter into any tenant's leased premises or communicate with any tenant unless Sellers give Buyer written consent to do so (which consent can be withheld at Sellers' sole option) and Buyer is accompanied, at Sellers' election, by Sellers or Sellers' agent in each instance; (vi) prior to entry onto the Premises, furnish Seller with a certificate of general liability and property damage insurance maintained by Buyer for each Premises, with single occurrence coverage of at least \$1,000,000 (and aggregate coverage of \$2,000,000) and naming the applicable Seller and its property manager as additional insureds; and (vii) not conduct any environmental investigations or testing other than a standard "Phase I" investigation, unless Buyer provides notice to Sellers that further investigations are required by Buyer's consultants, provided such further investigation shall be at no cost to Sellers and shall not extend the date for Closing. All inspection rights under this subsection (a) shall be subject to the rights of tenants under the Existing Leases. To facilitate Buyer's evaluation, Sellers shall give Buyer, and its counsel, accountants, and representatives, upon request for specific materials, reasonable access to the environmental and engineering reports, books, records, documents and information (other than internal memoranda, appraisals and documents and/or information covered by the attorney-client privilege) in the possession of Sellers or Sellers' current property manager with respect to ownership, construction and operation of the Premises. Sellers shall not be deemed to be in default provided Sellers use reasonable commercial efforts to furnish such materials.

(b) Materials. Prior to the Effective Date Sellers have provided to Buyer an updated title commitment, a property condition report, a current ALTA survey and a current Phase I environmental report with respect to each of the Properties (collectively, the "**Materials**"). Sellers agree to reasonably cooperate with Buyer to facilitate Buyer's use of and reliance upon such reports, including, without limitation, facilitating Buyer's obtaining reliance letters, updates and recertifications of such Materials to or for the benefit of Buyer and the Title Company. Sellers shall be responsible for any costs and expenses related to obtaining the Materials (subject to reimbursement pursuant to Section 7(d) hereof); provided, however, Buyer shall be responsible for any costs and expenses related to obtaining reliance letters, updates and recertifications of such Materials.

(c) No Liens Permitted. Nothing contained in this Agreement shall be deemed or construed in any way as constituting the consent or request of Sellers, express or implied

by inference or otherwise, to any party for the performance of any labor or the furnishing of any materials to the Premises or any part thereof, nor as giving Buyer any right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any liens against the Premises or any part thereof. Buyer agrees to promptly cause the removal of, and indemnify, defend and hold Sellers harmless with respect to, any mechanic's or similar lien filed against the Premises or any part thereof by any party performing any labor or services at the Premises or supplying any materials to the Premises at Buyer's request.

(d) Buyer's Right of Termination. Buyer shall have the right to terminate this Agreement, for any reason whatsoever or for no reason ("**Termination Notice**") until the expiration of the Inspection Period. Upon giving the Termination Notice, this Agreement shall immediately terminate (except for the indemnity or other obligations of Buyer to Sellers under this Agreement which shall survive termination of this Agreement), and Sellers shall direct Escrow Agent to pay the Deposit to Buyer. Return of the Deposit to Buyer is Buyer's sole and exclusive remedy. Except as may otherwise be expressly provided in this Agreement, Buyer shall be deemed to have consented to every fact, item and condition relating to the Property (including, without limitation, all encumbrances and other title exceptions contained in the Buyer's Title Commitments and all matters set forth in or illustrated by Buyer's Surveys) if a Termination Notice is not delivered by Buyer prior to the expiration of the Inspection Period. Buyer's failure to deliver the Termination Notice prior to the expiration of the Inspection Period shall be deemed a waiver of Buyer's right to terminate this Agreement under this Section 20 or by reason of the physical condition of the Property (except as provided in Sections 17 and 18 of this Agreement) or any other matter whatsoever relating to the Property.

(e) Survival. The provisions of this Section 20 shall survive termination of this Agreement and or the Closing and delivery of the Deeds.

21. Brokers. Sellers and Buyer each represents and warrants to the other that it has dealt with no broker or other intermediary in connection with this transaction other than CBRE (the "**Disclosed Broker**"). Seller shall be solely responsible for paying any commission due to Disclosed Broker. If any broker or other intermediary other than the Disclosed Broker claims to be entitled to a fee or commission by reason of having dealt with Sellers or Buyer in connection with this transaction, or having introduced the Premises to Buyer for sale, or having been the inducing cause to the sale, the party with whom such broker claims to have dealt shall indemnify, defend and save harmless the other party of and from any claim for commission or compensation by such broker or other intermediary. The provisions of this Section 21 shall survive the termination of this Agreement and or the Closing and delivery of the Deeds.

## 22. CONDITION OF PREMISES.

(a) NO WARRANTIES. EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES OF SELLERS SET FORTH IN SECTION 10 HEREOF AND IN ANY DOCUMENT DELIVERED AT CLOSING, BUYER UNDERSTANDS AND AGREES THAT NO SELLER IS MAKING AND HAS NOT AT ANY TIME MADE ANY WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EXPRESSED OR IMPLIED, WITH RESPECT TO THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, ANY

WARRANTIES OR REPRESENTATIONS AS TO HABITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE (OTHER THAN SELLERS' LIMITED OR SPECIAL WARRANTY OF TITLE TO BE SET FORTH IN THE APPLICABLE DEED), ZONING, TAX CONSEQUENCES, LATENT OR PATENT PHYSICAL OR ENVIRONMENTAL CONDITION, UTILITIES, OPERATING HISTORY OR PROJECTIONS, VALUATION, GOVERNMENTAL APPROVALS, THE COMPLIANCE OF THE PROPERTY WITH APPLICABLE LAWS, THE ABSENCE OR PRESENCE OF HAZARDOUS MATERIALS OR OTHER TOXIC SUBSTANCES (INCLUDING WITHOUT LIMITATION MOLD OR ANY MOLD CONDITION), COMPLIANCE WITH ENVIRONMENTAL LAWS OR THE AMERICANS WITH DISABILITIES ACT, THE FAIR HOUSING ACT, THE REHABILITATION ACT OR OTHER FEDERAL LAWS OR ANY APPLICABLE STATE, REGIONAL, COUNTY, MUNICIPAL OR OTHER LOCAL LAWS, REGULATIONS AND ORDINANCES GOVERNING ACCESS TO HANDICAPPED OR DISABLED PERSONS OR THE CONSTRUCTION OR DESIGN OF RESIDENTIAL DWELLING UNITS, PLACES OF PUBLIC ACCOMMODATION, PUBLIC AREAS, OR COMMON AREAS WHICH ARE AT OR ON THE PROPERTY (COLLECTIVELY, "ACCESS LAWS"), THE TRUTH, ACCURACY OR COMPLETENESS OF THE PROPERTY DOCUMENTS OR ANY OTHER INFORMATION PROVIDED BY OR ON BEHALF OF SELLERS TO BUYER, OR ANY OTHER MATTER OR THING REGARDING THE PROPERTY. BUYER ACKNOWLEDGES AND AGREES THAT UPON CLOSING SELLERS SHALL SELL AND CONVEY TO BUYER AND BUYER SHALL ACCEPT THE PROPERTY "AS IS, WHERE IS, WITH ALL FAULTS", UNLESS TO THE EXTENT EXPRESSLY PROVIDED OTHERWISE IN THIS AGREEMENT. BUYER HAS NOT RELIED AND WILL NOT RELY ON, AND SELLERS ARE NOT LIABLE FOR OR BOUND BY, ANY EXPRESSED OR IMPLIED WARRANTIES, GUARANTIES, STATEMENTS, REPRESENTATIONS OR INFORMATION PERTAINING TO THE PROPERTY OR RELATING THERETO (INCLUDING SPECIFICALLY, WITHOUT LIMITATION, PROPERTY INFORMATION PACKAGES DISTRIBUTED WITH RESPECT TO THE PROPERTY) MADE OR FURNISHED BY SELLERS, THE MANAGER OF THE PROPERTY, OR ANY REAL ESTATE BROKER OR AGENT REPRESENTING OR PURPORTING TO REPRESENT SELLERS, TO WHOMEVER MADE OR GIVEN, DIRECTLY OR INDIRECTLY, ORALLY OR IN WRITING, UNLESS SPECIFICALLY SET FORTH IN THIS AGREEMENT.

BUYER REPRESENTS TO EACH SELLER THAT BUYER HAS CONDUCTED, OR WILL CONDUCT PRIOR TO CLOSING, SUCH INVESTIGATIONS OF THE PROPERTY, INCLUDING BUT NOT LIMITED TO, THE PHYSICAL AND ENVIRONMENTAL CONDITIONS THEREOF, AS BUYER DEEMS NECESSARY TO SATISFY ITSELF AS TO THE CONDITION OF THE PROPERTY AND THE EXISTENCE OR NONEXISTENCE OR CURATIVE ACTION TO BE TAKEN WITH RESPECT TO ANY HAZARDOUS MATERIALS OR TOXIC SUBSTANCES ON OR DISCHARGED FROM THE PROPERTY (INCLUDING WITHOUT LIMITATION ANY MOLD OR MOLD CONDITION), OR WITH RESPECT TO ACCESS LAWS, AND WILL RELY SOLELY UPON SAME AND NOT UPON ANY INFORMATION PROVIDED BY OR ON BEHALF OF ANY SELLER OR ITS AGENTS OR EMPLOYEES WITH RESPECT THERETO, OTHER THAN SUCH REPRESENTATIONS, WARRANTIES AND COVENANTS OF EACH SELLER AS ARE EXPRESSLY SET FORTH IN THIS AGREEMENT. UPON CLOSING, BUYER SHALL ASSUME THE RISK THAT ADVERSE MATTERS, INCLUDING BUT NOT LIMITED TO, DESIGN, CONSTRUCTION DEFECTS,

ADVERSE PHYSICAL OR ENVIRONMENTAL CONDITIONS, OR NONCOMPLIANCE WITH ACCESS LAWS, MAY NOT HAVE BEEN REVEALED BY BUYER'S INVESTIGATIONS, AND BUYER, UPON CLOSING, SHALL BE DEEMED TO HAVE WAIVED, RELINQUISHED AND RELEASED SELLERS (AND SELLERS AND THEIR PARTNERS' RESPECTIVE OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES AND AGENTS) FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION (INCLUDING CAUSES OF ACTION IN TORT OR UNDER ANY ENVIRONMENTAL LAW), LOSSES, DAMAGES, LIABILITIES, FINES, PENALTIES (WHETHER BASED ON STRICT LIABILITY OR OTHERWISE), COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES AND COURT COSTS) OF ANY AND EVERY KIND OR CHARACTER, KNOWN OR UNKNOWN, WHICH BUYER MIGHT HAVE ASSERTED OR ALLEGED AGAINST SELLERS (AND SELLERS AND THEIR PARTNERS' RESPECTIVE OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES AND AGENTS) AT ANY TIME BY REASON OF OR ARISING OUT OF ANY LATENT OR PATENT CONSTRUCTION DEFECTS OR PHYSICAL CONDITIONS, VIOLATIONS OF ANY APPLICABLE LAWS (INCLUDING, WITHOUT LIMITATION, ANY ENVIRONMENTAL LAWS OR ACCESS LAWS) AND ANY AND ALL OTHER ACTS, OMISSIONS, EVENTS, CIRCUMSTANCES OR MATTERS REGARDING THE PROPERTY. THE FOREGOING SHALL NOT BE INTERPRETED TO WAIVE ANY CLAIM OF BUYER WITH RESPECT TO ANY BREACH BY ANY SELLER OF ANY EXPRESS REPRESENTATIONS AND WARRANTIES MADE BY SUCH SELLER IN SECTION 10 OR ANY DOCUMENTS DELIVERED AT CLOSING. THIS SECTION SHALL SURVIVE CLOSING AND DELIVERY OF THE DEED, AND SHALL BE DEEMED INCORPORATED BY REFERENCE AND MADE A PART OF ALL DOCUMENTS DELIVERED BY SELLERS TO BUYER IN CONNECTION WITH THE SALE OF THE PROPERTY.

(b) CHANGE OF CONDITIONS. SUBJECT TO EACH SELLER'S OBLIGATIONS UNDER SUBSECTION (d) BELOW, BUYER SHALL ACCEPT THE PROPERTY AT THE TIME OF CLOSING IN THE SAME CONDITION AS THE SAME IS AS OF THE DATE OF THIS AGREEMENT, AS SUCH CONDITION SHALL HAVE CHANGED BY REASON OF ORDINARY WEAR AND TEAR AND NATURAL DETERIORATION AND, SUBJECT TO SECTIONS 17 AND 18 HEREOF, CONDEMNATION OR DAMAGE BY FIRE OR OTHER CASUALTY. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, BUYER SPECIFICALLY ACKNOWLEDGES THE FACT THAT ANY PORTION OF THE PROPERTY OR ANY EQUIPMENT OR MACHINERY THEREIN OR ANY PART THEREOF MAY NOT BE IN WORKING ORDER OR CONDITION AT THE CLOSING DATE BY REASON OF ORDINARY WEAR AND TEAR AND NATURAL DETERIORATION OR DAMAGE BY FIRE OR OTHER CASUALTY, OR BY REASON OF ITS PRESENT CONDITION, SHALL NOT RELIEVE BUYER OF ITS OBLIGATION TO COMPLETE CLOSING UNDER THIS AGREEMENT AND PAY THE FULL PURCHASE PRICE. EXCEPT AS PROVIDED IN SUBSECTION (d) BELOW, AND SUBJECT TO SECTIONS 17 AND 18 HEREOF, NO SELLER HAS ANY OBLIGATION TO MAKE REPAIRS OR REPLACEMENTS REQUIRED BY REASON OF ORDINARY WEAR AND TEAR AND NATURAL DETERIORATION OR CONDEMNATION OR FIRE OR OTHER CASUALTY, BUT MAY, AT ITS OPTION AND ITS COST (INCLUDING THE USE OF INSURANCE PROCEEDS AS HEREIN PROVIDED), MAKE ANY SUCH REPAIRS AND REPLACEMENTS PRIOR TO THE CLOSING DATE.

(c) Condition of Delivery. Sellers have no obligation to deliver the Premises in a “broom clean” condition, and at Closing, Sellers may leave in the Property all items of personal property and equipment, partitions and debris as are now presently therein and as would accumulate in the normal course of operating and maintaining the Property.

(d) Seller Repairs. Between the Effective Date and the Closing Date, each Seller shall continue to manage and operate such Seller’s Premises in substantially the same manner as Seller has operated such Premises prior to the date hereof and shall perform all customary ordinary repairs to Seller’s Property as Seller has customarily previously performed to maintain them in substantially the same condition as they are as of the Effective Date of this Agreement, as said condition shall be changed by ordinary wear and tear, damage by fire or other casualty, or vandalism. Notwithstanding the foregoing, no Seller shall have any obligation to make structural or extraordinary repairs or capital improvements to Seller’s Property between the date hereof and Closing. Nothing herein shall be a covenant or guaranty of economic performance of the Property.

(e) RELEASE. WITHOUT LIMITING THE PROVISIONS OF SUBSECTION (a) ABOVE AND NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, BUYER, FOR ITSELF AND ITS AGENTS, AFFILIATES, SUCCESSORS AND ASSIGNS, HEREBY RELEASES, ACQUITS AND FOREVER DISCHARGES EACH SELLER AND (AS THE CASE MAY BE) EACH SELLER’S OFFICERS, DIRECTORS, MEMBERS, SHAREHOLDERS, TRUSTEES, PARTNERS, EMPLOYEES, MANAGERS, AGENTS AND AFFILIATES FROM ANY AND ALL RIGHTS, CLAIMS, DEMANDS, CAUSES OF ACTIONS, LOSSES, DAMAGES, LIABILITIES, COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES AND DISBURSEMENTS WHETHER THE SUIT IS INSTITUTED OR NOT) WHETHER KNOWN OR UNKNOWN, LIQUIDATED OR CONTINGENT (HEREINAFTER COLLECTIVELY CALLED THE “**CLAIMS**”), WHICH BUYER HAS OR MAY HAVE IN THE FUTURE, ARISING FROM OR RELATING TO (i) ANY DEFECTS (PATENT OR LATENT), ERRORS OR OMISSIONS IN THE DESIGN OR CONSTRUCTION OF THE PREMISES WHETHER THE SAME ARE THE RESULT OF NEGLIGENCE OR OTHERWISE, OR (ii) ANY OTHER CONDITIONS, INCLUDING, WITHOUT LIMITATION, ENVIRONMENTAL AND OTHER PHYSICAL CONDITIONS, AFFECTING THE PREMISES WHETHER THE SAME ARE A RESULT OF NEGLIGENCE OR OTHERWISE, INCLUDING SPECIFICALLY, BUT WITHOUT LIMITATION, ANY CLAIM FOR INDEMNIFICATION OR CONTRIBUTION ARISING UNDER THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT (42 U.S.C. SECTION 9601, ET SEQ.) OR ANY OTHER FEDERAL, STATE OR LOCAL STATUTE, RULE OR ORDINANCE RELATING TO LIABILITY OF PROPERTY OWNERS FOR ENVIRONMENTAL MATTERS, OR MOLD WHETHER ARISING BASED ON EVENTS THAT OCCURRED BEFORE, DURING, OR AFTER EACH SELLER’S PERIOD OF OWNERSHIP OF SUCH SELLER’S PROPERTY AND WHETHER BASED ON THEORIES OF INDEMNIFICATION, CONTRIBUTION OR OTHERWISE. THE RELEASE SET FORTH IN THIS SECTION SPECIFICALLY INCLUDES, WITHOUT LIMITATION, ANY CLAIMS UNDER ANY ENVIRONMENTAL LAWS OF THE UNITED STATES, THE STATE IN WHICH THE PREMISES IS LOCATED OR ANY POLITICAL SUBDIVISION THEREOF OR UNDER THE AMERICANS WITH DISABILITIES ACT OF 1990, ANY FAIR HOUSING LAWS, OR ANY OTHER ACCESS LAWS, AS ANY OF THOSE LAWS MAY BE AMENDED FROM TIME TO

TIME AND ANY REGULATIONS, ORDERS, RULES OF PROCEDURES OR GUIDELINES PROMULGATED IN CONNECTION WITH SUCH LAWS, REGARDLESS OF WHETHER THEY ARE IN EXISTENCE ON THE DATE OF THIS AGREEMENT. BUYER AGREES THAT SHOULD ANY INVESTIGATION, CLEANUP, REMEDIATION OR REMOVAL OF HAZARDOUS SUBSTANCES OR OTHER ENVIRONMENTAL CONDITIONS (INCLUDING WITHOUT LIMITATION ANY MOLD OR MOLD CONDITION) ON OR RELATED TO THE PROPERTY BE REQUIRED AFTER THE DATE OF CLOSING, SELLERS SHALL HAVE NO LIABILITY TO BUYER TO PERFORM OR PAY FOR SUCH INVESTIGATION, CLEAN-UP, REMOVAL OR REMEDIATION, AND BUYER EXPRESSLY WAIVES AND RELEASES ANY CLAIM TO THE CONTRARY. BUYER FURTHER AGREES THAT SHOULD ANY INVESTIGATION OR CURATIVE ACTION ON OR RELATED TO THE PROPERTY BE REQUIRED AFTER THE DATE OF CLOSING UNDER ANY ACCESS LAWS, SELLERS SHALL HAVE NO LIABILITY TO BUYER TO PERFORM OR PAY FOR SUCH INVESTIGATION OR CURATIVE ACTION AND BUYER EXPRESSLY WAIVES AND RELEASES ANY CLAIM TO THE CONTRARY. BUYER ACKNOWLEDGES THAT BUYER HAS BEEN REPRESENTED BY INDEPENDENT AND COMPETENT LEGAL COUNSEL OF BUYER'S SELECTION AND BUYER IS GRANTING THIS RELEASE FREELY, VOLUNTARILY AND OF ITS OWN VOLITION AND AFTER CONSULTATION WITH SUCH BUYER'S COUNSEL. THE RELEASE SET FORTH HEREIN DOES NOT APPLY TO THE REPRESENTATIONS OF SELLERS EXPRESSLY SET FORTH IN THIS AGREEMENT, ANY INDEMNITY OR WARRANTY EXPRESSLY MADE BY SELLERS IN ANY DOCUMENT DELIVERED BY SELLERS AT CLOSING THAT EXPRESSLY SURVIVES CLOSING, OR ANY LIABILITIES TO ANY PARTIES OTHER THAN BUYER, ITS AGENTS, AFFILIATES, SUCCESSORS AND ASSIGNS. BUYER HEREBY SPECIFICALLY ACKNOWLEDGES THAT BUYER HAS CAREFULLY REVIEWED THIS SUBSECTION AND DISCUSSED ITS IMPORT WITH ITS LEGAL COUNSEL AND THAT THE PROVISIONS OF THIS SUBSECTION ARE A MATERIAL PART OF THIS AGREEMENT. THIS SECTION SHALL SURVIVE CLOSING AND DELIVERY OF THE DEEDS, AND SHALL BE DEEMED INCORPORATED BY REFERENCE AND MADE A PART OF ALL DOCUMENTS DELIVERED BY SELLERS TO BUYER IN CONNECTION WITH THE SALE OF THE PROPERTY. NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, IN THE EVENT THAT ANY THIRD PARTY SHALL BRING A CLAIM OR ACTION AGAINST EITHER PARTY WITH RESPECT TO ANY MATTER ARISING OR ALLEGED TO HAVE ARISEN DURING SUCH PARTY'S PERIOD OF OWNERSHIP, THEN SUCH PARTY SHALL HAVE THE RIGHT TO IMPLEAD AND JOIN THE OTHER PARTY (AND IF THE OTHER PARTY IS SELLER, THEN THE APPLICABLE SELLER) IN AND/OR SEEK CONTRIBUTION AND INDEMNITY FROM SUCH PARTY WITH RESPECT TO SUCH THIRD PARTY CLAIM.

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Buyer

\_\_\_\_\_  
Seller

(f) Seller Reports. EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN SECTION 10(a) HEREOF, SELLERS MAKE NO REPRESENTATION OR WARRANTY AS TO THE TRUTH, ACCURACY OR

COMPLETENESS OF ANY MATERIALS, DATA OR INFORMATION DELIVERED BY SELLERS TO BUYER IN CONNECTION WITH THE TRANSACTION CONTEMPLATED HEREBY. BUYER ACKNOWLEDGES AND AGREES THAT ALL MATERIALS, DATA AND INFORMATION DELIVERED BY SELLERS TO BUYER IN CONNECTION WITH THE TRANSACTION CONTEMPLATED HEREBY ARE PROVIDED TO BUYER AS A CONVENIENCE ONLY AND THAT ANY RELIANCE ON OR USE OF SUCH MATERIALS, DATA OR INFORMATION BY BUYER SHALL BE AT THE SOLE RISK OF BUYER, EXCEPT AS OTHERWISE EXPRESSLY STATED HEREIN. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, BUYER ACKNOWLEDGES AND AGREES THAT (A) ANY ENVIRONMENTAL OR OTHER REPORT WITH RESPECT TO THE PROPERTY WHICH IS DELIVERED BY SELLERS TO BUYER SHALL BE FOR GENERAL INFORMATIONAL PURPOSES ONLY, (B) BUYER SHALL NOT HAVE ANY RIGHT TO RELY ON ANY SUCH REPORT DELIVERED BY SELLER TO BUYER, BUT RATHER WILL RELY ON ITS OWN INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY AND ANY REPORTS COMMISSIONED BY BUYER WITH RESPECT THERETO, AND (C) NEITHER SELLERS, ANY AFFILIATE OF SELLERS NOR THE PERSON OR ENTITY WHICH PREPARED ANY SUCH REPORT DELIVERED BY SELLERS TO BUYER SHALL HAVE ANY LIABILITY TO BUYER FOR ANY INACCURACY IN OR OMISSION FROM ANY SUCH REPORT. BUYER AGREES TO PROMPTLY PROVIDE SELLERS (WITHOUT ANY REPRESENTATION OR WARRANTY WHATSOEVER AND WITHOUT ANY LIABILITY WITH RESPECT TO THE CONTENT THEREOF) WITH COPIES OF ALL ENGINEERING AND ENVIRONMENTAL REPORTS OBTAINED BY BUYER PURSUANT TO SECTION 20 HEREOF WITH RESPECT TO THE PREMISES AND/OR THE PERSONAL PROPERTY.

(g) Effect of Disclaimers. Buyer acknowledges and agrees that the Purchase Price has been negotiated to take into account that each Property is being sold subject to the provisions of this Section 22 and that Sellers would have charged a higher purchase price if the provisions in this Section 22 were not agreed upon by Buyer.

23. Acceptance and Survival.

(a) Acceptance by Buyer of the Deeds at Closing shall constitute an acknowledgment by Buyer of full performance by Sellers of all of Sellers' obligations under this Agreement, except for the obligations of Sellers which are expressly provided in this Agreement to survive Closing.

(b) Survival. The representations and warranties of Sellers set forth in Section 10, as updated by Sellers' Closing Statement, shall survive Closing for a period of nine (9) months after Closing (the "**Survival Period**"). No claim for a breach of any representation or warranty of Sellers shall be actionable or payable (a) if the breach in question results from or is based on a condition, state of facts or other matter which was known to Buyer prior to Closing, (b) unless the valid claims for all such breaches collectively aggregate Twenty-Five Thousand Dollars (\$25,000.00) or more, in which event the full amount of such valid claims shall be actionable, up to but not exceeding the amount of the Cap (as defined below), and (c) unless written notice containing a description of the specific nature of such breach shall have been given by Buyer to Sellers prior to the expiration of said nine (9) month period, Buyer shall have given to Sellers an opportunity to cure any such breach

or default within a reasonable period of time after such notice but Seller shall have failed to cure the same within such time period, and an action shall have been commenced by Buyer against Sellers within one (1) year after Closing. Sellers shall not be liable to Buyer to the extent Buyer's claim is satisfied from any insurance policy, Existing Agreement or Existing Lease. As used herein, the term "**Cap**" shall mean the total aggregate amount of Nine Million Two Hundred Twenty-Three Thousand Four Hundred Dollars (\$9,223,400.00). In no event shall Sellers' aggregate liability to Buyer under this Agreement, including for any and all breaches of any representation or warranty of Sellers in this Agreement or Sellers' Closing Statement, exceed the amount of the Cap, and Buyer hereby waives and disclaims any right to damages or compensation for any and all such breaches in excess of the Cap.

24. Miscellaneous.

(a) Captions or Headings: Interpretation. The captions or headings of the sections and subsections of this Agreement are for convenience only, and shall not control or affect the meaning or construction of any of the terms or provisions of this Agreement. Wherever in this Agreement the singular number is used, the same shall include the plural and vice versa and the masculine gender shall include the feminine gender and vice versa as the context shall require.

(b) Amendments and Waivers. No change, alteration, amendment, modification or waiver of any of the terms or provisions of this Agreement shall be valid, unless the same shall be in writing and signed by Buyer and Sellers.

(c) Counterparts. This Agreement may be executed by facsimile or PDF signature and in multiple counterparts each of which shall be deemed an original but together shall constitute one agreement.

(d) Applicable Law. This Agreement shall be governed and construed according to the laws of the Commonwealth of Virginia.

(e) Right to Waive Conditions or Contingency. Either party may waive any of the terms and conditions of this Agreement made for its benefit provided such waiver is in writing and signed by the party waiving such term or condition.

(f) Partial Invalidity. If any term, covenant, condition or provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable, at any time or to any extent, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, unless such invalidity or unenforceability materially frustrates the intent of the parties as set forth herein. Each term, covenant, condition and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

(g) Confidentiality.

a. Buyer agrees to treat all information received with respect to the Property, whether such information is obtained from Sellers or from Buyer's own due diligence investigations, in a confidential manner. Buyer shall not disclose any such information to any third

parties without Seller's prior written consent, other than such disclosure to Buyer's counsel, consultants, accountants, advisers, investors and lenders as may be required in connection with the transactions contemplated hereby (such disclosure to be made expressly subject to this confidentiality requirement) or as required by law. Sellers and Buyer agree to keep this Agreement confidential and not make any public announcements or disclosures with respect to the subject matter of this Agreement prior to Closing without the written consent of the other party. In addition to the foregoing, at no time, whether before or after Closing, shall Buyer issue any press release or other similar communication relating to the Buyer's purchase and sale of the Properties, or any other subject matter of this Agreement, or disclose the identity of any of Sellers' partners, investors or other direct or indirect equity interest holders without the express prior written consent of Sellers. This Section 24(g) supersedes any and all existing confidentiality agreements or obligations of Buyer with respect to Sellers and the Property and, in the event of any conflict between the terms of this Section 24(g) and any existing confidentiality agreements executed by Buyer in connection with the Sellers or the Property, the terms of this Section 24(g) shall control.

(I) Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall restrict Buyer, Sellers and their affiliates from (1) making at any time, such filings and/or disclosures relating to this Agreement or the transactions contemplated hereby (including the filing of this Agreement) as are required by applicable law (including applicable securities laws, rules and regulations) or applicable stock exchange rule, or (2) issuing press releases from and after such filings and/or disclosures relating to this Agreement or the transactions contemplated thereby, provided that (i) Buyer shall provide Sellers with reasonable advance notice of any such filings and/or disclosures, or press releases relating to this Agreement or the transactions contemplated hereby, (ii) without the express prior written consent of Sellers, no such filings and/or disclosures, or press release shall include the name or identity of any partner, member, equity owner, officer or director of any Seller or the words "The Point", "Panco" or "Pantzer"; provided, however, that Buyer shall have the right to file, and Sellers hereby consent to the filing of, this Agreement with the SEC (without redaction), to the extent required by applicable law.

(h) Agreement Not To Be Recorded. This Agreement shall not be filed of record by or on behalf of Buyer in any office or place of public record. If Buyer fails to comply with the terms hereof by recording or attempting to record this Agreement or a notice thereof, such act shall not operate to bind or cloud the title to the Premises. Sellers shall, nevertheless, have the right forthwith to institute appropriate legal proceedings to have the same removed from record. If Buyer or any agent, broker or counsel acting for Buyer shall cause or permit this Agreement or a copy thereof to be filed in an office or place of public record, Sellers, at its option, and in addition to Sellers' other rights and remedies, may treat such act as a material default of this Agreement on the part of Buyer. However, the filing of this Agreement in any lawsuit or other proceedings in which such document is relevant or material shall not be deemed to be a violation of this subsection.

25. Sophistication of the Parties. Each party hereto hereby acknowledges and agrees that it has consulted competent legal counsel in connection with the negotiation of this Agreement and that it has bargaining power equal to that of the other parties hereto in connection with the negotiation and execution of this Agreement. Accordingly, the parties hereto agree the rule of contract construction to the effect that an agreement shall be construed against the draftsman shall have no application in the construction or interpretation of this Agreement.

26. Limited Liability. Prior to the Closing Date, the obligations of Sellers under this Agreement or directly or indirectly arising out of this Agreement shall be limited solely to each Seller's interest in the applicable Seller's Premises and Personal Property, and neither Buyer nor anyone else claiming by or through Buyer shall have any claim against any other asset of Sellers or any partner, officer or employee of Sellers or partner of any Seller.

27. Enforcement. If either party hereto fails to perform any of its obligations under this Agreement or if a dispute arises between the parties hereto concerning the meaning or interpretation of any provision of this Agreement, then the defaulting party or the party not prevailing in such dispute shall pay any and all costs and expenses incurred by the other party on account of such default and or in enforcing or establishing its rights hereunder, including, without limitation, court costs and reasonable attorneys' fees and disbursements. Any such attorneys' fees and other expenses incurred by either party in enforcing a judgment in its favor under this Agreement shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys' fees obligation is intended to be severable from the other provisions of this Agreement and to survive and not be merged into any such judgment.

28. Waiver of Trial by Jury.

SELLERS AND BUYER EACH IRREVOCABLY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY IN CONNECTION WITH THIS AGREEMENT. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY SELLER AND BUYER AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. EITHER PARTY IS AUTHORIZED TO FILE A COPY OF THIS SECTION IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY THE OTHER PARTY

29. Tax Deferred Exchange.

(a) If Sellers advise Buyer of their intention to seek to effect one or more tax-deferred exchanges (an "**Exchange**") under Section 1031 of the Code, as amended, and the Treasury Regulations, revenue procedures and other guidance promulgated thereunder (the "**Exchange Rules**"), Buyer agrees to accommodate Sellers in seeking to effect an Exchange, subject to and in accordance with Section 29(c) below. Buyer agrees to cooperate with Sellers and a qualified intermediary of Sellers' choice with respect to such Exchange and agrees to execute all documentation reasonably necessary to effectuate such Exchange, at no cost or liability to Buyer. Buyer makes no warranty whatsoever with respect to the qualification of the transaction for tax

deferred exchange treatment under Section 1031 and Buyer shall have no responsibility, obligation or liability with respect to the tax consequences to Sellers.

(b) The Sellers acknowledge and agree that the Buyer may engage in one or more deferred or reverse Exchanges utilizing a qualified intermediary of Buyer's choice (the "**Buyer Qualified Intermediary**") or an exchange accommodator titleholder ("**EAT**") pursuant to the Exchange Rules. Notwithstanding any provision herein to the contrary, in the event Buyer elects to engage in one or more deferred or reverse like-kind Exchanges, the Sellers agree to consent to the assignment of Buyer's rights under this Agreement to the Buyer Qualified Intermediary or EAT in order to facilitate such deferred or reverse like-kind Exchanges. Sellers further agree to execute any and all documents reasonably necessary to consummate the purposes of this Section 29. In the event Buyer engages an EAT for an Exchange, Sellers agree to transfer legal title to each individual Property for which Buyer desires to engage in an Exchange to one or more EATs (or subsidiaries of EATs) pursuant to the same form of instruments of transfer contemplated under this Agreement for transfer of legal title to Buyer. If Buyer elects to use the Buyer Qualified Intermediary or EAT in connection with an Exchange, then at the Closing the Sellers shall direct the Title Company to credit the Deposit against the Purchase Price on behalf of the EAT or the Buyer Qualified Intermediary.

(c) In furtherance of the foregoing, the Sellers and the Buyer agree: (i) the Closing shall not be delayed or affected by reason of an Exchange, nor shall the consummation or accomplishment of an Exchange be a condition precedent or condition subsequent to the exchanging party's obligations under this Agreement; (ii) no party shall be required to take an assignment of the agreement for the relinquished or replacement property or be required to acquire or hold title to any real property for purposes of consummating an Exchange desired by the other party; (iii) the exchanging party shall pay any additional costs that would not otherwise have been incurred by the non-exchanging party had the exchanging party not consummated the transaction through an Exchange; and (iv) the exchanging party agrees to indemnify and hold harmless the other party from and against all actual damages incurred by the other party arising from any tax deferred Exchange conducted by the exchanging party. Neither party shall by this Agreement or acquiescence to an Exchange desired by the other party have its rights under this Agreement affected or diminished in any manner or be responsible for compliance with or be deemed to have warranted to the exchanging party that its Exchange in fact complies with Section 1031 of the Code, provided that each party shall reasonably cooperate with the other party in furtherance of an Exchange of the exchanging party. The provisions of this Section 29 shall survive Closing.

30. Access to Records After Closing.

(a) Buyer shall reasonably cooperate with Sellers for a period of eighteen (18) months following the Closing Date to make available to Sellers and their affiliates, Buyer's employees and Property records, as Sellers may reasonably request, in case of any Seller's need in response to any legal requirement, tax audit, tax return preparation, securities law filing, contractual obligation or litigation threatened or brought against Sellers, by allowing Sellers, their affiliates and their agents or representatives access, upon reasonable advance notice (which notice shall identify the nature of the information sought by such party), at all reasonable times to examine and make copies of any and all instruments, files and records which predate the Closing; provided, however,

that nothing contained in this Section shall require Buyer to retain any files or records for any particular period of time. This Section 30 shall survive Closing and delivery of the Deeds.

(b) Sellers shall, from time to time for a period of eighteen (18) months following the Closing Date, upon reasonable notice from Buyer, at the sole cost and expense of Buyer, provide Buyer and their respective auditors, attorneys, financial advisors, bankers and other consultants and advisors with access to the financial information through the Closing Date in Sellers' possessions relating solely to the Property which is reasonably necessary in the opinion of Buyer's outside third party accountants (the "**Buyer's Accountant**") to enable Buyer and Buyer's Accountant to timely prepare, and where applicable, audit, financial statements for fiscal year 2018 and 2019 through the Closing Date in compliance with any and all requirements of (i) Rules 3-12 and 3-14 of Regulation S-X of the Securities and Exchange Commission (the "SEC"), or if required by the SEC, Rule 3-05 of Regulation S-X of the SEC, (ii) any other applicable law, rule or regulation, including other SEC or New York Stock Exchange rules or regulations, and (iii) any registration statement, report or disclosure statement filed or reported with the SEC by, or on behalf of, Buyer or its parent. Additionally, Sellers shall cooperate in a commercially reasonable manner in obtaining any and all such data and financial information (including, without limitation, data and information obtainable from Sellers' management agent for the Property). Additionally, Sellers shall for a period of eighteen (18) months following the Closing Date, cooperate in a commercially reasonable manner with the efforts of Buyer and its affiliates to prepare audited financial statements for fiscal year 2018 and 2019 through the Closing Date, including footnotes to such audited financial statements and any required pro forma financial statements, including using commercially reasonable efforts to cause Sellers' outside advisors to reasonably cooperate with Buyer, at Buyer's written request and expense, in the preparation of Buyer's filings with the SEC, including, without limitation, assisting with the audit and review of the historical financial statements related to the Property for the subject time period that must be included in any such filings and to be reasonably available, during ordinary business hours, to reasonably answer any commercial questions Buyer may have regarding such information. Sellers shall provide a management representations letter relating to the period prior to Closing covered by such financial statements in customary form, as required by Buyer's Accountant, in connection with any such audit. Buyer shall use commercially reasonable efforts to minimize any interference with the operations of Sellers, their subsidiaries, their affiliates, Sellers' management agent for the Property, and the Property in connection with the preparation of such financial statements. Any costs incurred by Sellers' outside advisors in furtherance of this Section 30 shall be promptly paid by Buyer upon written demand by Sellers. Based on information available to Buyer as of the date of this Agreement, Buyer expects to file audited financial statements limited to those presenting the full fiscal year immediately prior to the Closing (e.g., calendar year 2018), together with the requisite 2019 interim financial periods and the requisite pro forma financial statements, and "Buyer's Accountant" for purposes of this Section 31(b) shall be Ernst & Young LLP.

31. Buyer's Acknowledgment and Representation. Buyer hereby acknowledges and represents to Sellers, as of the date hereof, that, to Buyer's knowledge, Buyer has not found or currently knows of any misrepresentations or violations made by Sellers, in conjunction with Section 10 ("**Sellers' Representations**") or any other applicable section of said Contract. Buyer shall make a similar acknowledgment and representation as of Closing except as to matters discovered by Buyer prior to Closing. Any such matter shall be revealed to Sellers and if Buyer proceeds to close, Buyer shall waive any claim based thereon. "Buyer's knowledge" or "to the knowledge of Buyer" and

words of similar import shall refer solely to facts within the actual knowledge (without independent investigation or inquiry) of Andrew Leahy, the Vice President, Investments, of Buyer and the person directly responsible for supervising the Buyer's due diligence, and shall not be construed to refer to the knowledge of any other employee, officer, director, shareholder or agent of Buyer or any affiliate of Buyer, and shall in no event be deemed to include imputed or constructive knowledge.

32. Ownership of Trade Names and Marks.

(a) Buyer hereby acknowledges and agrees that no right, title or interest in or to the claimed trade names and marks "Pantzer Properties", "Panco", "Panco Management" and any other trade name or service mark that includes the word "Point" or any other trade name or service mark (including any related logos) of Seller (hereinafter collectively referred to as the "**Marks**") and all associated goodwill of the business symbolized by the Marks is being transferred to Buyer as part of this Agreement or the transactions contemplated hereby; and that, by this Agreement, Buyer shall acquire no ownership right, license or interest of any kind in or to the Marks, or any of them. Buyer further acknowledges and agrees that any use or attempt by Buyer to obtain registrations of the Marks, or any of them, in any manner in connection with the Property or otherwise, will result in immediate and irreparable injury to Seller and its affiliates, and that Seller and/or its affiliates shall be entitled to temporary, preliminary, and permanent injunctive relief against Buyer in the event of any such use of the Marks, or any of them, by Buyer, or in the event of any other violation by Buyer of this Section 32.

(b) Sellers and Buyer shall cooperate with each other in connection with the prompt removal of all uses of the "Point" name and mark from the Property after Closing, including changes in signage, lease forms, marketing materials, websites and the like. Buyer agrees to attach a substantial, temporary sign over the existing "Point" or "Point at [name of Property]" logo on all sign(s) within forty-eight (48) hours after Closing so that the word "The Point" will not be visible. Buyer shall keep such temporary signage in place until Buyer installs permanent replacements of such signage, and Buyer shall install such permanent replacement signage on or before the date that is thirty (30) days after Closing. All other signage on the Property containing the "The Point" name or any of the Marks shall be promptly removed or replaced, but in any event, on or before the date that is thirty (30) days after Closing.

(c) This Section 32 shall survive the Closing.

33. Montgomery County ROFR.

(a) The parties acknowledge that the "**County Code Requirements**" (hereinafter defined) regulate the sale of multi-family properties in Montgomery County, Maryland, and provide rights of first refusal ("**ROFR**" or "**ROFRs**") in favor of the Montgomery County Department of Housing and Community Affairs ("**DHCA**"), the Montgomery County Housing Opportunities Commission ("**HOC**") and any tenant organization located at The Point at Germantown Property or The Point at Watkins Mill Property, as applicable (each, a "**ROFR Party**" and, collectively, the "**ROFR Parties**"). On April 5, 2019, the Fox Run Seller and the Watkins Mill Seller shall (i) provide notice of this Agreement (with a copy to Buyer) to each tenant of their respective Property by first class mail and posting in public areas of their respective Property (each,

a “**Seller’s Tenant Notice**”), and (ii) provide a ROFR (with a copy to Buyer) to each of DHCA and HOC. The ROFRs and Seller’s Tenant Notice shall comply in all material respects with the requirements of the County Code Requirements. The date upon which the ROFRs are received by DHCA and HOC is referred to herein as the “**County Notice Date.**” The date upon which the Fox Run Seller or the Watkins Mill Seller mails the Seller’s Tenant Notice to all tenants of its respective Property is referred to herein as the “**Tenant Notice Date.**” In the event that a tenant organization with respect to The Point at Germantown Property or The Point at Watkins Mill Property is certified by DHCA within forty-five (45) days of the Tenant Notice Date in accordance with the ROFR and if this Agreement with respect to The Point at Germantown Property or The Point at Watkins Mill Property, as applicable, has not been terminated in accordance with the terms hereof, Seller shall deliver a ROFR (with a copy to Buyer) to such certified tenant organization within five (5) days of such certification.

(b) In the event that (i) at any time before the sixtieth (60th) day following the County Notice Date, the Fox Run Seller or the Watkins Mill Seller, as applicable, receives notices from DHCA and HOC stating that DHCA and HOC elect to waive their respective ROFRs, or (ii) neither DHCA nor HOC has exercised its ROFR by the sixtieth (60th) day following the County Notice Date, then promptly thereafter, unless a tenant organization was timely formed and certified as provided in the County Code Requirements and provided that this Agreement has not been terminated with respect to The Point at Germantown Property or The Point at Watkins Mill Property, as applicable, in accordance with the terms hereof, the Fox Run Seller or the Watkins Mill Seller, as applicable, shall request in writing (with a copy to Buyer) that DHCA deliver to such Seller a certificate of compliance certifying that the County Code Requirements have been complied with and that no tenant organization has any further rights under the County Code Requirements (the “**Certificate of Compliance**”), which Certificate of Compliance shall be substantially in the form attached hereto as **Exhibit “O”** and otherwise in form reasonably sufficient to permit the Title Company to provide affirmative title insurance coverage to Buyer with respect to the ROFR. Such Seller shall use commercially reasonable efforts to obtain an executed copy, in recordable form, of the Certificate of Compliance. Such Seller shall notify Buyer promptly if any such officials indicate that any changes to the Certificate of Compliance will be required as a condition precedent to the execution thereof by DHCA. Such Seller shall deliver to the Title Company and Buyer a copy of any such Certificate of Compliance promptly, but in any event within two (2) Business Days, following Seller’s receipt thereof. In the event a copy of the Certificate of Compliance executed by DHCA is not delivered to the Title Company and Buyer on or before October 30, 2019, then Buyer shall have the option to terminate this Agreement but only as it relates to The Point at Germantown Property or The Point at Watkins Mill Property, as applicable, upon written notice to Sellers, in which event this Agreement shall be null and void, but only as it relates to The Point at Germantown Property or The Point at Watkins Mill Property, as applicable, and neither party shall have any further rights or obligations under this Agreement with respect to such Property, except as provided in any section hereof that by its terms expressly provides that it survives any termination of this Agreement, and except that Buyer shall have the right to the return of the Deposit allocated to such Property in accordance with Section 3(b). “**County Code Requirements**” means Chapter 11A, Chapter 11C and Chapter 53A of the Montgomery County Code, and any regulations promulgated in connection therewith. The “**Montgomery County Condition**” is defined as the satisfaction of the County Code Requirements, as evidenced by the issuance of the Certificate of Compliance by the DHCA, or such other reasonable evidence of compliance. If any of the ROFR Parties exercises its ROFR Seller shall promptly notify

Buyer (but in any event within five (5) Business Days), and each of Buyer and Sellers shall have the right to terminate this Agreement but only as it relates to The Point at Germantown Property or The Point at Watkins Mill Property, as applicable, upon written notice to the other party, in which event this Agreement shall be null and void and neither party shall have any further rights or obligations under this Agreement, except as provided in any section hereof that by its terms expressly provides that it survives any termination of this Agreement, and except that Buyer shall have the right to the return of the Deposit allocated to such Property in accordance with Section 3 (b).

(c) The Fox Run Seller and the Watkins Mill Seller shall promptly (but in any event within five (5) Business Days after receipt or delivery, as applicable) provide Buyer and the Title Company, as applicable, with copies of all correspondence and notices received from or delivered to the ROFR Parties in connection with the County Code Requirements. In no event shall Seller grant any concessions (including, without limitation, extensions of time, rebates or free rent), except to the extent required in accordance with the County Code Requirements discussed herein, and then only after prior written notice to Buyer, in connection with satisfaction of the Montgomery County Condition.

(d) In accordance with the applicable law in Montgomery County, Maryland, Seller hereby makes the disclosures set forth on Exhibit "P".

*[Signature on following page]*

IN WITNESS WHEREOF, the parties hereto, intending legally to be bound hereby, have executed this Agreement as of the date first above written.

**SELLERS:**

**MAGAZINE BARTON'S CROSSING LP,**

a Delaware limited partnership

By: Barton's Crossing GP, LLC,

a Delaware limited liability company, its General Partner

By:       /s/ Robert Weiner      

Name: Robert Weiner

Title: Authorized Party

*[Signatures continue on next page]*

**MAGAZINE CARLYLE STATION LP,**

a Delaware limited partnership

By: Carlyle Station GP, LLC,  
a Delaware limited liability company, its General Partner

By:     /s/ Robert Weiner    

Name: Robert Weiner

Title: Authorized Party

*[Signatures continue on next page]*

**MAGAZINE GLEN LP,**  
a Delaware limited partnership

By: Glen GP, LLC,  
a Delaware limited liability company, its General Partner

By:     /s/ Robert Weiner      
Name: Robert Weiner  
Title: Authorized Party

*[Signatures continue on next page]*

**MAGAZINE FOX RUN LP,**  
a Delaware limited partnership

By: Fox Run GP, LLC,  
a Delaware limited liability company, its General Partner

By:     /s/ Robert Weiner      
Name: Robert Weiner  
Title: Authorized Party

*[Signatures continue on next page]*

**MAGAZINE LIONSGATE LP,**

a Delaware limited partnership

By: Lionsgate Mag GP, LLC,

a Delaware limited liability company, its General Partner

By:     /s/ Robert Weiner    

Name: Robert Weiner

Title: Authorized Party

*[Signatures continue on next page]*

**MAGAZINE VILLAGE AT MCNAIR FARMS LP,**

a Delaware limited partnership

By: Village at McNair Farms GP, LLC,  
a Delaware limited liability company, its General Partner

By:     /s/ Robert Weiner    

Name: Robert Weiner

Title: Authorized Party

*[Signatures continue on next page]*

**MAGAZINE WATKINS STATION LP,**

a Delaware limited partnership

By: Watkins Station GP, LLC,  
a Delaware limited liability company, its General Partner

By:     /s/ Robert Weiner      
Name: Robert Weiner  
Title: Authorized Party

*[Signatures continue on next page]*

WITNESS:

BUYER:

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By: /s/ Paul T. McDermott

Name: Paul T. McDermott

Title: Chairman and Chief Executive Officer

S-8

**EXHIBIT "A-1"**

The Point at Alexandria Premises  
Legal Description

A-1

**EXHIBIT "A-2"**

The Point at Bull Run Premises  
Legal Description

A-2

**EXHIBIT "A-3"**

The Point at Germantown Premises  
Legal Description

A-3

**EXHIBIT "A-4"**

The Point at Leesburg Premises  
Legal Description

A-4

**EXHIBIT "A-5"**

The Point at Dulles Premises  
Legal Description

A-5

**EXHIBIT "A-6"**

The Point at McNair Farms Premises  
Legal Description

A-6

**EXHIBIT "A-7"**

The Point at Watkins Mill Premises  
Legal Description

A-7

**EXHIBIT "B-1"**

The Point at Alexandria Property  
Personal Property

B-1

**EXHIBIT "B-2"**

The Point at Bull Run Property  
Personal Property

B-2

**EXHIBIT "B-3"**

The Point at Germantown Property  
Personal Property

B-3

**EXHIBIT 'B-4'**

The Point at Leesburg Property  
Personal Property

B-4

**EXHIBIT 'B-5'**

The Point at Dulles Property  
Personal Property

B-5

**EXHIBIT 'B-6'**

The Point at McNair Farms Property  
Personal Property

B-6

**EXHIBIT "B-7"**

The Point at Watkins Mill Property  
Personal Property

B-7

**EXHIBIT "C"**

Deposit Escrow Agreement

See attached.

C-1

## DEPOSIT ESCROW AGREEMENT

THIS DEPOSIT ESCROW AGREEMENT is related to the AGREEMENT OF SALE (the "**Agreement of Sale**"), dated as of April \_\_\_, 2019, among BARTON'S CROSSING LP, a Delaware limited partnership ("**Barton's Crossing Seller**"), MAGAZINE CARLYLE STATION LP, a Delaware limited partnership ("**Carlyle Station Seller**"), MAGAZINE FOX RUN LP, a Delaware limited partnership ("**Fox Run Seller**"), MAGAZINE GLEN LP, a Delaware limited partnership ("**Glen Seller**"), MAGAZINE LIONSGATE LP, a Delaware limited partnership ("**Lionsgate Seller**"), MAGAZINE VILLAGE AT MCNAIR FARMS LP, a Delaware limited partnership ("**McNair Farms Seller**"), MAGAZINE WATKINS STATION LP, a Delaware Limited Partnership ("**Watkins Station Seller**") (collectively, "**Seller**"), and \_\_\_\_\_ ("**Buyer**").

### W I T N E S S E T H :

FIDELITY NATIONAL TITLE INSURANCE COMPANY ("**Escrow Agent**") hereby agrees to hold the Deposit (as defined in the Agreement of Sale) in escrow subject to the provisions of the Agreement of Sale. Escrow Agent is acting solely as stakeholder and depository, and is not responsible or liable in any manner whatever for the sufficiency, correctness, genuineness, or validity of the subject matter of the escrow, or for the identity or authority of any person executing or depositing it.

Buyer and Seller agree to jointly and severally indemnify, defend and hold harmless the Escrow Agent from and against any loss, cost, damage, expense and attorney's fee (collectively called "**Expenses**") in connection with or in any way arising out of this escrow, other than expenses resulting from the Escrow Agent's own gross negligence or willful misconduct.

The Escrow Agent shall be protected in acting upon any written notice, request, waiver, consent, certificate, receipt, authorization, power of attorney or other document Escrow Agent in good faith believes to be genuine and what it purports to be.

The Escrow Agent may, at its own expense, consult with legal counsel in the event of any dispute or questions as to the construction of any provisions hereof or its duties hereunder, and it shall be fully protected in acting in accordance with the opinion or instructions of such counsel.

In the event of a dispute between Buyer and Seller resulting in adverse claims and demands being made for the deposit, the Escrow Agent may continue to hold the Deposit pursuant to terms hereof, or may dispose of the Initial Deposit and the Second Deposit by depositing the same with the clerk of a court of competent jurisdiction or in accordance with a court order, and Escrow Agent shall be fully protected if it so deposits them. Costs incurred by Escrow Agent in connection therewith shall be incurred by the non-prevailing party.

Escrow Agent shall not be liable or responsible for, has no liability in the event of failure, insolvency, or inability of the depository to pay said funds for any failure, refusal or inability of the depository into which the Deposit is deposited to pay the Deposit at Escrow Agent's direction, or for levies by taxing authorities based upon the taxpayer identification number used to establish this

interest bearing account. Escrow Agent shall not be responsible for any interest except for such interest as is actually received (which interest received shall be added to and considered part of the Deposit), nor shall Escrow Agent be responsible for the loss of any interest arising from the closing of any account or the sale of any account prior to maturity.

THE REST OF THE PAGE IS INTENTIONALLY LEFT BLANK

The Deposit shall be applied to the Purchase Price (as defined in the Agreement of Sale) or returned to Seller or Buyer only in strict accordance with the terms of the Agreement of Sale.

FIDELITY NATIONAL TITLE INSURANCE COMPANY

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

*[Signature on following page]*

Consented to this \_\_\_\_\_ day of April, 2019.

WITNESS:

SELLER:

\_\_\_\_\_

\_\_\_\_\_

a \_\_\_\_\_

By: \_\_\_\_\_

Name:

Title:

WITNESS:

BUYER:

\_\_\_\_\_

\_\_\_\_\_,  
a \_\_\_\_\_

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT "D"**

Intentionally Omitted

E-1-1

**EXHIBIT “E”**

The Point at Alexandria Property  
Existing Leases

See attached.

E-1

**EXHIBIT "E"**

The Point at Bull Run Property  
Existing Leases

See attached.

**EXHIBIT “E”**

The Point at Germantown Property  
Existing Leases

See attached.

**EXHIBIT “E”**

The Point at Leesburg Property  
Existing Leases

See attached.

**EXHIBIT “E”**

The Point at Dulles Property  
Existing Leases

See attached.

**EXHIBIT “E”**

The Point at McNair Farms Property  
Existing Leases

See attached.

**EXHIBIT "E"**

The Point at Watkins Mill Property  
Existing Leases

See attached.

E-7

**EXHIBIT "E-1"**

The Point at Alexandria Property  
Tenant Defaults

See attached.

E-1-1

**EXHIBIT "E-1"**

The Point at Bull Run Property  
Tenant Defaults

See attached.

E-1-2

**EXHIBIT "E-1"**

The Point at Germantown Property  
Tenant Defaults

See attached.

E-1-3

**EXHIBIT "E-1"**

The Point a Leesburg Property  
Tenant Defaults

See attached.

E-1-4

**EXHIBIT "E-1"**

The Point at Dulles Property  
Tenant Defaults

See attached.

E-1-5

**EXHIBIT "E-1"**

The Point at McNair Farms Property  
Tenant Defaults

See attached.

E-1-6

**EXHIBIT "E-1"**

The Point at Watkins Mill Property  
Tenant Defaults

See attached.

E-1-7

## **EXHIBIT "E-2"**

Units subject to any affordable housing requirement, restriction, covenant or agreement:

- There are sixteen (16) affordable housing units at The Point at Dulles Property. There are no other affordable units on the Property.

E-2-1

**EXHIBIT "F"**

The Point at Alexandria Property  
Existing Agreements

See attached.

F-1

**EXHIBIT "F"**

The Point at Bull Run Property  
Existing Agreements

See attached.

**EXHIBIT "F"**

The Point at Germantown Property  
Existing Agreements

See attached.

F-3

**EXHIBIT “F”**

The Point at Leesburg Property  
Existing Agreements

See attached.

**EXHIBIT "F"**

The Point at Dulles Property  
Existing Agreements

See attached.

F-5

**EXHIBIT "F"**

The Point at McNair Farms Property  
Existing Agreements

See attached.

F-6

**EXHIBIT "F"**

The Point at Watkins Mill Property  
Existing Agreements

See attached.

F-7

**EXHIBIT "G"**

The Point at Alexandria Property  
Pending Litigation

G-1

**EXHIBIT "G"**

The Point at Bull Run Property  
Pending Litigation

G-2

**EXHIBIT "G"**

The Point at Germantown Property  
Pending Litigation

G-3

**EXHIBIT "G"**

The Point at Leesburg Property  
Pending Litigation

G-4

**EXHIBIT "G"**

The Point at Dulles Property  
Pending Litigation

G-5

**EXHIBIT "G"**

The Point at McNair Farms Property  
Pending Litigation

G-6

**EXHIBIT "G"**

The Point at Watkins Mill Property  
Pending Litigation

G-7

**EXHIBIT "H"**

The Point at Alexandria Property  
Condemnation Exceptions

H-1

**EXHIBIT "H"**

The Point at Bull Run Property  
Condemnation Exceptions

H-2

**EXHIBIT "H"**

The Point at Germantown Property  
Condemnation Exceptions

H-3

**EXHIBIT "H"**

The Point at Leesburg Property  
Condemnation Exceptions

H-4

**EXHIBIT "H"**

The Point at Dulles Property  
Condemnation Exceptions

H-5

**EXHIBIT "H"**

The Point at McNair Farms Property  
Condemnation Exceptions

H-6

**EXHIBIT "H"**

The Point at Watkins Mill Property  
Condemnation Exceptions

H-7

**EXHIBIT 'T'**

Form of Special Warranty Deed - Virginia

I-1

**SPECIAL WARRANTY DEED**

Prepared outside of the Commonwealth of Virginia  
Tax Map Reference No. \_\_\_\_\_

After recording, please mail to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

THIS SPECIAL WARRANTY DEED is made as of \_\_\_\_\_, 2019, between \_\_\_\_\_, a Delaware limited partnership having an address at [\_\_\_\_\_], as grantor for indexing purposes (the “Grantor”), to and in favor of [\_\_\_\_\_], a [\_\_\_\_\_], as grantee for indexing purposes (the “Grantee”).

W I T N E S S E T H:

For and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable consideration paid in hand to Grantor by Grantee, the receipt and sufficiency of which is hereby acknowledged, Grantor has GRANTED, BARGAINED, SOLD and CONVEYED, and by these presents does grant, bargain, sell, and convey unto Grantee, to have and to hold in fee simple, the real property, as the same is legally and particularly described on Exhibit A attached hereto, and incorporated herein by this reference, together with all and singular the rights, benefits, privileges, easements, rights of way, tenements, hereditaments, appurtenances, and other interests on, in, or under, or in, on or under, any land, highway, alley, street or right of way abutting or adjoining such real property, and all buildings, structures, fixtures, facilities, and other improvements located on, under or above the herein described real property, subject to those matters set forth on Exhibit B attached hereto (to the extent such matters apply to such property).

AND GRANTOR covenants that it will warrant specially the property hereby conveyed.

*[Signature on following page]*

IN TESTIMONY WHEREOF, Grantor, on the day and year first hereinabove written, has caused these presents to be executed by its managing member.

WITNESS:

SELLER:

\_\_\_\_\_

\_\_\_\_\_,  
a \_\_\_\_\_

By: \_\_\_\_\_

Name:

Title:

**EXHIBIT A to DEED**

[Property Description]

**EXHIBIT B to DEED**

Permitted Exceptions

Form of Special Warranty Deed - Maryland

**SPECIAL WARRANTY DEED**

THIS SPECIAL WARRANTY DEED, made on \_\_\_\_\_, 2019 between \_\_\_\_\_, a Delaware limited partnership ("**Grantor**"), and \_\_\_\_\_ ("**Grantee**"),

WITNESSES THAT IN CONSIDERATION of Grantee's payment to Grantor of \$\_\_\_\_\_ (which is the actual consideration paid or to be paid for the within conveyance), and for other good and valuable consideration, the receipt and adequacy of which Grantor hereby acknowledges, Grantor hereby grants and conveys to Grantee and its successors and assigns, in fee simple, the parcel of land ("**Land**") in Montgomery County, Maryland which is described in **Exhibit A** hereto, together with all improvements on the Land, all land lying outside the boundaries of the Land and within any public street or highway, and all rights, alleys, ways, waters, privileges, appurtenances and advantages belonging or appurtenant to the Land or improvements (all of which Land, improvements and appurtenances are referred to collectively herein as the "**Property**"),

TO HAVE AND TO HOLD the Property to the use and benefit of Grantee and its successors and assigns, in fee simple.

GRANTOR covenants that Grantor (a) will warrant specially the title hereby granted, subject to all documents and matters of record or (if not of record) of which Grantee has actual knowledge, and (b) will give all further assurances thereof which may be requisite.

IN WITNESS WHEREOF, Grantor has signed this Deed or caused it to be signed on its behalf by its authorized representatives, on the date first above written.

WITNESS:           SELLER

by\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

STATE OF \_\_\_\_\_: COUNTY OF \_\_\_\_\_:

I CERTIFY that on \_\_\_\_\_, 2019, before me, a Notary Public for the state and county aforesaid, personally appeared \_\_\_\_\_, known to me or satisfactorily proven to be the person whose name is subscribed to the foregoing document, who acknowledged that he or she is \_\_\_\_\_ of \_\_\_\_\_, a Delaware limited partnership, and has been duly authorized to sign, and has signed, that document on its behalf for the purposes set forth therein; and that the same is its act and deed. In witness whereof, I have set my hand and Notarial Seal on the date first above written.

My commission expires on \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

I CERTIFY that this document was prepared by or under the supervision of the undersigned, an attorney duly admitted to practice before the Court of Appeals of Maryland.

\_\_\_\_\_

**EXHIBIT A to DEED**

[Property Description]

**EXHIBIT B to DEED**

**EXHIBIT "J"**

**FORM BILL OF SALE FOR PERSONAL PROPERTY**

\_\_\_\_\_, a Delaware limited partnership ("**Seller**"), in consideration of Ten and No/100 Dollars (\$10.00), receipt of which is hereby acknowledged, does hereby sell, assign, transfer and set over to \_\_\_\_\_, a \_\_\_\_\_ ("**Buyer**"), the following described personal property, to wit:

All of the furniture, fixtures, equipment, machines, apparatus, supplies and personal property, of every nature and description, if any, now owned by Seller and located in or on the real estate commonly known as "\_\_\_\_\_", having a street address of \_\_\_\_\_, which real estate is legally described on Exhibit A attached hereto and made a part hereof, excepting therefrom those items listed on Schedule 1 attached hereto.

Title to the person property shall be subject only to those matters set forth on Exhibit B attached hereto (to the extent such matters apply to such property). Except for the foregoing warranty of title, this transfer is made without any other representation, warranty or guaranty by Seller of any kind whatsoever.

*[Signature on following page]*

**IN WITNESS WHEREOF**, Seller has cause this Bill of Sale for Personal Property to be signed and sealed in its name by its officers thereunto duly authorized this \_\_\_\_ day of \_\_\_\_\_, 2019.

WITNESS:

SELLER:

\_\_\_\_\_

\_\_\_\_\_,  
a \_\_\_\_\_

By: \_\_\_\_\_

Name:

Title:

## EXHIBIT "K"

### FORM ASSIGNMENT AND ASSUMPTION OF SERVICES AGREEMENTS, WARRANTIES AND LEASES

\_\_\_\_\_, a Delaware limited partnership ("**Assignor**"), for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledges, has granted, sold, assigned, transferred, conveyed, and delivered and by these presents does grant, sell, assign, transfer, convey and deliver unto \_\_\_\_\_, a \_\_\_\_\_ ("**Assignee**"), all of Assignor's rights, title, and interests in and to the following items arising or used in connection with the improved property situated on the land in the County of \_\_\_\_\_, Town of \_\_\_\_\_, \_\_\_\_\_ more particularly described on Exhibit A attached hereto and made a part hereof (hereinafter called the "**Property**");

(a) Any leases for space in the Property (the "**Leases**"), together with refundable security and other deposits owned or held by Assignor pursuant to the Leases, and any and all claims against tenants under the Leases for past due rents or otherwise, which Lease security deposits and claims are described on Exhibit B attached hereto.

(b) The assignable service, maintenance, or management Agreements relating to the ownership and operation of the Property (the "**Service Agreements**") attached hereto as Exhibit C; and

(c) Any assignable warranties and guaranties relating to the Property or any portion thereof (collectively, the "**Warranties**").

Assignor and Assignee hereby covenant and agree as follows:

- (i) Assignee accepts the aforesaid assignment and Assignee assumes and agrees to be bound by and timely perform, observe, discharge, and otherwise comply with each and every one of the agreements, duties, obligations, covenants and undertakings upon the lessor's part to be kept and performed under the Leases and any obligations of Assignor under the Service Agreements, from and after the date hereof.
- (ii) Neither this Assignment nor any term, provision, or condition hereof may be changed, amended or modified, and no obligation, duty or liability or any party hereby may be released, discharged or waived, except in a writing signed by all parties hereto. Except as otherwise specifically provided in that certain Agreement of Sale between, Assignor, et al, and Assignee dated April 2, 2019, Assignor has not made, does not make and specifically negates and disclaims any representations, warranties, promises, covenants, agreements or guaranties of any kind or character whatsoever, whether express or implied, oral or written, past, present or future, of, as to, concerning or with respect to the Property, Leases, Service Agreements or Warranties.

*[Signature on following page]*

2 EXHIBIT K

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment of Service Agreements, Warranties and Leases effective as of the \_\_\_\_ day of \_\_\_\_\_, 2019.

WITNESS:

SELLER:

\_\_\_\_\_

\_\_\_\_\_,  
a \_\_\_\_\_

By: \_\_\_\_\_

Name:

Title:

WITNESS:

\_\_\_\_\_

ASSIGNEE [BUYER]:

[\_\_\_\_\_] ,  
a [\_\_\_\_\_]

By: \_\_\_\_\_

Name:

Title:

**EXHIBIT "L"**

**FORM OF FIRPTA AFFIDAVIT**

To inform \_\_\_\_\_, a \_\_\_\_\_ ("**Transferee**"), that withholding of tax under Section 1445 of the Internal Revenue Code of 1986, as amended (collectively, the "**Code**"), will not be required for transfer to certain real property to Transferee by \_\_\_\_\_, a \_\_\_\_\_ ("**Transferor**"), the undersigned hereby certify the following on behalf of Transferor:

1. Transferor is not a foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code and the Income Tax Regulations promulgated thereunder);

2. Transferor's U.S. taxpayer identification number is [\_\_\_\_\_];

3. Transferor's office address is:

\_\_\_\_\_  
\_\_\_\_\_

Transferor understands that this certification may be disclosed to the Internal Revenue Service by Transferee and that any false statement contained herein could be punished by fine, imprisonment or both.

Transferor understands that Transferee is relying on this Certification in determining whether withholding is required upon said transfer.

Under penalty of perjury I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of Transferor.

*[Signature on following page]*

Dated: \_\_\_\_\_, 2019

WITNESS:

SELLER:

\_\_\_\_\_

\_\_\_\_\_,  
a \_\_\_\_\_

By: \_\_\_\_\_

Name:

Title:

**EXHIBIT "M"**

**FORM OF TENANT NOTICE**

\_\_\_\_\_, 2019

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

This is notify you that \_\_\_\_\_, a Delaware limited partnership ("**Seller**"), has sold its interest in the property described above and in connection therewith has assigned its interest as landlord under your lease to \_\_\_\_\_, a \_\_\_\_\_ ("**Buyer**").

You are further notified that any refundable security deposits or any prepaid rents under your lease have been transferred to Buyer.

Commencing as of \_\_\_\_\_ all rental payments under your lease shall be paid to Buyer or as Buyer shall direct. Please make your rent checks payable to Buyer at the above address.

Any written notices you desire or are required to make to the landlord under your lease should hereafter be sent to Buyer at the above address.

*[Signature on following page]*

Very truly yours,

[SELLER]

S-1

**EXHIBIT "N"**

**TERMINATION OF MANAGEMENT AGREEMENT**

See attached.

N-1

**FORM TERMINATION OF MANAGEMENT AGREEMENT**

THIS TERMINATION OF MANAGEMENT AGREEMENT is made effective as of the \_\_\_\_ day of \_\_\_\_\_, 2019 (the “**Effective Date**”), by and between \_\_\_\_\_, a Delaware limited partnership (“**Owner**”), and \_\_\_\_\_, a Delaware limited liability company (“**Management Company**”).

Background:

Owner is the owner of a certain apartment project located in \_\_\_\_\_ County, \_\_\_\_\_ known as \_\_\_\_\_ (the “**Property**”). Management Company is the property manager of the Property pursuant to a Management Agreement dated (\_\_\_\_\_) (the “**Management Agreement**”). The parties desire to terminate the Management Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Management Company and Owner hereby terminate the Management Agreement effective as of the Effective Date.

*[Signature on following page]*

WITNESS the following signatures and seals:

WITNESS:

SELLER:

\_\_\_\_\_

\_\_\_\_\_

a \_\_\_\_\_

By: \_\_\_\_\_

Name:

Title:

WITNESS:

MANAGEMENT COMPANY:

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_

**EXHIBIT "O"**

**FORM CERTIFICATE OF COMPLIANCE**

See attached.

O-1

**FORM OF CERTIFICATE OF COMPLIANCE**

This Certificate is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by MONTGOMERY COUNTY, MARYLAND, a public body, corporate and politic, with a charter home rule form of local municipal government organized under the provisions of Article XI-A of the Maryland Constitution (hereinafter referred to as the “County”).

\_\_\_\_\_, a \_\_\_\_\_ (the “**Seller**”) and \_\_\_\_\_, a \_\_\_\_\_ (“**Purchaser**”) have entered into that certain Purchase Agreement dated as of \_\_\_\_\_, 20\_\_, as amended from time to time (the “**Agreement**”) for the sale of a certain parcel of real estate located in Montgomery County, Maryland, as more particularly described in the legal description attached hereto as Exhibit A and incorporated by reference herein (the “**Property**”). It is hereby acknowledged that Purchaser may assign its rights under the Agreement prior to or in connection with closing on the purchase of the Property to one or more of Purchaser’s affiliates (hereinafter referred to collectively as a “**Designated Assignee**”); and such assignment shall not constitute a “sale” or “transfer” under Chapter 11A, and/or Chapter 11C and/or Chapter 53A of the Montgomery County Code (the “**Code**”). Purchaser shall notify the County of any assignment to a Designated Assignee.

The County, acting through the Montgomery County Department of Housing and Community Affairs (“**DHCA**”), on behalf of the County, DHCA and the County’s designated housing agency, the Housing Opportunities Commission of Montgomery County, Maryland (“**HOC**”), certifies that the provisions of Chapters 11A, 11C and 53A of the Code have been complied with and satisfied with respect to the above-described sale and transfer of the Property to Purchaser or its Designated Assignee. The County, acting through DHCA, on behalf of itself, DHCA and HOC, also certifies that no “tenant organization” has any rights under the Code with respect to the above-described sale and transfer of the Property to Purchaser or its Designated Assignee.

This Certificate is to be recorded among the Land Records of Montgomery County, Maryland. Notice as to the recordation date and the liber and folio numbers for this Certificate will be provided to DHCA.

MONTGOMERY COUNTY, MARYLAND  
Department of Housing and Community Affairs

\_\_\_\_\_  
By: Clarence J. Snuggs  
Title: Director, Montgomery County Department of Housing and Community Affairs

Date: \_\_\_\_\_, 20\_\_

**EXHIBIT "P"**

**MONTGOMERY COUNTY DISCLOSURES**

The following disclosures are made pursuant to applicable law in Montgomery County, Maryland, with respect to that portion of the property to be sold pursuant to the Agreement which is located therein:

1. General/Master Plan and Municipal Land Use Plan. Purchaser acknowledges that Purchaser is aware that the applicable plan or general plan for Montgomery County is available at the Maryland-National Capital Park and Planning Commission and that at no time did Seller explain to Purchaser the intent or meaning of such a plan nor did Purchaser rely on any representations made by Seller pertaining to the applicable matter plan or general plan.

---

2. **Review of Master Plan and Municipal Land Use Plan.** By signing the Agreement, Purchaser hereby acknowledges: (A) Seller has offered Purchaser the opportunity to review the applicable master plan and municipal land use plan and any adopted amendment (including maps showing planned land uses, roads and highways, and the location and nature of proposed parks and other public facilities affecting the property contained in the plan); (B) Seller has informed Purchaser that amendments affecting the plan may be pending before the planning board or the county council or a municipal planning body; (C) (1) Purchaser has reviewed each plan and adopted amendment; or (2) Purchaser has waived the right to review each plan and adopted amendment; and (D) Purchaser understands that, to stay informed of future changes in county and municipal land use plans, the Purchaser should consult the planning board and the appropriate municipal planning body.

**PURCHASER:**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

---

3. Notice and Disclosure of Availability of Sewage Disposal System in Designated Areas. Purchaser hereby acknowledges that, prior to entering into the Agreement, Seller, or Seller's

duly authorized agent, provided the information in Section 4 of this Exhibit I, as known to Seller or such agent. If an individual sewage disposal system has been or is to be installed upon the property to be sold pursuant to the Agreement, and if the property to be sold pursuant to the Agreement is located in a subdivision, and if Purchaser received a copy of the subdivision record plat, Purchaser indicates that Purchaser has reviewed the said record plat, including any provisions thereon with regard to areas restricted for the initial and reserve well locations and the individual sewer disposal systems, and the restrictions regarding the location of buildings to be served by any individual sewage disposal system.

---

**4. Notice and Disclosure of Additional Information Relating to the Sewage Disposal System in Designated Areas. By signing the Agreement, Purchaser hereby acknowledges: Seller has disclosed to Purchaser to the extent Seller knows (A) whether the property to be sold pursuant to the Agreement is connected to, or has been approved for connection to, a public water and sewer system; or, (B) (1) if the property to be sold pursuant to the Agreement is not connected to a public water and sewer system, the source, if any, of potable water for the property, and (2) whether an individual sewage disposal system has been constructed on the property to be sold pursuant to the Agreement or approved or disapproved for construction; and (C) (1) the water and sewer service area category or categories that currently apply to the property, and a brief explanation of how each category affects the availability of water and sewer service, (2) any recommendations in the applicable master plan regarding water and sewer service to the property to be sold pursuant to the Agreement, and (3) the status of any pending water and sewer comprehensive plan amendments or service area category changes that would apply to the property to be sold pursuant to the Agreement; or that Seller has informed Purchaser that Seller does not know the foregoing information; and Purchaser understands that, to stay informed of future changes in County and municipal water and sewer plans, Purchaser should consult the County Planning Board, the Washington Suburban Sanitary Commission, the County Department of Environmental Protection, or any appropriate municipal planning or water and sewer body.**

**PURCHASER:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

---

6. Location of Airport or Heliport within Five-mile Radius of Property. Purchaser acknowledges that Seller or an agent of Seller has advised Purchaser of the relative location of any airport or heliport existing within a five-mile radius of the property to be sold pursuant to the Agreement.

---

7. **Location in Special Protection Area.** By signing the Agreement, Purchaser hereby acknowledges that Seller has disclosed whether the property to be sold pursuant to the Agreement is located in an area designated as a special protection area under Section 19-62 of the Montgomery County Code, and Purchaser understands that special water quality measures and certain restrictions on land uses and impervious surfaces may apply to the property to be sold pursuant to the Agreement.

**PURCHASER:**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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8. Disclosure of Historic Designation. By signing the Agreement, Purchaser hereby acknowledges that Seller has disclosed (A) whether the property to be sold pursuant to the Agreement has been designated a historic site in the master plan for historic preservation; (B) is located in an area designated as a historic district in that plan; or (C) is listed as a historic resource on the Montgomery County locational atlas of historic sites; and Purchaser understands that special restrictions on land uses and physical changes may apply to the property to be sold pursuant to the Agreement; and that Purchaser may obtain more information about these restrictions from the staff of the Montgomery County Historic Preservation Commission.

**PURCHASER:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

9. Assessments for Transportation Related Facilities. By signing the Agreement, Purchaser hereby acknowledges that Seller has disclosed the estimated or actual costs, if known, of any deferred costs attributable to the improvement or construction of any transportation-related facility, for which the purchaser shall become liable pursuant to an agreement with Montgomery County. Seller herewith informs Purchaser that Seller has no actual knowledge of the existence of deferred charges attributable to transportation-related facilities and the Purchaser assumes liability for any such charges.

**PURCHASER:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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**EXHIBIT “Q”**

**FORM OF OWNER’S AFFIDAVIT**

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**Section 3: EX-10.2 (EXHIBIT 10.2)**

**FIRST AMENDMENT TO AGREEMENT OF SALE**

This FIRST AMENDMENT TO AGREEMENT OF SALE (this “First Amendment”) is made effective as of the 18<sup>th</sup> day of April, 2019, by and by and among BARTON’S CROSSING LP, a Delaware limited partnership (“**Barton’s Crossing Seller**”), MAGAZINE CARLYLE STATION LP, a Delaware limited partnership (“**Carlyle Station Seller**”), MAGAZINE FOX RUN LP, a Delaware limited partnership (“**Fox Run Seller**”), MAGAZINE GLEN LP, a Delaware limited partnership (“**Glen Seller**”), MAGAZINE LIONSGATE LP, a Delaware limited partnership (“**Lionsgate Seller**”), MAGAZINE VILLAGE AT MCNAIR FARMS LP, a Delaware limited partnership (“**McNair Farms Seller**”), MAGAZINE WATKINS STATION LP, a Delaware Limited Partnership (“**Watkins Station Seller**”) (Barton’s Crossing Seller, Carlyle Station Seller, Fox Run Seller, Glen Seller, Lionsgate Seller, McNair Farms Seller, and Watkins Station Seller are each herein a “**Seller**” and collectively, the “**Sellers**”) and WASHINGTON REAL ESTATE INVESTMENT TRUST, a Maryland real estate investment trust (“**Buyer**”).

**RECITALS**

- A. The Parties entered into that certain Agreement of Sale dated April 2, 2019 (the “Agreement”); and
- B. The Parties desire to amend certain terms and conditions of the Agreement.

**NOW, THEREFORE**, in consideration of the above and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to amend the Agreement in the manner set forth as follows:

**AGREEMENT**

- 1. Capitalized terms used in this First Amendment that are not otherwise defined herein shall have the meanings ascribed to such terms in the Agreement.
- 2. **Imminent Domain.** Seller covenants and agrees that, during the pendency of the Agreement, it shall neither enter into any agreement with the Virginia Department of Transportation (“**VDOT**”), with respect to the condemnation matter referenced in that certain offer letter dated March 13, 2019, from VDOT to Carlyle Station Seller. Seller shall promptly (but in any event within two (2) Business Days after receipt or delivery, as applicable) provide Buyer with copies of all correspondence and notices received from or delivered to VDOT after the date hereof in connection with such condemnation matter. Seller agrees to notify VDOT of the pending sale of The Point at Bull Run Property and inform VDOT that Seller is not in a position to take any action with respect to such condemnation matter during the pendency of the closing of such sale. Following such closing, Buyer shall have to sole right to negotiate with VDOT regarding said condemnation matter.
- 3. **Deferred Maintenance; Purchase Price Reduction; Allocation among Properties.** As a result of certain deferred maintenance identified by Buyer as a part of its due diligence of the Properties, at Closing, certain of the EAT Subsidiaries will be entitled to a credit against the

Purchase Price payable with respect to its Property, in accordance with the allocations set forth on Exhibit A.

4. **Ratification.** Except as amended herein, the terms and provisions of the Agreement are hereby ratified and confirmed by the Parties and remain in full force and effect.
5. **Counterparts.** This First Amendment may be executed in counterparts, each of which shall, for all purposes, be deemed an original but which together shall constitute one and the same instrument. The Parties may execute this First Amendment by facsimile or email signature, it being the intent of the Parties that such signatures constitute originals thereof. The Parties shall, as soon as reasonably practicable after the date of this First Amendment, exchange originally signed counterpart signature pages of this First Amendment.

*[Signature Page Follows]*

**IN WITNESS WHEREOF**, the Parties have executed this First Amendment effective on the date first above written.

**SELLERS:**

**MAGAZINE BARTON'S CROSSING LP,**

a Delaware limited partnership

By: Barton's Crossing GP, LLC,

a Delaware limited liability company, its General Partner

By:     /s/ Robert Weiner    

Name: Robert Weiner

Authorized Party:

*[Signatures continue on next page]*

**MAGAZINE CARLYLE STATION LP,**

a Delaware limited partnership

By: Carlyle Station GP, LLC,  
a Delaware limited liability company, its General Partner

By:     /s/ Robert Weiner    

Name: Robert Weiner

Authorized Party:

*[Signatures continue on next page]*

**MAGAZINE GLEN LP,**  
a Delaware limited partnership

By: Glen GP, LLC,  
a Delaware limited liability company, its General Partner

By:     /s/ Robert Weiner      
Name: Robert Weiner  
Authorized Party:

*[Signatures continue on next page]*

**MAGAZINE FOX RUN LP,**  
a Delaware limited partnership

By: Fox Run GP, LLC,  
a Delaware limited liability company, its General Partner

By:     /s/ Robert Weiner      
Name: Robert Weiner  
Authorized Party:

*[Signatures continue on next page]*

**MAGAZINE LIONSGATE LP,**

a Delaware limited partnership

By: Lionsgate Mag GP, LLC,

a Delaware limited liability company, its General Partner

By:     /s/ Robert Weiner    

Name: Robert Weiner

Authorized Party:

*[Signatures continue on next page]*

**MAGAZINE VILLAGE AT MCNAIR FARMS LP,**

a Delaware limited partnership

By: Village at McNair Farms GP, LLC,  
a Delaware limited liability company, its General Partner

By:     /s/ Robert Weiner    

Name: Robert Weiner

Authorized Party:

*[Signatures continue on next page]*

**MAGAZINE WATKINS STATION LP,**

a Delaware limited partnership

By: Watkins Station GP, LLC,  
a Delaware limited liability company, its General Partner

By:     /s/ Robert Weiner    

Name: Robert Weiner

Authorized Party:

*[Signatures continue on next page]*

**BUYER:**

**WASHINGTON REAL ESTATE INVESTMENT TRUST**, a  
Maryland real estate investment trust

By: /s/ Taryn D. Fielder

Name: Taryn D. Fielder

Title: Senior Vice President &  
General Counsel

**EXHIBIT A**

<b>SELLER ENTITY</b>	<b>EAT SUBSIDIARIES</b>	<b>PURCHASE PRICE CREDIT ALLOCATION</b>
Barton's Crossing LP	WashREIT Alexandria LLC	\$720,000.00
Magazine Carlyle Station LP	WashREIT Bull Run LLC	\$504,000.00
Magazine Fox Run LP	WashREIT Germantown LLC	\$0.00
Magazine Glen LP	WashREIT Leesburg LLC	\$155,925.00
Magazine Lionsgate LP	WashREIT Dulles LLC	\$486,000.00
Magazine Village At McNair Farms LP	WashREIT McNair Farms LLC	\$384,075.00
Magazine Watkins Station LP	WashREIT Watkins Mill LLC	\$0.00
	<b>TOTAL:</b>	<b>\$2,250,000.00</b>

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**Section 4: EX-10.3 (EXHIBIT 10.3)**



**Wells Fargo Bank, National Association  
Wells Fargo Securities, LLC  
550 South Tryon Street  
Charlotte, North Carolina 28202**

CONFIDENTIAL

April 1, 2019

Washington Real Estate Investment Trust  
1775 Eye Street NW, Suite 1000  
Washington, DC 20006  
Attention: Stephen E. Riffe  
Executive Vice President and Chief Financial Officer

Re: Commitment Letter  
\$450 Million Senior Unsecured Term Loan

Ladies and Gentlemen:

You have advised Wells Fargo Bank, National Association ("Wells Fargo Bank") and Wells Fargo Securities, LLC ("Wells Fargo Securities"), PNC Bank, National Association ("PNC Bank"), U.S. Bank National Association ("US Bank"), KeyBank National Association ("KeyBank"), and Capital One, National Association ("Capital One" and, collectively with Wells Fargo Bank, Wells Fargo Securities, PNC

Bank, US Bank and KeyBank, the "Commitment Parties" or "we" or "us") that Washington Real Estate Investment Trust (the "Borrower" or "you") seeks a senior unsecured term loan (the "Term Facility") to, in part, (i) fund a portion of the purchase price for the proposed acquisition (the "Acquisition") of up to seven multifamily assets located in Maryland and Virginia with approximately 2100 units (each, an "Acquired Asset" and collectively, the "Acquired Assets") pursuant to the Agreement of Sale dated as of the date hereof by and among Barton's Crossing LP, Magazine Carlyle Station LP, Magazine Fox Run LP, Magazine Glen LP, Magazine Lionsgate LP, Magazine Village At McNair Farms LP, and Magazine Watkins Station LP, each, a Delaware limited partnership (collectively the "Sellers") and the Borrower or a subsidiary of the Borrower (including all schedules and exhibits thereto, the "Acquisition Agreement"), (ii) to repay (the "Repayment") certain outstanding loans under the Existing Credit Agreement (as defined in the Summary of Terms and Conditions attached hereto as Annex A (the "Term Sheet") and (iii) pay fees, commissions and expenses in connection with the Transactions (as defined below).

As used herein, the term "Transactions" means, collectively, the Acquisition, the borrowings under the Term Facility, the Repayment and the payment of fees, commissions and expenses in connection with each of the foregoing. This letter, including the Term Sheet and the Conditions Annex attached hereto as Annex B (the "Conditions Annex"), is referred to as the "Commitment Letter". The date of consummation

of the Acquisition is referred to as the “Closing Date”. Capitalized terms not otherwise defined in the body of this Commitment Letter and that are defined in the Term Sheet, have the respective meanings given them in the Term Sheet.

1. Commitments. You have requested that each of Wells Fargo Bank, PNC Bank, US Bank, KeyBank and Capital One (in such capacity, each of Wells Fargo Bank, PNC Bank, US Bank, KeyBank and Capital One, individually a “Lead Lender” and collectively, the “Lead Lenders”) commit to provide a portion of the Term Facility. Upon the terms and subject to the conditions set forth in this Commitment Letter:

(i) Wells Fargo Bank is pleased to advise you of its commitment (the “Wells Fargo Commitment”) to provide to the Borrower \$180 million of the principal amount of the Term Facility;

(ii) PNC Bank is pleased to advise you of its commitment (the “PNC Commitment”) to provide to the Borrower \$90 million of the principal amount of the Term Facility;

(iii) US Bank is pleased to advise you of its commitment (the “US Bank Commitment”) to provide to the Borrower \$90 million of the principal amount of the Term Facility;

(iv) KeyBank is pleased to advise you of its commitment (the “KeyBank Commitment”) to provide to the Borrower \$45 million of the principal amount of the Term Facility; and

(v) Capital One is pleased to advise you of its commitment (the “Capital One Commitment” and, together with the Wells Fargo Commitment, the PNC Commitment, the US Bank Commitment and the KeyBank Commitment, each a “Commitment” and collectively the “Commitments”) to provide to the Borrower \$45 million of the principal amount of the Term Facility;

The Commitments of the Lead Lenders are several and not joint and several, and a Lead Lender shall not have any liability for the failure of the other Lead Lender to provide its respective Commitment.

2. Titles and Roles. Wells Fargo Securities, acting alone or through or with affiliates selected by it, will act as the sole bookrunner and sole lead arranger (in such capacities, the “Lead Arranger”) in arranging and syndicating the Term Facility. Wells Fargo Bank will act as the sole administrative agent (in such capacity, the “Administrative Agent”) for the Term Facility. PNC Bank and US Bank will act as co-documentation agents for the Term Facility. No additional agents, co-agents, arrangers or bookrunners will be appointed and no other titles will be awarded and no other compensation will be paid (other than compensation expressly contemplated by this Commitment Letter and the Fee Letter (as defined below)) unless you and we shall agree in writing. Wells Fargo Securities will have “left” and “highest” placement in any and all marketing materials or other documentation used in connection with the Term Facility and shall hold the leading role and responsibilities conventionally associated with such placement, including maintaining sole physical books for the Term Facility. No other agent, co-agent, arranger or bookrunner, will have rights in respect of the management of the syndication of the Term Facility unless otherwise agreed among Wells Fargo Bank, Wells Fargo Securities and the Borrower.

3. Conditions to Commitments. The Commitments of the Lead Lenders in respect of the Term Facility and undertakings of the Commitment Parties hereunder are subject solely to the satisfaction of the conditions precedent set forth in the Conditions Annex.

4. Syndication.

(a) Lead Arranger may continue to further syndicate the Term Facility after your acceptance of the terms of this Commitment Letter and the Fee Letter from a syndicate of banks, financial institutions and other entities (such banks, financial institutions and other entities committing to the Term Facility, including the Lead Lenders, the “Lenders”) upon the terms and subject to the conditions set forth in this Commitment Letter. The respective Commitments of the Lead Lenders shall be reduced dollar-for-dollar and on a pro rata basis as and when corresponding commitments are received from the other Lenders in respect of the Facility pursuant to an amendment or an amendment and restatement of, or customary joinder to, this Commitment Letter (any such amendment, amendment and restatement or joinder, a “Joinder”) or pursuant to the Financing Documentation, whichever is earlier. The parties agree to cooperate in good faith to negotiate, execute and deliver Joinders promptly upon prospective Lenders having been identified in accordance with the last paragraph of this Section 4. With respect to any syndication, assignment or participation other than through a Joinder or pursuant to the Financing Documentation, no Lead Lender shall be relieved, released or novated from its obligations hereunder until the earlier of the Closing Date and the termination of this Commitment Letter pursuant to Section 10(b) hereof (but without limiting the Borrower’s acceptance of and obligation to execute and deliver Joinders as set forth in the preceding sentence).

(b) You agree to assist us actively in achieving a syndication of the Term Facility that is reasonably satisfactory to us and you. To assist us in our syndication efforts, you agree that you will, and will cause your representatives and non-legal advisors to (i) provide promptly to the Commitment Parties and the other Lenders upon request all information reasonably deemed necessary by the Lead Arranger to assist the Lead Arranger and each Lender in their evaluation of the Transactions and to complete the syndication, (ii) make senior management of the Borrower available to prospective Lenders on reasonable prior notice and at reasonable times and places, (iii) host, with the Lead Arranger, one or more meetings and/or calls with prospective Lenders at mutually agreed times and locations, (iv) assist, and cause your affiliates and advisors to assist, the Lead Arranger in the preparation of one or more confidential information memoranda and other marketing materials to be used in connection with the syndication, (v) use commercially reasonable efforts to ensure that the syndication efforts of the Lead Arranger benefit materially from the existing lending relationships of the Borrower, and (vi) ensure that, prior to the completion of a successful syndication of the Term Facility or termination or expiration of this Commitment Letter in accordance with its terms, neither the Borrower nor any of its subsidiaries shall have solicited, initiated, entertained or permitted, or entered into any discussions with any other bank, investment bank, financial institution, person or entity in respect of any structuring, arranging, underwriting, offering, placing, or syndicating of, or announced, offered, arranged, syndicated or issued, any commercial bank or other bank credit facilities (excluding any property level mortgage financing, non-recourse financing, or senior or subordinated debt securities) that the Lead Arranger reasonably believes could compete with the syndication of, or could impair the successful syndication of, the Term Facility, in each case, without the prior written consent of the Lead Arranger.

(c) The Lead Arranger and/or one or more of its affiliates will, in consultation with you, exclusively manage all aspects of the syndication of the Term Facility, including decisions as to the selection and number of potential Lenders to be approached, when they will be approached, whose commitments will be accepted, any titles offered to the Lenders and the final allocations of the commitments and any related fees among the Lenders, and the Lead Arranger will exclusively perform all functions and exercise all authority as is customarily performed and exercised in such capacities. The final selection of any additional Lenders (other than the Lead Lenders) and final allocation of commitments in respect of the Term Facility (if other than as set forth herein with respect to the Commitments) will be subject to your approval which approval shall not be unreasonably withheld or delayed. Without limiting your obligations to assist with the syndication efforts as set forth herein, it is understood that the Commitments hereunder are not conditioned upon the syndication of, or receipt of commitments in respect of, the Term Facility and in no event shall the

successful completion of the syndication of the Term Facility constitute a condition to the availability of the Term Facility on the Closing Date.

## 5. Information.

(a) You represent, warrant and covenant that (i) all information (other than the Projections, as defined below, other forward looking information and information of a general economic or general industry nature) concerning the Borrower and its subsidiaries, the Acquisition, the Acquired Assets, and the Transactions that has been or will be made available to the Commitment Parties or the Lenders by you, or any of your representatives, subsidiaries or affiliates (or on your or their behalf) (the “Information”), when taken as a whole, is, and in the case of Information made available after the date hereof, will be complete and correct in all material respects and does not, and in the case of Information made available after the date hereof, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not materially misleading and (ii) all financial projections concerning the Borrower and its subsidiaries and the Acquired Assets, taking into account the consummation of the Transactions, that have been or will be made available to the Commitment Parties or the other Lenders by you, or any of your representatives, subsidiaries or affiliates (or on your or their behalf) (the “Projections”) have been and will be prepared in good faith based upon assumptions believed by you to be reasonable at the time made, it being understood that actual results may vary materially from the Projections. You agree that if, at any time prior to the Closing Date, you become aware that any of the representations and warranties contained in the preceding sentence would be incorrect in any respect if the Information and Projections were being furnished, and such representations and warranties were being made, at such time, then you will promptly supplement the Information and Projections so that such representations and warranties are correct in all respects under those circumstances. We will be entitled to use and rely upon, without responsibility to verify independently, the Information and the Projections. The accuracy of the foregoing representations and warranties, whether or not cured or supplemented, shall not be a condition to the funding of the Commitments on the Closing Date by any of the Lead Lenders hereunder unless the inaccuracy results in an express condition hereunder otherwise not being satisfied on the Closing Date (including the failure of the Specified Acquisition Agreement Representations or Specified Representations to be true and correct).

(b) You acknowledge that (i) the Commitment Parties on your behalf will make available the Information, Projections and other marketing materials and presentations, including confidential information memoranda (collectively, the “Informational Materials”), to the potential Lenders by posting the Informational Materials on SyndTrak Online, IntraLinks or by other similar electronic means (collectively, the “Electronic Means”) and (ii) certain prospective Lenders may be “public side” (i.e., lenders that have personnel that do not wish to receive material non-public information (within the meaning of the United States federal securities laws, “MNPI”) with respect to the Borrower, the Sellers or their respective subsidiaries or affiliates or any of their respective securities, and who may be engaged in investment and other market-related activities with respect to such entities’ securities (such Lenders, “Public Lenders”). At the request of the Lead Arranger, (A) you will assist, and cause your affiliates and advisors to assist, the Lead Arranger in the preparation of Informational Materials to be used in connection with the syndication of the Term Facility to Public Lenders, which will not contain MNPI (the “Public Informational Materials”) and (B) you will identify and conspicuously mark any Public Informational Materials as “*PUBLIC*”, it being understood that all Informational Materials not identified by you as “*PUBLIC*” or not included in public filings made by you or any of your subsidiaries with the Securities and Exchange Commission shall be deemed to be “*PRIVATE AND CONFIDENTIAL*” unless you otherwise advise the Lead Arranger. Notwithstanding the foregoing, you agree that the Commitment Parties may distribute the following documents to all prospective Lenders (including the Public Lenders) on your behalf, unless you advise the

Commitment Parties in writing (including by email) within a reasonable time prior to their intended distributions that such material should not be distributed to Public Lenders: (x) administrative materials for prospective Lenders such as lender meeting invitations and funding and closing memoranda, (y) notifications of changes to the Term Facility's terms and (z) other materials intended for prospective Lenders after the initial distribution of the Informational Materials, including drafts and final versions of the Term Sheet and the Financing Documentation. If you advise us in writing (including by email) that any of the foregoing items (other than the Financing Documentation) should not be distributed to Public Lenders, then the Commitment Parties will not distribute such materials to Public Lenders without further discussions with you. Before distribution of any Informational Materials to prospective Lenders, you shall provide us with a customary letter authorizing the dissemination of the Informational Materials and confirming the accuracy and completeness in all material respects of the information contained therein in accordance with the requirements of Section 5(a) hereof and, in the case of Public Informational Materials, confirming the absence of MNPI therefrom.

6. Indemnification. You agree to indemnify and hold harmless the Commitment Parties and each of their respective affiliates, directors, officers, employees, partners, representatives, advisors and agents and each of their respective heirs, successors and assigns (each, an "Indemnified Party") from and against any and all actions, suits, losses, claims, damages, penalties, liabilities and expenses of any kind or nature (including legal expenses), joint or several, to which such Indemnified Party may become subject or that may be incurred or asserted or awarded against such Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation or proceeding or preparation of a defense in connection therewith) (i) any matters contemplated by this Commitment Letter, the Transactions or any related transaction (including, without limitation, the execution and delivery of this Commitment Letter, the Financing Documentation and the closing of the Transactions) or (ii) the use or the contemplated use of the proceeds of the Term Facility, and will reimburse each Indemnified Party for all reasonable and documented out-of-pocket expenses (including reasonable and documented out-of-pocket attorneys' fees, expenses and charges) on demand as they are incurred in connection with any of the foregoing; provided that no Indemnified Party will have any right to indemnification for any of the foregoing to the extent resulting from (i) such Indemnified Party's own bad faith, gross negligence or willful misconduct as determined by a final non-appealable judgment of a court of competent jurisdiction or (ii) any dispute solely among Indemnified Parties, other than any claims against any Commitment Party in its respective capacity or in fulfilling its role as an administrative agent or arranger or any other agent or any similar role hereunder or under the Term Facility. In the case of an investigation, litigation or proceeding to which the indemnity in this paragraph applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by you, any Seller, your or any of their equityholders or creditors or an Indemnified Party, whether or not an Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. You also agree that no Indemnified Party will have any liability (whether direct or indirect, in contract or tort, or otherwise) to you or your affiliates or to your or their respective equity holders or creditors arising out of, related to or in connection with any aspect of the transactions contemplated hereby, except to the extent such liability to you is determined in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's own bad faith, gross negligence or willful misconduct. No Indemnified Party will be liable to you, your affiliates or any other person for any indirect, consequential, special or punitive damages in connection with this Commitment Letter, the Fee Letter, the Financing Documentation or any other element of the Transactions. No Indemnified Party will be liable to you, your affiliates or any other person for any damages arising from the use by others of Informational Materials or other materials obtained by Electronic Means, except to the extent such liability is determined in a final nonappealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's own bad faith, gross negligence or willful misconduct. You shall not, without the prior written consent of each Indemnified Party affected thereby

(which consent will not be unreasonably withheld), settle any threatened or pending claim or action that would give rise to the right of any Indemnified Party to claim indemnification hereunder unless such settlement (a) includes a full and unconditional release of all liabilities arising out of such claim or action against such Indemnified Party, (b) does not include any statement as to or an admission of fault, culpability or failure to act by or on behalf of such Indemnified Party and (c) requires no action on the part of such Indemnified Party other than its consent.

7. Fees and Expenses. As consideration for the Commitments of the Lead Lenders in respect of the Term Facility and undertakings of the Commitment Parties hereunder, you agree to pay or to cause to be paid the nonrefundable fees described in that certain fee letter dated as of the date hereof by and among the parties hereto and a separate agency fee letter by and among Wells Fargo Bank, Wells Fargo Securities and you (together, the "Fee Letter") on the terms and subject to the conditions set forth therein. You also agree to reimburse the Lead Arranger and its affiliates, from time to time on demand for all reasonable and documented out-of-pocket costs and expenses (including, without limitation, reasonable and documented out-of-pocket legal fees and expenses and due diligence expenses) of the Lead Arranger and its affiliates and all reasonable printing, reproduction, document delivery, travel, CUSIP, IntraLinks, SyndTrak and communication costs incurred in connection with the syndication and execution of the Term Facility and the preparation, review, negotiation, execution, delivery and enforcement of this Commitment Letter, the Fee Letter and the Financing Documentation; provided, however, that in the case of legal fees and expenses, your reimbursement obligations hereunder shall be limited to the reasonable and documented out-of-pocket fees, disbursements and other charges of one counsel to the Lead Arranger and its affiliates and, if reasonably necessary, a single local counsel for the Lead Arranger and its affiliates in each relevant jurisdiction and with respect to each relevant specialty, and in the case of an actual or perceived conflict of interest, one additional counsel in each relevant jurisdiction to the affected Commitment Parties that are similarly situated.

8. Confidentiality.

(a) This Commitment Letter and the Fee Letter (collectively, the "Commitment Documents") and the existence and contents hereof and thereof shall be confidential and may not be disclosed, directly or indirectly, by you in whole or in part to any person without our prior written consent, except for disclosure (i) hereof or thereof on a confidential basis to your directors, officers, employees, accountants, attorneys and other professional advisors who have agreed to maintain the confidentiality of the Commitment Documents for the purpose of evaluating, negotiating or entering into the Transactions or are otherwise bound by confidentiality obligations by virtue of employment conditions or standards of professional conduct, (ii) pursuant to the order of any court or administrative agency in any pending legal, judicial or administrative proceeding, or otherwise as required by applicable law, compulsory legal process or to the extent requested or required by governmental and/or regulatory authorities, in each case based on the reasonable advice of your legal counsel (in which case you agree, to the extent permitted by law, to inform us promptly in advance thereof), or (iii) of this Commitment Letter and the Fee Letter (but, in the case of the Fee Letter, only if redacted in a manner reasonably satisfactory to the Commitment Parties) on a confidential basis to the board of directors, officers and advisors of the Sellers in connection with the Acquisition; provided that you may disclose, after your acceptance of the Commitment Documents, (A) this Commitment Letter but not any Fee Letter (other than the existence thereof and the aggregate amount of fees paid or payable thereunder as part of projections, pro forma information and a generic disclosure of aggregate sources and uses), in any required filings with the Securities and Exchange Commission and other applicable regulatory authorities and stock exchanges (or, from and after the time of any such disclosure pursuant to this clause (A), the existence of the Commitment Letter and the Commitments in issuing any press release), and (B) the Term Sheet to any ratings agency in connection with the Transactions. Notwithstanding anything to the contrary contained herein, the Commitment Parties shall be permitted to use information related to the syndication and

arrangement of the Term Facility (including your name and company logo) in connection with obtaining CUSIP numbers and, subject to your prior written approval, marketing, press releases or other transactional announcements or updates provided to investor or trade publications, subject in each case to the confidentiality obligations set forth herein; provided, however, that subsequent to the Closing Date and the public announcement thereof by you, your approval shall not be required for “tombstones” or other similar pitch references to the Term Facility in pitch materials prepared by any of the Commitment Parties. Prior to the Closing Date, the Lead Arranger shall have the right to review (which right shall not unreasonably delay) any public press release, public announcement or other public disclosure made by you or your representatives relating to the Term Facility which expressly references or identifies the names of the Commitment Parties and any titles given to such Commitment Parties in connection therewith, before any such announcement or filing is made; provided, it being understood such right to review shall not apply to any disclosure made pursuant to and in accordance with clause (ii) of the first sentence of this paragraph or clause (A) of the proviso to the first sentence of this paragraph (other than the parenthetical set forth in such clause (A)).

(b) The Commitment Parties hereby notify you that pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56 (signed into law October 26, 2001) (the “Patriot Act”), each of them is required to obtain, verify and record information that identifies you and any additional parties to the Financing Documentation, which information includes your and their respective names, addresses, tax identification numbers and other information that will allow the Commitment Parties and the other Lenders to identify you and such other parties in accordance with the Patriot Act. This notice is given in accordance with the requirements of the Patriot Act and is effective for each of us and the Lenders.

(c) The Commitment Parties and their respective affiliates shall not disclose to any person, and shall treat confidentially, all Informational Materials that have been made available to them by you, or any of your representatives, subsidiaries or affiliates (or on your or their behalf); provided, however, nothing herein shall prevent any Commitment Party from disclosing any such Informational Materials (i) to any Lenders or participants or prospective Lenders or participants; (provided that the disclosure of any such Informational Materials to any Lenders or prospective Lenders or participants or prospective participants referred to above shall be made subject to the acknowledgement and acceptance by such Lender or prospective Lender or participant or prospective participant that such information is being disseminated on a confidential basis (on substantially the terms set forth in this paragraph or as is otherwise reasonably acceptable to you and each Commitment Party, including, without limitation, as agreed in any confidential information memorandum or other marketing materials) in accordance with the standard syndication processes of such Commitment Party which shall in any event be consistent customary market standards for dissemination of such type of information); (ii) in any legal, judicial, administrative proceeding or other compulsory process or otherwise as required by applicable law or regulations (in which case, such Commitment Party shall, to the extent permitted by law, inform you promptly in advance thereof); (iii) upon the request or demand of any regulatory authority having jurisdiction over such Commitment Party or its affiliates (in which case such Commitment Party shall, except with respect to any audit or examination conducted by bank accountants or any governmental bank regulatory authority exercising examination or regulatory authority, promptly, notify you, in advance, to the extent practicably and lawfully permitted to do so); (iv) to the employees, legal counsel, independent auditors, professionals and other experts or agents of such Commitment Party on a need to know basis who are informed of the confidential nature of such information and are or have been advised of their obligation to keep information of this type confidential; (v) to any of its respective affiliates solely in connection with the Transactions so long as such affiliates are informed of the confidential nature of such information and are or have been advised of their obligation to keep information of this type confidential; (vi) to the extent any such Informational Materials becomes publicly available other than as a result of disclosure by such Commitment Party or a potential or prospective Lender in a manner not permitted by this paragraph or (y) becomes available to the Commitment Parties on a nonconfidential basis from a

source other than your or any of your affiliates Commitment Letter; or (vii) for purposes of establishing a “due diligence” defense. The provisions of this paragraph with respect to the Commitment Parties shall automatically terminate on the earlier of (i) two years following the date of this Commitment Letter and (ii) the Closing Date.

#### 9. Other Services.

(a) Nothing contained herein shall limit or preclude the Commitment Parties or any of their respective affiliates from carrying on any business with, providing banking or other financial services to, or from participating in any capacity, including as an equity investor, in any party whatsoever, including, without limitation, any competitor, supplier or customer of you, any Seller or any of your or their respective affiliates, or any other party that may have interests different than or adverse to such parties.

(b) You acknowledge that the Commitment Parties and their affiliates (the terms “*Commitment Parties*” as used in this section being understood to include such respective affiliates) (i) may be providing debt financing, equity capital or other services (including financial advisory services) to other entities and persons with which you, any Seller or any of your or their respective affiliates may have conflicting interests regarding the Transactions and otherwise, (ii) may act, without violation of its contractual obligations to you, as it deems appropriate with respect to such other entities or persons, and (iii) have no obligation in connection with the Transactions to use, or to furnish to you or your affiliates or subsidiaries, confidential information obtained from other entities or persons. In particular, you acknowledge that the Commitment Parties may be arranging or providing (or contemplating arranging or providing) a committed form of acquisition financing to other potential purchasers of the Acquired Assets and that, in such capacity, the Commitment Parties may acquire information about the Sellers or Acquired Assets, the sale thereof, and such other potential purchasers and their respective strategies and bids, but the Commitment Parties have no obligation to disclose to you the substance of such information or the fact that the Commitment Parties are in possession thereof.

(c) In connection with all aspects of the Transactions, you acknowledge and agree that: (i) the Term Facility and any related arranging or other services contemplated in this Commitment Letter is an arm’s-length commercial transaction between you and your affiliates, on the one hand, and the Commitment Parties, on the other hand, and you are capable of evaluating and understanding and understand and accept the terms, risks and conditions of the Transactions, (ii) in connection with the process leading to the Transactions, each of the Commitment Parties is and has been acting solely as a principal and not as a financial advisor, agent or fiduciary, for you or any of your management, affiliates, equityholders, directors, officers, employees, creditors or any other party, (iii) no Commitment Party or any affiliate thereof has assumed or will assume an advisory, agency or fiduciary responsibility in your or your affiliates’ favor with respect to any of the Transactions or the process leading thereto (irrespective of whether any Commitment Party or any of its affiliates has advised or is currently advising you, the Seller or your or their respective affiliates on other matters) and no Commitment Party has any obligation to you or your affiliates with respect to the Transactions except those obligations expressly set forth in the Commitment Documents, (iv) the Commitment Parties and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from yours and your affiliates and no Commitment Party shall have any obligation to disclose any of such interests, and (v) no Commitment Party has provided any legal, accounting, regulatory or tax advice with respect to any of the Transactions and you have consulted your own legal, accounting, regulatory and tax advisors to the extent you have deemed appropriate. You hereby waive and release, to the fullest extent permitted by law, any claims that you may have against any Commitment Party or any of their respective affiliates with respect to any breach or alleged breach of agency, fiduciary duty or conflict of interest.

10. Acceptance/Expiration of Commitments.

(a) This Commitment Letter and the Commitments and agreement of the Lead Lenders and the undertakings of the Commitment Parties set forth herein shall automatically terminate at 5:00 p.m. (Eastern Time, Standard or Daylight, as applicable) on April 2, 2019 (the "Acceptance Deadline"), without further action or notice unless signed counterparts of this Commitment Letter and the Fee Letter shall have been delivered to the Lead Arranger by such time to the attention of Amit V. Khimji, Managing Director, Wells Fargo Securities – Real Estate Syndicated Finance, 550 S. Tryon Street, Charlotte, North Carolina 28202 (facsimile: (704) 383-6228; electronic mail: amit.khimji@wellsfargo.com).

(b) In the event this Commitment Letter is accepted by you as provided above, the Commitments and agreement of the Lead Lenders and the undertakings of the Commitment Parties set forth herein will automatically terminate without further action or notice upon the earliest to occur of (i) consummation of the Acquisition (without the use of the Term Facility), (ii) the date on which the Financing Documentation has been executed and delivered by each of the parties thereto and all conditions precedent to the effectiveness thereof have been satisfied, (iii) the termination or expiration of the Acquisition Agreement in accordance with its terms, and (iv) 5:00 p.m. (Eastern Time) on May 31, 2019, if the Closing Date shall not have occurred by such time.

11. Survival. The sections of this Commitment Letter relating to Indemnification, Expenses, Confidentiality, Other Services, Survival and Governing Law shall survive any termination or expiration of this Commitment Letter, the Commitments and agreements of the Lead Lenders or the undertakings of the Commitment Parties set forth herein (regardless of whether definitive Financing Documentation is executed and delivered). You may terminate the Lead Lenders' Commitments hereunder at any time subject to the provisions of the preceding sentence; provided that, if you terminate less than all of the Lead Lenders' Commitments, any such partial termination shall be applied to reduce the Commitments of the Lead Lenders on a pro rata basis.

12. Governing Law. THIS COMMITMENT LETTER AND THE FEE LETTER, AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED THERETO (INCLUDING WITHOUT LIMITATION, ANY CLAIMS SOUNDING IN CONTRACT LAW OR TORT LAW ARISING OUT OF THE SUBJECT MATTER HEREOF OR THEREOF), SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 AND SECTION 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REFERENCE TO ANY OTHER CONFLICTS OR CHOICE OF LAW PRINCIPLES THEREOF; **provided, however, that (a) the determination of the accuracy of any Specified Acquisition Agreement Representations and whether as a result of any inaccuracy of any Specified Acquisition Agreement Representation there has been a failure of a condition precedent to your (or your affiliates') obligation to consummate the Acquisition or such failure gives you the right to terminate your (or your affiliates') obligations under the Acquisition Agreement and (b) the determination of whether the Virginia Acquisition has been consummated in accordance with the terms of the Acquisition Agreement shall, in each case, be governed by, and construed and interpreted in accordance with, the internal laws and judicial decisions of the Commonwealth of Virginia.** THE PARTIES HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM OR ACTION ARISING OUT OF THIS COMMITMENT LETTER OR THE FEE LETTER. With respect to any suit, action or proceeding arising in respect of this Commitment Letter or the Fee Letter or any of the matters contemplated hereby or thereby, the parties hereto hereby irrevocably and unconditionally submit to the exclusive jurisdiction of any state or federal court located in the Borough of Manhattan, New York, New York and irrevocably and unconditionally waive any objection to the laying of venue of such suit, action

or proceeding brought in such court and any claim that such suit, action or proceeding has been brought in an inconvenient forum. The parties hereto hereby agree that service of any process, summons, notice or document by registered mail addressed to you or each of the Commitment Parties will be effective service of process against such party for any action or proceeding relating to any such dispute. A final judgment in any such action or proceeding may be enforced in any other courts with jurisdiction over you or each of the Commitment Parties.

13. Miscellaneous. This Commitment Letter and the Fee Letter embody the entire agreement among the Commitment Parties and you and your affiliates with respect to the specific matters set forth above and supersede all prior agreements and understandings relating to the subject matter hereof including that certain Engagement Letter dated as of March 20, 2019 by and among you, Wells Fargo Bank and Wells Fargo Securities except as provided in Section 10 thereof. However, the terms and conditions of the agreements and undertakings of the Commitment Parties hereunder are not limited to those set forth herein or in the Term Sheet. Those matters that are not covered or made clear herein, in the Term Sheet or the Fee Letter are subject to mutual agreement of the parties. No person has been authorized by any of the Commitment Parties to make any oral or written statements inconsistent with this Commitment Letter or the Fee Letter. This Commitment Letter and the Fee Letter shall not be assignable by you without the prior written consent of the Commitment Parties, and any purported assignment without such consent shall be void. This Commitment Letter and the Fee Letter are not intended to benefit or create any rights in favor of any person other than the parties hereto, the Lenders and, with respect to indemnification, each Indemnified Party. This Commitment Letter and the Fee Letter may be executed in separate counterparts and delivery of an executed signature page of this Commitment Letter and the Fee Letter by facsimile or electronic mail shall be effective as delivery of manually executed counterpart hereof; provided that, upon the request of any party hereto, such facsimile transmission or electronic mail transmission shall be promptly followed by the original thereof. This Commitment Letter and the Fee Letter may only be amended, modified or superseded by an agreement in writing signed by each of the parties hereto or thereto, as applicable, that specifically provides such with reference to this Commitment Letter or the Fee Letter, as applicable.

[Signature Pages Follow]

If you are in agreement with the foregoing, please indicate acceptance of the terms hereof by signing the enclosed counterpart of this Commitment Letter and returning it to the Lead Arranger, together with executed counterparts of the Fee Letter by no later than the Acceptance Deadline.

Sincerely,

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Scott S. Solis  
Name: Scott S. Solis  
Title: Managing Director

WELLS FARGO SECURITIES, LLC

By: /s/ Amit Khimji  
Name: Amit Khimji  
Title: Managing Director

[Signatures continued on following pages]

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Katie Chowdhry  
Name: Katie Chowdhry  
Title: Senior Vice President

[Signatures continued on following pages]

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Timothy J. Tillman  
Name: Timothy J. Tillman  
Title: Senior Vice President

[Signatures continued on following pages]

KEYBANK NATIONAL ASSOCIATION

By: /s/ Sarah Smith  
Name: Sarah Smith  
Title: VP

[Signatures continued on following pages]

CAPITAL ONE, NATIONAL ASSOCIATION

By: /s/ Yakovia Jackson  
Name: Yakovia Jackson  
Title: Vice President

*Washington Real Estate Investment Trust Commitment Letter*

Agreed to and accepted as of the date first  
above written:

WASHINGTON REAL ESTATE INVESTMENT TRUST

By: /s/ Stephen E. Riffie  
Name: Stephen E. Riffie  
Title: EVP and CFO

*Washington Real Estate Investment Trust Commitment Letter*

# Summary of Terms and Conditions Annex A

## Washington Real Estate Investment Trust

### \$450 Million Senior Unsecured Term Loan Facility

*Capitalized terms used but not defined herein shall have the meanings set forth in the Amended and Restated Credit Agreement dated as of March 29, 2018 (as amended to date, the “Existing Credit Agreement”) among the Borrower, each of the financial institutions party thereto as “Lenders” and the Administrative Agent or in the Commitment Letter to which this Annex A is attached, as applicable.*

April, 2019

- 
- BORROWER:** Washington Real Estate Investment Trust (the “Borrower”). Provisions allowing conversion of the Borrower as an “UPREIT” shall be substantially similar to those contained in the Existing Credit Agreement.
- GUARANTORS:** The obligations of the Borrower under the Term Facility will be unconditionally guaranteed, on a joint and several basis, by each Subsidiary of the Borrower that is (or is required to be) a guarantor under the Existing Credit Agreement (each a “Guarantor”; and its guarantee is referred to herein as a “Guarantee”). The Borrower and the Guarantors are herein referred to collectively as the “Loan Parties” and each a “Loan Party.”
- RECOURSE:** The Term Facility will be full recourse to the Borrower and, if applicable, the Guarantors.
- LEAD ARRANGER AND BOOKRUNNER:** Wells Fargo Securities, LLC (“WFS”).
- ADMINISTRATIVE AGENT:** Wells Fargo Bank, National Association (“Wells Fargo” and in its capacity as administrative agent, the “Administrative Agent”).
- LENDERS:** The Lead Lenders and such other Lenders as may become a party to the Term Facility.
- TERM FACILITY:** A 6-month senior unsecured term loan facility (the “Term Facility”) consisting of term loans (the “Term Loans”) in an aggregate principal amount of up to \$450,000,000 (the “Initial Term Loans”). The Initial Term Loans will be fully funded on the Closing Date.

Subject to terms and conditions substantially similar to those contained in the Existing Credit Agreement, the amount of the Term Facility may be increased by an additional amount not to exceed \$250,000,000 upon Borrower’s request (in up to 3 separate increments) (the “Accordion”). The

### \$450 Million Senior Unsecured Credit Facilities

increased commitment may be provided by existing or new lenders but no Lender will be required to assume any increase. In the case of any use of the Accordion, the proceeds of which are used solely to finance a substantially concurrent acquisition that is not conditioned upon obtaining of financing (each a “Limited Condition Acquisition”) and the related transaction costs and expenses associated with such Limited Condition Acquisition, the Financing Documentation (as defined below) shall provide that the conditions to the consummation of such Limited Condition Acquisition shall, if agreed to by the Administrative Agent and the applicable lenders providing the applicable commitments under the Accordion, be subject to customary “certain funds” limitations (the “Limited Conditionality Provision”).

**PURPOSE:**

The proceeds of the Initial Term Loans will be used to (a) finance, in part, the consideration for the Acquisitions (which will be comprised of the acquisition of the Virginia Properties (as defined in the Acquisition Agreement) on the Closing Date (the “Virginia Acquisition”) and, subsequently, the acquisition of the Maryland Properties (as defined in the Acquisition Agreement) (the “Maryland Acquisition”)) (b) repay certain outstanding loans under the Existing Credit Agreement (for the avoidance of doubt, without a reduction in the commitments thereunder) and (c) pay fees, commissions and expenses in connection with the Transactions. The proceeds of the Term Loans (other than the Initial Term Loans) may be used to finance acquisitions permitted under the Financing Documentation (as defined below) and other general corporate purposes of the Borrower and its Subsidiaries.

**DOCUMENTATION**

**PRINCIPLES:**

The definitive documentation for the Term Facility will include, among other items, a credit agreement, guarantees (if applicable) and other customary documents for transactions of this type (collectively, the “Financing Documentation”), all on terms substantially the same as the Existing Credit Agreement with modifications (a) as are necessary to reflect the terms specifically set forth in the Commitment Letter, this Summary of Terms and Conditions and the Fee Letter, (b) to reflect the operational or administrative requirements of the Administrative Agent and (c) to accommodate the structure of the Acquisition. The provisions of this paragraph are referred to as the “Documentation Principles.”

**INITIAL TERM:**

The Term Loans will mature on the date (the “Maturity Date”) that is 6-months after the Closing Date (or, if such day is not a business day, the next preceding business day).

**AMORTIZATION AND MATURITY:**

Interest only until maturity.

**MANDATORY PREPAYMENTS AND COMMITMENT**

**\$450 Million Senior Unsecured Credit Facilities**

**REDUCTIONS:** None.

**VOLUNTARY  
PREPAYMENTS AND  
COMMITMENT  
REDUCTIONS:**

The Borrower may prepay the Term Facility at any time in whole or in part without premium or penalty, upon written notice, except that any prepayment of LIBOR advances other than at the end of the applicable interest periods therefor shall be made with reimbursement for any funding losses and redeployment costs of the Lenders resulting therefrom. The commitments under the Term Facility may be reduced permanently or terminated by the Borrower at any time without penalty.

**EXTENSION  
OPTION:**

The Borrower shall have one option to extend the Maturity Date for an additional 6-month period provided that (A) at least 15 days but not more than 90 days prior to the initial Maturity Date, the Borrower provides written notice to the Administrative Agent of its intent to extend the initial Maturity Date, (B) immediately prior to such extension and immediately after giving effect thereto (i) no Default or Event of Default shall exist, (ii) all representations and warranties shall be true and correct in all material respects (or in all respects in the case of a representation or warranty subject to a materiality qualifier) at the time of such extension except to the extent that any such representation or warranty relates to a specific earlier date in which case such representation or warranty shall have been true on and as of such earlier date and (C) the Extension Fee is paid on or prior to the initial Maturity Date.

**EXTENSION FEE:** 0.10% of the aggregate principal amount of the Term Facility.

**INTEREST RATES AND  
CERTAIN FEES:**

Interest rates, facility fees and certain other fees in connection with the Facilities will be as specified on Exhibit A attached hereto.

**YIELD MAINTENANCE,  
BREAKAGE COSTS, ETC.:** Substantially similar to the Existing Credit Agreement subject to the Documentation Principles

**FINANCIAL  
COVENANTS:**

Substantially similar to those contained in the Existing Credit Agreement subject to the Documentation Principles.

**UNENCUMBERED POOL  
REQUIREMENTS:**

Substantially similar to those contained in the Existing Credit Agreement subject to the Documentation Principles.

**OTHER COVENANTS:**

Substantially similar to those contained in the Existing Credit Agreement subject to the Documentation Principles.

**\$450 Million Senior Unsecured Credit Facilities**

**REPORTING**

**REQUIREMENTS:** Substantially similar to those contained in the Existing Credit Agreement subject to the Documentation Principles

**INDEMNIFICATION:** Substantially similar to that contained in the Existing Credit Agreement subject to the Documentation Principles.

**CONDITIONS****PRECEDENT TO INITIAL**

**LOANS:** Conditions to funding the initial Term Loans under the Term Facility shall be subject solely to the conditions precedent set forth in the Commitment Annex (Annex B to the Commitment Letter).

**CONDITIONS****PRECEDENT TO EACH****OTHER ADVANCE**

**UNDER TERM FACILITY:** Each subsequent extension of credit under the Term Facility will be subject to satisfaction of the following conditions precedent (subject to the Limited Conditionality Provision): (a) continued accuracy of all representations and warranties of the Borrower and its Subsidiaries in all material respects (or in all respects in the case of a representation or warranty subject to a materiality qualifier), except to the extent that any such representation or warranty relates to a specific earlier date, in which case such representation or warranty shall have been true on and as of such earlier date, (b) no Default or Event of Default and (c) delivery of customary request for extension of credit.

**REPRESENTATIONS** Substantially similar to those contained in the Existing Credit Agreement subject to the Documentation Principles.

**EVENTS OF**

**DEFAULT:** Substantially similar to those contained in the Existing Credit Agreement subject to the Documentation Principles.

**DEFAULTING**

**LENDERS** Substantially similar to that contained in the Existing Credit Agreement subject to the Documentation Principles.

**ASSIGNMENTS/**

**PARTICIPATIONS:** Substantially similar to the Existing Credit Agreement subject to the Documentation Principles.

**WAIVERS AND**

**AMENDMENTS:** Substantially similar to those provisions contained in the Existing Credit Agreement subject to the Documentation Principles.

**EXPENSES:** Substantially similar to that contained in the Existing Credit Agreement subject to the Documentation Principles.

**\$450 Million Senior Unsecured Credit Facilities**

**GOVERNING  
LAW:**

The Facility documentation shall be governed by the laws of the State of New York.

**\$450 Million Senior Unsecured Credit Facilities**

## **EXHIBIT A**

### **INTEREST RATES AND CERTAIN FEES**

#### Interest Options:

At the Borrower's option, loans will bear interest at either (a) the Base Rate plus the Applicable Margin for Base Rate Loans (as described below) for the applicable Facility or (b) LIBOR for an Interest Period of one, three or six months (or 7 days if available to all Lenders of the Class of applicable LIBOR Loans) plus the Applicable Margin for LIBOR Loans under the applicable Facility.

"Base Rate" means, at any time, the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 0.50% and (c) the LIBOR Market Index Rate plus 1.0%. Each change in the Base Rate shall take effect simultaneously with the corresponding change or changes in the Prime Rate, the Federal Funds Rate or the LIBOR Market Index Rate (provided that clause (c) shall not be applicable during any period in which LIBOR is unavailable or unascertainable).

"LIBOR" means, subject to implementation of a Replacement Rate in accordance with Section 4.2.(b), with respect to any LIBOR Loan for any Interest Period, the rate of interest obtained by dividing (i) the rate of interest per annum determined on the basis of the rate for deposits in Dollars for a period equal to the applicable Interest Period as published by the ICE Benchmark Administration Limited, a United Kingdom company, or a comparable or successor quoting service approved by the Administrative Agent, at approximately 11:00 a.m. (London time) two Business Days prior to the first day of the applicable Interest Period by (ii) a percentage equal to 1 minus the stated maximum rate (stated as a decimal) of all reserves, if any, required to be maintained with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities") as specified in Regulation D of the Board of Governors of the Federal Reserve System (or against any other category of liabilities which includes deposits by reference to which the interest rate on LIBOR Loans is determined or any applicable category of extensions of credit or other assets which includes loans by an office of any Lender outside of the United States of America). If, for any reason, the rate referred to in the preceding clause (i) is not so published, then the rate to be used for such clause (i) shall be determined by the Administrative Agent to be the arithmetic average of the rate per annum at which deposits in Dollars would be offered by first class banks in the London interbank market to the Administrative Agent at approximately 11:00 a.m. (London time) two Business Days prior to the first day of the applicable Interest Period for a period equal to such Interest Period. Any change in the maximum rate of reserves described in the preceding clause (ii) shall result in a change in LIBOR on the date on which such change in such maximum rate becomes effective. Notwithstanding the foregoing, (x) in no event shall LIBOR (including, without limitation, any Replacement Rate

### **\$450 Million Senior Unsecured Credit Facilities**

with respect thereto) be less than zero (except in the case of LIBOR Loans in the Class of Term Loans incurred pursuant to Section 2.9. that the Borrower has identified in accordance with the terms of this Agreement pursuant to a Notice of Borrowing, Notice of Continuation or Notice of Conversion, as applicable, as being subject to a Specified Derivatives Contract (or any replacement or renewal thereof) that has been entered into to hedge against fluctuations in interest rates in respect of such Term Loans), and (y) unless otherwise specified in any amendment to this Agreement entered into accordance with Section 4.2. (b), in the event that a Replacement Rate with respect to LIBOR is implemented then all references herein to LIBOR shall be deemed references to such Replacement Rate.

Default Interest:

While an Event of Default resulting from nonpayment or bankruptcy exists, or, upon the vote of the Requisite Lenders in the case of any other Event of Default, the Borrower shall pay interest on all outstanding obligations at a rate per annum equal to the Post-Default Rate.

Payment of Interest:

All accrued interest on advances shall be payable monthly in arrears on the first day of each month and on any date on which the principal balance of an advance is due and payable in full, except that interest on LIBOR Loans shall be payable at the end of the Interest Period applicable thereto (but in any event not less frequently than every three months). Interest payable at the default rate shall be payable on demand.

Applicable Margin and Facility Fee:

With respect to the Term Facility, the Applicable Margin shall be determined based on the Borrower's Credit Ratings pursuant to the following grid:

Level	Borrower's Credit Rating (S&P/Moody's or equivalent)	Applicable Margin for Term Loans that are LIBOR Loans	Applicable Margin for Term Loans that are Base Rate Loans
1	A+/A1 (or equivalent) or higher	0.750%	0.000%
2	A/A2 (or equivalent)	0.800%	0.000%
3	A-/A3	0.850%	0.000%
4	BBB+/Baa1 (or equivalent)	0.900%	0.000%
5	BBB/Baa2 (or equivalent)	1.000%	0.000%
6	BBB-/Baa3 (or equivalent)	1.250%	0.250%
7	BB+/Ba1 (or equivalent) or lower or unrated	1.650%	0.650%

During any period that the Borrower has received two Credit Ratings that are not equivalent, the Applicable Margin shall be determined based on the Level corresponding to the higher of such two Credit Ratings. During any period that the Borrower has received more than two Credit Ratings and

**\$450 Million Senior Unsecured Credit Facilities**

such Credit Ratings are not equivalent, the Applicable Margin shall equal the average of the Applicable Margins as determined in accordance with the two highest of such Credit Ratings. During any period for which the Borrower has received a Credit Rating from only one Rating Agency, then the Applicable Margin shall be determined based on such Credit Rating so long as such Credit Rating is from either S&P or Moody's. During any period that the Borrower has (a) not received a Credit Rating from any Rating Agency or (b) received a Credit Rating from only one Rating Agency that is neither S&P or Moody's, then the Applicable Margin shall be determined based on Level 7. Any change in the Borrower's Credit Rating which would cause it to move to a different Level shall be effective as of the first day of the first calendar month immediately following written notice from Borrower to Administrative Agent of such change.

Calculations:

Accrued interest and fees shall be computed on the basis of a year of 360 days and the actual number of days elapsed, except that interest on Base Rate loans shall be computed on the basis of a year of 365 or 366 days, as applicable, and the actual number of days elapsed.

### **\$450 Million Senior Unsecured Credit Facilities**

**\$450 MILLION SENIOR UNSECURED TERM LOAN FACILITY**

**CONDITIONS ANNEX**

*Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Commitment Letter to which this Annex is attached.*

The making of the Initial Term Loans on the Closing Date will be subject to the satisfaction of the following conditions precedent:

1. Subject to the Limited Conditionality Provision (as defined below) and the Documentation Principles, the negotiation, execution and delivery of Financing Documentation which shall be consistent, in each case, with the Commitment Documents.
2. The Administrative Agent shall have received customary and reasonably satisfactory legal opinions (including, without limitation, opinions of special counsel and local counsel as may be reasonably requested by the Administrative Agent), which shall expressly permit reliance by the successors and permitted assigns of each of the Administrative Agent and the Lenders, evidence of authorization, organizational documents, good standing certificates (with respect to the applicable jurisdiction of incorporation or organization of each Loan Party) and an officer's certificate.
3. The Virginia Acquisition shall have been consummated, or substantially simultaneously with the initial borrowing under the Term Facility, shall be consummated in accordance with the terms of the Acquisition Agreement and the Acquisition Agreement shall not have been amended or modified, and neither any condition nor Seller's compliance with the terms of the Acquisition Agreement shall have been waived or consent granted, in any respect that is materially adverse to the Lenders or the Lead Arranger without the Lead Arranger's prior written consent; provided that increases or decreases in purchase price relating to the Acquisition which increase or decrease does not exceed 10% of the initial purchase price shall not be deemed to be materially adverse to the interests of the Lenders and the Lead Arranger and shall not require the consent of the Lead Arranger; provided further that any decrease in the purchase price relating to the Acquisition shall be applied on a dollar-for-dollar basis to reduce the Initial Term Loans hereunder on a pro rata basis in accordance with the Commitments of the Lead Lenders; provided, further, that any extension of the termination or outside closing date under the Acquisition Agreement shall not be deemed to be materially adverse to the interests of the Lenders and the Lead Arranger and shall not require the consent of the Lead Arranger unless such date is extended beyond the date specified in Section 10(b)(iv) of the Commitment Letter.
4. The Lead Arranger shall have received for the Borrower (a) U.S. GAAP audited consolidated balance sheets and related statements of income, stockholders' equity and cash flows for the three most recent fiscal years ended at least 90 days prior to the Closing Date and (b) U.S. GAAP unaudited consolidated balance sheets and related statements of income, stockholders' equity and cash flows for each subsequent fiscal quarter ended at least 45 days before the Closing Date, provided that the Borrower's public filing of any required financial statements with the SEC shall constitute delivery of such financial statements to the Lead Arranger. The Lead Arranger acknowledges receipt of the annual audited financial statements of the Borrower for the fiscal years ended December 31, 2016, December 31, 2017 and December 31, 2018.
5. The Administrative Agent shall have received a solvency certificate from the chief financial officer of the Borrower in the form attached as Annex C to the Commitment Letter.

6. All fees and expenses due to the Lead Arranger, the Administrative Agent and the Lenders required to be paid on the Closing Date (including the fees and expenses of counsel for the Lead Arranger and the Administrative Agent) will have been paid; provided, in the case of expenses, such expenses shall only be required to be paid on the Closing Date to the extent invoiced to the Borrower 1 business day prior to the Closing Date.

7. The Lead Arranger shall have received, at least 5 business days prior to the Closing Date, all documentation and other information required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including, without limitation, the PATRIOT Act, that has been requested at least 10 business days prior to the Closing Date.

8. The Specified Representations and the Specified Acquisition Agreement Representations (each as defined below) shall be true and correct in all material respects (or if qualified by materiality or material adverse effect, in all respects).

9. There shall exist no payment or bankruptcy default under the Existing Credit Agreement immediately prior to and after giving pro forma effect to the Virginia Acquisition, the Initial Term Loans to be made on the Closing Date and the other Transactions to occur on the Closing Date.

The Commitments and the undertakings of the each Commitment Party under the Commitment Letter, will be subject solely to the satisfaction of the conditions precedent set forth in this Conditions Annex. Notwithstanding anything in the Commitment Letter, Fee Letter or the Financing Documentation, or any other letter agreement or other undertaking concerning the financing of the Transactions to the contrary:

(a) the only representations and warranties the accuracy of which shall be a condition to the availability of the Term Facility on the Closing Date shall be (i) such of the representations and warranties made by or with respect to the Acquisition or the Acquired Assets as are material to the interests of the Lenders (the “Specified Acquisition Agreement Representations”), but only to the extent that (x) you or your affiliates have the right to terminate your or their obligations under the Acquisition Agreement or you or your affiliates otherwise have the right to decline to close the Acquisition, or any applicable portion thereof, as a result of a breach of any such Specified Acquisition Agreement Representations or any such Specified Acquisition Agreement Representations not being accurate (in each case, determined without regard to any notice requirement) or (y) the accuracy of such representations in the Acquisition Agreement is a condition to your or your affiliates’ obligations to consummate the Acquisition pursuant to the Acquisition Agreement; and (ii) the Specified Representations (as defined below); and

(b) the terms of the Financing Documentation shall be in a form such that they do not impair the availability of the Term Facility on the Closing Date if the conditions set forth in or referred to in this Conditions Annex are satisfied.

For purposes hereof, “Specified Representations” means the representations and warranties to be set forth in the Financing Documentation relating to corporate existence of the Loan Parties and good standing of the Loan Parties in their respective jurisdictions of organization; power and authority, due authorization, execution and delivery and enforceability, in each case, as they relate to the Loan Parties entering into and performance of the Financing Documentation; no conflicts with or consents under the Loan Parties’ organizational documents or applicable law; solvency as of the Closing Date (after giving effect to the Transactions) of the Borrower and its subsidiaries on a consolidated basis; Federal Reserve margin regulations; the Investment Company Act; the PATRIOT Act; use of proceeds not violating OFAC, FCPA

and other anti-terrorism, anti-bribery and anti-money laundering laws. This paragraph, and the provisions herein, shall be referred to as the "Limited Conditionality Provision".

*Washington Real Estate Investment Trust Commitment Letter*

**FORM OF  
SOLVENCY CERTIFICATE**

[        ], 2019

This Solvency Certificate is delivered pursuant to Section [ ] of the Credit Agreement dated as of [        ], 2019, among [        ] (the “*Credit Agreement*”). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The undersigned hereby certifies, solely in his capacity as an officer of the Borrower and not in his individual capacity, as follows:

1. I am the Chief Financial Officer of the Borrower. I am familiar with the Transactions and the business and assets of the Borrower and its subsidiaries and have reviewed the Credit Agreement, financial statements referred to in Section [ ] of the Credit Agreement and such documents and made such investigation as I deemed relevant for the purposes of this Solvency Certificate and I am duly authorized to execute this Solvency Certificate on behalf of the Borrower pursuant to the Credit Agreement.

2. As of the date hereof, immediately after giving effect to the consummation of the Transactions, on and as of such date (i) the fair value of the assets of the Borrower and its subsidiaries on a consolidated basis, at a fair valuation on a going concern basis, will exceed the debts and liabilities, direct, subordinated, contingent or otherwise, of the Borrower and its subsidiaries on a consolidated basis; (ii) the present fair saleable value of the property of the Borrower and its subsidiaries on a consolidated and going concern basis will be greater than the amount that will be required to pay the probable liability of the Borrower and its subsidiaries on a consolidated basis on their debts and other liabilities, direct, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured in the ordinary course of business; (iii) the Borrower and its subsidiaries, on a consolidated basis, do not intend to incur, or believe that they will incur, debts or liabilities (including current obligations) beyond their ability to pay such liabilities, as such debts and other liabilities become absolute and matured in the ordinary course of business; (iv) the Borrower and its subsidiaries on a consolidated basis will be able to pay their debts and liabilities, direct, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured in the ordinary course of business; and (v) the Borrower and its subsidiaries on a consolidated basis will not have unreasonably small capital with which to conduct the businesses in which they are engaged as such businesses are now conducted and are proposed to be conducted following the Closing Date. For purposes hereof, the amount of any contingent liability at any time shall be computed as the amount that, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability (irrespective of whether such contingent liabilities meet the criteria for accrual under Statement of Financial Accounting Standard No. 5).

This Solvency Certificate is being delivered by the undersigned officer only in his capacity as Chief Financial Officer of the Borrower.

*Washington Real Estate Investment Trust Commitment Letter*

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## **Section 5: EX-31.1 (EXHIBIT 31.1)**

**Exhibit 31.1**

CERTIFICATION

I, Paul T. McDermott, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Washington Real Estate Investment Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: July 29, 2019

/s/ Paul T. McDermott

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Paul T. McDermott

Chief Executive Officer

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## Section 6: EX-31.2 (EXHIBIT 31.2)

**Exhibit 31.2**

### CERTIFICATION

I, Stephen E. Riffie, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Washington Real Estate Investment Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed

under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: July 29, 2019

/s/ Stephen E. Riffie

Stephen E. Riffie

Chief Financial Officer

(Principal Financial Officer)

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## Section 7: EX-31.3 (EXHIBIT 31.3)

**Exhibit 31.3**

### CERTIFICATION

I, W. Drew Hammond, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Washington Real Estate Investment Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: July 29, 2019

/s/ W. Drew Hammond

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W. Drew Hammond

Vice President

Chief Accounting Officer

(Principal Accounting Officer)

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## Section 8: EX-32 (EXHIBIT 32)

**Exhibit 32**

WRITTEN STATEMENT OF  
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the President and Chief Executive Officer, the Chief Financial Officer and Chief Accounting Officer of Washington Real Estate Investment Trust ("Washington REIT"), each hereby certifies on the date hereof, that:

- (a) the Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Washington REIT.

DATE: July 29, 2019

/s/ Paul T. McDermott

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Paul T. McDermott

Chief Executive Officer

DATE: July 29, 2019

/s/ Stephen E. Riffie

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Stephen E. Riffie

Chief Financial Officer

(Principal Financial Officer)

DATE: July 29, 2019

/s/ W. Drew Hammond

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W. Drew Hammond

Chief Accounting Officer

(Principal Accounting Officer)

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