
**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 March 31, 2022

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

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 check mark 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 definitions 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 Exchange Act). Yes No

As of April 26, 2022, 87,425,784 common shares were outstanding.

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 Income (Loss), 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, 2021 included in Washington Real Estate Investment Trust's 2021 Annual Report on Form 10-K filed on February 18, 2022.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

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

	March 31, 2022 (Unaudited)	December 31, 2021
Assets		
Land	\$ 340,046	\$ 322,623
Income producing property	1,733,326	1,642,147
	2,073,372	1,964,770
Accumulated depreciation and amortization	(421,663)	(402,560)
Net income producing property	1,651,709	1,562,210
Properties under development or held for future development	31,157	30,631
Total real estate held for investment, net	1,682,866	1,592,841
Cash and cash equivalents	139,711	233,600
Restricted cash	636	620
Rents and other receivables	16,120	15,067
Prepaid expenses and other assets	37,391	33,866
Total assets	<u>\$ 1,876,724</u>	<u>\$ 1,875,994</u>
Liabilities		
Notes payable, net	\$ 497,093	\$ 496,946
Accounts payable and other liabilities	33,184	40,585
Dividend payable	14,924	14,650
Advance rents	1,463	2,082
Tenant security deposits	4,817	4,669
Total liabilities	<u>551,481</u>	<u>558,932</u>
Equity		
Shareholders' equity		
Preferred shares; \$0.01 par value; 10,000 shares authorized; no shares issued or outstanding	—	—
Shares of beneficial interest, \$0.01 par value; 150,000 and 100,000 shares authorized; 87,414 and 86,261 shares issued and outstanding, as of March 31, 2022 and December 31, 2021, respectively	874	863
Additional paid in capital	1,725,828	1,697,477
Distributions in excess of net income	(385,108)	(362,494)
Accumulated other comprehensive loss	(16,656)	(19,091)
Total shareholders' equity	1,324,938	1,316,755
Noncontrolling interests in subsidiaries	305	307
Total equity	<u>1,325,243</u>	<u>1,317,062</u>
Total liabilities and equity	<u>\$ 1,876,724</u>	<u>\$ 1,875,994</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 March 31,	
	2022	2021
Revenue		
Real estate rental revenue	\$ 47,804	\$ 40,607
Expenses		
Property operating and maintenance	10,565	9,395
Real estate taxes and insurance	6,587	5,596
Property management	1,750	1,463
General and administrative	6,939	5,604
Transformation costs	2,223	—
Depreciation and amortization	22,200	16,987
	<u>50,264</u>	<u>39,045</u>
Real estate operating (loss) income	(2,460)	1,562
Other income (expense)		
Interest expense	(5,650)	(10,123)
Other income	386	1,284
	<u>(5,264)</u>	<u>(8,839)</u>
Loss from continuing operations	(7,724)	(7,277)
Discontinued operations:		
Income from operations of properties sold or held for sale	—	6,130
Income from discontinued operations	—	6,130
Net loss	<u>\$ (7,724)</u>	<u>\$ (1,147)</u>
Basic net (loss) income per common share:		
Continuing operations	\$ (0.09)	\$ (0.09)
Discontinued operations	—	0.07
Basic net loss per common share ⁽¹⁾	<u>\$ (0.09)</u>	<u>\$ (0.02)</u>
Diluted net (loss) income per common share:		
Continuing operations	\$ (0.09)	\$ (0.09)
Discontinued operations	—	0.07
Diluted net loss per common share ⁽¹⁾	<u>\$ (0.09)</u>	<u>\$ (0.02)</u>
Weighted average shares outstanding – basic	87,214	84,413
Weighted average shares outstanding – diluted	87,214	84,413

See accompanying notes to the consolidated financial statements.

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

	<u>Three Months Ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Net loss	\$ (7,724)	\$ (1,147)
Other comprehensive income:		
Unrealized gain on interest rate hedges	1,925	1,580
Reclassification of unrealized loss on interest rate derivatives to earnings	510	510
Comprehensive (loss) income	<u>\$ (5,289)</u>	<u>\$ 943</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	Total Shareholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance, December 31, 2021	86,261	\$ 863	\$ 1,697,477	\$ (362,494)	\$ (19,091)	\$ 1,316,755	\$ 307	\$ 1,317,062
Net loss	—	—	—	(7,724)	—	(7,724)	—	(7,724)
Unrealized gain on interest rate hedges	—	—	—	—	1,925	1,925	—	1,925
Amortization of swap settlements	—	—	—	—	510	510	—	510
Distributions to noncontrolling interests	—	—	—	—	—	—	(2)	(2)
Dividends (\$0.17 per common share)	—	—	—	(14,890)	—	(14,890)	—	(14,890)
Equity issuances, net of issuance costs	1,032	10	26,841	—	—	26,851	—	26,851
Shares issued under Dividend Reinvestment Program	10	—	264	—	—	264	—	264
Share grants, net of forfeitures and tax withholdings	111	1	1,246	—	—	1,247	—	1,247
Balance, March 31, 2022	<u>87,414</u>	<u>\$ 874</u>	<u>\$ 1,725,828</u>	<u>\$ (385,108)</u>	<u>\$ (16,656)</u>	<u>\$ 1,324,938</u>	<u>\$ 305</u>	<u>\$ 1,325,243</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	Total Shareholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance, December 31, 2020	84,409	\$ 844	\$ 1,649,366	\$ (298,860)	\$ (30,563)	\$ 1,320,787	\$ 322	\$ 1,321,109
Net loss	—	—	—	(1,147)	—	(1,147)	—	(1,147)
Unrealized loss on interest rate hedges	—	—	—	—	1,580	1,580	—	1,580
Amortization of swap settlements	—	—	—	—	510	510	—	510
Distributions to noncontrolling interests	—	—	—	—	—	—	(4)	(4)
Dividends (\$0.30 per common share)	—	—	—	(25,462)	—	(25,462)	—	(25,462)
Equity issuances, net of issuance costs	24	—	467	—	—	467	—	467
Shares issued under Dividend Reinvestment Program	23	—	520	—	—	520	—	520
Share grants, net of forfeitures and tax withholdings	108	2	1,327	—	—	1,329	—	1,329
Balance, March 31, 2021	<u>84,564</u>	<u>\$ 846</u>	<u>\$ 1,651,680</u>	<u>\$ (325,469)</u>	<u>\$ (28,473)</u>	<u>\$ 1,298,584</u>	<u>\$ 318</u>	<u>\$ 1,298,902</u>

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

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

	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities		
Net loss	\$ (7,724)	\$ (1,147)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	22,200	29,643
Credit losses on lease related receivables	410	1,043
Share-based compensation expense	2,082	1,664
Net amortization of debt premiums, discounts and related financing costs	1,001	1,112
Changes in operating other assets	(735)	(1,619)
Changes in operating other liabilities	(8,583)	6,543
Net cash provided by operating activities	8,651	37,239
Cash flows from investing activities		
Real estate acquisitions, net	(104,572)	—
Capital improvements to real estate	(4,004)	(4,032)
Development in progress	(595)	(4,161)
Real estate deposits, net	(5,330)	—
Non-real estate capital improvements	(32)	(7)
Net cash used in investing activities	(114,533)	(8,200)
Cash flows from financing activities		
Line of credit repayments, net	—	(9,000)
Dividends paid	(14,615)	(25,398)
Payment of financing costs	(39)	—
Distributions to noncontrolling interests	(2)	(4)
Proceeds from dividend reinvestment program	264	520
Net proceeds from equity issuances	26,852	467
Payment of tax withholdings for restricted share awards	(451)	(334)
Net cash provided by (used in) financing activities	12,009	(33,749)
Net decrease in cash, cash equivalents and restricted cash	(93,873)	(4,710)
Cash, cash equivalents and restricted cash at beginning of period	234,220	8,303
Cash, cash equivalents and restricted cash at end of period	\$ 140,347	\$ 3,593
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 8,557	\$ 4,345
Change in accrued capital improvements and development costs	1,145	(3,844)
Dividend payable	14,924	25,424
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 139,711	\$ 3,017
Restricted cash	636	576
Cash, cash equivalents and restricted cash	\$ 140,347	\$ 3,593

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022
(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 primarily consists of the ownership of apartment communities in the greater Washington, DC metro and Southeastern regions. Within these notes to the financial statements, we refer to the three months ended March 31, 2022 and March 31, 2021 as the “2022 Quarter” and the “2021 Quarter,” respectively.

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. To maintain our status as a REIT, we are, among other things, required to distribute 90% of our REIT taxable income (determined before the deduction for dividends paid and excluding net capital gains 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 subsidiary (“TRS”). Our TRS is subject to corporate federal and state income tax on its taxable income at regular statutory rates. As of both March 31, 2022 and December 31, 2021, our TRS had a deferred tax asset of \$1.4 million that was fully reserved.

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, 2021.

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 Generally Accepted Accounting Principles (“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, 2021.

Held for Sale and 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 has 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. 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.

Lessee Accounting

For leases where we are the lessee, primarily our corporate office operating lease, we recognize a right-of-use asset and a lease liability in accordance with Accounting Standards Codification (“ASC”) Topic 842. The right-of-use asset and associated liability is equal to the present value of the minimum lease payments, applying our incremental borrowing rate. Our borrowing rate is computed based on observable borrowing rates taking into consideration our credit quality and adjusting to a secured borrowing rate for similar assets and term. As of March 31, 2022, our balance sheet included \$3.7 million in right-of-use assets and liabilities, net of amortization.

Lease expense for the operating lease is recognized on a straight-line basis over the expected lease term and is included in “General and administrative expense.”

Restricted Cash

Restricted cash includes funds held in escrow for tenant security deposits.

Transformation Costs

Transformation costs include costs related to the strategic shift away from the commercial sector to the residential sector, including the allocation of internal costs, consulting, advisory and termination benefits.

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 property during the 2022 Quarter (the “2022 acquisition”):

<u>Acquisition Date</u>	<u>Property</u>	<u>Type</u>	<u># of homes</u>	<u>Average Occupancy</u>	<u>Contract Purchase Price (in thousands)</u>
February 1, 2022	Carlyle of Sandy Springs	Residential	389	94.4%	\$ 105,586

The results of operations from the acquired operating property are included in the condensed consolidated statements of operations as of its acquisition date and were as follows (in thousands):

	Three Months Ended March 31, 2022	
Real estate rental revenue	\$	1,075
Net loss		(664)

We accounted for the 2022 acquisition as an asset 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 2022 acquisition was as follows (in thousands):

Contract purchase price	\$	105,586
Capitalized acquisition costs		134
Total	\$	105,720

We have recorded the total cost of the 2022 acquisition as follows (in thousands):

Land	\$	17,423
Building		85,783
Absorption costs		2,514
Total	\$	105,720

The weighted remaining average life for the absorption costs is four months.

Development/Redevelopment

We have properties under development/redevelopment and held for current or future development. As of March 31, 2022, we have invested \$0.3 million, including the cost of acquired land, in a residential development adjacent to Riverside Apartments. In addition, in our residential segment, we continue to capitalize qualifying costs on several other projects with minor development activity necessary to ready each project for its intended use.

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 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. 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.

We sold the following properties during 2021 (\$ in thousands):

Disposition Date	Property Name	Property Type	Rentable Square Feet	Contract Sales Price	(Loss) Gain on Sale
July 26, 2021	Office Portfolio ⁽¹⁾	Office	2,370,000	\$ 766,000	\$ (11,220)
September 22, 2021	Retail Portfolio ⁽²⁾	Retail	693,000	168,314	57,661
		Total 2021	3,063,000	\$ 934,314	\$ 46,441

⁽¹⁾ Consists of twelve office properties: 1901 Pennsylvania Avenue, 515 King Street, 1220 19th Street, 1600 Wilson Boulevard, Silverline Center, Courthouse Square, 2000 M Street, 1140 Connecticut Avenue, Army Navy Club, 1775 Eye Street, Fairgate at Ballston and Arlington Tower.

⁽²⁾ Consists of eight retail properties: Takoma Park, Westminster, Concord Centre, Chevy Chase Metro Plaza, 800 S. Washington Street, Randolph Shopping Center, Montrose Shopping Center and Spring Valley Village.

We have fully transferred control of the assets sold in 2021 and do not have continuing involvement in their operations.

The dispositions of the Office Portfolio and the Retail Portfolio represent a strategic shift that had a major effect on our financial results and we have accordingly reported the Office Portfolio and Retail Portfolio as discontinued operations.

As of March 31, 2022, we assessed our properties for impairment and did not recognize any impairment charges during the 2022 Quarter. We applied reasonable estimates and judgments in evaluating each of the properties as of March 31, 2022. 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 Office Portfolio and Retail Portfolio are classified as discontinued operations and are summarized as follows (amounts in thousands, except for share data):

	Three Months Ended March 31, 2021
Real estate rental revenue	\$ 29,026
Expenses	
Property operating and maintenance	(4,476)
Real estate taxes and insurance	(4,877)
Property management	(887)
Depreciation and amortization	(12,656)
Income from discontinued operations	<u>\$ 6,130</u>
Basic net income per share	<u>\$ 0.07</u>
Diluted net income per share	<u>\$ 0.07</u>
Capital expenditures	\$ 374

All assets and liabilities related to the Office Portfolio and Retail Portfolio were sold as of December 31, 2021.

NOTE 4: UNSECURED LINE OF CREDIT PAYABLE

During the third quarter of 2021, 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”) and the continuation of an existing \$250.0 million unsecured term loan (“2018 Term Loan”). The Revolving Credit Facility has a four-year term ending in August 2025, 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 0.70% to 1.40% or the base rate plus a margin ranging from 0.0% to 0.40% (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 March 31, 2022, the interest rate on the Revolving Credit Facility is one month LIBOR plus 0.85%, the one month LIBOR is 0.45% and the facility fee is 0.20%.

All outstanding advances for the Revolving Credit Facility are due and payable upon maturity in August 2025, 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 increased and replaced 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.

On September 27, 2021, we prepaid a \$150.0 million portion of the 2018 Term Loan using proceeds from the sale of the Office Portfolio and Retail Portfolio (see note 3). We currently expect to hold the remaining \$100.0 million portion of the 2018 Term Loan until maturity.

The amount of the Revolving Credit Facility's unsecured line of credit unused and available at March 31, 2022 was as follows (in thousands):

Committed capacity	\$	700,000
Borrowings outstanding		—
Unused and available	\$	<u>700,000</u>

There were no borrowings or repayments on the Revolving Credit Facility during the 2022 Quarter.

NOTE 5: DERIVATIVE INSTRUMENTS

We have one interest rate swap arrangement with a notional amount of \$100.0 million that effectively fixes the remaining \$100.0 million portion of the 2018 Term Loan. The interest rate swap arrangement is recorded at fair value in accordance with GAAP, based on discounted cash flow methodologies and observable inputs. We record the effective portion of changes in fair value of the cash flow hedge in Other comprehensive income (loss). We assess the effectiveness of a cash flow hedge both at inception and on an ongoing basis. If a cash flow hedge is no longer expected to be effective, hedge accounting is discontinued. Hedge ineffectiveness of our cash flow hedges is recorded in earnings.

The fair values of the interest rate swap as of March 31, 2022 and December 31, 2021, were as follows (in thousands):

Derivative Instrument	Aggregate Notional Amount	Effective Date	Maturity Date	Fair Value	
				Derivative Assets	Derivative Liabilities
				March 31, 2022	December 31, 2021
Interest rate swap	\$ 100,000	March 31, 2017	July 21, 2023	\$ 1,104	\$ (821)

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 net unrealized gains or losses on the effective swaps were recognized in Other comprehensive income (loss), as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
Unrealized gain on interest rate hedges	\$ 1,925	\$ 1,580

Amounts reported in Accumulated other comprehensive loss related to effective cash flow hedges will be reclassified to interest expense as interest payments are made on our variable-rate debt. The gains or losses reclassified from Accumulated other comprehensive loss into interest expense for the three months ended March 31, 2022 and 2021, were as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
Loss reclassified from accumulated other comprehensive loss into interest expense	\$ 510	\$ 510

During the next twelve months, we estimate that an additional \$0.6 million will be reclassified as an increase 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 March 31, 2022, the fair value of derivative assets, including accrued interest, was \$1.1 million and

we did not have any derivatives in a liability position. As of March 31, 2022, 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 6: 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 March 31, 2022 and December 31, 2021 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 derivatives (see note 5).

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 derivatives is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each interest rate derivative. This analysis reflects the contractual terms of the interest rate derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate derivatives 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 derivatives fall into Level 2 in the fair value hierarchy.

The fair values of these assets and liabilities at March 31, 2022 and December 31, 2021 were as follows (in thousands):

	March 31, 2022				December 31, 2021			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Assets:								
SERP	\$ 2,231	\$ —	\$ 2,231	\$ —	\$ 2,566	\$ —	\$ 2,566	\$ —
Interest rate derivatives	1,104	—	1,104	—	—	—	—	—
Liabilities:								
Interest rate derivatives	\$ —	\$ —	\$ —	\$ —	\$ (821)	\$ —	\$ (821)	\$ —

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 March 31, 2022 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 March 31, 2022 and December 31, 2021, the carrying values and estimated fair values of our financial instruments were as follows (in thousands):

	March 31, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ 139,711	\$ 139,711	\$ 233,600	\$ 233,600
Restricted cash	636	636	620	620
Notes payable, net	497,093	494,553	496,946	515,341

NOTE 7: 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.

Total Compensation Expense

Total compensation expense recognized in the consolidated financial statements for all outstanding share based awards was \$2.1 million and \$1.7 million for the 2022 Quarter and 2021 Quarter, respectively.

Restricted Share Awards

The total fair values of restricted share awards vested was \$1.2 million and \$1.0 million for the 2022 Quarter and 2021 Quarter, respectively.

The total unvested restricted share awards at March 31, 2022 was 421,017 shares, which had a weighted average grant date fair value of \$27.26 per share. As of March 31, 2022, the total compensation cost related to unvested restricted share awards was \$6.9 million, which we expect to recognize over a weighted average period of 23 months.

NOTE 8: 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 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 months ended March 31, 2022 and 2021 were as follows (in thousands, except per share data):

	Three Months Ended March 31,	
	2022	2021
Numerator:		
Loss from continuing operations	\$ (7,724)	\$ (7,277)
Allocation of earnings to unvested restricted share awards	(72)	(139)
Adjusted net loss from continuing operations	(7,796)	(7,416)
Income from discontinued operations	—	6,130
Adjusted net loss	\$ (7,796)	\$ (1,286)
Denominator:		
Weighted average shares outstanding – basic and diluted	87,214	84,413
Earnings per common share, basic:		
Continuing operations	\$ (0.09)	\$ (0.09)
Discontinued operations	—	0.07
Basic net loss per common share ⁽¹⁾	\$ (0.09)	\$ (0.02)
Earnings per common share, diluted:		
Continuing operations	\$ (0.09)	\$ (0.09)
Discontinued operations	—	0.07
Diluted net loss per common share ⁽¹⁾	\$ (0.09)	\$ (0.02)
Dividends declared per common share	\$ 0.17	\$ 0.30

NOTE 9: SEGMENT INFORMATION

We operate in a single reportable segment which includes the ownership, development, redevelopment and acquisition of apartment communities. Each of our operating properties, including our remaining office property, do not meet the criteria to be considered separate operating segments on a stand-alone basis. We do not distinguish or group our consolidated operations based on size, type or geography. All but three communities are within the Washington, DC metro region and one community, Riverside Apartments, comprises more than 10% of consolidated revenues. Further, our apartment communities have similar long-term economic characteristics and provide similar products and services to our residents. As a result, our operating properties are aggregated into a single reportable segment: residential.

Prior to the end of the second quarter of 2021, we had two reportable segments: office and residential. During the third quarter of 2021, we closed on the sales of the Office Portfolio and the Retail Portfolio (see note 3), and following such sales, we have one remaining office property, Watergate 600, which does not meet the criteria for a reportable segment, and has been classified within “Other” on our segment disclosure tables.

We evaluate performance based upon net operating income (“NOI”) of the combined properties in the segment. Our reportable operating segment consolidates 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. NOI is a key measurement of our segment profit and loss and is defined as real estate rental revenue less real estate expenses.

The following tables present revenues, NOI, capital expenditures and total assets for the three months ended March 31, 2022 and 2021 from our Residential segment as well as Other, and reconcile NOI to net income (loss) as reported (in thousands):

	Three Months Ended March 31, 2022		
	Residential	Other ⁽¹⁾	Consolidated
Real estate rental revenue	43,334	4,470	\$ 47,804
Real estate expenses	15,901	1,251	17,152
Net operating income	\$ 27,433	\$ 3,219	\$ 30,652
Other income (expense):			
Property management expenses			(1,750)
General and administrative expenses			(6,939)
Transformation costs			(2,223)
Depreciation and amortization			(22,200)
Interest expense			(5,650)
Other income			386
Net loss			\$ (7,724)
Capital expenditures	\$ 3,430	\$ 596	\$ 4,026
Total assets	\$ 1,545,731	\$ 330,993	\$ 1,876,724

	Three Months Ended March 31, 2021		
	Residential	Other ^{(1), (2)}	Consolidated
Real estate rental revenue	36,167	4,440	\$ 40,607
Real estate expenses	13,826	1,165	14,991
Net operating income	\$ 22,341	\$ 3,275	\$ 25,616
Other income (expense):			
Property management expenses			(1,463)
General and administrative expenses			(5,604)
Depreciation and amortization			(16,987)
Interest expense			(10,123)
Other income			1,284
Discontinued operations:			
Income from operations of properties sold or held for sale			6,130
Net loss			\$ (1,147)
Capital expenditures	\$ 3,737	\$ 302	\$ 4,039
Total assets	\$ 1,322,831	\$ 1,057,205	\$ 2,380,036

⁽¹⁾ Other represents Watergate 600, an office property that does not meet the qualitative or quantitative criteria for a reportable segment.

⁽²⁾ Total assets and capital expenditures include office and retail properties classified as discontinued operations.

NOTE 10: SHAREHOLDERS' EQUITY

On February 17, 2021, we entered into separate amendments to each of our existing equity distribution agreements (“Original 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 Truist Securities, Inc. (f/k/a SunTrust Robinson Humphrey, Inc.), each dated May 4, 2018 (collectively, as amended, the “Equity Distribution Agreements”) for our at-the-market program. Also on February 17, 2021, we entered into a separate equity distribution agreement with BTIG, LLC on the same terms as the Amended Equity Distribution Agreements (the “BTIG Equity Distribution Agreement”). On September 22, 2021, BTIG, LLC notified us that it was terminating the BTIG Equity Distribution Agreement, effective as of September 27, 2021. Pursuant to the Equity Distribution Agreements, we may sell, from time to time, up to an aggregate price of \$550.0 million of our common shares of beneficial interest, \$0.01 par value per share. 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 business purposes, including, without limitation, working capital, the acquisition, renovation, expansion, improvement, development or redevelopment of income producing properties or the repayment of debt. Our issuances and net proceeds on the Equity Distribution Agreements for the 2022 Quarter and 2021 Quarter were as follows (\$ in thousands, except per share data):

	Three Months Ended March 31,	
	2022	2021
Issuance of common shares	1,032	24
Weighted average price per share	\$ 26.27	\$ 22.06
Net proceeds	\$ 26,851	\$ 467

We have a dividend reinvestment program whereby shareholders may use their dividends and optional cash payments to purchase common shares. The 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 are used for general corporate purposes.

Our issuances and net proceeds on the dividend reinvestment program for the three months ended March 31, 2022 and 2021 were as follows (\$ in thousands, except per share data):

	Three Months Ended March 31,	
	2022	2021
Issuance of common shares	10	23
Weighted average price per share	\$ 26.04	\$ 22.07
Net proceeds	\$ 264	\$ 520

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, 2021 filed with the Securities and Exchange Commission ("SEC") on February 18, 2022.

We refer to the three months ended March 31, 2022 and March 31, 2021 as the "2022 Quarter" and the "2021 Quarter," 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. Additional 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 include, but are not limited to: risks associated with our ability to execute on our strategies, including new strategies with respect to our operations and our portfolio, including the acquisition of residential properties in the Southeastern markets, on the terms anticipated, or at all, and to realize any anticipated benefits, including the performance of any acquired residential properties at the levels anticipated; the risks associated with ownership of real estate in general and our real estate assets in particular; the economic health of the areas in which our properties are located, particularly with respect to greater Washington, DC metro region and the larger Southeastern region; the risk of failure to enter into and/or complete contemplated acquisitions and dispositions, at all, within the price ranges anticipated and on the terms and timing anticipated; changes in the composition of our portfolio; fluctuations in interest rates and other risks related to changes 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; the economic health of our residents; the ultimate duration of the COVID-19 global pandemic, including any mutations thereof, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and containment measures, the effectiveness and willingness of people to take COVID-19 vaccines, and the duration of associated immunity and efficacy of the vaccines against emerging variants of COVID-19; compliance with applicable laws and corporate social responsibility goals, including those concerning the environment and access by persons with disabilities; the risks related to not having adequate insurance to cover potential losses; changes in the market value of securities; terrorist attacks or actions and/or cyber-attacks; whether we will succeed in the day-to-day property management and leasing activities that we have previously outsourced; the availability and terms of financing and capital and the general volatility of securities markets; the risks related to our organizational structure and limitations of stock ownership; failure to qualify and maintain our qualification as a REIT and the risks of changes in laws affecting REITs; whether our estimated transformation costs for 2022 will be correct; whether we will realize significant operation benefits from our operating model redesign on the timing contemplated or at all; and other risks and uncertainties detailed from time to time in our filings with the SEC, including our 2021 Form 10-K filed on February 18, 2022. 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 and financing activity and capital requirements to provide context for the remainder of MD&A.
- *Results of Operations.* Discussion of our financial results comparing the 2022 Quarter to the 2021 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 National Association of Real Estate Investment Trusts, Inc. (“NAREIT”) Funds From Operations (“NAREIT FFO”), a non-GAAP supplemental measure to net income.
- *Critical Accounting 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.
- *NAREIT FFO*, calculated as set forth below under the caption “Funds from Operations.” NAREIT FFO is a non-GAAP supplemental measure to net income.
- *Average occupancy*, calculated as average daily occupied apartment homes as a percentage of total apartment homes.

For purposes of evaluating comparative operating performance, we categorize our properties as “same-store” or “non-same-store”. Same-store portfolio 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. Development properties are categorized as same-store when they have reached stabilized occupancy (90%) before the start of the prior year. 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. As of March 31, 2022, we owned approximately 8,200 residential apartment homes in the Washington, DC metro and Southeastern regions. We also own and operate approximately 300,000 square feet of commercial space in the Washington, DC metro region.

During the third quarter of 2021, we sold twelve office properties (the “Office Portfolio”) and eight retail properties (the “Retail Portfolio”) (see note 3 to the condensed consolidated financial statements) for contract sale prices of \$766.0 million and \$168.3 million, respectively. Both the Office Portfolio and Retail Portfolio meet the criteria for classification as discontinued operations in our condensed consolidated financial statements. Our remaining office property, Watergate 600, does not meet the qualitative or quantitative criteria for a reportable segment (see note 9 to the condensed consolidated financial statements).

The dispositions of the Office Portfolio and Retail Portfolio are part of a strategic shift away from the commercial sector to the residential sector, which simplifies our portfolio to one reportable segment (residential) (the “strategic transformation”). We have used and plan to continue using the net proceeds from the sales to fund the expansion of our residential platform through acquisitions in Southeastern markets and reduce our leverage by repaying outstanding debt. During the third and fourth quarters of 2021, we completed the acquisitions of two apartment communities in Georgia for contract purchase prices of \$48.0 million and \$106.0 million, respectively. The apartment communities have a combined total of 730 apartment homes. During the 2022 Quarter, we completed the acquisition of an apartment community in Georgia with 389 apartment homes for a contract purchase price of \$105.6 million. We believe the successful execution of this research-driven strategic shift will lead to greater, more sustainable growth.

In connection with this strategic transformation, we are redesigning our operating model for purposes of more efficiently and effectively supporting residential operations. This operating model redesign includes insourcing the property-level management activities currently performed by third-party management companies. Costs related to the strategic transformation, including the allocation of internal costs, consulting, advisory and termination benefits, are included in Transformation costs on our consolidated statements of operations. We recognized \$2.2 million of transformation costs on the condensed consolidated statements of operations during the 2022 Quarter and anticipate incurring approximately \$8.8 - \$10.8 million of additional transformation costs during 2022. We expect to realize significant operational benefits from this operating model redesign and complete its implementation in 2023.

Operating Results

Net loss, NOI and NAREIT FFO for the three months ended March 31, 2022 and 2021 were as follows (in thousands):

	Three Months Ended March 31,		\$ Change	% Change
	2022	2021		
Net loss	\$ (7,724)	\$ (1,147)	\$ (6,577)	573.4 %
NOI ⁽¹⁾	\$ 30,652	\$ 25,616	\$ 5,036	19.7 %
NAREIT FFO ⁽²⁾	\$ 14,476	\$ 28,496	\$ (14,020)	(49.2)%

⁽¹⁾ See page 24 of the MD&A for a reconciliation of NOI to net income.

⁽²⁾ See page 31 of the MD&A for a reconciliation of NAREIT FFO to net income.

The increase in net loss is primarily due to lower income from discontinued operations (\$6.1 million) due to the sales of the Office Portfolio and Retail Portfolio during 2021, higher depreciation and amortization expenses (\$5.2 million), higher transformation expenses (\$2.2 million), higher general and administrative expenses (\$1.3 million), lower other income (\$0.9 million) and higher property management expenses (\$0.3 million). These were partially offset by higher NOI (\$5.0 million) and lower interest expense (\$4.5 million).

The higher NOI is primarily due to the acquisitions of Assembly Eagles Landing (\$1.0 million) and The Oxford (\$0.5 million) in 2021 and Carlyle of Sandy Spring (\$0.6 million) in 2022, higher NOI from same-store properties (\$1.7 million) and higher NOI from Trove (\$1.3 million), which achieved stabilization in the fourth quarter of 2021. The higher same-store NOI was primarily due to higher rental rates and occupancy. Residential same-store average occupancy for our portfolio increased to 95.8% as of March 31, 2022 from 94.3% as of March 31, 2021, due to higher occupancy across the portfolio as the portfolio recovers from the COVID-19 pandemic.

The lower NAREIT FFO is primarily due to lower income from discontinued operations, net of depreciation and amortization (\$18.8 million), higher transformation expenses (\$2.2 million), higher general and administrative expenses (\$1.3 million), lower other income (\$0.9 million) and higher property management expenses (\$0.3 million). These were partially offset by higher NOI (\$5.0 million) and lower interest expense (\$4.5 million).

Investment Activity

Significant investment transactions during the 2022 Quarter included the following:

- Acquisition of Carlyle of Sandy Springs, a 389-unit apartment community in Sandy Springs, Georgia for a contract purchase price of \$105.6 million.

Financing Activity

Significant financing transactions during the 2022 Quarter included the following:

- Issuance of 1.0 million common shares at a weighted average price per share of \$26.27 for net proceeds of \$26.9 million through our at-the-market program.

As of March 31, 2022, the interest rate on the \$700.0 million unsecured revolving credit facility ("Revolving Credit Facility") was one month LIBOR plus 0.85% and the facility fee was 0.20%. As of April 26, 2022, we had no outstanding balance and a full borrowing capacity of \$700.0 million on our Revolving Credit Facility and \$132.0 million of cash on hand, primarily due to the proceeds from the Office Portfolio and Retail Portfolio sales.

Capital Requirements

We have no debt maturities scheduled until the third quarter of 2023. We expect to have additional capital requirements as set forth on page 30 (Liquidity and Capital Resources - Capital Requirements).

Results of Operations

The discussion that follows is based on our consolidated results of operations for the 2022 Quarter and 2021 Quarter. The ability to compare one period to another is significantly affected by acquisitions and dispositions made during 2022 and 2021 (see note 3 to the consolidated financial statements).

Net Operating Income

NOI, defined as real estate rental revenue less direct real estate operating 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, acquisition costs, real estate impairment, casualty gain and losses and gain or loss on extinguishment of debt. NOI does not include management expenses, which consist of corporate property management costs and property management fees paid to third parties. We believe that NOI is a useful performance measure because, when compared across periods, it 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 calculated in accordance with GAAP. As such, NOI should not be considered an alternative to these measures as an indication of our operating performance. A reconciliation of NOI to net loss follows.

2022 Quarter Compared to 2021 Quarter

The following table reconciles NOI to net loss and provides the basis for our discussion of our consolidated results of operations and NOI in the 2022 Quarter compared to the 2021 Quarter.

	All amounts are in thousands, except		percentage amounts.	
	2022	2021	\$ Change	% Change
Residential revenue:				
Same-store portfolio	\$ 36,733	\$ 34,912	\$ 1,821	5.2 %
Acquisitions ⁽¹⁾	3,925	—	3,925	— %
Development ⁽²⁾	2,431	976	1,455	149.1 %
Non-residential ⁽³⁾	245	279	(34)	(12.2)%
Total	43,334	36,167	7,167	19.8 %
Residential expenses:				
Same-store portfolio	13,138	13,036	102	0.8 %
Acquisitions	1,843	—	1,843	— %
Development	845	721	124	17.2 %
Non-residential	75	69	6	8.7 %
Total	15,901	13,826	2,075	15.0 %
Residential NOI:				
Same-store portfolio	23,595	21,876	1,719	7.9 %
Acquisitions	2,082	—	2,082	— %
Development	1,586	255	1,331	522.0 %
Non-residential	170	210	(40)	(19.0)%
Total	27,433	22,341	5,092	22.8 %
Other NOI ⁽⁴⁾	3,219	3,275	(56)	(1.7)%
Total NOI	30,652	25,616	5,036	19.7 %
Reconciliation to net income (loss):				
Property management expenses	(1,750)	(1,463)	(287)	19.6 %
General and administrative expenses	(6,939)	(5,604)	(1,335)	23.8 %
Transformation costs	(2,223)	—	(2,223)	— %
Depreciation and amortization	(22,200)	(16,987)	(5,213)	30.7 %
Interest expense	(5,650)	(10,123)	4,473	(44.2)%
Other income	386	1,284	(898)	(69.9)%
Discontinued operations ⁽⁵⁾:				
Income from operations of properties sold or held for sale	—	6,130	(6,130)	(100.0)%
Net loss	\$ (7,724)	\$ (1,147)	\$ (6,577)	573.4 %

⁽¹⁾ Acquisitions:
2021: The Oxford and Assembly Eagles Landing
2022: Carlyle of Sandy Springs

⁽²⁾ Development/redevelopment: Trove

⁽³⁾ Non-residential: Includes revenues and expenses from retail and public parking garage operations at residential properties.

⁽⁴⁾ Other (classified as continuing operations): Watergate 600

⁽⁵⁾ Discontinued operations:

2021 Office - 1901 Pennsylvania Avenue, 515 King Street, 1220 19th Street, 1600 Wilson Boulevard, Silverline Center, Courthouse Square, 2000 M Street, 1140 Connecticut Avenue, Army Navy Club, 1775 Eye Street, Fairgate at Ballston and Arlington Tower
2021 Retail - Takoma Park, Westminster, Concord Centre, Chevy Chase Metro Plaza, 800 S. Washington Street, Randolph Shopping Center, Montrose Shopping Center and Spring Valley Village

Real Estate Rental Revenue

Real estate rental revenue from our apartment communities is comprised of (a) rent from operating leases of multifamily residential apartments with terms of approximately one year or less, recognized on a straight-line basis, (b) revenue from the recovery of operating expenses from our residents, (c) credit losses on lease related receivables, (d) revenue from leases of retail space at our apartment communities and (e) parking and other tenant charges.

Real estate rental revenue from same-store residential properties increased \$1.8 million, or 5.2%, to \$36.7 million for the 2022 Quarter, compared to \$34.9 million for the 2021 Quarter, primarily due to higher rental income (\$1.3 million), lower credit losses (\$0.3 million), higher recoveries (\$0.1 million) and lower rent abatements (\$0.1 million).

Real estate rental revenue from acquisitions increased \$3.9 million due to the acquisition of Assembly Eagles Landing (\$1.9 million) during the fourth quarter of 2021, Carlyle of Sandy Springs (\$1.1 million) during the 2022 Quarter and The Oxford (\$0.9 million) during the third quarter of 2021.

Real estate rental revenue from development properties increased due to continued lease-up of Trove (\$1.5 million). We placed the remainder of the Trove development costs into service during the 2021 Quarter.

Average occupancy for residential properties for the 2022 Quarter and 2021 Quarter was as follows:

March 31, 2022			March 31, 2021			Increase		
Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total
95.8 %	94.6 %	95.6 %	94.3 %	31.3 %	90.7 %	1.5 %	63.3 %	4.9 %

The increase in same-store average occupancy was primarily due to higher average occupancy at 3801 Connecticut Avenue, The Kenmore and Assembly Leesburg, partially offset by lower average occupancy at Clayborne Apartments.

Real Estate Expenses

Residential real estate expenses as a percentage of residential revenue for the 2022 Quarter and 2021 Quarter were 36.7% and 38.2%, respectively.

Real estate expenses from same-store residential properties increased \$0.1 million, or 0.8%, to \$13.1 million for the 2022 Quarter, compared to \$13.0 million for the 2021 Quarter, primarily due to higher real estate taxes (\$0.1 million) and higher insurance (\$0.1 million), partially offset by lower repairs and maintenance (\$0.1 million) expenses.

Other NOI

Other NOI classified as continuing operations decreased due to lower NOI at Watergate 600 (\$0.1 million).

Other Income and Expenses

Property management expenses: These expenses include costs directly related to the third-party management of property operations and corporate management and other costs.

General and administrative expenses: Increase primarily due to higher share-based compensation expense (\$0.4 million), higher office rent (\$0.3 million) due to the commencement of the corporate office lease during the third quarter of 2021, higher accounting fees (\$0.2 million), higher corporate payroll expense (\$0.2 million) and higher recruitment fees (\$0.1 million).

Transformation costs: During the 2022 Quarter, we incurred \$2.2 million of costs related to the strategic transformation, including the allocation of internal costs, consulting, advisory and termination benefits.

Depreciation and amortization: Increase primarily due to the acquisitions of Eagles Landing (\$2.8 million), Carlyle of Sandy Springs (\$1.2 million) and The Oxford (\$0.6 million) and higher depreciation and amortization at same-store residential properties (\$0.5 million) and at Watergate 600 (\$0.1 million).

Interest Expense: Interest expense by debt type for the three months ended March 31, 2022 and 2021 was as follows (in thousands):

Debt Type	Three Months Ended March 31,		\$ Change	% Change
	2022	2021		
Notes payable	\$ 5,149	\$ 9,486	\$ (4,337)	(45.7)%
Line of credit	694	845	(151)	(17.9)%
Capitalized interest	(193)	(208)	15	(7.2)%
Total	\$ 5,650	\$ 10,123	\$ (4,473)	(44.2)%

- *Notes payable:* Decrease primarily due to the prepayment of \$300.0 million of unsecured notes during the third quarter of 2021 originally scheduled to mature in October 2022 and the prepayment of a \$150.0 million portion of the 2018 Term Loan during the third quarter of 2021.
- *Line of credit:* Decrease primarily due to no borrowings in the 2022 Quarter, as compared to weighted average borrowings of \$58.2 million and weighted average interest rate of 1.1% during the 2021 Quarter.
- *Capitalized interest:* Decrease primarily due to placing assets into service at Trove.

Discontinued operations:

Income from operations of properties sold or held for sale: Decrease due to the sale of the Office Portfolio and the Retail Portfolio during the third quarter of 2021.

Liquidity and Capital Resources

We believe we will have adequate liquidity over the next twelve months to operate our business and to meet our cash requirements, which including meeting our debt obligations, capital commitments and contractual obligations, as well as the payment of dividends, on-going transformational costs and funding possible growth opportunities. Through our Office Portfolio and Retail Portfolio sales in 2021, which had a combined contract sales price of approximately \$934.3 million, we executed strategic transactions that will allow us to pursue residential expansion in Southeastern markets, meet our debt obligations for the next twelve months, and pay a dividend on a quarterly basis. In connection with our strategic transformation, we are designing our operating model for purposes of more efficiently and effectively supporting residential operations. We recognized \$2.2 million of transformation costs on the condensed consolidated statements of operations during the 2022 Quarter and anticipate incurring approximately \$8.8 - \$10.8 million of additional transformation costs during 2022. We expect to realize significant operational benefits from this operating model redesign and complete its implementation in 2023.

We also believe we have adequate liquidity beyond 2022, with only \$100.0 million of scheduled debt maturities within the next five years. As of April 26, 2022, we had cash and cash equivalents totaling \$132.0 million and no outstanding balance and a full borrowing capacity of \$700.0 million on our Revolving Credit Facility, resulting in a total liquidity position of \$832.0 million.

While we currently intend to continue to pay dividends at or about current levels, we will continue to assess the payment of our dividends on a quarterly basis. Future determinations regarding the declaration and payment of dividends, if any, will be at the discretion of our board of trustees which considers, among other factors, trends in our levels of NAREIT FFO and ongoing capital requirements to achieve a targeted payout ratio.

Capital Requirements

As of the end of the 2022 Quarter, our full-year 2022 capital requirements are summarized below:

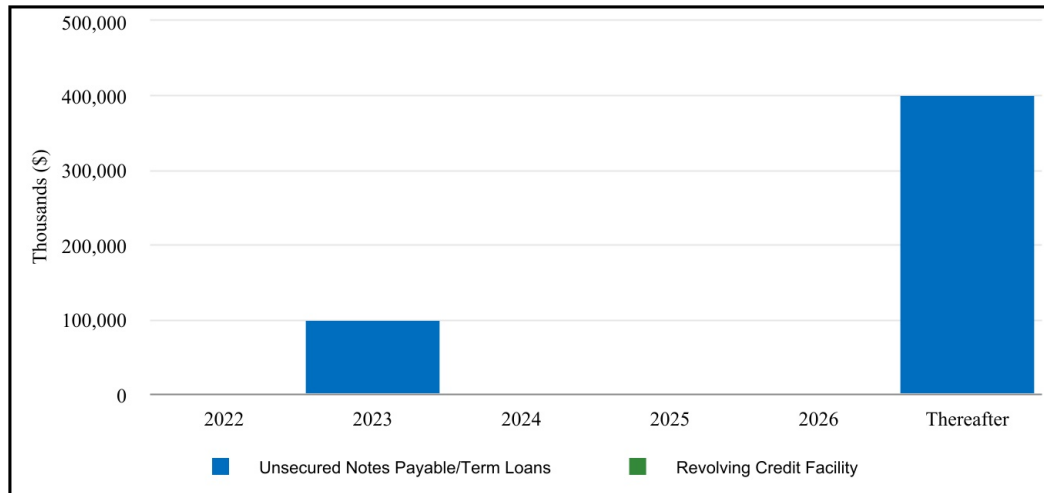
- Funding dividends and distributions to our shareholders;
- Approximately \$35.0 - \$40.0 million to invest in our existing portfolio of operating assets;
- Approximately \$7.5 - \$12.5 million to invest in our development and redevelopment projects; and
- Funding for potential property acquisitions throughout 2022, offset by proceeds from potential property dispositions.

There can be no assurance that our capital requirements will not be materially higher or lower than the above expectations. We currently believe that we will generate sufficient cash flow from operations and potential property sales and have access to the capital resources necessary to fund our requirements for the remainder of 2022. However, as a result of the uncertainty of the general market conditions in the greater Washington, DC metro and Southeastern regions, economic conditions affecting the ability to attract and retain tenants, declines in our share price, unfavorable changes in the supply of competing properties, or our properties not performing as expected, we may not generate sufficient cash flow from operations and property sales or otherwise have access to capital on favorable terms, or at all. If we are unable to obtain capital from other sources, we may need to alter capital spending to be materially different than what is stated above. If capital were not available, we may be unable to satisfy the distribution requirement applicable to REITs, make required principal and interest payments, make strategic acquisitions or make necessary and/or routine capital improvements or undertake improvement/redevelopment opportunities with respect to our existing portfolio of operating assets.

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 will 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 either hedge our variable rate debt to give it an effective fixed interest rate or hedge fixed rate debt to give it an effective variable interest rate.

As of March 31, 2022, our future debt principal payments are scheduled as follows (in thousands):



Year	Future Maturities of Debt			Av Interest Ra
	Unsecured Debt	Revolving Credit Facility	Total Debt	
2022	\$ —	\$ —	\$ —	—
2023	100,000	(⁽¹⁾)	100,000	2
2024	—	—	—	—
2025	—	—	—	—
2026	—	—	—	—
Thereafter	400,000	—	400,000	4
Scheduled principal payments	\$ 500,000	\$ —	\$ 500,000	4
Net premiums/discounts	(132)	—	(132)	—
Loan costs, net of amortization	(2,775)	—	(2,775)	—
Total	\$ 497,093	\$ —	\$ 497,093	4

⁽¹⁾ WashREIT entered into an interest rate swap to effectively fix a LIBOR plus 110 basis points floating interest rate to a 2.31% all-in fixed rate for the remaining \$100.0 million portion of the 2018 Term Loan. The interest rates are fixed through the term loan maturity of July 2023.

The weighted average maturity for our debt is 7.0 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

Pursuant to the terms of our Revolving Credit Facility, 2018 Term Loan and unsecured notes, we are subject to customary operating covenants and maintenance of various financial ratios.

Failure to comply with any of the covenants under our Revolving Credit Facility, 2018 Term Loan, unsecured notes or other debt instruments could result in a default under one or more of our debt instruments. 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 March 31, 2022, we were in compliance with the covenants related to our Revolving Credit Facility, 2018 Term Loan, and unsecured notes.

Common Equity

We have authorized for issuance 150.0 million common shares, of which 87.4 million shares were outstanding at March 31, 2022.

On February 17, 2021, we entered into separate amendments to each of our existing equity distribution agreements (“Original 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 Truist Securities, Inc. (f/k/a SunTrust Robinson Humphrey, Inc.), each dated May 4, 2018 (collectively, as amended, the “Equity Distribution Agreements”) for our at-the-market program. Also on February 17, 2021, we entered into a separate equity distribution agreement with BTIG, LLC on the same terms as the Amended Equity Distribution Agreements (the “BTIG Equity Distribution Agreement”). On September 22, 2021, BTIG, LLC notified us that it was terminating the BTIG Equity Distribution Agreement, effective as of September 27, 2021. Pursuant to the Equity Distribution Agreements, we may sell, from time to time, up to an aggregate price of \$550.0 million of our common shares of beneficial interest, \$0.01 par value per share. 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 business purposes, including, without limitation, working capital, the acquisition, renovation, expansion, improvement, development or redevelopment of income producing properties or the repayment of debt. Our issuances and net proceeds on the Equity Distribution Agreements for the 2022 Quarter and 2021 Quarter were as follows (\$ in thousands, except per share data):

	Three Months Ended March 31,	
	2021	2020
Issuance of common shares	1,032	24
Weighted average price per share	\$ 26.27	\$ 22.06
Net proceeds	\$ 26,851	\$ 467

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 for the three months ended March 31, 2022 and 2021 were as follows (\$ in thousands, except per share data):

	Three Months Ended March 31,	
	2022	2021
Issuance of common shares	10	23
Weighted average price per share	\$ 26.04	\$ 22.07
Net proceeds	\$ 264	\$ 520

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 March 31, 2022, no preferred shares were issued and 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):

	Three Months Ended March 31,		Change	
	2022	2021	\$	%
Net cash provided by operating activities	\$ 8,651	\$ 37,239	\$ (28,588)	(76.8)%
Net cash used in investing activities	(114,533)	(8,200)	(106,333)	1,296.7 %
Net cash provided by (used in) financing activities	12,009	(33,749)	45,758	(135.6)%

Net cash provided by operating activities decreased primarily due to the sales of the Office Portfolio and Retail Portfolio in 2021 (see note 3 to the consolidated financial statements) and timing differences on the payment of certain liabilities.

Net cash used in investing activities increased primarily due to the acquisition of Carlyle of Sandy Springs during the 2022 Quarter.

Net cash provided by financing activities increased primarily due to higher net proceeds from equity issuances and lower dividends paid in the 2022 Quarter.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as of March 31, 2022 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 a widely used measure of operating performance for real estate companies. In its 2018 NAREIT FFO Whitepaper Restatement, NAREIT defined NAREIT FFO 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 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 loss for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended March 31,	
	2022	2021
Net loss	\$ (7,724)	\$ (1,147)
Adjustments:		
Depreciation and amortization	22,200	16,987
Discontinued operations:		
Depreciation and amortization	—	12,656
NAREIT FFO	<u>\$ 14,476</u>	<u>\$ 28,496</u>

Critical Accounting 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 three months ended March 31, 2022. We discuss the most critical estimates in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on February 18, 2022.

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 interest rates by year of maturity, with respect to debt outstanding on March 31, 2022 (in thousands):

	2022	2023	2024	2025	2026	Thereafter	Total	Fair Value
Unsecured fixed rate debt								
Principal	\$ —	\$ 100,000 ⁽¹⁾	\$ —	\$ —	\$ —	\$ 400,000	\$ 500,000	\$ 494,553
Interest payments	\$ 10,726	\$ 19,340	\$ 17,995	\$ 17,995	\$ 17,995	\$ 69,369	\$ 153,420	
Interest rate on debt maturities	— %	2.3 %	— %	— %	— %	4.5 %	4.1 %	

⁽¹⁾ Represents a \$100.0 million term loan with a floating interest rate. The interest rate on the \$100.0 million term loan is effectively fixed by interest rate swap arrangements at 2.31%.

We enter into interest rate swap arrangements designated and qualifying as cash flow hedges to 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 March 31, 2022 and December 31, 2021 and their respective fair values (in thousands):

Notional Amount	Fixed Rate	Floating Index Rate	Effective Date	Expiration Date	Fair Value as of:	
					March 31, 2022	December 31, 2021
\$ 100,000	1.205%	One-Month USD-LIBOR	3/31/2017	7/21/2023	\$ 1,104	\$ (821)

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, 2021 filed with the SEC on February 18, 2022. 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

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, 2021 filed on February 18, 2022.

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

A summary of our repurchases of shares of our common stock for the three months ended March 31, 2022 was as follows:

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased
January 1 -January 31, 2022	—	\$ —	N/A	N/A
February 1 - February 28, 2022	18,314	24.54	N/A	N/A
March 1 - March 31, 2022	14,262	24.45	N/A	N/A
Total	<u>32,576</u>	\$ 24.50	N/A	N/A

⁽¹⁾ Represents restricted shares surrendered by employees to WashREIT to satisfy such employees' applicable statutory minimum tax withholding obligations in connection with the vesting of restricted shares.

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	
3.1	Articles of Amendment and Restatement of Declaration of Trust of the Company, as amended	10-K	001-06622	3.1	2/16/2021	
3.2	Amended and Restate Bylaws of Washington Real Estate Investment Trust, as adopted on February 8, 2017	10-Q	001-06622	3.2	7/31/2017	
10.1	Change in control agreement dated February 2, 2022 with Susan L. Gerock					X
10.2	Severance Agreement and General Release between Taryn D. Fielder and Washington Real Estate Investment Trust					X
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended ("the Exchange Act")					X
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act					X
31.3	Certification of the Chief Accounting Officer pursuant to Rule 13a-14(a) of the Exchange Act					X
32	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					X
101.INS	Inline 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	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)					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. Riffée

Stephen E. Riffée
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: April 28, 2022

**CHANGE IN CONTROL AGREEMENT FOR
SENIOR VICE PRESIDENT & CHIEF INFORMATION OFFICER**

THIS CHANGE IN CONTROL AGREEMENT (“Agreement”), with an effective date of February 2, 2022, is made and entered into by and between Washington Real Estate Investment Trust, a real estate investment trust organized under the laws of the State of Maryland (the “Trust”), and Susan L. Gerock (“Employee”).

WHEREAS, Employee is employed in a key position with the Trust as Senior Vice President and Chief Information Officer; and

WHEREAS, subject to the terms and conditions of this Agreement, the Trust has agreed to continue Employee’s compensation and certain health benefits for a period of time should Employee’s employment be terminated under certain conditions described herein;

NOW, THEREFORE, in consideration of the promises contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree to the following terms:

1. Definitions. For purposes of this Agreement, the following words and phrases shall have the meanings set forth below:

A. Change in Control. “Change in Control” means an event or occurrence set forth in any one or more of subsections (i) through (iv) below (including any event or occurrence that constitutes a Change in Control under one of such subsections but is specifically exempted from another such subsection):

(i) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership of any shares of beneficial interest in the Trust if, after such acquisition, such Person beneficially owns (within the meaning of rule 13d-3 promulgated under the Exchange Act) 40% or more of either (A) the then-outstanding shares of beneficial interest in the Trust (the “Outstanding Trust Shares”) or (B) the combined voting power of the then-outstanding shares of beneficial interest the Trust entitled to vote generally in the election of trustees (the “Outstanding Trust Voting Shares”); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (A) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Trust or any corporation controlled by the Trust, or (B) any acquisition by any corporation pursuant to a transaction which complies with clauses (A) and (B) of subsection (iii) of this Section 1(A); or

(ii) such time as the Continuing Trustees (as defined below) do not constitute a majority of the Board (or, if applicable, the Board of Directors or Trustees of a successor corporation or other entity to the Trust), where the term "Continuing Trustee" means at any date a member of the Board (A) who was a member of the Board on the date hereof or (B) who was nominated or elected subsequent to the date hereof with the approval of other Board members who themselves constitute Continuing Trustees at the time of such nomination or election; provided, however, that there shall be excluded from this clause (B) any individual whose initial assumption of office occurred as a result of an actual or threatened election contest with respect to the election or removal of trustees or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Board; or

(iii) the consummation of a merger, consolidation, reorganization, recapitalization or statutory share exchange involving the Trust or a sale or other disposition of all or substantially all of the assets of the Trust in one or a series of transactions (a "Business Combination"), unless, immediately following such Business Combination, each of the following two conditions is satisfied: (A) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Trust Shares and Outstanding Trust Voting Shares immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of beneficial interest or stock, as the case may be, and the combined voting power of the then-outstanding shares or stock, as the case may be, entitled to vote generally in the election of trustees, or directors, as the case may be, respectively, of the resulting or acquiring corporation or other entity in such Business Combination (which shall include, without limitation, a corporation or other entity which as a result of such transaction owns the Trust or substantially all of the Trust's assets either directly or through one or more subsidiaries) (such resulting or acquiring corporation or other entity referred to herein as the "Acquiring Entity") in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Trust Shares and Outstanding Trust Voting Shares, respectively; and (B) no Person (excluding the Acquiring Entity or any employee benefit plan (or related trust) maintained or sponsored by the Trust or by the Acquiring Entity) beneficially owns, directly or indirectly, 40% or more of the then outstanding shares of beneficial interest or stock, as the case may be, of the Acquiring Entity, or of the combined voting power of the then-outstanding shares of such corporation or other entity entitled to vote generally in the election of trustees or directors, as the case may be; or

(iv) approval by the shareholders of the Trust of a complete liquidation or dissolution of the Trust.

B. Involuntarily Terminated. Employee's employment will be deemed to have been involuntarily terminated due to a Change in Control only if, on or after the date on which a Change in Control occurs, (i) Employee's employment is terminated by the

Trust or the successor owner of the Trust without cause or (ii) Employee resigns because Employee's duties, responsibilities or compensation are materially diminished, provided (A) Employee gives written notice to the Trust within thirty (30) days following the diminution or receipt of notice of the diminution of his objection to the diminution, (B) the Trust fails to remedy the diminution within thirty (30) days following Employee's written notice, and (C) Employee terminates his or her employment within thirty (30) days following the Trust's failure to remedy the diminution; provided that if a termination otherwise covered by (i) or (ii) occurs during the ninety (90) day period before the date on which a Change in Control occurs, the termination will be presumed to be due to the Change in Control unless the Trust or the successor owner of the Trust can show, through a preponderance of the evidence, that the termination did not occur because of the impending Change in Control.

C. Termination For Cause. A termination for cause shall be deemed to occur only if the Trust or the successor owner of the Trust terminates Employee's employment for any of the following reasons: (1) commission by Employee of a felony or crime of moral turpitude; (2) conduct by Employee in the performance of Employee's duties which is illegal, dishonest, fraudulent or disloyal; (3) the breach by Employee of any fiduciary duty Employee owes to the Trust; or (4) gross neglect of duty or poor performance which is not cured by Employee to the reasonable satisfaction of the Trust within 30 days of Employee's receipt of written notice from the Trust advising Employee of said gross neglect or poor performance.

2. Termination Benefits. In the event Employee's employment with the Trust or the successor owner of the Trust is involuntarily terminated due to a Change in Control but not for cause, and such termination occurs within 24 months following the Change in Control or within ninety (90) days before the Change in Control as specified in Section 1(B), the Trust or the successor owner shall provide Employee with the following termination benefits:

A. continuation of Employee's base salary at the rate in effect as of the termination date for a period of 24 months from the date of termination (in the event of Employee's death, said salary shall be paid to Employee's estate);

B. payment of an annual bonus for each calendar year or partial calendar year in which Employee receives salary continuation pursuant to Section 2(A) above, in an amount equal to the average annual bonus received by Employee during the three years prior to the involuntary termination, provided that, if Employee was employed for fewer than three years prior to the termination, the bonus will be based on the average of the bonuses received by Employee in the year or years Employee received a bonus; and provided further, that if Employee receives salary continuation for a partial calendar year pursuant to Section 2(A) above, the bonus will be pro rated to reflect the number of full months Employee receives such salary continuation in such calendar year, rounded to the nearest number of months;

C. the Trust will pay the full cost for Employee to continue coverage under the Trust's group health insurance plan pursuant to the Consolidated Omnibus Budget Reconciliation Act ("COBRA") for the period of time Employee receives salary

continuation pursuant to Section 2(A) above up to a maximum of 18 months or until Employee obtains other comparable coverage, whichever is sooner;

D. immediate vesting in all then unvested options granted to Employee under the Trust's 2016 Omnibus Long-Term Incentive Plan or other plan under which such grants have been made by the Trust to Employee (the "Omnibus Plan") and immediate vesting in all unvested accrued dividend equivalent units under the Omnibus Plan, and Employee shall have the right, in Employee's sole discretion, to exercise all or any of such options and to sell the shares acquired pursuant thereto. In the event that Employee wishes to sell Employee's shares within 60 days of the involuntary termination, the shares must first be offered to the Trust for purchase at the Trust's option at the then current fair market value. The Trust shall respond within one business day to the offer or its rights to purchase the shares shall expire. Sales occurring more than 60 days after the involuntary termination shall not be subject to this option;

E. immediate vesting in all then unvested share grants granted to Employee under the Omnibus Plan and Employee shall have the right, in Employee's sole discretion, to sell the shares acquired pursuant thereto. In the event that Employee wishes to sell Employee's shares within 60 days of the involuntary termination, the shares must first be offered to the Trust for purchase at the Trust's option at the then current fair market value. The Trust shall respond within one business day to the offer or its rights to purchase the shares shall expire. Sales occurring more than 60 days after the involuntary termination shall not be subject to this option; and

F. if, by virtue of receipt of the Termination Benefits described above and any other payments in the nature of compensation, Employee is subject to excise tax pursuant to Section 4999 of the Internal Revenue Code (the "Code"), the Termination Benefits shall be reduced to the minimum extent necessary to avoid imposition of the excise tax, but only if such reduction would result in Employee retaining a greater amount after taking into account the excise tax that would be owed if no such reduction were made. If such reduction is required to be made, the Termination Benefits shall be reduced in such manner as required so as not to give rise to there being deemed to be more than one time or form of payment of any amount that constitutes nonqualified deferred compensation under Code Section 409A. To that end (i) to the extent permissible under Code Section 409A, such reductions shall be made so that the latest payments in time are reduced first, starting with payments under Section 2(B) until those payments have been eliminated if necessary, then payments under Section 2(A) until those payments have been eliminated if necessary, and ending with payments under Section 2(C) (if the payments under Section 2(C) are taxable payments) until those payments have been eliminated if necessary, or (ii) to the extent that is not permissible under Code Section 409A, the reductions shall be made ratably from each payment under Sections 2(B), 2(A), and 2(C) (if the payments under Section 2(C) are taxable payments). To the extent that the reduction of payments in Section 2(B), 2(A) and 2(C) is not sufficient to avoid imposition of the excise tax, then after making such reductions, accelerated vesting shall be reduced, starting with the vesting that otherwise would occur latest in time, first under Section 2(E) until accelerated vesting has been eliminated under

that Section if necessary and last, accelerated vesting under Section 2(D) until accelerated vesting has been eliminated under that Section if necessary. Any reduction of payments or accelerated vesting required under Section 2(F) shall occur only to the minimum extent necessary to avoid imposition of the excise tax.

3. Mitigation. If a Change in Control occurs while Employee is employed by the Trust, and Employee's employment is involuntarily terminated as a result of the Change in Control, Employee shall have no obligation to seek other employment in order to mitigate the payment of the Termination Benefits described in Section 2 hereunder; provided, that should Employee continue to be employed by the Trust or the successor owner of the Trust after a Change in Control occurs, Employee's entitlement to receive the Termination Benefits described in Sections 2(A) and (B) hereunder shall be reduced for one-half of that period of time (rounded to the nearest month) that Employee continues to be thus employed after the Change in Control occurs without being involuntarily terminated. For example, should Employee continue to be thus employed for ten (10) months after the Change in Control occurs, Employee's entitlement to the Termination Benefits described in Sections 2(A) and (B) would be reduced by five (5) months. If Employee (despite the lack of obligation to seek other employment) does in fact obtain other employment, the compensation to Employee from such other employment shall not be applied as an offset to Employee's Termination Benefits described in Sections 2(A) and (B) hereunder.

4. Code Section 409A. It is intended that this Agreement and the payments hereunder will, to the fullest extent possible, be exempt from Code Section 409A, and the Agreement shall be interpreted to that end to the fullest extent possible. In this regard, it is intended that, to the extent possible, the maximum amount of severance pay possible be exempt from Code Section 409A as separation pay upon involuntary separation from service under Treas. Regs. Section 1.409A-1(b)(9)(iii). However, to the extent that any payment or benefit (or portion thereof) provided pursuant to this Agreement is determined to be subject to Code Section 409A, this Agreement shall be interpreted in a manner that complies with Code Section 409A to the fullest extent possible. In furtherance of the foregoing provisions:

- A. the payments in Section 2(A) will commence on the next regular payroll date following termination of employment;
 - B. the payment of each average annual bonus amount in Section 2(B) will be made in the year following each calendar year or partial calendar year in which Employee receives salary continuation in Section 2(A), by no later than the fifteenth day of the third month thereof;
 - C. the payments in Section 2(C) will commence as of termination of employment and will be made on a monthly basis; and
 - D. the reductions required in Section 3 shall be made in such manner as required so as not to give rise to there being deemed to be more than one time or form of
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payment of any amount that constitutes nonqualified deferred compensation under Code Section 409A. To that end, to the extent permissible under Code Section 409A, the reductions required in Section 3 shall be first made from each payment that would otherwise be paid latest in time in Sections 2(A) and 2(B), or to the extent that is not permissible under Code Section 409A, the reductions shall be made ratably from each payment under Sections 2(A) and 2(B) that constitutes nonqualified deferred compensation.

If payment or provision of any amount or benefit hereunder at the time specified in this Agreement would subject such amount or benefit to any tax under Code Section 409A, the payment or provision of such amount or benefit shall be postponed to the earliest commencement date on which the payment or the provision of such amount or benefit could be made without incurring such tax (including paying any severance that is delayed in a lump sum upon the earliest possible payment date which is consistent with Code Section 409A). A termination of employment shall not be deemed to have occurred for purposes of this Agreement, unless such termination is also a "separation from service" within the meaning of Code Section 409A. For purposes of this Agreement, references to a "termination," "termination of employment" or like terms shall mean such "separation from service." Notwithstanding anything to the contrary in this Agreement, if at the time of Employee's separation from service from the Trust, the Trust has shares which are publicly-traded on an established securities market and Employee is a "specified employee" within the meaning of Code Section 409A, then no payment, compensation, benefit or entitlement payable or provided to the Employee in connection with his separation from service that is determined, in whole or in part, to constitute a payment of nonqualified deferred compensation within the meaning of Code Section 409A shall be paid or provided to Employee before the earlier of (A) Employee's death or (B) the day that is six (6) months after the date of his separation from service date (the "New Payment Date"). The aggregate of any payments, compensation, benefits and entitlements that otherwise would have been paid to Employee during the period between the date of his separation from service date and the New Payment Date shall be paid to Employee in a lump sum on such New Payment Date. Thereafter, any payments, compensation, benefits and entitlements that remain outstanding as of the day immediately following the New Payment Date shall be paid without delay over the time period originally scheduled, in accordance with the terms of this Agreement. With regard to any provision herein that provides for reimbursement of expenses that are not excluded from Employee's taxable income and are nonqualified deferred compensation subject to Section 409A, then except as otherwise permitted by Section 409A (i) the right to reimbursement shall not be subject to liquidation or exchange for another benefit; (ii) the amount of expenses eligible for reimbursement provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; and (iii) such payments shall be made, as soon as practicable, but in any case on or before

the last day of Employee's taxable year following the taxable year in which the expense was incurred.

5. Limitations of Agreement. Nothing in this Agreement shall be construed to require the Trust or its successor owner to continue to employ Employee for any definite period of time. Either Employee or the Trust may terminate the employment relationship at any time with or without cause, unless otherwise expressly required by law or contract, and provided that the terms of this Agreement are observed.

6. Arbitration. Any dispute or controversy arising under or in connection with this Agreement which cannot be resolved informally by the parties shall be submitted to arbitration and adjudicated in Washington, D.C. pursuant to the commercial rules (single arbitrator) of the American Arbitration Association then in effect. The decision of the arbitrator shall be final and binding on all parties hereto. Each party shall bear its own costs in any arbitration proceeding held hereunder and the parties shall share the costs of the arbitrator.

7. Severability. In the event that any provision of this Agreement conflicts with the law under which this Agreement is to be construed, or if any such provision is held invalid or unenforceable by a court of competent jurisdiction or an arbitrator, such provision shall be deleted from this Agreement and the Agreement shall be construed to give full effect to the remaining provisions thereof.

8. Governing Law. This Agreement shall be interpreted, construed and governed according to the laws of the District of Columbia, without regard to the principles of conflicts of law thereof.

9. Assignability. Neither this Agreement nor any rights or obligations hereunder may be assigned by either party without the prior written consent of the other. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and assigns.

10. Entire Agreement. This Agreement contains and represents the entire agreement of the parties and supersedes all prior agreements, representations or understandings, oral or written, express or implied, with respect to the subject matter hereof, which are hereby terminated and of no further force or effect. This Agreement may not be modified or amended in any way unless in a writing signed by both parties.

11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be considered an original and together which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

EMPLOYEE

WASHINGTON REAL ESTATE
INVESTMENT TRUST

/s/ Susan L. Gerock By: /s/ Paul T. McDermott

Print Name: Susan L. Gerock Name: Paul T. McDermott

Date: February 22, 2022 Title: President & CEO

Date: February 2, 2022

SEVERANCE AGREEMENT AND GENERAL RELEASE

This Severance Agreement and General Release ("Agreement"), effective as of the date described in Section 12 below (the "Effective Date"), is made and entered into by and between Washington Real Estate Investment Trust ("Company") and Taryn Fielder ("Executive").

WHEREAS, Executive has been employed by Company as its Senior Vice President, General Counsel & Corporate Secretary; and

WHEREAS, the parties have agreed upon a mutual separation whereby Executive has in consequence thereof tendered her resignation; and

WHEREAS, the parties desire to resolve amicably all matters between them on a full and final basis;

NOW, THEREFORE, in consideration of the promises contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. **Resignation and Return of Property:** Company and Executive have agreed upon a mutual separation effective as of February 25, 2022 (the "Resignation Date") and Executive hereby resigns from all employment, officer and/or director positions she holds with Company and any of its subsidiaries and other affiliated entities (collectively "Affiliates") effective as of the Resignation Date. Executive will execute all documents requested by Company to effectuate such resignation(s). Executive will promptly return all property of Company and its Affiliates, and all copies, excerpts or summaries of such property, in her possession, custody or control. Executive shall be permitted to retain any documents evidencing her terms of employment and/or compensation without violation hereof.

2. **Final Paycheck and Severance Payment:** Regardless of whether or not Executive signs this Agreement, Company will pay Executive for all earned but unpaid salary and vacation as of the Resignation Date in accordance with its payroll practices and applicable law.

In exchange for, and conditioned upon, Executive's compliance with, and her fulfillment of her obligations under this Agreement, Company will provide to Executive the following payments and benefits, in each case subject to Section 15 and Executive's execution and non-revocation of this Agreement under Section 12:

- A. **Severance Payment:** Executive will receive a one-time, lump-sum payment of \$121,153.85, less required withholdings and deductions (the "Severance Payment"), paid within fifteen (15) days of the Effective Date; and
- B. **Treatment of SERP, LTIP, and STIP:** For purposes of calculating payments and benefits which Company will provide to Executive under each of the Washington Real Estate Investment Trust Supplemental Executive Retirement Plan, as amended from time to time (the "SERP"), the Washington Real Estate Investment Trust Amended and Restated Executive Officer Long-Term Incentive Plan (the "LTIP"), and the Washington Real Estate Investment Trust Amended and Restated Executive Officer Short-Term Incentive Plan (the "STIP"), including any outstanding unvested equity awards issued thereunder, the following shall apply effective as of, and contingent upon, the Effective Date:

- a. For purposes of the SERP, Executive shall be treated as though Executive's employment was terminated "without cause" and the terms of the SERP covering the effect of a "termination without cause" shall be given effect.
- b. For purposes of the 2022 performance period under the STIP, Executive shall receive a cash payment equal to the prorated amount of Executive's target bonus opportunity under the STIP, with such proration calculated based on the number of calendar days from January 1 to the Resignation Date, which amount shall be paid within fifteen (15) days of the Effective Date.
- c. For purposes of the Shareholder Return Equity Grant under each of the 2020-2022 LTIP cycle, the 2021-2023 LTIP cycle, and the 2022-2024 LTIP cycle, on or within thirty (30) days of the Effective Date, Executive shall receive an award of fully vested shares based on the actual levels of achievement of the applicable shareholder return measures as of the Resignation Date, with the number of shares determined based on the closing price on the Resignation Date and prorated based on the number of calendar days in the applicable LTIP performance period through the Resignation Date, and otherwise calculated and determined in accordance with the terms of the LTIP.
- d. For purposes of the Strategic Goals Equity Grant under the 2020-2022 LTIP cycle and the 2022-2024 LTIP cycle, on or within thirty (30) days of the Effective Date, Executive shall receive an award of fully vested shares equal to the prorated amount of Executive's target level for the Strategic Goals Equity Grant, with the number of shares determined based on the closing price on the Resignation Date and prorated based on the number of calendar days in the applicable LTIP performance period through the Resignation Date, and otherwise calculated and determined in accordance with the terms of the LTIP.
- e. Any other equity awards that have been previously granted but not yet vested, including those granted under the STIP and LTIP and the shares granted in connection with Executive's employment shall become fully vested and settled to Executive as of the Effective Date.

It is understood and agreed that in accepting the benefits set forth in Section 2 above,

Executive will forfeit any rights she may have to any other form of compensation from the Company, including without limitation any compensation under the Company's Executive Officer Severance Pay Plan. No amount referenced in this Agreement is subject to reduction or mitigation except as specifically provided for herein, provided that all amounts payable hereunder are subject to applicable tax withholding.

3. **Benefits:** Except as expressly provided otherwise in this Agreement, Executive's entitlement to, participation in, and accrual of, all other salary, compensation or benefits from Company shall cease as of the Resignation Date, except that Executive shall have such rights in such benefits as are required by law and plan documents, including without limitation, Executive's vested benefits, in accordance with and to the extent permitted by applicable plan documents. Executive may be eligible to participate in a healthcare continuation coverage program such as under COBRA or any similar state medical and dental insurance continuation coverage program if Executive timely elected such COBRA continuation coverage. Should Executive sign and not revoke this Agreement and elect COBRA continuation coverage, the Company will, as additional consideration for the obligations and promises contained herein, subsidize Executive's COBRA continuation coverage for five (5) months (the "COBRA Coverage Period"). For purposes of this paragraph "subsidize" means that the Executive will receive payment from the Company equal to the lesser of (i) the Company's portion of the group health plan premium or the Company's cost of

coverage for an active employee for employee only coverage, or (ii) the COBRA premium. The payments related to the subsidized COBRA continuation coverage shall be paid in equal monthly installments commencing within sixty (60) days following the Resignation Date provided that this Agreement is executed and not revoked.

4. References: Executive will direct all requests for employment references to either Company's President & CEO or its Human Resources department. All responses to any request for reference shall state only Executive's title, dates of service, that her resignation was by mutual agreement, and that she was in good standing as of her resignation date.

5. Releases.

A. Executive Release: In consideration for the benefits described herein, and for other good and valuable consideration, which are of greater value than Executive would normally be entitled upon resignation, Executive, on behalf of herself, her heirs, executors, administrators, attorneys, agents, representatives and assigns, hereby forever releases Company and its Affiliates, and each of their officers, directors, trustees, owners, shareholders, employees, insurers, benefit plans, agents, attorneys and representatives, and each of their predecessors, successors and assigns (collectively, "Releasees"), from any and all claims, demands, suits, actions, damages, losses, expenses, charges or causes of action of any nature whatsoever, whether known or unknown, relating in any way to any act, omission, event, relationship, conduct, policy or practice prior to the Effective Date, including without limitation based on any agreements between

Executive and the Company or based on her employment with Company and the termination thereof ("Claims"). This release includes without limitation Claims for discrimination, harassment, retaliation or any other violation under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the District of Columbia Human Rights Act, and any other Claims under all other federal, state or local laws; Claims for breach of contract; Claims for wrongful discharge; Claims for emotional distress, defamation, fraud, misrepresentation or any other personal injury; Claims for unpaid compensation; Claims relating to benefits; Claims for attorneys' fees and costs, Claims for reinstatement or employment; and all other Claims under any federal, state or local law or cause of action. Executive represents that she has not filed or joined any such Claims, and she further agrees not to pursue or bring any such Claim seeking monetary or other relief. It is understood and agreed that this release does not apply to claims for breach of this Agreement or any grant referenced pursuant to this Agreement, Claims for any vested benefits or Claims that cannot be released by law including claims for unemployment insurance, worker's compensation benefits, state disability compensation or previously vested benefits under any Company-sponsored benefits plan. Notwithstanding anything to the contrary herein, Company shall not be released from any obligations it may have under the Indemnification Agreement between Company and Executive dated March 29, 2017 (the "Indemnification Agreement"), which shall remain in full force and effect pursuant to its terms.

Notwithstanding anything to the contrary herein, Executive understands that nothing in this Agreement or any other agreement that Executive may have with the Company restricts or prohibits Executive from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including but not limited to the Securities Exchange Commission and the federal Office of Occupational Health (collectively, "Government Agencies"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation, and Executive does not need the Company's prior authorization to engage in such conduct. Notwithstanding, in making any such disclosures or

communications, Executive must take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Confidential Information (as defined herein) to any parties other than the Government Agencies. This Agreement does not limit Executive's right to receive an award for information provided to any Government Agencies.

B. Company's Release: In consideration for the benefits described herein, and for other good and valuable consideration, Company and its Affiliates hereby forever release Executive, her heirs, executors, administrators, agents, representatives and assigns, from any and all Claims. This release includes without limitation Claims for breach of any contract or duty; Claims for emotional distress, defamation, fraud, misrepresentation or any other personal injury; claims for overpaid compensation; Claims relating to benefits; Claims for attorneys' fees and costs; and all other Claims under any federal, state or local law or cause of action. Company represents that it has not filed any

such Claims, and it further agrees not to assert or file any such Claims in the future. It is understood and agreed that the foregoing release does not apply to claims for breach of this Agreement, Claims that cannot be released by law, or Claims for fraud, embezzlement, intentional misconduct or any other malfeasance.

6. Reinstatement: Executive waives all claims for reinstatement or employment with Company and its Affiliates, and its and their successors and assigns, and she agrees not to seek such reinstatement or employment in the future unless the parties agree otherwise in writing.

7. Confidentiality: Except as necessary to enforce or effectuate this Agreement or as required by law or otherwise to satisfy SEC filing or disclosure requirements (it being understood that Company intends to file this Agreement or a summary of this Agreement with the SEC), or to the extent Company in good faith deems necessary in communications with analysts and institutional investors of real estate investment trusts, the parties agree to in good faith endeavor to keep this Agreement, the existence of this Agreement, and the terms of this Agreement confidential and not to initiate any disclosures of it. Subject to the foregoing, Executive shall not initiate any disclosure of the same to any third party except as necessary to her attorneys, financial advisors, accountants, future employer and immediate family members (and only on the condition that they maintain such confidentiality until and unless such Agreement is publicly disclosed). Also subject to the foregoing, Company shall not initiate any disclosure of the same to any third party except its board of directors, executive officers, attorneys, accountants and employees responsible for effectuating the Agreement (and only on the condition that they maintain such confidentiality and Company guarantees such confidentiality until and unless such Agreement is publicly disclosed). Notwithstanding the foregoing, if either party is asked about the reasons for Executive's resignation, they may state in substance that Executive voluntarily resigned from her employment or words substantially to that effect.

8. Nondisparagement and Nonassistance: Executive agrees not to provide any disparaging information relating to Company or any of its Affiliates or its or their past, present or future management, officers, trustees or Executives to any person or entity, and she agrees to the extent permitted by law not to provide any form of assistance to, or to cooperate with, any person or entity asserting or intending to assert any claim or legal proceeding against Company or any of its Affiliates except as may be required by law or legal process. Nothing herein prohibits Executive from reporting alleged violations to the SEC or other government agencies, although Executive is not aware of any alleged violations as of the date she signed this Agreement. Company shall instruct its board of trustees, executive officers, any employee responsible for effectuating the Agreement and its Human Resources Department not to provide any disparaging information relating to Executive to any person or entity who is not a party to this Agreement, and it agrees to the extent permitted by law not to provide any form of assistance to, or to cooperate with, any

person or entity asserting or intending to assert any claim or legal proceeding against Executive, except as may be required by law or legal process.

9. Cooperation: Executive agrees to reasonably cooperate with Company upon request by answering questions and providing information about matters of which she has personal knowledge, including without limitation any litigations, investigations or other legal proceedings. In the event that Company becomes involved in any civil or criminal litigation, administrative proceeding or governmental investigation, Executive shall, upon request and with due regard for her personal and professional schedule, provide reasonable cooperation and assistance to Company, including without limitation, furnishing relevant information, attending meetings and providing statements and testimony. Company will reimburse Executive for all reasonable and necessary expenses she incurs in complying with this Section 9, provided said expenses are reasonable and necessary and approved by Company in advance. Notwithstanding anything to the contrary herein, Executive's obligations under this Section 9 shall not (other than on an immaterial basis) interfere with Executive's full-time employment with another Company and shall not require Executive to engage in the practice of law.

10. Nondisclosure and Nonsolicitation: Executive shall not, except as required by law, use or disclose to any person or entity any Confidential Information. For the purposes of this Section 10, "Confidential Information" means information Executive obtained through or as a consequence of her employment with Company relating to Company's business or its tenants which is not in the public domain and includes, without limitation, trade secrets, tenant lists, lease rates, methods of operation, business plans, leads, financial information, research and statistical data. Information does not lose its protection as Confidential Information if it is disclosed in violation of an obligation not to disclose it. During the period prior to the Resignation Date and for a period of twelve (12) months thereafter, Executive shall not directly or indirectly for herself or any other person or entity, whether as an employee, officer, director, consultant, agent, representative, partner, owner, stockholder or in any other capacity, a) solicit any person who then is or was at any time in the preceding six (6) month period employed by Company as an employee or independent contractor, unless such person was terminated by the Company, to resign from Company or, to accept employment as an employee or independent contractor with any other person or entity (provided no breach of this provision shall occur by reason of a hire resulting from a general solicitation); or b) solicit any person or entity who then is or was at any time in the preceding six (6) month period in a business relationship with Company to end or curtail such relationship or to engage in business of the type engaged in by Company with another person or entity. Executive agrees that these restrictions are reasonable and necessary for the protection of Company's business, good will and Confidential Information. Executive further agrees that in the event she is found to have materially breached any provision in this Section 10, Company shall be entitled to seek to claw back the severance payments and seek injunctive relief in addition to such other relief as a court may deem proper.

11. Miscellaneous: This Agreement represents the entire agreement of the parties, and supersedes all other agreements, discussions and understandings of the parties, concerning the subject matter. All other express or implied agreements of the parties not expressly contained or incorporated by reference herein are terminated and of no further force or effect (it being understood that the Indemnification Agreement shall remain in full force and effect pursuant to its terms). This Agreement may not be modified in any manner except in a written document signed by both parties. Should any provision of this Agreement be held to be invalid or unenforceable by a court of competent jurisdiction, it shall be deemed severed from the Agreement, and the remaining provisions of the Agreement shall continue in full force and effect, provided that, should the court determine that any provision of Section 10 is unenforceable, the court shall modify such provision

to make it valid to the maximum extent permitted by law. In the event of any litigation to enforce this Agreement, the prevailing party shall be awarded her or its reasonable attorneys' fees and costs.

12. Consultation and Consideration: Company hereby advises Executive to consult with an attorney at her own expense prior to signing this Agreement. Executive may take up to twenty-one (21) days from the date she is given this Agreement to consider it, but she may sign it sooner if she wishes. If she signs the Agreement, she will have a period of seven (7) days to revoke her signature (the "Revocation Period"). Thus, this Agreement will not become effective or enforceable until the date that each party has signed the Agreement and the Revocation Period has expired without Executive exercising her right of revocation (the "Effective Date"). Any notice of revocation must be in writing and must be received by Ian Kessler at ikessler@washreit.com prior to the expiration of the Revocation Period. If Executive signs this Agreement, she represents that she has had sufficient time to consider it, and that she enters into it knowingly and voluntarily with full understanding of its meaning and effect. If Executive does not sign this Agreement by 11:59 p.m. on March 22, 2022, this Agreement shall be deemed null and void.

13. Governing Law: This Agreement shall be construed exclusively in accordance with the laws of the District of Columbia, without regard to the principles of conflicts of laws therein.

14. Assignment: This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns. Executive may not assign any right or obligation hereunder without Company's prior written consent. Company may assign its rights and obligations here under to any successor in interest.

15. Section 409A of the Code. To the extent that such requirements are applicable, this Agreement is intended to comply with the requirements of Section 409A of the Internal Revenue Code ("*Section 409A*") and shall be interpreted and administered in accordance with that intent. If any provision of the Agreement would otherwise conflict with or frustrate this intent, that provision will be interpreted and deemed amended so as to avoid the conflict. Further, for purposes of the limitations on nonqualified deferred compensation under Section 409A, each payment of compensation under this Agreement shall be treated as a separate payment of compensation for

purposes of applying the deferral election rules under Section 409A and the exclusion from Section 409A for certain short-term deferral amounts. Anything to the contrary herein notwithstanding, in the event that any such benefit or payment is deemed to not comply with Section 409A, Company and Executive agree to renegotiate in good faith any such benefit or payment so that either (i) Section 409A will not apply or (ii) compliance with Section 409A will be achieved, provided, however, that any resulting renegotiated terms shall provide to Executive, to the extent reasonably practicable, the after-tax economic equivalent based on what otherwise would have been provided to Executive pursuant to the terms of this Agreement.

16. Counterparts: This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and together which shall constitute one and the same instrument. A signature transmitted by email shall be considered an original signature.

17. Nonadmissions: By entering into this Agreement, neither party is admitting that it did anything wrong or improper or that it has any liability to the other party.

Executive has had an opportunity to carefully review and consider this Agreement with an attorney, and she has had sufficient time to consider it. After such careful consideration, she knowingly and voluntarily enters into this Agreement with full understanding of its meaning and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

**TARYN FIELDER WASHINGTON REAL ESTATE
INVESTMENT TRUST**

/s/ Taryn Fielder By: /s/ Stephen E. Riffie
Signature

Title: Chief Financial Officer

Date: March 5, 2022 Date: March 7, 2022

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: April 28, 2022

/s/ Paul T. McDermott

Paul T. McDermott
Chief Executive Officer

CERTIFICATION

I, Stephen E. Riffée, 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: April 28, 2022

/s/ Stephen E. Riffée

Stephen E. Riffée
Chief Financial Officer
(Principal Financial Officer)

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: April 28, 2022

/s/ W. Drew Hammond

W. Drew Hammond

Vice President

Chief Accounting Officer

(Principal Accounting Officer)

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 (“WashREIT”), each hereby certifies on the date hereof, that:

- (a) the Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 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 WashREIT.

DATE: April 28, 2022

/s/ Paul T. McDermott

Paul T. McDermott
Chief Executive Officer

DATE: April 28, 2022

/s/ Stephen E. Riffée

Stephen E. Riffée
Chief Financial Officer
(Principal Financial Officer)

DATE: April 28, 2022

/s/ W. Drew Hammond

W. Drew Hammond
Chief Accounting Officer
(Principal Accounting Officer)