

Section 1: 10-Q (10-Q)

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2019**

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

For the transition period from _____ to _____

Commission file number **001-36041**

INDEPENDENCE REALTY TRUST, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of
Incorporation or Organization)
1835 Market Street, Suite 2601
Philadelphia, PA
(Address of Principal Executive Offices)

26-4567130
(I.R.S. Employer
Identification No.)

19103
(Zip Code)

(267) 270-4800

(Registrant's Telephone Number, Including Area Code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock	IRT	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 for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. 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 the 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 Accelerated filer
Non-Accelerated filer Smaller reporting company
Emerging growth company

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 July 29, 2019 there were 90,190,145 shares of the Registrant's common stock issued and outstanding.

INDEPENDENCE REALTY TRUST, INC.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

Independence Realty Trust, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets
(Unaudited and dollars in thousands, except share and per share data)

	As of June 30, 2019	As of December 31, 2018
ASSETS:		
Investments in real estate:		
Investments in real estate, at cost	\$ 1,704,769	\$ 1,660,423
Accumulated depreciation	(136,488)	(112,270)
Investments in real estate, net	1,568,281	1,548,153
Real estate held for sale	50,494	77,285
Cash and cash equivalents	11,060	9,316
Restricted cash	7,780	6,729
Other assets	16,364	8,802
Derivative assets	1,558	8,307
Intangible assets, net of accumulated amortization of \$105 and \$787, respectively	210	744
Total Assets	<u>\$ 1,655,747</u>	<u>\$ 1,659,336</u>
LIABILITIES AND EQUITY:		
Indebtedness, net of unamortized deferred financing costs of \$6,139 and \$5,927, respectively	\$ 989,499	\$ 985,488
Accounts payable and accrued expenses	26,374	22,815
Accrued interest payable	691	719
Dividends payable	16,285	16,162
Derivative liabilities	7,394	-
Other liabilities	7,595	4,107
Total Liabilities	1,047,838	1,029,291
Equity:		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 50,000,000 shares authorized, 0 and 0 shares issued and outstanding, respectively	-	-
Common stock, \$0.01 par value; 300,000,000 shares authorized, 89,932,418 and 89,184,443 shares issued and outstanding, including 339,525 and 303,819 unvested restricted common share awards, respectively	899	892
Additional paid-in capital	749,552	742,429
Accumulated other comprehensive income (loss)	(11,769)	2,016
Retained earnings (accumulated deficit)	(137,539)	(122,342)
Total stockholders' equity	601,143	622,995
Noncontrolling interests	6,766	7,050
Total Equity	607,909	630,045
Total Liabilities and Equity	<u>\$ 1,655,747</u>	<u>\$ 1,659,336</u>

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

Independence Realty Trust, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations
(Unaudited and dollars in thousands, except share and per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
REVENUE:				
Rental and other property revenue	\$ 50,848	\$ 46,734	\$ 100,313	\$ 92,350
Other revenue	108	155	183	294
Total revenue	<u>50,956</u>	<u>46,889</u>	<u>100,496</u>	<u>92,644</u>
EXPENSES:				
Property operating expenses	20,072	18,703	39,958	37,121
Property management expenses	2,062	1,592	3,875	3,275
General and administrative expenses	3,538	2,872	6,645	5,606
Depreciation and amortization expense	12,721	11,583	25,168	22,807
Total expenses	<u>38,393</u>	<u>34,750</u>	<u>75,646</u>	<u>68,809</u>
Interest expense	(9,849)	(8,594)	(19,570)	(16,934)
Other income	—	—	—	144
Gain (loss) on sale of assets	12,142	—	12,142	—
Net income:	14,856	3,545	17,422	7,045
Income allocated to noncontrolling interest	(147)	(36)	(173)	(124)
Net income allocable to common shares	<u>\$ 14,709</u>	<u>\$ 3,509</u>	<u>\$ 17,249</u>	<u>\$ 6,921</u>
Earnings per share:				
Basic	<u>\$ 0.16</u>	<u>\$ 0.04</u>	<u>\$ 0.19</u>	<u>\$ 0.08</u>
Diluted	<u>\$ 0.16</u>	<u>\$ 0.04</u>	<u>\$ 0.19</u>	<u>\$ 0.08</u>
Weighted-average shares:				
Basic	<u>89,513,105</u>	<u>86,644,716</u>	<u>89,252,724</u>	<u>85,978,431</u>
Diluted	<u>90,019,909</u>	<u>86,908,978</u>	<u>89,902,637</u>	<u>86,208,502</u>

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

Independence Realty Trust, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited and dollars in thousands)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 14,856	\$ 3,545	\$ 17,422	\$ 7,045
Other comprehensive income (loss):				
Change in fair value of interest rate hedges	(10,023)	1,532	(14,950)	4,887
Realized (gains) losses on interest rate hedges reclassified to earnings	467	(306)	1,026	(480)
Total other comprehensive income (loss)	(9,556)	1,226	(13,924)	4,407
Comprehensive income (loss) before allocation to noncontrolling interests	5,300	4,771	3,498	11,452
Allocation to noncontrolling interests	(52)	(49)	(34)	(54)
Comprehensive income (loss)	\$ 5,248	\$ 4,722	\$ 3,464	\$ 11,398

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

Independence Realty Trust, Inc. and Subsidiaries

**Condensed Consolidated Statements of Changes in Equity
(Unaudited and dollars in thousands, except share information)**

	Common Shares	Par Value Common Shares	Additional Paid In Capital	Accumulated Other Comprehensive Income (loss)	Retained Earnings (Deficit)	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance, December 31, 2018	89,184,443	\$ 892	\$ 742,429	\$ 2,016	\$(122,342)	\$ 622,995	\$ 7,050	\$630,045
Net income	-	-	-	-	2,540	2,540	26	2,566
Other comprehensive income	-	-	-	(4,324)	-	(4,324)	(44)	(4,368)
Stock compensation expense	189,986	1	633	-	-	634	-	634
Issuance of common shares	510,000	5	5,304	-	-	5,309	-	5,309
Repurchase of shares related to equity award tax withholding	(49,636)	-	(635)	-	-	(635)	-	(635)
Common dividends declared (\$0.18 per share)	-	-	-	-	(16,318)	(16,318)	-	(16,318)
Distribution to noncontrolling interest declared (\$0.18 per unit)	-	-	-	-	-	-	(159)	(159)
Balance, March 31, 2019	<u>89,834,793</u>	<u>\$ 898</u>	<u>\$ 747,731</u>	<u>\$ (2,308)</u>	<u>\$(136,120)</u>	<u>\$ 610,201</u>	<u>\$ 6,873</u>	<u>\$617,074</u>
Net income	-	-	-	-	14,709	14,709	147	14,856
Other comprehensive income	-	-	-	(9,461)	-	(9,461)	(95)	(9,556)
Stock compensation expense	32,155	-	1,099	-	-	1,099	-	1,099
Issuance of common shares	65,704	1	722	-	-	723	-	723
Repurchase of shares related to equity award tax withholding	(234)	-	-	-	-	-	-	-
Common dividends declared (\$0.18 per share)	-	-	-	-	(16,128)	(16,128)	-	(16,128)
Distribution to noncontrolling interest declared (\$0.18 per unit)	-	-	-	-	-	-	(159)	(159)
Balance, June 30, 2019	<u>89,932,418</u>	<u>\$ 899</u>	<u>\$ 749,552</u>	<u>\$ (11,769)</u>	<u>\$(137,539)</u>	<u>\$ 601,143</u>	<u>\$ 6,766</u>	<u>\$607,909</u>

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

Independence Realty Trust, Inc. and Subsidiaries

**Condensed Consolidated Statements of Changes in Equity
(Unaudited and dollars in thousands, except share information)**

	<u>Common Shares</u>	<u>Par Value Common Shares</u>	<u>Additional Paid In Capital</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Retained Earnings (Deficit)</u>	<u>Total Stockholders' Equity</u>	<u>Noncontrolling Interests</u>	<u>Total Equity</u>
Balance, December 31, 2017	84,708,551	\$ 846	\$ 703,849	\$ 4,626	\$ (85,221)	\$ 624,100	\$ 22,019	\$ 646,119
Net income	-	-	-	-	3,412	3,412	88	3,500
Other comprehensive income	-	-	-	3,264	-	3,264	(83)	3,181
Stock compensation expense	194,622	1	469	-	-	470	-	470
Repurchase of shares related to equity award tax withholding	(41,912)	-	(345)	-	-	(345)	-	(345)
Conversion of noncontrolling interest to common shares	2,112,136	21	14,287	-	-	14,308	(14,308)	-
Common dividends declared (\$0.18 per share)	-	-	-	-	(15,772)	(15,772)	-	(15,772)
Distribution to noncontrolling interest declared (\$0.18 per unit)	-	-	-	-	-	-	(163)	(163)
Balance, March 31, 2018	<u>86,973,397</u>	<u>\$ 868</u>	<u>\$ 718,260</u>	<u>\$ 7,890</u>	<u>\$ (97,581)</u>	<u>\$ 629,437</u>	<u>\$ 7,553</u>	<u>\$ 636,990</u>
Net income (loss)	-	-	-	-	3,509	3,509	36	3,545
Other comprehensive income	-	-	-	1,213	-	1,213	13	1,226
Stock compensation expense	5,868	1	933	-	-	934	-	934
Issuance of common shares	61,656	1	455	-	-	456	-	456
Repurchase of shares related to equity award tax withholding	3,200	-	8	-	-	8	-	8
Conversion of noncontrolling interest to common shares	-	-	-	-	-	-	-	-
Common dividends declared (\$0.18 per share)	-	-	-	-	(15,690)	(15,690)	-	(15,690)
Distribution to noncontrolling interest declared (\$0.18 per unit)	-	-	-	-	-	-	(162)	(162)
Balance, June 30, 2018	<u>87,044,121</u>	<u>\$ 870</u>	<u>\$ 719,656</u>	<u>\$ 9,103</u>	<u>\$ (109,762)</u>	<u>\$ 619,867</u>	<u>\$ 7,440</u>	<u>\$ 627,307</u>

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

Independence Realty Trust, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows
(Unaudited and dollars in thousands)

	<u>For the Six Months Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Net income	\$ 17,422	\$ 7,045
Adjustments to reconcile net income to cash flow from operating activities:		
Depreciation and amortization	25,168	22,807
Amortization of deferred financing costs	701	769
Stock compensation expense	1,708	1,404
Gain on sale of assets	(12,142)	-
Amortization related to derivative instruments	231	(57)
Changes in assets and liabilities:		
Other assets	369	(510)
Accounts payable and accrued expenses	2,445	4,192
Accrued interest payable	(27)	174
Other liabilities	225	(127)
Net cash provided by (used in) operating activities	<u>36,100</u>	<u>35,697</u>
Cash flows from investing activities:		
Acquisition of real estate properties	(28,981)	(89,547)
Disposition of real estate properties	20,761	-
Capital expenditures	(19,932)	(15,256)
Cash flow (used in) provided by investing activities	<u>(28,152)</u>	<u>(104,803)</u>
Cash flows from financing activities:		
Proceeds from unsecured credit facility and term loans	104,060	99,000
Unsecured credit facility repayments	(79,000)	(4,000)
Mortgage principal repayments	(1,987)	(1,566)
Payments for deferred financing costs	(984)	(9)
Proceeds from issuance of common stock	6,032	456
Distributions on common stock	(32,316)	(20,838)
Distributions to noncontrolling interests	(323)	(272)
Repurchase of shares related to equity award tax withholding	(635)	(337)
Cash flow (used in) provided by financing activities	<u>(5,153)</u>	<u>72,434</u>
Net change in cash and cash equivalents, and restricted cash	2,795	3,328
Cash and cash equivalents, and restricted cash, beginning of period	16,045	14,619
Cash and cash equivalents, and restricted cash, end of the period	\$ 18,840	\$ 17,947
Reconciliation of cash, cash equivalents, and restricted cash to the Consolidated Balance Sheet		
Cash and cash equivalents	\$ 11,060	\$ 10,896
Restricted cash	7,780	7,051
Total cash, cash equivalents, and restricted cash, end of period	<u>\$ 18,840</u>	<u>\$ 17,947</u>

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

Independence Realty Trust, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

As of June 30, 2019

(Unaudited and dollars in thousands, except share and per share data)

NOTE 1: Organization

Independence Realty Trust, Inc. (“IRT”), is a self-administered and self-managed Maryland real estate investment trust, or REIT, which was formed on March 26, 2009. Our primary purposes are to acquire, own, operate, improve and manage multifamily apartment communities in non-gateway markets. As of June 30, 2019, we owned and operated 58 multifamily apartment properties, totaling 15,734 units across non-gateway U.S markets, including Atlanta, Louisville, Memphis, and Raleigh. We own substantially all of our assets and conduct our operations through Independence Realty Operating Partnership, LP, which we refer to as IROP, of which we are the sole general partner.

As used herein, the terms “we,” “our” and “us” refer to Independence Realty Trust, Inc. and, as required by context, IROP, and their subsidiaries.

NOTE 2: Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in the United States, or GAAP. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations, although we believe that the included disclosures are adequate to make the information presented not misleading. The unaudited interim consolidated financial statements should be read in conjunction with our audited financial statements as of and for the year ended December 31, 2018 included in our 2018 Annual Report on Form 10-K. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our consolidated financial position and consolidated results of operations and cash flows are included. The results of operations for the interim periods presented are not necessarily indicative of the results for the full year.

b. Principles of Consolidation

The consolidated financial statements reflect our accounts and the accounts of IROP and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. Pursuant to FASB Accounting Standards Codification Topic 810, “Consolidation”, IROP is considered a variable interest entity. As our significant asset is our investment in IROP, substantially all of our assets and liabilities represent the assets and liabilities of IROP.

c. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

d. Cash and Cash Equivalents

Cash and cash equivalents include cash held in banks and highly liquid investments with maturities of three months or less when purchased. Cash, including amounts restricted, may at times exceed the Federal Deposit Insurance Corporation deposit insurance limit of \$250 per institution. We mitigate credit risk by placing cash and cash equivalents with major financial institutions. To date, we have not experienced any losses on cash and cash equivalents.

e. Restricted Cash

Restricted cash includes escrows of our funds held by lenders to fund certain expenditures, such as real estate taxes and insurance, or to be released at our discretion upon the occurrence of certain pre-specified events. As of June 30, 2019 and December 31, 2018, we had \$7,780 and \$6,729, respectively, of restricted cash.

Independence Realty Trust, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

As of June 30, 2019

(Unaudited and dollars in thousands, except share and per share data)

f. Investments in Real Estate

Investments in real estate are recorded at cost less accumulated depreciation. Costs that both add value and appreciably extend the useful life of an asset are capitalized. Expenditures for repairs and maintenance are expensed as incurred.

Investments in real estate are classified as held for sale in the period in which certain criteria are met including when management commits to a plan to sell, an active program to locate a buyer has been initiated, the sale is probable, and actions required to complete the plan of sale indicate that it is unlikely that significant changes to the plan of sale will be made or the plan of sale will be withdrawn.

Allocation of Purchase Price of Acquired Assets

The properties we acquire are generally accounted for as asset acquisitions. Under asset acquisition accounting, the costs to acquire real estate, including transaction costs related to the acquisition, are accumulated and then allocated to the individual assets and liabilities acquired based upon their relative fair value. Transaction costs and fees incurred related to the financing of an acquisition are capitalized and amortized over the life of the related financing.

We estimate the fair value of acquired tangible assets (consisting of land, building and improvements), identified intangible assets (consisting of in-place leases), and assumed debt at the date of acquisition, based on the evaluation of information and estimates available at that date.

The aggregate value of in-place leases is determined by evaluating various factors, including the terms of the leases that are in place and assumed lease-up periods. The value assigned to this intangible asset is amortized over the assumed lease up period, typically six months. During the three and six months ended June 30, 2019, we acquired in-place leases with a value of \$316 as part of related property acquisitions that are discussed further in Note 3. For the three and six months ended June 30, 2019, we recorded \$294 and \$850, respectively, of amortization expense for intangible assets. For the three and six months ended June 30, 2018, we recorded \$1,044 and \$2,336, respectively, of amortization expense for intangible assets. For the three and six months ended June 30, 2019, we wrote-off intangible assets of \$719 and \$1,532, respectively. For the three and six months ended June 30, 2018, we wrote-off intangible assets of \$0 and \$1,963, respectively. As of June 30, 2019, we expect to record additional amortization expense on current in-place intangible assets of \$210 for the remainder of 2019.

Impairment of Long-Lived Assets

Management evaluates the recoverability of our investment in real estate assets, including related identifiable intangible assets, in accordance with FASB ASC Topic 360, "Property, Plant and Equipment". This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that recoverability of the assets is not assured.

Management reviews its long-lived assets on an ongoing basis and evaluates the recoverability of the carrying value when there is an indicator of impairment. An impairment charge is recorded when it is determined that the carrying value of the asset exceeds the fair value. The estimated cash flows used for the impairment analysis and the determination of estimated fair value are based on our plans for the respective assets and our views of market and economic conditions. The estimates consider matters such as current and historical rental rates, occupancies for the respective and/or comparable properties, and recent sales data for comparable properties. Changes in estimated future cash flows due to changes in our plans or views of market and economic conditions could result in recognition of impairment losses, which, under the applicable accounting guidance, could be substantial.

Depreciation Expense

Depreciation expense for real estate assets is computed using a straight-line method based on a life of 40 years for buildings and improvements and five to ten years for equipment and fixtures. For the three and six months ended June 30, 2019, we recorded \$12,427 and \$24,318 of depreciation expense, respectively. For the three and six months ended June 30, 2018, we recorded \$10,539 and \$20,471 of depreciation expense, respectively.

g. Revenue and Expenses

Rental and other property revenue

Independence Realty Trust, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

As of June 30, 2019

(Unaudited and dollars in thousands, except share and per share data)

We apply FASB ASC Topic 842, "Leases" with respect to our accounting for rental income. We primarily lease apartment units under operating leases generally with terms of one year or less. Rental payments are generally due monthly and rental revenues are recognized on an accrual basis when earned. We have elected to account for lease (i.e. fixed payments including base rent) and non-lease components (i.e. tenant reimbursements and other certain service fees) as a single combined operating lease component since (1) the timing and pattern of transfer of the lease and non-lease components is the same, (2) the lease component is the predominant element, and (3) the combined single lease component would be classified as an operating lease. As a result of this treatment, certain amounts classified within prior revenue captions tenant reimbursement income and other property income have been combined into rental and other property revenue in the consolidated statements of operations and prior period amounts have been adjusted to conform to current period presentation.

Effective January 1, 2019, we make ongoing estimates of the collectability of our base rents, tenant reimbursements, and other service fees included within rental and other property revenue. If collectability is not probable, we adjust rental and other property income for the amount of uncollectible revenue. For the three and six months ended June 30, 2019, we adjusted rental and other property income by \$236 and \$535, respectively, for uncollectible rental revenue. Prior to January 1, 2019, we maintained an allowance for doubtful accounts based on an ongoing analysis of collectability and recorded changes in the allowance for doubtful accounts as bad debt expense within property operating expenses. For the three and six months ended June 30, 2018, we recorded bad debt expense (recoveries) of \$(115) and \$49, respectively, within property operating expenses in the consolidated statements of operations.

For the three and six months ended June 30, 2019, we recognized revenues of \$17 and \$23, respectively, related to recoveries of lost rental revenue due to natural disasters and other insurable events from our insurance providers. For the three and six months ended June 30, 2018, we recognized revenues of \$64 and \$106, respectively, related to recoveries of lost rental revenue due to natural disasters and other insurable events from our insurance providers.

Advertising Expenses

In accordance with FASB ASC Topic 720, "Other Expenses", we expense the costs of advertising as incurred. For the three and six months ended June 30, 2019, we incurred \$603 and \$1,151 of advertising expenses, respectively. For the three and six months ended June 30, 2018, we incurred \$564 and \$1,097 of advertising expenses, respectively.

h. Derivative Instruments

We may use derivative financial instruments to hedge all or a portion of the interest rate risk associated with our borrowings. The principal objective of such arrangements is to minimize the risks and/or costs associated with our operating and financial structure, as well as to hedge specific anticipated transactions. While these instruments may impact our periodic cash flows, they benefit us by minimizing the risks and/or costs previously described. The counterparties to these contractual arrangements are major financial institutions with which we and our affiliates may also have other financial relationships. In the event of nonperformance by the counterparties, we are potentially exposed to credit loss. However, because of the high credit ratings of the counterparties, we do not anticipate that any of the counterparties will fail to meet their obligations.

In accordance with FASB ASC Topic 815, "Derivatives and Hedging", we measure each derivative instrument (including certain derivative instruments embedded in other contracts) at fair value and record such amounts in our consolidated balance sheets as either an asset or liability. For derivatives designated as cash flow hedges, the changes in the fair value of the effective portions of the derivative are reported in other comprehensive income and changes in the fair value of the ineffective portions of cash flow hedges, if any, are recognized in earnings. For derivatives not designated as hedges (or designated as fair value hedges), the changes in fair value of the derivative instrument are recognized in earnings. Any derivatives that we designate in hedge relationships are done so at inception. At inception, we determine whether or not the derivative is highly effective in offsetting changes in the designated interest rate risk associated with the identified indebtedness using regression analysis. At each reporting period, we update our regression analysis and use the hypothetical derivative method to measure any ineffectiveness.

Independence Realty Trust, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

As of June 30, 2019

(Unaudited and dollars in thousands, except share and per share data)

i. Fair Value of Financial Instruments

In accordance with FASB ASC Topic 820, "Fair Value Measurements and Disclosures", fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity for disclosure purposes. Assets and liabilities recorded at fair value in our consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their value. Hierarchical levels, as defined in FASB ASC Topic 820, "Fair Value Measurements and Disclosures" and directly related to the amount of subjectivity associated with the inputs to fair valuations of these assets and liabilities, are as follows:

- **Level 1:** Valuations are based on unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets carried at Level 1 fair value generally are equity securities listed in active markets. As such, valuations of these investments do not entail a significant degree of judgment.
- **Level 2:** Valuations are based on quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- **Level 3:** Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors, including, for example, the type of investment, whether the investment is new, whether the investment is traded on an active exchange or in the secondary market, and the current market condition. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by us in determining fair value is greatest for instruments categorized in Level 3.

Fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, our own assumptions are set to reflect those that management believes market participants would use in pricing the asset or liability at the measurement date. We use prices and inputs that management believes are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be transferred from Level 1 to Level 2 or Level 2 to Level 3.

Fair value for certain of our Level 3 financial instruments is derived using internal valuation models. These internal valuation models include discounted cash flow analyses developed by management using current interest rates, estimates of the term of the particular instrument, specific issuer information and other market data for securities without an active market. In accordance with FASB ASC Topic 820, "Fair Value Measurements and Disclosures", the impact of our own credit spreads is also considered when measuring the fair value of financial assets or liabilities, including derivative contracts. Where appropriate, valuation adjustments are made to account for various factors, including bid-ask spreads, credit quality and market liquidity. These adjustments are applied on a consistent basis and are based on observable inputs where available. Management's estimate of fair value requires significant management judgment and is subject to a high degree of variability based upon market conditions, the availability of specific issuer information and management's assumptions.

FASB ASC Topic 825, "Financial Instruments" requires disclosure of the fair value of financial instruments for which it is practicable to estimate that value. Given that cash and cash equivalents and restricted cash are short term in nature with limited fair value volatility, the carrying amount is deemed to be a reasonable approximation of fair value and the fair value input is classified as a Level 1 fair value measurement. The fair value input for the derivatives is classified as a Level 2 fair value measurement within the fair value hierarchy. The fair value inputs for our unsecured credit facility and term loans are classified as Level 2 fair value measurements within the fair value hierarchy. The fair value of mortgage indebtedness is based on a discounted cash flows valuation

Independence Realty Trust, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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technique. As this technique utilizes current credit spreads, which are generally unobservable, this is classified as a Level 3 fair value measurement within the fair value hierarchy. We determine appropriate credit spreads based on the type of debt and its maturity. There were no transfers between levels in the fair value hierarchy for the six months ended June 30, 2019. The following table summarizes the carrying amount and the fair value of our financial instruments as of the periods indicated:

Financial Instrument	As of June 30, 2019		As of December 31, 2018	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	\$ 11,060	\$ 11,060	\$ 9,316	\$ 9,316
Restricted cash	7,780	7,780	6,729	6,729
Derivative assets	1,558	1,558	8,307	8,307
Liabilities				
Debt:				
Unsecured credit facility	128,404	130,803	153,983	155,743
Term loans	298,522	300,000	248,380	250,000
Mortgages	562,573	563,918	583,125	577,112
Derivative liabilities	7,394	7,394	-	-

j. Deferred Financing Costs

Costs incurred in connection with debt financing are deferred and classified within indebtedness and charged to interest expense over the terms of the related debt agreements, under the effective interest method.

k. Office Leases

We apply FASB ASC Topic 842, "Leases", which requires a lessee to recognize a right-of-use asset and a lease liability on the balance sheet at the lease commencement date for all leases, except those leases with terms of less than a year. We lease corporate office space under leases with terms of up to 10 years and that may include extension options, but that do not include any residual value guarantees or restrictive covenants. As of June 30, 2019, we have \$3,113 of operating lease right-of-use assets and \$3,206 of operating lease liabilities related to our corporate office leases. The operating lease right-of-use assets are presented within other assets and the operating lease liabilities are presented within other liabilities in our consolidated balance sheet. We recorded \$167 and \$279, respectively, of total operating lease expense during the three and six months ended June 30, 2019, which is recorded within property management expense and general and administrative expenses in our consolidated statements of operations.

l. Income Taxes

We have elected to be taxed as a REIT beginning with the taxable year ended December 31, 2011. Accordingly, we recorded no income tax expense for the three and six months ended June 30, 2019 and 2018.

To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our ordinary taxable income to stockholders. As a REIT, we generally are not subject to federal income tax on taxable income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income taxes on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to stockholders; however, we believe that we are organized and operate in such a manner as to qualify and maintain treatment as a REIT and intend to operate in such a manner so that we will remain qualified as a REIT for federal income tax purposes.

Independence Realty Trust, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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(Unaudited and dollars in thousands, except share and per share data)

m. Recent Accounting Pronouncements

Below is a brief description of recent accounting pronouncements that could have a material effect on our financial statements.

Adopted Within these Financial Statements

In August 2017, the FASB issued an accounting standard update under FASB ASC Topic 815, “Derivatives and Hedging.” The amendments in this update provide guidance about the application of the hedge accounting guidance in current GAAP based on the feedback received from preparers, auditors, and other stakeholders. As a result, the accounting for derivatives and hedging transactions could be impacted. The updated standard is effective for us on January 1, 2019 with early adoption permitted. We early adopted this update on October 1, 2017. The adoption of this update did not have a material impact on our consolidated financial statements. In accordance with this accounting standard update, upon adoption, we revised our approach to recognizing interest expense for our interest rate swap that was designated as an off-market cash flow hedge. Rather than record interest expense based on the hypothetical derivative method with differences from actual net settlements reflected as ineffectiveness, we will record actual net settlements to interest expense adjusted for the straight-line amortization of the inception clean value of the hedging instrument over the hedge term. The result will be that no ineffectiveness will be recorded in future periods related to our off-market interest rate swap. Since we entered into the off-market hedging relationship in 2017, no transition entry was necessary upon adoption.

In February 2016, the FASB issued an accounting standard classified under FASB ASC Topic 842, “Leases”. For lessees, this accounting standard amends lease accounting by requiring (1) the recognition of lease assets and lease liabilities for those leases classified as operating leases on the balance sheet and (2) additional disclosure about leasing arrangements. For lessors, the guidance under the new lease standard is substantially similar to legacy lease accounting standards. This standard is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. In July 2018, the FASB issued an amendment to the new standard, which provides a package of practical expedients that (1) allows lessors to not separate lease and non-lease components in a contract and allocate the consideration in the contract to the separate components if both (i) the timing and pattern of revenue recognition for the non-lease component and the related lease component are the same and (ii) the combined single lease component would be classified as an operating lease and (2) provides a transition option that permits entities to not recast the comparative periods presented when transitioning to the standard. We adopted the new standard on January 1, 2019 using the modified retrospective approach and the package of practical expedients. We did not record a cumulative-effect adjustment on the effective date and all prior comparative periods are presented in accordance with legacy lease accounting standards. Our apartment leases, where we are lessor, continued to be accounted for as operating leases under the new standard and, therefore, there were not significant changes in accounting for these leases. For our various corporate office leases, where we are lessee, we recorded a \$308 right of use asset and a lease liability on our consolidated balance sheets upon adoption.

In June 2018, the FASB issued an accounting standard classified under FASB ASC Topic 718, “Compensation – Stock Compensation.” The amendments in this update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. As a result, the accounting for share-based payment award transactions could be impacted. This standard is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the amendments in this standard is permitted. We adopted the new standard on January 1, 2019. As we have not issued share-based payments to non-employees since prior to our management internalization, the adoption of this standard has not had an effect on our consolidated financial statements.

NOTE 3: Investments in Real Estate

As of June 30, 2019, our investments in real estate consisted of 58 apartment properties with 15,734 units. The table below summarizes our investments in real estate:

	<u>As of June 30, 2019</u>	<u>As of December 31, 2018</u>	<u>Depreciable Lives (In years)</u>
Land	\$ 211,959	\$ 209,111	—
Building	1,409,776	1,384,810	40
Furniture, fixtures and equipment	83,034	66,502	5-10
Total investment in real estate	\$ 1,704,769	\$ 1,660,423	
Accumulated depreciation	(136,488)	(112,270)	
Investments in real estate, net	\$ <u>1,568,281</u>	\$ <u>1,548,153</u>	

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(Unaudited and dollars in thousands, except share and per share data)

As of June 30, 2019, we owned two properties that were classified as held for sale. These properties were sold on July 18, 2019 for \$56,500. The table below summarizes our held for sale properties.

Property Name	Location	Units	Net Carrying Value
Carrington Park	Little Rock, AR	202	\$ 20,747
Stonebridge at the Ranch	Little Rock, AR	260	29,747
Total		462	\$ 50,494

We had three properties classified as held for sale as of December 31, 2018.

Acquisitions

On April 30, 2019, we acquired a 224-unit property located in Atlanta, GA for \$28,000.

The following table summarizes the aggregate fair value of the assets and liabilities associated with the properties acquired during the six-month period ended June 30, 2019, on the date of acquisition, accounted for under FASB ASC Topic 805-50-15-3.

Description	Fair Value of Assets Acquired During The Six Months Ended June 30, 2019	
Assets acquired:		
Investments in real estate (a)	\$	27,770
Other assets		38
Intangible assets		316
Total assets acquired	\$	28,124
Liabilities assumed:		
Accounts payable and accrued expenses	\$	80
Other liabilities		108
Total liabilities assumed		188
Estimated fair value of net assets acquired	\$	27,936

(a) Included \$86 of property related acquisition costs capitalized during the six months ended June 30, 2019.

In July 2019, we acquired a 264-unit property located in Tampa, FL, which we purchased for \$48,000.

Dispositions

On April 30, 2019, we disposed of a 370-unit property located in Chicago, IL for \$42,000. The property was previously held for sale. We recorded a gain of \$12,131 for this property which is net of \$2,029 of debt extinguishment costs.

In July 2019, we disposed of a 202-unit property and a 260-unit property, both located in Little Rock, AR, for a combined sales price of \$56,500. These properties were previously held for sale.

Independence Realty Trust, Inc. and Subsidiaries

**Notes to Condensed Consolidated Financial Statements
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(Unaudited and dollars in thousands, except share and per share data)

NOTE 4: Indebtedness

The following tables contain summary information concerning our indebtedness as of June 30, 2019:

Debt:	Outstanding Principal	Unamortized Debt Issuance		Carrying Amount	Type	Weighted Average Rate	Weighted Average Maturity (in years)
		Costs					
Unsecured credit facility (1)	\$ 130,803	\$ (2,399)	\$ 128,404	Floating	3.9%	3.9	
Unsecured term loans	300,000	(1,478)	298,522	Floating	4.0%	4.8	
Mortgages	564,835	(2,262)	562,573	Fixed	3.8%	4.6	
Total Debt	\$ 995,638	\$ (6,139)	\$ 989,499		3.9%	4.6	

(1) The unsecured credit facility total capacity is \$350,000, of which \$130,803 was outstanding as of June 30, 2019.

Debt:	Original maturities on or before December 31,					
	2019	2020	2021	2022	2023	Thereafter
Unsecured credit facility	\$ -	\$ -	\$ -	\$ -	\$ 130,803	\$ -
Unsecured term loans	-	-	-	-	-	300,000
Mortgages	2,962	8,135	76,033	70,700	107,202	299,803
Total	\$ 2,962	\$ 8,135	\$ 76,033	\$ 70,700	\$ 238,005	\$ 599,803

As of June 30, 2019, we were in compliance with all financial covenants contained in documents governing our indebtedness.

The following table contains summary information concerning our indebtedness as of December 31, 2018:

Debt:	Outstanding Principal	Unamortized Debt Issuance		Carrying Amount	Type	Weighted Average Rate	Weighted Average Maturity (in years)
		Costs					
Unsecured credit facility (1)	\$ 155,743	\$ (1,760)	\$ 153,983	Floating	3.9%	2.7	
Unsecured term loans	250,000	(1,620)	248,380	Floating	4.0%	5.4	
Mortgages	585,672	(2,547)	583,125	Fixed	3.8%	5.1	
Total Debt	\$ 991,415	\$ (5,927)	\$ 985,488		3.9%	4.8	

(1) The unsecured credit facility total capacity was \$300,000, of which \$155,743 was outstanding as of December 31, 2018.

Unsecured Credit Facility

On May 9, 2019, we closed on a new \$350,000 unsecured credit facility that consists entirely of a revolving line of credit (the “Unsecured Revolving Line of Credit”), refinancing and terminating the previous unsecured credit facility. We have the right to increase the aggregate amount of the Unsecured Revolving Line of Credit to up to \$600,000. The maturity date on borrowings outstanding under the Unsecured Revolving Line of Credit is May 9, 2023, subject to our option to extend the revolving commitment for two additional 6-month periods under certain circumstances, including the payment of an extension fee. We may prepay the Unsecured Revolving Line of Credit, in whole or in part, at any time without a prepayment fee or penalty. At our option, borrowings under the Unsecured Revolving Line of Credit will bear interest at a rate equal to either (i) the 1-month LIBOR rate plus a margin of 125 to 200 basis points, or (ii) a base rate plus a margin of 25 to 100 basis points. The applicable margin is determined based upon our total consolidated leverage ratio, as defined in the agreements. At the time of closing, based on our leverage ratio, the margin spread to LIBOR was 155 basis points. We recognized the refinance as a modification of our prior unsecured credit facility and incurred deferred financing costs of \$1,129 associated with this transaction.

Mortgages

On April 30, 2019, we extinguished a property mortgage in the amount of \$18,850 in connection with the property disposition.

Independence Realty Trust, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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(Unaudited and dollars in thousands, except share and per share data)

NOTE 5: Derivative Financial Instruments

We have and may in the future use derivative financial instruments to hedge all or a portion of the interest rate risk associated with our borrowings. The principal objective of such arrangements is to minimize the risks and/or costs associated with our operating and financial structure as well as to hedge specific anticipated transactions. While these instruments may impact our periodic cash flows, they benefit us by minimizing the risks and/or costs previously described. The counterparties to these contractual arrangements are major financial institutions with which we and our affiliates may also have other financial relationships. In the event of nonperformance by the counterparties, we are potentially exposed to credit loss. However, because of the high credit ratings of the counterparties, we do not anticipate that any of the counterparties will fail to meet their obligations.

The following table summarizes the aggregate notional amount and estimated net fair value of our derivative instruments as of June 30, 2019 and December 31, 2018:

	As of June 30, 2019			As of December 31, 2018		
	Notional	Fair Value of Assets	Fair Value of Liabilities	Notional	Fair Value of Assets	Fair Value of Liabilities
Cash flow hedges:						
Interest rate swap	\$ 150,000	\$ 1,558	\$ —	\$ 150,000	\$ 4,751	\$ —
Interest rate collars	250,000	—	4,422	250,000	3,556	—
Forward interest rate swap	—	—	2,972	—	—	—
Total	\$ 400,000	\$ 1,558	\$ 7,394	\$ 400,000	\$ 8,307	\$ —

Forward interest rate swap

On May 9, 2019, we entered into a forward-starting interest rate swap contract with a notional value of \$150,000 and a strike of 2.176%. The forward interest rate swap has an effective date of June 17, 2021 and a maturity date of June 17, 2026. We designated this forward interest rate swap as a cash flow hedge at inception and determined that the hedge is highly effective in offsetting interest rate fluctuations associated with the identified indebtedness.

Effective interest rate swaps and caps are reported in accumulated other comprehensive income, and the fair value of these hedge agreements is included in other assets or other liabilities.

For our interest rate swap and collars that are considered highly effective hedges, we reclassified realized gains of \$467 and \$1,026 to earnings within interest expense for the three and six months ended June 30, 2019, respectively, and we expect \$86 to be reclassified out of accumulated other comprehensive income to earnings over the next 12 months.

NOTE 6: Stockholder Equity and Noncontrolling Interests

Stockholder Equity

On March 18, 2019, our board of directors declared a distribution of \$0.18 per share, which was paid on April 25, 2019 to common shareholders of record as of March 29, 2019.

On June 17, 2019, our board of directors declared a distribution of \$0.18 per share, which was paid on July 25, 2019 to common shareholders of record as of June 28, 2019.

During the three and six months ended June 30, 2019, we also paid \$0 and \$209, respectively, of dividends on restricted common share awards that vested during the period.

During the three months ended June 30, 2019, we issued an aggregate of 65,704 shares under the ATM Sales Agreement at a weighted average price of \$12.09, resulting in \$778 of net proceeds, after deducting \$16 of commissions. During the six months ended June 30, 2019, we issued an aggregate of 575,704 shares under the ATM Sales Agreement at a weighted average price of \$10.80, resulting in \$6,079 of net proceeds, after deducting \$124 of commissions. Pursuant to the ATM Sales Agreement \$109,038 remained available for issuance as of June 30, 2019.

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(Unaudited and dollars in thousands, except share and per share data)

Noncontrolling Interest

During the three and six months ended June 30, 2019, holders of IROP units did not exchange any units for shares of our common stock or cash.

As of June 30, 2019, 881,107 IROP units held by unaffiliated third parties remain outstanding.

On March 18, 2019, our board of directors declared a distribution of \$0.18 per unit, which was paid on April 25, 2019 to IROP LP unitholders of record as of March 29, 2019.

On June 17, 2019, our board of directors declared a distribution of \$0.18 per unit, which was paid on July 25, 2019 to IROP LP unitholders of record as of June 28, 2019.

NOTE 7: Equity Compensation Plans

In May 2016, our shareholders approved and our board of directors adopted an amended and restated Long Term Incentive Plan (the “Incentive Plan”), which provides for grants of awards to our employees, officers, directors, trustees, consultants or advisors (and those of our affiliates). The Incentive Plan authorizes the grant of restricted or unrestricted shares of our common stock, performance-based restricted share units (“PSUs”), non-qualified and incentive stock options, restricted stock units, stock appreciation rights (“SARs”), dividend equivalents and other stock- or cash-based awards. In conjunction with the amendment, the number of shares of common stock issuable under the Incentive Plan was increased to 4,300,000 shares and the term of the incentive plan was extended to May 12, 2026.

Under the Incentive Plan or predecessor incentive plans, we have granted restricted shares, and PSUs, to our employees and employees of our former advisor. These awards generally vested over a three or four year period. In addition, we have granted unrestricted shares to our non-employee directors. These awards generally vested immediately.

On February 6, 2019, our compensation committee awarded, to our non-executive officer employees, 92,925 restricted stock awards, valued at \$10.35 per share, or \$962 in the aggregate. These restricted stock awards vest over a three-year period. On March 7, 2019, our compensation committee awarded, to our named executive officers, 87,975 restricted stock awards and 263,929 PSUs. The restricted stock awards vest over a four-year period and were valued at \$10.23 per share, or \$900 in the aggregate. The number of PSUs earned will be based on attainment of certain performance criteria over a three-year period, the actual number of shares issuable ranging between 0% and 150% of the number of PSUs granted. The aggregate grant date fair value of the PSUs was \$2,203.

On May 23, 2019, our compensation committee granted stock under the Incentive Plan such that our non-employee directors received an aggregate of 32,844 shares of our common stock, valued at \$360 using out closing stock price of \$10.96. These awards vested immediately.

NOTE 8: Earnings Per Share

The following table presents a reconciliation of basic and diluted earnings (loss) per share for the three and six months ended June 30, 2019 and 2018:

	<u>For the Three Months Ended June 30,</u>		<u>For the Six Months Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net income	\$ 14,856	\$ 3,545	\$ 17,422	\$ 7,045
(Income) loss allocated to noncontrolling interests	(147)	(36)	(173)	(124)
Net income allocable to common shares	<u>14,709</u>	<u>3,509</u>	<u>17,249</u>	<u>6,921</u>
Weighted-average shares outstanding—Basic	89,513,105	86,644,716	89,252,724	85,978,431
Weighted-average shares outstanding—Diluted	<u>90,019,909</u>	<u>86,908,978</u>	<u>89,902,637</u>	<u>86,208,502</u>
Earnings per share—Basic	<u>\$ 0.16</u>	<u>\$ 0.04</u>	<u>\$ 0.19</u>	<u>\$ 0.08</u>
Earnings per share—Diluted	<u>\$ 0.16</u>	<u>\$ 0.04</u>	<u>\$ 0.19</u>	<u>\$ 0.08</u>

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Certain IROP units and unvested shares were excluded from the earnings (loss) per share computation because their effect would have been anti-dilutive, totaling 881,107 and 881,107 for the three and six months ended June 30, 2019, respectively, and 899,215 and 1,038,824 for the three and six months ended June 30, 2018, respectively.

NOTE 9: Other Disclosures

Litigation

We are subject to various legal proceedings and claims that arise in the ordinary course of our business operations. Matters which arise out of allegations of bodily injury, property damage, and employment practices are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, we currently believe the final outcome of such matters will not have a material adverse effect on our financial position, results of operations or cash flows.

Loss Contingencies

We record an accrual for loss contingencies when a loss is probable and the amount of the loss can be reasonably estimated. Management reviews these accruals quarterly and makes revisions based on changes in facts and circumstances. When a loss contingency is not both probable and reasonably estimable, management does not accrue the loss. However, if the loss (or an additional loss in excess of an earlier accrual) is at least a reasonable possibility and material, then management discloses a reasonable estimate of the possible loss, or range of loss, if such reasonable estimate can be made. If we cannot make a reasonable estimate of the possible loss, or range of loss, then a statement to that effect is disclosed.

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

Forward-Looking Statements

The Securities and Exchange Commission (the "SEC"), encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This report contains or incorporates by reference such "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance used in connection with any discussion of future operating or financial performance identify forward-looking statements.

We claim the protection of the safe harbor for forward-looking statements provided in the Private Securities Litigation Reform Act of 1995. These statements may be made directly in this report and they may also be incorporated by reference in this report to other documents filed with the SEC, and include, without limitation, statements about future financial and operating results and performance, statements about our plans, objectives, expectations and intentions with respect to future operations, products and services, and other statements that are not historical facts. These forward-looking statements are based upon the current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from the anticipated results discussed in these forward-looking statements.

The risk factors discussed and identified in Item 1A of our 2018 Annual Report on Form 10-K, and in other of our public filings with the SEC, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this filing or to reflect the occurrence of unanticipated events.

Overview

Our Company

We are a self-administered and self-managed Maryland real estate investment trust ("REIT"), that acquires, owns, operates, improves and manages multifamily apartment communities across non-gateway U.S. markets. As of June 30, 2019, we owned and operated 58 multifamily apartment properties that contain 15,734 units. Our properties are located in Georgia, North Carolina, Tennessee, Kentucky, Ohio, Oklahoma, Indiana, Texas, Florida, South Carolina, Arkansas, Illinois, Missouri, Louisiana, and Alabama. We do not have any foreign operations. Our executive offices are located at 1835 Market Street, Suite 2601, Philadelphia, PA 19103 and our telephone number is (267) 270-4800. We have offices in Philadelphia, Pennsylvania and Chicago, Illinois. As of June 30, 2019, we had approximately 460 employees who provided real estate operations, leasing, financial, accounting, acquisition, disposition, development, and other support functions.

Our Business Objective and Investment Strategies

Our primary business objective is to maximize stockholder value through diligent portfolio management, strong operational performance, and a consistent return of capital through distributions and capital appreciation. Our investment strategy is focused on the following:

- gaining scale within key amenity rich submarkets of non-gateway cities that offer good school districts, high-quality retail and major employment centers and are unlikely to experience substantial new apartment construction in the foreseeable future;
- increasing cash flows at our existing apartment properties through prudent property management and strategic renovation projects; and
- acquiring additional properties that have strong and stable occupancies and support a rise in rental rates or that have the potential for repositioning through capital expenditures or tailored management strategies.

Property Portfolio

As of June 30, 2019, we owned 58 multifamily apartment properties, totaling 15,734 units. Below is a summary of our property portfolio by market.

(Dollars in thousands, except per unit data)

Market	As of June 30, 2019				For the Six Months Ended June 30, 2019		
	Number of Properties	Units	Gross Real Estate Assets	Period End Occupancy	Average Effective Monthly Rent per Unit	Net Operating Income (c)	% of NOI
Atlanta, GA	6	2,020	\$ 251,366	94.1%	\$ 1,138	\$ 4,328	14.2%
Louisville, KY	6	1,710	192,621	91.6%	986	3,153	10.3%
Raleigh - Durham, NC	5	1,372	189,882	95.0%	1,166	3,071	10.1%
Memphis, TN	4	1,383	141,584	93.8%	1,116	2,885	9.5%
Columbus, OH	6	1,547	150,838	93.7%	991	2,609	8.6%
Oklahoma City, OK	5	1,658	76,958	95.1%	667	2,006	6.6%
Indianapolis, IN	4	916	90,712	94.3%	992	1,689	5.5%
Tampa-St. Petersburg, FL	3	840	121,908	94.2%	1,170	1,647	5.4%
Dallas, TX	3	734	85,279	95.6%	1,186	1,551	5.1%
Myrtle Beach, SC - Wilmington, NC	3	628	62,947	95.9%	1,014	1,312	4.3%
Charleston, SC	2	518	79,733	93.1%	1,297	1,094	3.6%
Little Rock, AR (a)	2	462	55,564	94.2%	989	889	2.9%
Orlando, FL	1	297	48,474	96.6%	1,466	829	2.7%
Charlotte, NC	1	208	42,108	95.7%	1,549	678	2.2%
Austin, TX	1	300	36,048	95.0%	1,298	633	2.1%
Asheville, NC	1	252	28,580	95.6%	1,128	583	1.9%
Chattanooga, TN	2	295	27,121	95.6%	973	450	1.5%
St. Louis, MO	1	152	33,481	94.7%	1,470	437	1.4%
Huntsville, AL	1	178	16,402	97.8%	956	343	1.1%
Baton Rouge, LA	1	264	28,726	81.1%	893	303	1.0%
Total/Weighted Average	58	15,734	\$ 1,760,332	94.0%	\$ 1,058	\$ 30,490	100.0%

(a) Market includes two properties which have been classified as held for sale as of June 30, 2019.

As of June 30, 2019, our same-store portfolio consisted of 50 multifamily apartment properties, totaling 13,697 units. See “Non-GAAP Financial Measures – Same Store Portfolio Net Operating Income” below for our methodology for determining our same store portfolio and definitions and reconciliations related to our net operating income and net operating income margin.

Capital Recycling

Our capital recycling program consists of disposing of assets in markets where we lack scale and/or markets where management believes that long term growth outlook is not as attractive relative to other markets.

In April 2019, we sold a 370-unit property located in Chicago, IL for \$42.0 million. We recorded a gain of \$12.1 million for this property, which is net of \$2.0 million of debt extinguishment costs. On July 18, 2019, we sold two properties in Little Rock, AR for \$56.5 million. These properties were all previously held for sale.

In April 2019, we purchased a 224-unit property located in Atlanta, GA for \$28.0 million.

In July 2019, we purchased a 264-unit property located in Tampa, FL for \$48.0 million.

Value Add

Value add initiatives, comprised of renovations and upgrades at selected communities to drive increased rental rates, remain a core component of our growth strategy for 2019 and beyond. As of June 30, 2019, we had identified 3,929 units across 12 properties for renovations and upgrades as part of our Phase I and II value add initiative. As of June 30, 2019, we had completed renovations and upgrades at 1,950 of the 3,929 units and expect to complete renovations and upgrades at the remaining Phase I and II units through the remainder of 2019 and first half of 2020.

In July 2019, we identified eight additional properties, totaling 2,402 units to represent Phase III of our value add initiative.

New Unsecured Credit Facility

On May 9, 2019, we closed on a new \$350.0 million unsecured credit facility that consists entirely of a revolving line of credit (the "Unsecured Revolving Line of Credit"), refinancing and terminating the previous unsecured credit facility and term loan agreement. We have the right to increase the aggregate amount of the unsecured revolving line of credit to up to \$600.0 million. The maturity date on borrowings outstanding under the Unsecured Revolving Line of Credit is May 9, 2023, subject to our option to extend the revolving commitment for two additional 6-month periods under certain circumstances, including the payment of an extension fee. We may prepay the Unsecured Revolving Line of Credit, in whole or in part, at any time without a prepayment fee or penalty. At our option, borrowings under the Unsecured Revolving Line of Credit will bear interest at a rate equal to either (i) the 1-month LIBOR rate plus a margin of 125 to 200 basis points, or (ii) a base rate plus a margin of 25 to 100 basis points. The applicable margin is determined based upon our total consolidated leverage ratio. At the time of closing and at June 30, 2019, based on our leverage ratio, the margin spread to LIBOR was 155 basis points.

Results of Operations

Three Months Ended June 30, 2019 compared to the Three Months Ended June 30, 2018

(Dollars in thousands)	SAME STORE PROPERTIES				NON SAME STORE PROPERTIES				CONSOLIDATED			
	Three Months Ended June 30,				Three Months Ended June 30,				Three Months Ended June 30,			
	2019	2018	Increase (Decrease)	% Change	2019	2018	Increase (Decrease)	% Change	2019	2018	Increase (Decrease)	% Change
Property Data:												
Number of properties	50	50			8	6	2	33.3%	58	56	2	3.6%
Number of units	13,697	13,697			2,037	1,583	454	28.7%	15,734	15,280	454	3.0%
Average occupancy	94.1%	94.0%	0.1%	0.1%	96.1%	94.9%	1.2%	1.2%	94.4%	94.1%	0.3%	0.3%
Average effective monthly rent, per unit	1,062	1,008	54	5.3%	1,029	1,013	16	1.6%	1,058	1,009	49	4.8%
Revenue:												
Rental and other property revenue	\$ 44,255	\$ 41,986	\$ 2,269	5.4%	\$ 6,593	\$ 4,748	\$ 1,845	38.9%	\$ 50,848	\$ 46,734	\$ 4,114	8.8%
Expenses:												
Property operating expenses	17,520	16,987	533	3.1%	2,552	1,716	836	48.7%	20,072	18,703	1,369	7.3%
Net Operating Income	\$ 26,735	\$ 24,999	\$ 1,736	6.9%	\$ 4,041	\$ 3,032	\$ 1,009	33.3%	\$ 30,776	\$ 28,031	\$ 2,745	9.8%
Other Revenue:												
Other revenue									108	155	(47)	-30.3%
Total other revenue									108	155	(47)	-30.3%
Corporate and other expenses:												
Property management expenses									2,062	1,592	470	29.5%
General and administrative expenses									3,538	2,872	666	23.2%
Depreciation and amortization expense									12,721	11,583	1,138	9.8%
Total corporate and other expenses									18,321	16,047	2,274	14.2%
Interest expense									(9,849)	(8,594)	(1,255)	-14.6%
Net gains on sale of assets									12,142	-	12,142	nm
Net income (loss)									14,856	3,545	11,311	319.1%
(Income) loss allocated to noncontrolling interests									(147)	(36)	(111)	-308.3%
Net income (loss) available to common shares									\$ 14,709	\$ 3,509	\$ 11,200	319.2%

Revenue

Rental and other property revenue. Rental and other property revenue increased \$4.1 million to \$50.8 million for the three months ended June 30, 2019 from \$46.7 million for the three months ended June 30, 2018. The increase was primarily attributable to a \$2.3 million increase in same store rental and other property revenue driven by a 5.3% increase in average effective monthly rents and a 10 basis points increase in average occupancy compared to the prior year period and a \$1.8 million increase in non same store rental and other property revenue. The non same store rental and other property revenue increase was due to the number of properties included in each period being different as a result of the timing of property sales and acquisitions.

Other revenue. Other revenue decreased \$0.1 million to \$0.1 million for the three months ended June 30, 2019 compared to \$0.2 million for the three months ended June 30, 2018.

Expenses

Property operating expenses. Property operating expenses increased \$1.4 million to \$20.1 million for the three months ended June 30, 2019 from \$18.7 million for the three months ended June 30, 2018. The increase was primarily due to a \$0.5 million increase in same store property operating expenses primarily driven by higher property taxes and a \$0.9 million increase in non same store property operating expenses. The non same store property operating expense increase was due to the number of properties included in each period being different as a result of the timing of property sales and acquisitions.

Property management expenses. Property management expenses increased \$0.5 million to \$2.1 million for the three months ended June 30, 2019 from \$1.6 million for the three months ended June 30, 2018. This increase was primarily due to an increase in compensation expenses for our property management function as we have increased both the number of personnel and the use of technology to drive future operating efficiencies.

General and administrative expenses. General and administrative expenses increased \$0.6 million to \$3.5 million for the three months ended June 30, 2019 from \$2.9 million for the three months ended June 30, 2018. This increase was primarily due to an increase in compensation expense as the size of our corporate office has grown to support asset management functions including the oversight of our value add initiative and general portfolio optimization.

Depreciation and amortization expense. Depreciation and amortization expense increased \$1.1 million to \$12.7 million for the three months ended June 30, 2019 from \$11.6 million for the three months ended June 30, 2018. The increase was primarily

attributable to a \$1.4 million increase in depreciation expense driven by capital expenditures related to our value add program for the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

Interest expense. Interest expense increased \$1.2 million to \$9.8 million for the three months ended June 30, 2019 from \$8.6 million for the three months ended June 30, 2018. This is primarily due to a \$131.8 million increase in the balance of our unsecured credit facility and term loans from June 30, 2018 to June 30, 2019, which related to our investments in additional property acquisitions and value add related capital expenditures.

Six Months Ended June 30, 2019 compared to the Six Months Ended June 30, 2018

(Dollars in thousands)	SAME STORE PROPERTIES				NON SAME STORE PROPERTIES				CONSOLIDATED			
	Six Months Ended June 30,				Six Months Ended June 30,				Six Months Ended June 30,			
	2019	2018	Increase (Decrease)	% Change	2019	2018	Increase (Decrease)	% Change	2019	2018	Increase (Decrease)	% Change
Property Data:												
Number of properties	50	50			8	6	2	33.3%	58	56	2	3.6%
Number of units	13,697	13,697			2,037	1,583	454	28.7%	15,734	15,280	454	3.0%
Average occupancy	93.3%	93.8%	-0.5%	-0.5%	95.6%	94.4%	1.1%	1.1%	93.6%	93.9%	-0.3%	-0.3%
Average effective monthly rent, per unit	1,053	1,004	49	4.8%	1,029	1,014	15	1.5%	1,050	1,005	44	4.4%
Revenue:												
Rental and other property revenue	\$86,918	\$82,989	\$ 3,929	4.7%	\$13,395	\$9,361	\$ 4,034	43.1%	\$100,313	\$ 92,350	\$ 7,963	8.6%
Expenses:												
Property operating expenses	34,406	33,459	947	2.8%	5,552	3,662	1,890	51.6%	39,958	37,121	2,837	7.6%
Net Operating Income	<u>\$52,512</u>	<u>\$49,530</u>	<u>\$ 2,982</u>	<u>6.0%</u>	<u>\$ 7,843</u>	<u>\$5,699</u>	<u>\$ 2,144</u>	<u>37.6%</u>	<u>\$ 60,355</u>	<u>\$ 55,229</u>	<u>\$ 5,126</u>	<u>9.3%</u>
Other Income:												
Other revenue									183	294	(111)	-37.8%
Total other income									183	294	(111)	-37.8%
Corporate and other expenses:												
Property management expenses									3,875	3,275	600	18.3%
General and administrative expenses									6,645	5,606	1,039	18.5%
Depreciation and amortization expense									25,168	22,807	2,361	10.4%
Total corporate and other expenses									35,688	31,688	4,000	12.6%
Interest expense									(19,570)	(16,934)	(2,636)	-15.6%
Other income (expense)									-	144	(144)	nm
Net gains (losses) on sale of assets									12,142	-	12,142	nm
Net income (loss)									17,422	7,045	10,377	147.3%
(Income) loss allocated to noncontrolling interests									(173)	(124)	(49)	-39.5%
Net income (loss) available to common shares									<u>\$ 17,249</u>	<u>\$ 6,921</u>	<u>\$ 10,328</u>	<u>149.2%</u>

Revenue

Rental and other property revenue. Rental and other property revenue increased \$7.9 million to \$100.3 million for the six months ended June 30, 2019 from \$92.4 million for the six months ended June 30, 2018. The increase was primarily attributable to a \$3.9 million increase in same store rental and other property revenue driven by a 4.8% increase in average effective monthly rents compared to the prior year period partially offset by a 50 basis points decrease in average occupancy compared to the prior year and a \$4.0 million increase in non same store rental and other property revenue. The non same store rental and other property revenue increase was due to the number of properties included in each period being different as a result of the timing of property sales and acquisitions.

Other revenue. Other revenue decreased \$0.1 million to \$0.2 million for the six months ended June 30, 2019 compared to \$0.3 million for the six months ended June 30, 2018.

Expenses

Property operating expenses. Property operating expenses increased \$2.9 million to \$40.0 million for the six months ended June 30, 2019 from \$37.1 million for the six months ended June 30, 2018. The increase was primarily due to a \$0.9 million increase in same store property operating expenses primarily driven by higher property taxes and a \$2.0 million increase in our non same store property operating expenses. The non same store property operating expenses increase was due to the number of properties included in each period being different as a result of the timing of property sales and acquisitions.

Property management expenses: Property management expenses increased \$0.6 million to \$3.9 million for the six months ended June 30, 2019 from \$3.3 million for the six months ended June 30, 2018. This was primarily due to an increase in compensation expense, software costs, and travel costs for our property management function as we have increased both the number of personnel and the use of technology to drive future operating efficiencies.

General and administrative expenses. General and administrative expenses increased \$1.0 million to \$6.6 million for the six months ended June 30, 2019 from \$5.6 million for the six months ended June 30, 2018. This increase was primarily due to an increase in compensation expense as the size of our corporate office has grown to support asset management functions including the oversight of our value add initiative and general portfolio optimization.

Depreciation and amortization expense. Depreciation and amortization expense increased \$2.4 million to \$25.2 million for the six months ended June 30, 2019 from \$22.8 million for the six months ended June 30, 2018. The increase was primarily attributable to a \$2.6 million increase in depreciation expense driven by capital expenditures related to our value add program for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

Interest expense. Interest expense increased \$2.7 million to \$19.6 million for the six months ended June 30, 2019 from \$16.9 million for the six months ended June 30, 2018. This is primarily due to a \$131.8 million increase in the balance of our unsecured credit facility and term loans from June 30, 2018 to June 30, 2019, which related to our investments in additional property acquisitions and value add related capital expenditures.

Non-GAAP Financial Measures

Funds from Operations (FFO) and Core Funds from Operations (CFFO)

We believe that FFO and CFFO, each of which is a non-GAAP financial measure, are appropriate supplemental measures of the operating performance of a REIT and IRT in particular.

We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT, as net income or loss (computed in accordance with GAAP), excluding real estate-related depreciation and amortization expense, gains or losses on sales of real estate and the cumulative effect of changes in accounting principles. We calculate CFFO as FFO, adjusted for stock compensation expense, depreciation and amortization of items that are not added back in the computation of FFO, amortization of deferred financing costs, and other non-cash or non-operating gains or losses related to items such as defeasance costs that we incur when we sell a property subject to secured debt, asset sales, debt extinguishments, and acquisition-related debt extinguishment expenses.

Our calculations of FFO and CFFO may differ from the methodology for calculating FFO, CFFO and similar supplemental measures utilized by other REITs and, accordingly, may not be comparable to FFO, CFFO or similar measures as calculated by other REITs. Our management utilizes FFO and CFFO as measures of our operating performance, and we believe they are also useful to investors because they facilitate an understanding of our operating performance after adjustment for certain non-cash or non-operating items that are required by GAAP to be expensed and facilitate comparison of our current operating performance to prior reporting periods. Furthermore, although FFO, CFFO and other supplemental performance measures are defined in various ways throughout the REIT industry, we believe that FFO and CFFO provide investors with additional useful measures to compare our financial performance to the performance of certain other REITs. Neither FFO nor CFFO is equivalent to net income or cash generated from operating activities determined in accordance with GAAP. Furthermore, FFO and CFFO do not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations or other commitments or uncertainties. Neither FFO nor CFFO should be considered as an alternative to net income as an indicator of our operating performance or as an alternative to cash flow from operating activities as a measure of our liquidity.

Set forth below is a reconciliation of net income (loss) to FFO and CFFO for the three and six months ended June 30, 2019 and 2018 (in thousands, except share and per share information):

	For the Three Months Ended June 30, 2019		For the Three Months Ended June 30, 2018	
	Amount	Per Share (1)	Amount	Per Share (2)
Funds From Operations (FFO):				
Net income (loss)	\$ 14,856	\$ 0.16	\$ 3,545	\$ 0.04
Adjustments:				
Real estate depreciation and amortization	12,675	0.14	11,550	0.13
Net (gains) losses on sale of assets excluding debt extinguishment costs	(14,171)	(0.15)	-	-
Funds From Operations (FFO)	<u>\$ 13,360</u>	<u>\$ 0.15</u>	<u>\$ 15,095</u>	<u>\$ 0.17</u>
Core Funds From Operations (CFFO):				
Funds From Operations (FFO)	\$ 13,360	\$ 0.15	\$ 15,095	\$ 0.17
Adjustments:				
Stock compensation expense	1,086	0.01	933	0.01
Amortization of deferred financing costs	362	0.01	325	0.01
Other depreciation and amortization	46	-	33	-
Debt extinguishment costs included in net gains (losses) on sale of assets	2,029	0.02	-	-
Core Funds From Operations (CFFO)	<u>\$ 16,883</u>	<u>\$ 0.19</u>	<u>\$ 16,386</u>	<u>\$ 0.19</u>

	For the Six Months Ended June 30, 2019		For the Six Months Ended June 30, 2018	
	Amount	Per Share (1)	Amount	Per Share (2)
Funds From Operations (FFO):				
Net income (loss)	\$ 17,422	\$ 0.19	\$ 7,045	\$ 0.08
Adjustments:				
Real estate depreciation and amortization	24,993	0.28	22,751	0.26
Net (gains) losses on sale of assets excluding debt extinguishment costs	(14,171)	(0.16)	-	-
Funds From Operations (FFO)	<u>\$ 28,244</u>	<u>\$ 0.31</u>	<u>\$ 29,796</u>	<u>\$ 0.34</u>
Core Funds From Operations (CFFO):				
Funds From Operations (FFO)	\$ 28,244	\$ 0.31	\$ 29,796	\$ 0.34
Adjustments:				
Stock compensation expense	1,708	0.02	1,403	0.02
Amortization of deferred financing costs	701	0.01	769	0.01
Other depreciation and amortization	175	-	56	-
Other expense (income)	-	-	(52)	-
Defeasance costs included in net gains (losses) on sale of assets	2,029	0.02	-	-
Core Funds From Operations (CFFO)	<u>\$ 32,857</u>	<u>\$ 0.36</u>	<u>\$ 31,972</u>	<u>\$ 0.37</u>

- (1) Based on 90,394,212 and 90,133,830 weighted-average shares and units outstanding for the three and six months ended June 30, 2019, respectively.
- (2) Based on 87,543,931 and 87,506,300 weighted-average shares and units outstanding for the three and six months ended June 30, 2018, respectively.

Same Store Portfolio Net Operating Income

We believe that Net Operating Income (“NOI”), a non-GAAP financial measure, is an additional useful supplemental measure of our operating performance. We define NOI as total property revenues less total property operating expenses, excluding interest expenses, depreciation and amortization, acquisition expenses, property management expenses, and general and administrative expenses. Other REITs may use different methodologies for calculating NOI, and accordingly, our NOI may not be comparable to other REITs. We believe that this measure provides an operating perspective not immediately apparent from operating income and net income as determined in accordance with GAAP. We use NOI to evaluate our performance on a same store and non-same store basis because NOI measures the core operations of property performance by excluding corporate level expenses, financing expenses, and other items not related to property operating performance and captures trends in rental housing and property operating expenses. However, NOI should only be used as an alternative supplemental measure of our financial performance.

We review our same store properties or portfolio at the beginning of each calendar year. Properties are added into the same store portfolio if they were owned at the beginning of the previous year. Properties that have been sold or are classified as held for sale are excluded from the same store portfolio.

Set forth below is a reconciliation of same store net operating income to net income (loss) available to common shares for the three and six months ended June 30, 2019 and 2018 (in thousands, except per unit data):

	<u>Three Months Ended June 30, (a)</u>			<u>Six Months Ended June 30, (a)</u>		
	<u>2019</u>	<u>2018</u>	<u>% change</u>	<u>2019</u>	<u>2018</u>	<u>% change</u>
Revenue:						
Rental and other property revenue	\$ 44,255	\$ 41,986	5.4%	\$ 86,918	\$ 82,989	4.7%
Property Operating Expenses						
Real estate taxes	5,638	5,127	10.0%	11,307	10,303	9.7%
Property insurance	859	888	-3.3%	1,713	1,844	-7.1%
Personnel expenses	4,190	4,200	-0.2%	8,217	8,170	0.6%
Utilities	2,699	2,586	4.4%	5,463	5,360	1.9%
Repairs and maintenance	1,823	1,608	13.4%	3,135	2,722	15.2%
Contract services	1,207	1,325	-8.9%	2,393	2,528	-5.3%
Advertising expenses	498	461	8.0%	943	937	0.6%
Other expenses	606	792	-23.5%	1,235	1,595	-22.6%
Total property operating expenses	<u>17,520</u>	<u>16,987</u>	<u>3.1%</u>	<u>34,406</u>	<u>33,459</u>	<u>2.8%</u>
Net operating income	<u>\$ 26,735</u>	<u>\$ 24,999</u>	<u>6.9%</u>	<u>\$ 52,512</u>	<u>\$ 49,530</u>	<u>6.0%</u>
NOI Margin	60.4%	59.5%	0.9%	60.4%	59.7%	0.7%
Average Occupancy	94.1%	94.0%	0.1%	93.3%	93.8%	-0.5%
Average effective monthly rent, per unit	\$ 1,062	\$ 1,008	5.3%	\$ 1,053	\$ 1,004	4.8%
Reconciliation of Same-Store Net Operating Income to Net Income (Loss)						
Same-store portfolio net operating income (a)	\$ 26,735	\$ 24,999		\$ 52,512	\$ 49,530	
Non same-store net operating income	4,041	3,032		7,843	5,699	
Other revenue	108	155		183	294	
Property management expenses	(2,062)	(1,592)		(3,875)	(3,275)	
General and administrative expenses	(3,538)	(2,872)		(6,645)	(5,606)	
Depreciation and amortization	(12,721)	(11,583)		(25,168)	(22,807)	
Interest expense	(9,849)	(8,594)		(19,570)	(16,934)	
Other income (expense)	-	-		-	144	
Net gains (losses) on sale of assets	<u>12,142</u>	<u>-</u>		<u>12,142</u>	<u>-</u>	
Net income (loss)	<u>\$ 14,856</u>	<u>\$ 3,545</u>		<u>\$ 17,422</u>	<u>\$ 7,045</u>	

(a) Same store portfolio for the three and six months ended June 30, 2019 and 2018 included 50 properties containing 13,697 units.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, pay distributions and other general business needs. We believe our available cash balances, financing arrangements and cash flows from operations will be sufficient to fund our liquidity requirements with respect to our existing portfolio for the next twelve months and the foreseeable future.

Our primary cash requirements are to:

- make investments and fund the associated costs, including expenditures, to continue our value add initiatives to improve the quality and performance of our properties;
- repay our indebtedness;
- fund recurring maintenance necessary to maintain our properties;
- pay our operating expenses; and
- distribute a minimum of 90% of our REIT taxable income (determined without regard to the deduction for dividends paid and excluding net capital gain) and to make investments in a manner that enables us to maintain our qualification as a REIT.

We intend to meet our liquidity requirements primarily through a combination of one or more of the following:

- the use of our cash and cash equivalent of \$11.1 million as of June 30, 2019;
- existing and future unsecured financing, including advances under our unsecured credit facility, and financing secured directly or indirectly by the apartment properties in our portfolio;
- cash generated from operating activities;
- net cash proceeds from property sales, including sales undertaken as part of our capital recycling strategy and other sales; and
- proceeds from the sales of our common stock and other equity securities, including common stock that may be sold under our at-the-market program.

Cash Flows

As of June 30, 2019 and 2018, we maintained cash and cash equivalents, and restricted cash of approximately \$18.8 million and \$17.9 million, respectively. Our cash and cash equivalents were generated from the following activities (dollars in thousands):

	For the Six Months Ended June 30,	
	2019	2018
Cash flow from operating activities	\$ 36,100	\$ 35,697
Cash flow from investing activities	(28,152)	(104,803)
Cash flow from financing activities	(5,153)	72,434
Net change in cash and cash equivalents, and restricted cash	2,795	3,328
Cash and cash equivalents, and restricted cash, beginning of period	16,045	14,619
Cash and cash equivalents, and restricted cash, end of the period	<u>\$ 18,840</u>	<u>\$ 17,947</u>

The increase in our cash flow from operating activities during the six months ended June 30, 2019 was primarily driven by higher net operating income from our property portfolio.

Our cash outflow from investing activities during the six months ended June 30, 2019 was primarily due to one property acquisition and capital expenditures partially offset by one property disposition. Our cash outflow from investing activities during the six months ended June 30, 2018 was primarily due to four property acquisitions and capital expenditures.

Our cash outflow from financing activities during the six months ended June 30, 2019 was primarily due to repayments of our unsecured credit facility, dividends on our common stock, and distributions on noncontrolling interests, partially offset by draws on our unsecured credit facility. Our cash inflow from financing activities during the six months ended June 30, 2018 was primarily due to draws on our current and previous credit facilities related to the acquisitions of four properties, partially offset by dividends on our common stock and distributions on noncontrolling interests.

As a REIT, we evaluate our dividend coverage based on our cash flow from operating activities, excluding changes in other assets and liabilities. During the six months ended June 30, 2019, we paid distributions to our common stockholders and noncontrolling interests of \$32.6 million and generated cash flow from operating activities excluding changes in other assets and liabilities of \$33.1 million.

Contractual Commitments

Our Annual Report on Form 10-K for the year ended December 31, 2018 filed on February 22, 2019 includes a table of contractual commitments as of December 31, 2018. There were no material changes to these commitments since the filing of our Annual Report on Form 10-K. See the updated debt maturity schedule included in Note 4 in the Notes to the Consolidated Financial Statements.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements during the six months ended June 30, 2019 that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our interests.

Critical Accounting Estimates and Policies

Our 2018 Annual Report on Form 10-K contains a discussion of our critical accounting policies. Effective January 1, 2019, we adopted several new accounting pronouncements and revised our accounting policies as described in Note 2 to the Consolidated Financial Statements included in Part I, Item 1 of this report. Management discusses our critical accounting policies and management's judgments and estimates with the audit committee of our board of directors.

Item 3. Qualitative and Quantitative Disclosure About Market Risk.

Our 2018 Annual Report on Form 10-K contains a discussion of qualitative and quantitative market risks. There have been no material changes in quantitative and qualitative market risks during the six months ended June 30, 2019 from the disclosures included in our 2018 Annual Report on Form 10-K.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, or the Exchange Act, 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 and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Effective as of June 30, 2019, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to ensure that information required to be disclosed by us in our Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation referred to above during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are subject to various legal proceedings and claims that arise in the ordinary course of our business operations. Matters which arise out of allegations of bodily injury, property damage, and employment practices are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, we currently believe the final outcome of such matters will not have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors.

There have not been any material changes from the risk factors previously disclosed in Item 1A—"Risk Factors" in our 2018 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the three months ended June 30, 2019, we withheld shares of common stock to satisfy employee tax withholding obligations payable upon the vesting of restricted common stock awards, as follows:

Period	Total Number of Shares Purchased	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 Under the Plans or Programs
04/01/2019 to 04/30/2019	292	(1)\$ 10.76	(1) 292	-
05/01/2019 to 05/31/2019	-	\$ -	-	-
06/01/2019 to 06/30/2019	-	\$ -	-	-
Total	<u>292</u>	<u>\$ 10.76</u>	<u>292</u>	-

(1) The price reported is the price paid per share using our closing price on the NYSE on the vesting date of the relevant award.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

- 10.1 [Amended and Restated Credit Agreement dated as of May 9, 2019, by and among Independence Realty Operating Partnership, LP and the subsidiary borrowers named therein, collectively, as borrower, Citibank, N.A. \(“Citibank”\) and KeyBank National Association \(“KeyBank”\), as the initial lenders, issuing lenders and swing loan lenders, the other lending institutions party thereto, KeyBank, as administrative agent, Citibank and the Huntington National Bank \(“HNB”\) as Co-Syndication Agents, Bank of American, N.A., Capital One, National Association, Citizens Bank, NA, Comerica Bank, PNC Bank, National Association, Regions Bank and Suntrust Bank as Co-Documentation Agents, Citibank and KeyBanc Capital Markets \(“KeyBanc Capital”\) as Joint Bookrunners and Citibank, KeyBanc Capital and HNB as Joint Lead Arrangers. \(Incorporated by reference to Exhibit 10.1 of IRT’s Current Report on Form 8-K filed on May 9, 2019\)](#)
- 10.7 [Form of Indemnification Agreement for IRT directors and executive officers, together with the schedule required by Instruction 2 of Item 601 of Regulation S-K, listing the parties to substantially identical agreements, filed herewith.*](#)
- 31.1 [Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.](#)
- 31.2 [Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.](#)
- 32.1 [Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.](#)
- 32.2 [Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.](#)
- 101 The following materials, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of June 30, 2019 and December 31, 2018, (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2019 and 2018, (iii) Condensed Consolidated Statement of Comprehensive Income (Loss) for the three and six months ended June 30, 2019 and 2018, (iv) Condensed Consolidated Statements of Changes in Equity for the three and six months ended June 30, 2019, (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2019 and 2018 and (vi) notes to the condensed consolidated financial statements as of June 30, 2019.

* Management contract or compensatory plan or arrangement.

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.

Independence Realty Trust, Inc.

Date: August 1, 2019

By: /s/ SCOTT F. SCHAEFFER
Scott F. Schaeffer
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Date: August 1, 2019

By: /s/ JAMES J. SEBRA
James J. Sebra
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: August 1, 2019

By: /s/ JASON R. DELOZIER
Jason R. Delozier
Chief Accounting Officer
(Principal Accounting Officer)

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Section 2: EX-10.7 (EX-10.7)

Exhibit 10.7

FORM OF INDEMNIFICATION AGREEMENT

THIS AGREEMENT, dated as of _____, 2017, is by and between Independence Realty Trust, Inc., a Maryland corporation (the “Company”), and [●] (the “Indemnitee”).

WHEREAS, it is essential that the Company be able to retain and attract as directors and officers the most capable persons available;

WHEREAS, the Company desires to have the Indemnitee serve or continue to serve as a director and/or officer of the Company;

WHEREAS, the Company and the Indemnitee recognize the increased risk of litigation and other claims being asserted in today’s environment against directors and officers of publicly-traded companies;

WHEREAS, the Company and Indemnitee recognize that the interpretation of ambiguous statutes, regulations and court opinions, and of the Articles of Restatement (the “Articles”) and Amended and Restated Bylaws (the “Bylaws”) of the Company, and the vagaries of public policy, are too uncertain to provide the directors and/or officers of the Company with adequate or reliable advance knowledge or guidance with respect to the potential litigation risks and expenses to which they may become personally exposed as a result of performing their duties in good faith for the Company;

WHEREAS, the Company does not want capable persons available to serve as directors and/or officers of the Company to be dissuaded from serving in such roles due to concerns related to the increased corporate litigation that has subjected directors and/or officers of publicly-traded companies to litigation risks and expenses;

WHEREAS, the Company has determined that its preserving and enhancing its ability to retain and attract as directors and officers the most capable persons available is in the best interests of the Company;

WHEREAS, the Company desires to provide Indemnitee with specific contractual assurance of Indemnitee's rights to indemnification against litigation risks and expenses and to the advancement of expenses (regardless of, among other things, any amendment to the Articles or Bylaws, or any change in the ownership of the Company or the composition of its Board of Directors);

WHEREAS, the Company and Indemnitee desire to enter into this Agreement in order for Indemnitee to rely upon the rights afforded under this Agreement in accepting and continuing in Indemnitee's position as a director and/or officer of the Company; and

WHEREAS, this Agreement is a supplement to and in furtherance of the indemnification, advancement of expenses and any other rights provided to, or for the benefit of, the Indemnitee by the Articles and/or Bylaws and any resolutions adopted

pursuant thereto and shall not be deemed a substitute thereof, nor to diminish or abrogate any rights of Indemnitee thereunder;

NOW, THEREFORE, in consideration of the premises and of the Indemnitee agreeing to serve, or continuing to serve, the Company after the date hereof directly or, at the Company's request, as an officer, director, manager, member, partner, tax matters partner, fiduciary or trustee of, or in any other capacity with, another Person (as defined below) or any employee benefit plan, the sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain Definitions. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement:

- (a) Agreement: means this Indemnification Agreement, as amended from time to time hereafter.
- (b) Board of Directors: means the Board of Directors of the Company.
- (c) Change in Control shall be deemed to have occurred upon any of the following events:
 - (i) A merger, recapitalization, consolidation, or other similar transaction to which the Company is a party, unless securities representing at least 50% of the combined voting power of the then-outstanding securities of the surviving entity or a parent thereof are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Company's outstanding voting securities immediately before the transaction;
 - (ii) A sale, transfer or disposition of all or substantially all of the Company's assets, unless securities representing at least 50% of the combined voting power of the then-outstanding securities of the entity acquiring the Company's assets or parent thereof are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Company's outstanding voting securities immediately before the transaction;
 - (iii) A merger, recapitalization, consolidation or other transaction to which the Company is a party or the sale, transfer or other disposition of all or substantially all of the Company's assets if, in either case, the members of the Company's Board of Directors immediately prior to consummation of the transaction do not, upon consummation of the transaction, constitute at least a majority of the board of directors of the surviving entity or the entity acquiring the Company's assets, as the case may be, or a parent thereof (for this purpose, any change in the composition of the Company's Board of

Directors that is anticipated or pursuant to an understanding or agreement in connection with a transaction will be deemed to have occurred at the time of the transaction); or

(iv) During any period of twelve (12) consecutive months, a majority of the members of the Board of Directors ceases to be composed of individuals (i) who were members of the Board of Directors on the first day of such period, (ii) whose election or nomination to the Board of Directors was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of the Board of Directors, or (iii) whose election or nomination to the Board of Directors was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of the Board of Directors.

(d) Exchange Act: means the Securities Exchange Act of 1934, as amended.

(e) Expenses: shall be broadly construed and shall include all direct and indirect losses, liabilities, damages, expenses, including fees and expenses of attorneys, fees and expenses of accountants, court costs, transcript costs, fees and expenses of experts, witness fees and expenses, travel expenses, printing and binding costs, telephone charges, delivery service fees, the premium, security for, and other costs relating to any bond (including cost bonds, appraisal bonds, or their equivalents), judgments, fines, penalties (whether civil, criminal or other), ERISA excise taxes assessed on a person with respect to an employee benefit plan, and amounts paid or payable in connection with any judgment, award or settlement, including any interest, assessments, any federal, state, local or foreign taxes imposed as a result of the actual or deemed receipt of any indemnification or expense advancement payments, and all other disbursements or expenses incurred in connection with (i) the investigation, preparation, prosecution, defense, settlement, mediation, arbitration and appeal of a Proceeding (as defined below), (ii) serving as an actual or prospective witness, or preparing to be a witness in a Proceeding, or other participation in, or other preparation for, any Proceeding, (iii) any compulsory interviews or depositions related to a Proceeding, (iv) any non-compulsory interviews or depositions related to a Proceeding, subject to the person receiving advance written approval by the Company to participate in such interviews or depositions, (v) responding to, or objecting to, a request to provide discovery in any Proceeding, and (vi) establishing or enforcing a right to indemnification under this Agreement, the Bylaws, the Articles, applicable law or otherwise. Expenses shall also include any federal, state, local and foreign taxes

imposed on such person as a result of the actual or deemed receipt of any payments under this Agreement.

- (f) Indemnifiable Event: means any event or occurrence, whether occurring before, on or after the date of this Agreement, related to or arising out of the fact that the Indemnitee is or was serving in an Official Capacity, or by reason of an action or inaction by the Indemnitee in any such Official Capacity, whether the basis of such Proceeding is an alleged action in an Official Capacity or in any other capacity while serving in an Official Capacity and whether or not serving in any Official Capacity at the time any Expenses are incurred for which indemnity can be provided under this Agreement.
- (g) Independent Counsel: means a law firm, a member of a law firm, or an independent practitioner, that is experienced in matters of corporate law and neither currently is, nor in the five (5) years previous to its selection has been, retained to represent (i) the Company or the Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement or of other indemnitees under similar indemnification agreements) or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any Person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee’s rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above.
- (h) Official Capacity: means (i) serving as a director or officer of the Company or (ii) while serving as a director or officer of the Company, serving at the request of the Company as an officer, director, manager, member, partner, tax matters partner, employee, agent, fiduciary, trustee or other representative of an Other Enterprise (as defined below).
- (i) Other Enterprise: means another corporation, partnership, limited liability company, joint venture, trust, association or other enterprise, whether for profit or not-for-profit, including any subsidiaries of the Company, any entities formed by the Company and any employee benefit plans maintained or sponsored by the Company where the Indemnitee is serving at the request of the Company in any capacity.
- (j) Person: means any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity or other entity.

- (k) The term “Proceeding” shall be broadly construed and shall include any threatened, asserted, pending or completed action, suit, investigation (including any internal investigation), inquiry, hearing, mediation, arbitration, other alternative dispute mechanism or any other proceeding, whether civil, criminal, administrative, regulatory, arbitral, legislative, investigative or otherwise and whether formal or informal, or any appeal of any kind therefrom, including an action initiated by the Indemnitee to enforce Indemnitee’s rights to indemnification or Expense Advance (as defined below) under this Agreement or any provision of the Articles, the Bylaws, the MGCL (as defined below) or other applicable law, and whether instituted by or in the right of the Company, a governmental agency, the Board of Directors of the Company, any authorized committee thereof, a class of its security holders or any other party, and whether made pursuant to federal, state or other law, or any inquiry, hearing or investigation (including any internal investigation), whether formal or informal, whether instituted by or in the right of the Company, a governmental agency, the Board of Directors, any committee thereof, a class of its security holders, or any other party that the Indemnitee believes might lead to the institution of any such proceeding.
- (l) The term “serving at the request of the Company” shall include any service to the Company or an Other Enterprise by the Indemnitee in Indemnitee's Official Capacity at the request of, for the convenience of, or to represent the interests of, the Company or any subsidiary of the Company. For the purposes of this Agreement, Indemnitee's service in Indemnitee's Official Capacity to the Company or an Other Enterprise shall be presumed to be “Service at the Request of the Company,” unless it is conclusively determined to the contrary by a majority vote of the directors of the Company, excluding, if applicable, the Indemnitee. With respect to such determination, it shall not be necessary for Indemnitee to show any actual or prior request by the Company or its Board of Directors for such service to the Company or an Other Enterprise.

2. Agreement to Indemnify; Advancement of Expenses.

(a) In the event that the Indemnitee was, is or becomes subject to, a party to or witness or other participant in, or is threatened to be made subject to, a party to or witness or other participant in, a Proceeding arising by reason of (or arising in part out of) an Indemnifiable Event, including Proceedings brought by or in the right of the Company, Proceedings brought by third parties, and Proceedings in which the Indemnitee is solely a witness, the Company shall indemnify the Indemnitee, or cause such Indemnitee to be indemnified, to the fullest extent permitted by the Maryland General Corporation Law (Titles 1 & 2 of the Corporations and Associations Article of the Annotated Code of Maryland, as the same exists now or as it may be hereinafter amended (the “MGCL”)), but,

in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than the MGCL permitted the Company to provide prior to such amendment, against any and all Expenses actually and reasonably incurred by the Indemnitee or on his or her behalf in connection with such Proceedings. If, in regard to any such Expenses, (i) the Indemnitee shall be entitled to indemnification pursuant to Section 2(h) or Section 4, (ii) no determination with respect to the Indemnitee's entitlement is legally required as a condition to indemnification of the Indemnitee hereunder, or (iii) the Indemnitee has been determined pursuant to Section 2(e) to be entitled to indemnification hereunder, then payments of such Expenses shall be made as soon as practicable but in any event no later than thirty (30) calendar days after the later of (A) the date on which written demand is presented to the Company pursuant to Section 2(d) or (B) the earliest date on which the applicable criterion specified in clause (i), (ii) or (iii) of this Section 2(a) is satisfied.

(b) Expenses incurred by or on behalf of the Indemnitee in connection with any Proceeding arising by reason of (or arising in part out of) an Indemnifiable Event shall be paid by the Company in advance of the final disposition of such Proceeding ("Expense Advance"). Except as provided in the following sentence, the Company shall promptly pay the amount of such Expenses to the Indemnitee, but in no event shall such payment be made later than thirty (30) calendar days after the receipt by the Company of a statement or statements from the Indemnitee requesting such advance or advances pursuant to this Section 2(b), together with a reasonable accounting of such Expenses. The right to Expense Advance shall not apply to (i) any Proceeding against an officer, director or other agent of the Company brought by the Company and approved by a majority of the authorized members of the Board which alleges willful misappropriation of corporate assets by such officer, director or other agent, wrongful disclosure of confidential information, or any other willful and deliberate breach in bad faith of such officer's, director's or other agent's duty to the Company or its shareholders, or (ii) any claim for which indemnification is excluded pursuant to this Agreement, but shall apply to any Proceeding referenced in Section 2(c)(iv) of this Agreement prior to a determination that the person is not entitled to be indemnified by the Company. The obligation of the Company to make an Expense Advance pursuant to this Section 2(b) shall be conditioned upon delivery to the Company of an undertaking in writing by or on behalf of the Indemnitee in which the Indemnitee undertakes and agrees to repay to the Company any advances made pursuant to this Section 2(b) if and to the extent that it shall ultimately be determined (in accordance with this Section 2 or by final judicial determination from which there is no further right to appeal, as applicable) that the Indemnitee is not entitled to be indemnified by the Company for such amounts. The Company shall make the advances contemplated by this Section 2(b) regardless of the Indemnitee's financial ability to make repayment, and regardless of whether indemnification of the Indemnitee by the Company will ultimately be required. Any advances pursuant to this Section 2(b) shall be unsecured and interest-free. Except as set forth in this Section 2(b), the Company shall not impose on the Indemnitee additional conditions to Expense Advance or require from the Indemnitee additional undertakings regarding repayment. Advancements shall include any and all reasonable Expenses incurred pursuing an action to enforce the Indemnitee's right of advancement of Expenses pursuant to this Agreement or any provision of the Articles, the Bylaws, the MGCL or other applicable law, including Expenses incurred preparing and

forwarding statements to the Company to support the advancements claimed pursuant to this Agreement.

(c) Notwithstanding anything in this Agreement to the contrary, the Indemnitee shall not be entitled to indemnification or advancement of Expenses pursuant to this Agreement (i) in connection with any Proceeding (or any part of any Proceeding) initiated by the Indemnitee (other than any cross-claim, counterclaim or affirmative defense asserted by the Indemnitee in an action brought against Indemnitee), including any Proceeding (or any part of any Proceeding) initiated by the Indemnitee against the Company, any entity that the Company controls, any of the directors, officers, or employees thereof, other indemnitees or any third party, unless (A) the Company has joined in or the Board of Directors of the Company has authorized or consented to the initiation of such Proceeding, (B) it is a Proceeding referenced in Section 3 below, (C) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law, (D) otherwise made under Section 2(b), or (E) otherwise required by applicable law, (ii) if a final adjudication by a court of competent jurisdiction determines that such indemnification is prohibited by applicable law, (iii) on account of any Proceeding for an accounting of profits made from the purchase and sale (or sale and purchase) by the Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act or similar provisions of state statutory law or common law, (iv) on account of any Proceeding for any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), or the payment to the Company of profits arising from the purchase and sale by the Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act), or (v) as limited by Section 17 of this Agreement.

(d) To obtain indemnification under this Agreement, the Indemnitee shall deliver to the Secretary of the Company a written request for indemnification, including therein or therewith such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification hereunder. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors of the Company in writing that the Indemnitee has requested indemnification.

(e) Upon written request by the Indemnitee for indemnification pursuant to the first sentence of Section 2(d), a determination, if required by applicable law, with respect to Indemnitee’s entitlement thereto shall be made in the specific case by one of the following four methods: (i) by majority vote of a quorum consisting of directors who are not parties to such Proceeding (“Disinterested Directors”), (ii) if such a quorum of Disinterested Directors cannot be obtained, by majority vote of a committee duly designated by the Board of Directors (all directors, whether or not Disinterested Directors, may participate in such designation) consisting solely of two or more Disinterested Directors, (iii) if such a committee cannot be designated, by any Independent Counsel

selected (A) by the Board of Directors (as prescribed in clause (i) above), (B) by the committee of the Board of Directors (as prescribed in clause (ii) above) or (C) if a quorum of the Board of Directors cannot be obtained for clause (i) above and the committee cannot be designated under clause (ii) above, by majority vote of the full Board of Directors (in which directors who are parties to the Proceeding may participate), in a written opinion to the Board of Directors, a copy of which shall be delivered to the Indemnitee, or (iv) if such Independent Counsel determination cannot be obtained, by majority vote of a quorum of shareholders consisting of shareholders who are not parties to such Proceeding, or if no such quorum is obtainable, by a majority vote of shareholders who are not parties to such Proceeding, using its best efforts to make such determination as promptly as is reasonably practicable under the circumstances, that the Indemnitee is entitled to be indemnified under applicable law. If it is so determined that the Indemnitee is entitled to indemnification, payment to the Indemnitee shall be made within thirty (30) calendar days after such determination. The Indemnitee shall reasonably cooperate with the Person or Persons making such determination with respect to the Indemnitee's entitlement to indemnification, including providing to such Person or Persons upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to the Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) actually and reasonably incurred by the Indemnitee in so cooperating with the Person or Persons making such determination shall be borne by the Company (irrespective of the determination as to the Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom. Any determination by the Company (including by its directors, shareholders or any Independent Counsel) otherwise (that the Indemnitee is entitled to indemnification) shall be conclusive and binding on the Company and the Indemnitee. The Company agrees that all costs incurred by the Company in making the determination under this Section 2(e) shall be borne solely by the Company, including, but not limited to, the costs of legal counsel (including any Independent Counsel serving under this Section 2(e)), proxy solicitations and judicial determinations.

(f) If (x) the Company (including by its directors, shareholders or any Independent Counsel) determines that the Indemnitee is not entitled to be indemnified in whole or in part under applicable law, (y) any amount of Expenses is not paid in full by the Company according to Section 2(a) after a determination is made pursuant to Section 2(e) that the Indemnitee is entitled to be indemnified, or (z) any amount of Expense Advance is not paid in full by the Company according to Section 2(b) after a request and an undertaking pursuant to Section 2(b) have been received by the Company, in each case, the Indemnitee shall have the right to commence litigation in any court in the State of Maryland having subject matter jurisdiction thereof and in which venue is proper, either challenging any such determination, which shall not be binding, or any aspect thereof (including the legal or factual bases therefor), seeking to recover the unpaid amount of Expenses or Expense Advance, as applicable, and otherwise to enforce the Company's obligations under this Agreement. The Company hereby consents to service of process and to appear in any such proceeding. If the Indemnitee commences legal proceedings in a court of competent jurisdiction to secure a determination that the Indemnitee should be indemnified under applicable law, any such judicial proceeding shall be conducted in all respects as a

de novo trial, on the merits, any determination that the Indemnitee is not entitled to be indemnified under applicable law shall not be binding on, and shall not prejudice the Indemnitee, the Indemnitee shall continue to be entitled to receive Expense Advance, and the Indemnitee shall not be required to reimburse the Company for any Expense Advance, unless and until a final judicial determination is made (as to which all rights of appeal therefrom have been exhausted or lapsed) that the Indemnitee is not entitled to be so indemnified under applicable law. The Company shall also be solely responsible for paying all costs incurred by it in defending any Proceeding made pursuant to this Section 2(f) challenging its determination or seeking its payment.

(g) If a Determination shall have been made pursuant to Section 2(e) that the Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to Section 2(f).

(h) To the extent that the Indemnitee has been successful on the merits or otherwise, either in defense of any Proceeding relating in whole or in part to an Indemnifiable Event or in defense of any claim, issue or matter therein, including dismissal without prejudice, or in prosecution of any Proceeding relating in whole or in part to an Indemnifiable Event pursuant to Section 2(f), the Indemnitee shall be indemnified by the Company against all Expenses actually and reasonably incurred in connection therewith, notwithstanding an earlier determination by the Company (including by its directors, shareholders or any Independent Counsel) that the Indemnitee is not entitled to indemnification under applicable law. For purposes of this Agreement, the term “successful on the merits or otherwise” shall include, but not be limited to, (i) any termination, withdrawal, or dismissal (with or without prejudice) of any Proceeding against the Indemnitee without any express finding of liability or guilt against the Indemnitee, (ii) the expiration of one-hundred twenty (120) days after the making of any claim or threat of a Proceeding without the institution of the same and without any promise or payment made to induce a settlement, and (iii) the settlement of any Proceeding pursuant to which the Indemnitee pays less than \$100,000.

3. Indemnification for Expenses of the Indemnitee in Enforcing Rights. To the fullest extent allowable under applicable law, the Company shall also indemnify, or cause the indemnification of, the Indemnitee against any and all Expenses and, if requested by the Indemnitee, shall advance such Expenses to the Indemnitee subject to and in accordance with Sections 2(b) and (f), which are actually and reasonably incurred by the Indemnitee in connection with any Proceeding brought by the Indemnitee for (i) indemnification or an Expense Advance by the Company under any provision of this Agreement, under any other agreement that the Indemnitee is a party to, or under any provision of the Articles, the Bylaws, the MGCL or other applicable law now or hereafter in effect, in each case, relating to the Indemnitee’s rights to indemnification or Expense Advance, and/or (ii) recovery under any director’s and officer’s liability or other insurance policies maintained by the Company, regardless of, in the case of (i) or (ii), whether the Indemnitee ultimately is determined to be entitled to such indemnification, Expense Advance or insurance recovery, as the case may be. Indemnitee shall be required to reimburse the Company in the event that a final judicial determination is made that any such Proceeding brought by the Indemnitee was frivolous or not made in good faith.

4. Partial Indemnity. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses in respect of a Proceeding relating in whole or in part to an Indemnifiable Event but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify the Indemnitee for the portion thereof to which the Indemnitee is entitled.

5. Burdens of Proof and Persuasion. In any judicial proceeding brought under Section 2(f) above, the Company shall have the burden of proof and the burden of persuasion to establish, by clear and convincing evidence, that the Indemnitee is not entitled to the indemnification or Expense Advance provided pursuant to this Agreement.

6. Presumptions and Effect of Certain Proceedings.

(a) In connection with any determination, pursuant to Section 2(e), concerning the Indemnitee's right to Indemnification, the Person or Persons making such determination shall presume that the Indemnitee has satisfied the applicable standard of conduct and is entitled to indemnification under this Agreement if the Indemnitee has submitted a request for indemnification in accordance with Section 2(d) above, and, except where any required undertaking under Section 2 (b) has not been delivered to the Company, anyone seeking to overcome this presumption shall have the burden of proof and burden of persuasion, by clear and convincing evidence.

(b) The Indemnitee shall be deemed to have met the applicable standard of conduct and to be entitled to indemnification under the MGCL for any action or omission to act undertaken (i) in good faith reliance upon the records of the Company, including its financial statements, or upon information, opinions, reports or statements furnished to the Indemnitee by the officers or employees of the Company or any of its subsidiaries in the course of their duties, or by committees of the Board of Directors, or by any other Person as to matters the Indemnitee reasonably believes are within such other Person's professional or expert competence, or (ii) on behalf of the Company in furtherance of the interests of the Company in good faith in reliance upon, and in accordance with, the advice of legal counsel or accountants; *provided* such legal counsel or accountants were selected with reasonable care by or on behalf of the Company. In addition, the knowledge and/or actions, or failures to act, of any director, officer, agent or employee of the Company or an Other Enterprise shall not be imputed to the Indemnitee for purposes of determining the right to indemnification under this Agreement. Whether or not the foregoing provisions of this Section 6(b) are satisfied, it shall in any event be presumed that the Indemnitee has at all times acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion, by clear and convincing evidence.

(c) For purposes of this Agreement, the termination of any Proceeding by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not create a presumption that the Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law.

(d) Neither the failure of the Company (including by its directors, shareholders or any Independent Counsel) to have made a determination as to whether the Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Company (including by its directors, shareholders or any Independent Counsel) that the Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by the Indemnitee to secure a judicial determination that the Indemnitee should be indemnified under applicable law, shall be a defense to the Indemnitee's claim for indemnification or create a presumption that the Indemnitee has not met any particular standard of conduct or did not have any particular belief.

7. Failure to Act Not a Defense. The failure of the Company (including its Board of Directors or any committee thereof, Independent Legal Counsel, or shareholders) to make a determination concerning the permissibility of the payment of Expenses or the Expense Advance under this Agreement shall not be a defense in any action brought under Section 2 (f) hereof, and shall not create a presumption that such payment or advancement is not permissible.

8. Access to Information. Indemnitee shall be entitled to access such information in the possession of the Company as may be reasonably necessary to enforce Indemnitee's rights under this Agreement.

9. Nonexclusivity, Etc. The rights of the Indemnitee hereunder to indemnification and Expense Advance shall be in addition to, but not exclusive of, any other rights the Indemnitee may have at any time under the Bylaws or the Articles, applicable law, any insurance policy purchased or maintained by the Indemnitee or any other agreement, vote of shareholders or directors (or a committee of directors), or otherwise, both as to action in Indemnitee's Official Capacity and as to action in any other capacity while Indemnitee is serving in an Official Capacity. The right to be indemnified or to receive advancement of Expenses under this Agreement (i) is a contract right based upon good and valuable consideration, pursuant to which Indemnitee may sue, (ii) is and is intended to be retroactive and shall be available as to events occurring prior to the date of this Agreement and (iii) shall continue after any rescission or restrictive modification of this Agreement as to events occurring prior thereto.

10. Change in Law. To the extent that a change in the MGCL or the interpretation thereof (whether by statute or judicial decision) permits broader indemnification or advancement of Expenses than is provided under the terms of the Articles, the Bylaws and this Agreement, it is the intent of the parties hereto that the Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change in law. In the event of any change in the MGCL (whether by statute or judicial decision) which narrows the right of a Maryland corporation to indemnify a member of its Board of Directors, an officer, or other agent, such changes, to the extent not required by applicable law to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder.

11. Representations and Warranties of the Company. The Company hereby represents and warrants to Indemnitee as follows:

(a) Authority. The Company has all necessary power and authority to enter into, and be bound by the terms of, this Agreement, and the execution, delivery and performance of the undertakings contemplated by this Agreement have been duly authorized by the Company.

(b) Enforceability. This Agreement, when executed and delivered by the Company in accordance with the provisions hereof, shall be a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights generally.

12. Maintenance of D&O Insurance.

(a) The Company represents that it presently has in force and effect directors' and officers' liability insurance covering the directors and officers of the Company ("D&O Insurance") as set forth on Annex A hereto (the "Insurance Policies").

(b) The Company shall, from time to time, make the good faith determination whether or not it is practicable for the Company to obtain and maintain a policy or policies of insurance with reputable insurance companies providing the officers and directors of the Company with D&O Insurance. Among other considerations, the Company will weigh the costs of obtaining such D&O Insurance coverage against the protection afforded by such coverage. All decisions as to whether and to what extent the Company maintains D&O Insurance shall be made by the Board in its sole and absolute discretion.

(c) In all policies of D&O Insurance, the Indemnitee shall be covered as an insured in such a manner as to provide the Indemnitee with the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if the Indemnitee is a director; or as are accorded to the most favorably insured of the Company's officers, if the Indemnitee is not a director of the Company but is an officer.

(d) Notwithstanding the foregoing, except as provided in Section 12(b) and as provided below in Section 12(f) in the event of a Change in Control, the Company shall have no obligation pursuant to this Agreement to obtain or maintain D&O Insurance coverage at least comparable to that provided by the Insurance Policies.

(e) Promptly after (i) learning of facts and circumstances which may give rise to a Proceeding, the Company shall notify its D&O Insurance carriers, if such notice is required by the applicable insurance policies, and any other insurance carrier providing applicable insurance coverage to the Company, of such facts and circumstances, or (ii) receiving notice of a Proceeding, whether from the Indemnitee, or otherwise, the Company shall give prompt notice to its D&O Insurance carriers, and any other insurance carriers providing applicable insurance coverage to the Company, in the case of (i) and (ii),

in accordance with the requirements of the respective insurance policies. The Company shall, thereafter, take all necessary or appropriate action to cause such insurance carriers to pay, on behalf of the Indemnitee, all Expenses incurred or to be incurred, and liability incurred, by the Indemnitee with respect to such Proceeding, in accordance with the terms of the applicable insurance policies.

(f) At or prior to any Change in Control, the Company shall obtain a prepaid, fully-earned and non-cancellable “tail” directors’ and officers’ liability insurance policy in respect of acts or omissions occurring at or prior to the Change in Control with a claims period of six (6) years from the Change in Control, covering the Indemnitee, to the extent that the Indemnitee is covered by D&O Insurance immediately prior to the Change in Control, with the coverage and amounts and containing terms and conditions that are not less advantageous to the directors and officers of the Company and its subsidiaries than those of the D&O Insurance in effect immediately prior to such Change in Control; *provided, however*, that the aggregate premium therefor is not in excess of 200% of the annual premium then paid by the Company for coverage for its then current policy year for such insurance, and if the premium therefor would be in excess of such amount, the Company shall purchase such “tail” policy with the greatest coverage available as to matters occurring prior to the Change in Control as is available for a cost not exceeding that premium amount. Any such tail policy may not be amended, modified, cancelled or revoked after the Change in Control by the Company or any successor thereto in any manner that is adverse to the Indemnitee.

13. Covenant Not To Sue, Limitation of Actions and Release of Claims. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company (or any of its subsidiaries) against the Indemnitee, the Indemnitee’s spouse, heirs, executors, or personal or legal representatives, administrators or estate after the expiration of two (2) years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two(2) year period; *provided, however*, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

14. Modifications and Waiver. Except as provided in Section 10 with respect to changes in the MGCL that broaden the right of Indemnitee to be indemnified by the Company and Section 15 which provides for the Indemnitee to be afforded the benefit of a more favorable term or terms included in other indemnification agreements, no supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be binding unless in the form of a writing signed by the party against whom enforcement of the waiver is sought, or shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver.

15. More Favorable Indemnification Agreements. In the event the Company or any of its subsidiaries enters into an indemnification agreement with another director or officer of the Company or any of its subsidiaries containing a term or terms more favorable

to the Indemnitee than the terms contained herein, the Indemnitee shall be afforded the benefit of such more favorable term or terms and such more favorable term or terms shall be deemed incorporated by reference herein as if set forth in full herein.

16. Subrogation. In the event of any payment to or on behalf of Indemnitee under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of contribution or recovery of the Indemnitee against other persons, and the Indemnitee shall execute all papers reasonably required and shall do everything that may be reasonably necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

17. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Proceeding to the extent the Indemnitee has otherwise actually received payment (whether under any statute, insurance policy, any provision of the Bylaws, any provision of the Articles, vote of shareholders or directors (or a committee of directors), other agreement or otherwise) of the amounts otherwise indemnifiable hereunder. The Company's obligation of indemnification or Expense Advance hereunder to the Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, board of directors' committee member, employee or agent of any other Person shall be reduced by any amount the Indemnitee has actually received as indemnification or advancement of Expenses from such Person.

18. Notification and Defense of Proceedings.

(a)As soon as reasonably practicable after receipt by the Indemnitee of written notice that he or she is a party to or a participant (as a witness or otherwise) in any Proceeding or of any other matter in respect of which the Indemnitee intends to seek indemnification or Expense Advance hereunder, the Indemnitee shall provide to the Company written notice thereof, including the nature of and the facts underlying such Proceeding or matter. The omission by the Indemnitee to so notify the Company will not relieve the Company from any liability which it may have to the Indemnitee hereunder or otherwise unless the Company is materially prejudiced by such omission.

(b)The Company shall be entitled, at its option and expense, either to participate in the defense of any Proceeding relating to an Indemnifiable Event or, upon written notice to the Indemnitee, to assume the defense thereof with counsel reasonably satisfactory to the Indemnitee and after delivery of such notice, the Company shall not be liable to the Indemnitee under this Agreement for any fees or expenses of counsel subsequently incurred by the Indemnitee with respect to such Proceeding; *provided* that (i) the Indemnitee shall have the right to retain separate counsel in respect of such Proceeding at the Indemnitee's expense or, if previously authorized in writing by the Company, at the Company's expense, and (ii) if the Indemnitee believes, after consultation with counsel selected by the Indemnitee, that (A) the use of counsel chosen by the Company to represent the Indemnitee would present such counsel with an actual or potential conflict of interest, (B) the named parties in any such Proceeding (including any impleaded parties) include the Company or any subsidiary of the Company and the Indemnitee, and the Indemnitee

concludes that there may be one or more legal defenses available to him or her that are different from or in addition to those available to the Company or any subsidiary of the Company, or (C) any such representation by such counsel would be precluded under the applicable standards of professional conduct then prevailing, then the Indemnitee shall be entitled to retain separate counsel (but not more than one law firm plus, if applicable, local counsel in respect of any particular Proceeding) at the Company's expense.

(c)The Company shall not be liable to the Indemnitee under this Agreement for any amounts paid in settlement of any Proceeding relating to an Indemnifiable Event effected without the Company's prior written consent and the Company shall not, without the prior written consent of the Indemnitee, effect any settlement of any Proceeding relating to an Indemnifiable Event which the Indemnitee is or has been threatened to be made a party or has otherwise been a participant in such Proceeding, including, but not limited to, as a witness, unless such settlement solely involves the payment of money and includes a complete and unconditional release of the Indemnitee from all liability on all claims that are the subject matter of such Proceeding; *provided* that neither the Company nor the Indemnitee shall unreasonably withhold its or his or her consent to any proposed settlement; and *provided* that the Indemnitee may withhold consent to any settlement or compromise which (i) includes an admission of fault of the Indemnitee or (ii) does not include, as an unconditional term thereof, the full release of the Indemnitee from all liability in respect of the Proceeding, which release shall be in form and substance reasonably satisfactory to the Indemnitee.

19. Contribution.

(a)Whether or not the indemnification provided in Section 2 of this Agreement is available, in respect of any Proceeding in which the Company is jointly liable with the Indemnitee (or would be if joined in the Proceeding that is the basis for the Proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such Proceeding without requiring the Indemnitee to contribute to such payment and the Company hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Company shall not enter into any settlement of any Proceeding in which the Company is jointly liable with the Indemnitee (or would be if joined in the Proceeding that is the basis for the Proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee, which release shall be in form and substance reasonably satisfactory to the Indemnitee.

(b)Without diminishing or impairing the obligations of the Company set forth in Section 19(a), if, for any reason, the Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement relating to any Proceeding in which the Company is jointly liable with the Indemnitee (or would be if joined in such Proceeding), the Company shall contribute to the amount of expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by the Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company other than the Indemnitee who are jointly liable with the Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction from

which such Proceeding arose; *provided, however*, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to applicable law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than the Indemnitee who are jointly liable with the Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and the Indemnitee, on the other hand, in connection with the events that resulted in such expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which applicable law may require to be considered. The relative fault of the Company and all officers, directors or employees of the Company other than the Indemnitee who are jointly liable with the Indemnitee (or would be if joined in such Proceeding), on the one hand, and the Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary, and the degree to which their conduct is active or passive.

(c)The Company hereby agrees to fully indemnify and hold the Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of the Company other than Indemnitee who may be jointly liable with the Indemnitee.

20. Services of Indemnitee. This Agreement shall not be deemed to constitute an agreement of employment nor shall it impose any obligation on Indemnitee or the Company to continue the Indemnitee's service to the Company beyond any period otherwise required by applicable law or by other agreements or commitments of the parties, if any. The Indemnitee, if a member of the Board of Directors, hereby agrees to serve or continue to serve as a director of the Company, for so long as the Indemnitee is duly elected or appointed or until the Indemnitee tenders his or her resignation or is removed in accordance with the Articles, the Bylaws and applicable law.

21. Binding Effect, Successors. This Agreement shall be (a) binding upon all successors and assigns of the Company (including any transferee of all or a substantial portion of the business, stock and/or assets of the Company and any direct or indirect successor by merger or consolidation or otherwise by operation of applicable law) and (b) binding on and shall inure to the benefit of the personal and legal representatives, spouses, heirs, executors and administrators of Indemnitee. This Agreement shall continue in effect for the benefit of the Indemnitee and such personal and legal representatives, assigns, spouses, heirs, executors and administrators regardless of whether the Indemnitee continues to serve as an officer, director or other representative or agent of the Company or any other Person at the request of the Company. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a significant portion, of the business and/or assets of the Company and/or its subsidiaries, by written agreement in form and substance satisfactory to the Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. Except as otherwise provided in this Section 21, neither this Agreement nor any duties or responsibilities pursuant hereto may be assigned by the Company to any other Person without the express prior written consent of the Indemnitee.

22. Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement between the parties hereto with respect to the matters covered hereby, and any other prior or contemporaneous oral or written understandings or agreements with respect to the matters covered hereby are expressly superseded by this Agreement, including, but not limited to, any previous forms of director's and officer's indemnification agreements adopted by the Board and/or entered into by the Company with the Indemnitee; *provided, however*, that this Agreement is supplemental to and in furtherance of the rights provided to, or for the benefit of the Indemnitee, by the Articles, the Bylaws, the MGCL and any other applicable law, and shall not be deemed a substitute therefor, and does not diminish or abrogate any rights of the Indemnitee thereunder.

23. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable by any court of competent jurisdiction for any reason whatsoever, (i) the validity, legality and enforceability of the remaining provisions of this Agreement (including all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by applicable law, and (ii) to the fullest extent possible, the provisions of this Agreement (including all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable) shall be construed or deemed reformed so as to give the maximum effect to the intent of the parties hereto manifested by the provision held invalid, illegal or unenforceable and to give the maximum effect to the unaffected terms of this Agreement.

24. Specific Performance. The Company and the Indemnitee agree that a monetary remedy for breach of this Agreement may be inadequate, impracticable and difficult to prove, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that the Indemnitee may enforce this Agreement by seeking injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that, by seeking injunctive relief and/or specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which Indemnitee may be entitled. The Company and Indemnitee further agree that the Indemnitee shall be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertaking in connection therewith. The Company acknowledges that in the absence of a waiver, a bond or undertaking may be required of Indemnitee by the court, and the Company hereby waives any such requirement of a bond or undertaking.

25. Notices. All notices, requests, demands, consents and other communications hereunder to any party shall be in writing and either delivered in person or sent by U.S. mail, overnight courier or by e-mail or other electronic transmission, addressed to such party at the address set forth below or such other address as may hereafter be designated on the signature pages of this Agreement or in writing by such party to the other parties, and shall be effective only upon receipt by such party:

- (a) If to the Company, to:

Independence Realty Trust, Inc.
Two Logan Square, 100 N. 18th Street, 23rd Floor,
Philadelphia, Pennsylvania 19103
Attention: Secretary
Fax: (215-207-2795)
E-mail: alaren@rait.com

(b) If to the Indemnitee, to the address set forth on Annex B hereto.

26. Counterparts. This Agreement may be executed in counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same agreement. Delivery of an executed counterpart's signature page of this Agreement, by facsimile, electronic mail in portable document format (.pdf) or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, has the same effect as delivery of an executed original of this Agreement for all purposes. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

27. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction or interpretation thereof.

28. Conflict With Governing Documents. To the fullest extent permitted by applicable law, in the event of a conflict between the terms of this Agreement and the terms of the Articles or the Bylaws, the terms of this Agreement shall govern and prevail.

29. Cooperation and Intent. The Company shall cooperate in good faith with the Indemnitee and use its best efforts to ensure that, to the fullest extent permitted by applicable law, the Indemnitee is indemnified and/or reimbursed for Expenses described herein and receives the Expense Advance.

30. Noninterference. The Company shall not seek or agree to any order of any court or other governmental authority that would prohibit or otherwise interfere, and shall not take or fail to take any other action if such action or failure would reasonably be expected to have the effect of prohibiting or otherwise interfering, with the performance of the Company's indemnification, advancement of Expenses or other obligations under this Agreement.

31. No Third Party Beneficiaries. No parties other than Indemnitee or the Company (and their respective successors and assigns as provided in Section 21 above) are entitled to rely upon this Agreement and enforce the Company's or Indemnitee's obligations hereunder.

32. Validity of Agreement. The Company shall be precluded from asserting in any Proceeding, including, without limitation, an action under Section 2(f) above, that the provisions of this Agreement are not valid, binding and enforceable or that there is

insufficient consideration for this Agreement and shall stipulate in court that the Company is bound by all the provisions of this Agreement.

33. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Maryland, as applied to contracts between Maryland residents entered into and to be performed entirely within such state without giving effect to the principles of conflicts of choice of laws of such state or any other jurisdiction that would require the application of the laws of another jurisdiction.

34. Consent to Jurisdiction. The Company and the Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in a Maryland state court, and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of such Maryland state court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) waive any objection to the laying of venue of any such action or proceeding in such Maryland State court, and (iv) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in such Maryland state court has been brought in an improper or inconvenient forum.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

INDEPENDENCE REALTY TRUST, INC.

By:
Name:
Title:

[Indemnitee Name]

[Signature Page to Indemnification Agreement]

Annex A

SCHEDULE OF D&O INSURANCE POLICIES

Annex B

Name and Address

[•]

[•]

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Section 3: EX-31.1 (EX-31.1)

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott F. Schaeffer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Independence Realty Trust, Inc.;
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 officer(s) 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 the 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: August 1, 2019

By: /s/ SCOTT F. SCHAEFFER
Scott F. Schaeffer
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

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Section 4: EX-31.2 (EX-31.2)

**Certification of Chief Financial Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, James J. Sebra, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Independence Realty Trust, Inc.;
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 officer(s) 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 the 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: August 1, 2019

By: /s/ JAMES J. SEBRA
James J. Sebra
Chief Financial Officer and Treasurer
(Principal Financial Officer)

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Section 5: EX-32.1 (EX-32.1)

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of Independence Realty Trust, Inc. (the "Company") for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Chairman of the Board, Chief Executive Officer and President of the Company, certifies, to his knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the

Company.

Date: August 1, 2019

By: /s/ SCOTT F. SCHAEFFER
Scott F. Schaeffer
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

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Section 6: EX-32.2 (EX-32.2)

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and in connection with the Quarterly Report on Form 10-Q of Independence Realty Trust, Inc. (the "Company") for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, the Chief Financial Officer and Treasurer of the Company, certifies, to his knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2019

By: /s/ JAMES J. SEBRA
James J. Sebra
Chief Financial Officer and Treasurer
(Principal Financial Officer)

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