

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from to

COMMISSION FILE NUMBER: 000-51609

**INVENTRUST PROPERTIES CORP.**

(Exact name of registrant as specified in its charter)

**Maryland**

(State or other jurisdiction of incorporation or organization)

**34-2019608**

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

**3025 Highland Parkway, Suite 350 Downers Grove, Illinois**

(Address of principal executive offices)

**60515**

(Zip Code)

**(855) 377-0510**

(Registrant's telephone number, including area code)

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

**None**

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

**Common stock, \$0.001 par value per share**

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 the 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

There is no established market for the registrant's shares of common stock. The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 28, 2019 (the last business day of the registrant's most recently completed second quarter) was approximately \$2,288,189,476, based on the estimated per share value of \$3.14, as established by the registrant as of May 1, 2019.

As of January 31, 2020, there were 720,829,133 shares of the registrant's common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive "Proxy Statement" for its annual stockholders' meeting expected to be held on May 7, 2020, are incorporated by reference in Part III of this Form 10-K.

INVENTRUST PROPERTIES CORP.

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K ("Annual Report"), other than purely historical information, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 ("Exchange Act"), as amended. These statements include statements about InvenTrust Properties Corp.'s plans, objectives, strategies, financial performance and outlook, trends, the amount and timing of future cash distributions, prospects or future events, including any potential liquidity events, and involve known and unknown risks that are difficult to predict. As a result, our actual financial results, performance, achievements or prospects may differ materially from those expressed or implied by these forward-looking statements. In some cases, forward-looking statements can be identified by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "guidance," "predict," "potential," "continue," "likely," "will," "would," "illustrative," "should" and variations of these terms and similar expressions, or the negative of these terms or similar expressions. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by us based on our knowledge and understanding of the business and industry, are inherently uncertain. These statements are not guarantees of future performance, and stockholders should not place undue reliance on forward-looking statements.

There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Annual Report. Such risks, uncertainties and other important factors, include, among others, the risks, uncertainties and factors set forth under "Part I, Item 1A. - Risk Factors" and "Part II, Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations, ("MD&A")" and the risks and uncertainties related to the following:

- market, political and economic volatility experienced by the United States ("U.S.") economy or real estate industry as a whole, and the regional and local political and economic conditions in the markets in which our retail properties are located;
- our ability to execute on potential strategic transactions intended to enhance stockholder value and provide investment liquidity to stockholders;
- our ability to identify, execute and complete disposition opportunities and at expected valuations;
- our ability to identify, execute and complete acquisition opportunities and to integrate and successfully operate any retail properties acquired in the future and manage the risks associated with such retail properties;
- our ability to manage the risks of expanding, developing or re-developing some of our current and prospective retail properties;
- loss of members of our senior management team or other key personnel;
- changes in governmental regulations and U.S. accounting standards or interpretations thereof;
- our ability to access capital for development, re-development and acquisitions on terms and at times that are acceptable to us;
- changes in the competitive environment in the leasing market and any other market in which we operate;
- shifts in consumer retail shopping from brick and mortar stores to e-commerce;
- declaration of bankruptcy by our retail tenants;
- forthcoming expirations of certain of our leases and our ability to re-lease such retail properties;
- our ability to collect rent from tenants or to rent space on favorable terms or at all;
- the impact of leasing and capital expenditures to improve our retail properties to retain and attract tenants;
- events beyond our control, such as war, terrorist attacks, including acts of domestic terrorism, natural disasters and severe weather incidents, and any uninsured or under-insured loss resulting therefrom;
- actions or failures by our joint venture partners, including development partners;
- the cost of compliance with and liabilities under environmental, health and safety laws;
- changes in real estate and zoning laws and increases in real property tax rates;
- the economic success and viability of our anchor retail tenants;
- our debt financing, including risk of default, loss and other restrictions placed on us;
- our ability to refinance maturing debt or to obtain new financing on attractive terms;
- future increases in interest rates;

- the availability of cash flow from operating activities to fund distributions;
- our investment in equity and debt securities in companies we do not control;
- our status as a real estate investment trust ("REIT") for federal tax purposes; and
- changes in federal, state or local tax law, including legislative, administrative, regulatory or other actions affecting REITs.

These factors are not necessarily all of the important factors that could cause our actual results, performance or achievements to differ materially from those expressed in or implied by any of our forward-looking statements. Other unknown or unpredictable factors could also harm our business, financial condition, results of operations or cash flows. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above. Forward-looking statements speak only as of the date they are made; we do not undertake or assume any obligation to publicly update any of these forward-looking statements to reflect actual results, new information or future events, changes in assumptions or changes in other factors affecting forward-looking statements, except to the extent required by applicable law. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

## PART I

As used throughout this Annual Report, the terms "Company," "InvenTrust," "we," "us," or "our" mean InvenTrust Properties Corp. and its wholly-owned and unconsolidated joint venture investments. Unless otherwise noted, all dollar amounts are stated in thousands, except per share and per square foot data. Any references to number of properties, square feet, tenant and occupancy data are unaudited.

### Item 1. Business

#### General

On October 4, 2004, we were incorporated as Inland American Real Estate Trust, Inc., a Maryland corporation, and have elected to be taxed, and currently qualify, as a REIT for federal tax purposes. We changed our name to InvenTrust Properties Corp. in April 2015. We were originally formed to own, manage, acquire and develop a diversified portfolio of commercial real estate located throughout the United States, to partially own properties through joint ventures and to own investments in marketable securities and other assets. We are focused on owning, managing, acquiring, and developing a multi-tenant retail platform.

Our wholly-owned, consolidated, and managed retail properties include grocery-anchored community and neighborhood centers, and select power centers that have a grocery component. As of December 31, 2019, we owned or had an interest in 65 retail properties with a gross leasable area ("GLA") of approximately 10.9 million square feet, which includes 11 retail properties with a GLA of approximately 2.6 million square feet owned through the Company's ownership interest in IAGM Retail Fund I, LLC ("IAGM"), an unconsolidated retail joint venture partnership between the Company as 55% owner and PGGM Private Real Estate Fund ("PGGM"). The following table summarizes the properties included in our multi-tenant retail portfolio as of December 31, 2019:

	No. of Properties	GLA (square feet)	Economic Occupancy (a)	ABR PSF (b)
<b>Wholly-owned and consolidated</b>				
Community and neighborhood center (c)	42	4,813,201	95.6%	\$20.18
Power center (d)	12	3,498,320	95.1%	16.84
	54	8,311,521	95.4%	18.79
<b>Properties held by IAGM</b>				
Community and neighborhood center (c)	6	1,496,786	94.8%	17.21
Power center (d)	5	1,083,826	94.3%	17.77
	11	2,580,612	94.6%	17.42
<b>Multi-tenant retail portfolio, totals</b>	<b>65</b>	<b>10,892,133</b>	<b>95.2%</b>	<b>\$18.48</b>

- (a) Economic occupancy is defined as the percentage of total GLA for which a tenant is obligated to pay rent under the terms of its lease agreement, regardless of the actual use or occupancy by that tenant of the area being leased. Actual use may be less than economic occupancy.
- (b) Annualized Base Rent ("ABR") is computed as revenue for the last month of the period multiplied by twelve months. ABR includes the effect of rent abatements, lease inducements, straight-line rent GAAP adjustments and ground rent income. ABR per square foot ("PSF") is computed as ABR divided by the total leased square footage at the end of the period. Specialty leasing represents leases of less than one year in duration for inline space and includes any term length for a common area space, and is excluded from the ABR and leased square footage figures when computing the ABR per square foot.
- (c) Community and neighborhood centers are generally open-air and designed for tenants that offer a wide array of merchandise and services, including groceries, apparel, soft goods and convenience-oriented offerings. Our community centers contain large anchor stores and a significant presence of national retail tenants. Our neighborhood centers are generally smaller open-air centers with a grocery store anchor and/or drugstore, and other small service-type retailers.
- (d) Power centers are generally larger and consist of several anchors, such as discount department stores, off-price stores, specialty grocers and warehouse clubs. Typically, the number of specialty tenants is limited and most are national or regional in scope.

## Business Objective and Strategy

InvenTrust is a multi-tenant retail REIT. Our objective is to own and operate grocery-anchored neighborhood shopping centers that provide essential retail in the Sun Belt markets. Our strategy to achieve our business objective includes the following:

- Acquire retail properties in Sun Belt markets;
- Opportunistically dispose of retail properties where we believe the value has been maximized;
- Pursue re-development opportunities (which may have a mixed-use component) at our current retail properties;
- Maintain conservative leverage and a flexible capital structure; and
- Enhance environment, social and governance practices and standards.

*Acquire retail properties in Sun Belt markets.* InvenTrust focuses on grocery-anchored neighborhood centers, and select power centers that often have a grocery component, in markets with favorable demographics, including above average growth in population, employment and income. We believe these conditions create favorable demand characteristics for grocery-anchored and necessity-based retail centers which will enable us to capitalize on potential future rent increases while enjoying sustained occupancy at our centers. Using these criteria, we have identified 15 to 20 markets, including the metropolitan areas of Atlanta, Austin, Charlotte, Dallas-Fort Worth-Arlington, Houston, the greater Los Angeles and San Diego areas, Miami, Orlando, Raleigh-Durham, San Antonio and Tampa.

*Opportunistically dispose of retail properties with maximized values.* We continue to opportunistically dispose of properties where we believe the properties' values have been maximized or the properties no longer meet our investment criteria. These dispositions will allow the Company to re-deploy the proceeds into more attractive reinvestment opportunities.

*Pursue re-development opportunities at our current retail properties.* We have a coordinated program to increase rental income by maximizing existing re-development opportunities and identifying locations in our current multi-tenant retail portfolio where we can increase the overall square footage of the property. In addition, we work with our tenants to expand rentable square footage at select retail properties where demand warrants additional supply. Certain redevelopment opportunities may include a non-retail component.

*Maintain conservative leverage levels and a flexible capital structure.* We continually evaluate the economic and credit environment and its impact to our business. We believe we have significant liquidity to continue executing on our strategy. We expect to have the ability to repay, refinance or extend any of our debt, and we believe we have adequate sources of funds to meet short-term cash needs related to these refinancings or extensions.

*Enhance environment, social and governance practices and standards.* We continue to focus on environmental, social and governance ("ESG") practices and standards across our platform. We believe we can enhance our communities, conserve resources and foster a best-in-class working environment while growing long term shareholder value. We remain committed to transparency in our investment strategy with a focus on operating efficiency, responding to evolving trends, and addressing the needs of our tenants and communities by continuing to fully integrate environmental sustainability, social responsibility, and strong governance practices throughout our organization.

We believe the refinement of our multi-tenant retail platform has positioned us for future success and will allow us to evaluate and ultimately execute on a potential strategic transaction, achieve liquidity for and provide a return of capital to our stockholders in the long term. While we believe in our ability to execute on our plan, the timing is uncertain and may be shortened or extended by external and macroeconomic factors including, among others, interest rate movements, local, regional, national and global economic performance, competitive factors, the impact of e-commerce on the retail industry, future retailer store closings, retailer consolidation, retailers reducing store size, retailer bankruptcies, and government policy changes.

## Competition

The commercial retail real estate market is highly competitive. We compete for tenants with other owners and operators of commercial rental properties in all of our markets. We compete based on a number of factors that include location, rental rates, suitability of the property's design to tenants' needs and the manner in which the property is operated and marketed. The number of competing properties in a particular market could have a material effect on a property's occupancy levels, rental rates and operating income. We also face significant competition from e-commerce retailers. As retailers increase their e-commerce presence it may cause them to adjust the size or number of brick and mortar retail locations in the future. This shift could adversely impact our occupancy and rental rates, which would, in turn, adversely impact our revenues and cash flows.

We compete with many third parties engaged in real estate investment activities, including other REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, lenders, hedge funds, governmental bodies and other entities. Many real estate investors, including other REITs, have investment objectives similar to ours. In addition, many real estate investors seek financing through the same channels that we do. Therefore, we compete in a market where funds for real estate investment may decrease, grow less than the underlying demand or be unaffordable.

### **Environmental Matters**

Compliance with federal, state and local environmental laws has not had a material adverse effect on our business, assets, results of operations, financial condition and/or our ability to pay distributions. We do not believe that our existing multi-tenant retail platform will require us to incur material expenditures to comply with these laws and regulations. However, we cannot predict the impact of unforeseen environmental contingencies or new or changed laws or regulations on our properties.

### **Tax Status**

We have elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), beginning with the tax year ended December 31, 2005. Because we qualify for taxation as a REIT, we generally will not be 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, without the benefit of certain relief provisions, we will be subject to federal and state income tax on our taxable income at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income, property or net worth, respectively, and to federal income and excise taxes on our undistributed income.

### **Employees**

As of December 31, 2019, we had 122 employees.

### **Access to Company Information**

We electronically file our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports with the Securities and Exchange Commission ("SEC"). The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically.

We make available, free of charge, by responding to requests addressed to our investor relations group, the Annual Report, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports on our website, [www.inventrustproperties.com](http://www.inventrustproperties.com). These reports are available as soon as reasonably practicable after such material is electronically filed or furnished to the SEC. The information on the Company's website is not incorporated by reference in this Annual Report.

### **Executive Officers of Registrant**

Set forth below is information concerning our executive officers as of January 31, 2020.

**Thomas P. McGuinness, 64.** Mr. McGuinness currently serves as our President and Chief Executive Officer and is also a member of our board of directors. He has served as our President since we initiated our self-management transactions in March 2014 and as our Chief Executive Officer since November 2014. Prior to the self-management transactions, he served as our President and principal executive officer since September 2012 and President of our former business manager since January 2012. Mr. McGuinness previously served as the president of the Chicagoland Apartment Association and as the regional vice president of the National Apartment Association. He also served on the board of directors of the Apartment Building Owners and Managers Association, and was a trustee with the Service Employees' Local No. 1 Health and Welfare Fund and its Pension Fund. Mr. McGuinness is an Executive Committee member of our retail joint venture entity IAGM.

**Ivy Z. Greaner, 59.** Ms. Greaner currently serves as our Executive Vice President, Chief Operating Officer. She has served as our Chief Operating Officer since July 2018. Prior to that time, Ms. Greaner had been Regional Vice President of FivePoint (previously Lennar Urban) from 2016 to 2018. Prior to Lennar's combination with Rialto in 2016, she served as Executive Vice President and COO of Lennar Commercial for two years. From 1999 to 2014, Ms. Greaner was Partner and Chief Operating Officer of Ram Realty Services, where she oversaw company operations, ground-up development and all aspects of commercial and residential assets. Previously, Ms. Greaner served as Principal and Owner of Gadinsky & Greaner, a commercial real estate service and development company. She attended Boston University and holds broker licenses for the states of Florida and North Carolina. As an active member of the International Council of Shopping Centers ("ICSC"), Ms.

Greener serves on the National Economic Committee's Infrastructure Task Force, and she served for many years as the Government Chair for ICSC's Florida Government Relations Committee. She is a member of Florida State University's Real Estate Advisory Board, and is also a founding member of 100+ Women Who Care's South Florida chapter, and supports Hope Outreach's philanthropic mission.

**Daniel J. Busch, 38.** Mr. Busch currently services as our Executive Vice President, Chief Financial Officer and Treasurer. Mr. Busch joined InvenTrust in September 2019. Prior to that, Mr. Busch served as Managing Director, Retail at Green Street Advisors, providing independent research on the shopping center, regional mall, and net lease sectors. Prior to serving as Managing Director, Mr. Busch served in increasingly senior roles at Green Street covering the Mall Sector, conducting analysis and research, building financial models and providing analysis of financial statements for U.S. REITs. Previously, Mr. Busch served as an equity research analyst at Telsey Advisory Group and worked in a corporate capacity at Petco Animal Supplies Inc. He is a member of the Urban Land Institute, contributing as an active member on the Commercial and Retail Development Council. Mr. Busch received a B.S. in Applied Economics and Management from Cornell University and an MBA with specializations in general finance, financial instruments and markets from New York University.

**Christy David, 41.** Ms. David currently serves as our Executive Vice President, General Counsel and Corporate Secretary. Ms. David has served as InvenTrust's General Counsel since 2017. Ms. David joined InvenTrust in 2014 as Managing Counsel – Transactions and held that position until November 2016 when she was named Vice President, Deputy General Counsel and Secretary. Prior to that, Ms. David served at the Inland Group Inc., managing, reviewing and drafting legal documents and matters for InvenTrust's acquisitions, dispositions, corporate contracts and spin-offs. Prior to joining the Inland Group, Ms. David was an Associate Attorney at The Thollander Law Firm and held various positions at David & Associates. Ms. David serves on the Ravinia Associates Board and Nominating Committee. Ms. David received a Juris Doctor from Washington University School of Law and a Bachelor of Business Administration in Finance from Loyola University.

## **Item 1A. Risk Factors**

*You should carefully consider each of the following risks described below and all of the other information in this Annual Report in evaluating us. Our business, financial condition, cash flows, results of operations and/or ability to pay distributions to our stockholders could be materially adversely affected by any of these risks. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Annual Report. See "Special Note Regarding Forward-Looking Statements."*

### **Risks Related to Our Business**

#### ***Economic, political and market conditions could negatively impact our business, results of operations and financial condition.***

Our business may be affected by economic, political and market challenges experienced by the U.S. or global economies or the real estate industry as a whole (and, in particular, the retail sector); by the regional or local economic conditions in the markets in which our assets are located, including any dislocations in the credit markets; or by competitive business market conditions experienced by us and/or our retail tenants and shadow anchor retailers (anchor retailers that anchor our assets but whose properties are not owned or leased by us), such as challenges competing with e-commerce channels. For example, prolonged lower oil prices may negatively impact the economy in the Houston metropolitan area, where approximately 13.3% of our total annualized base rental income is derived. These conditions may materially affect our tenants, shadow anchor retailers, the value and performance of our assets and our ability to sell assets, as well as our ability to make principal and interest payments on, or refinance, outstanding debt when due. Challenging economic conditions may also impact the ability of certain of our tenants to enter into new leasing transactions or to satisfy rental payments under existing leases. Specifically, these conditions may have the following consequences:

- the financial condition of our tenants may be adversely affected, which may result in us having to increase concessions, reduce rental rates or make capital improvements in order to maintain occupancy levels or to negotiate for reduced space needs, which may result in a decrease in our occupancy levels and cash flows;
- significant job loss may occur, which may decrease demand for space and result in lower occupancy levels, which will result in decreased revenues and could diminish the value of assets that depend, in part, upon the cash flow generated by our assets;
- an increase in the number of bankruptcies or insolvency proceedings of our tenants and lease guarantors, which could delay our efforts to collect rent and any past due balances under the relevant leases and ultimately could preclude collection of these sums;
- our ability to borrow on terms and conditions that we find acceptable may be limited;



- consolidation in the retail sector, including by e-commerce retailers, which could negatively impact the rental rates we are able to charge and occupancy levels;
- the amount of capital that is available to finance assets could diminish, which, in turn, could lead to a decline in asset values generally, slow asset transaction activity, and reduce the loan to value ratio upon which lenders are willing to lend;
- the value of certain of our assets may decrease below the amounts we paid for them, which would limit our ability to dispose of assets at attractive prices or for potential buyers to obtain debt financing secured by these assets and could reduce our ability to finance our business; and
- changing government regulations, including tax policies.

***A consumer shift in retail shopping from brick and mortar stores to e-commerce may have an adverse impact on our revenues and cash flow.***

The majority of national retailers operating brick and mortar stores have made e-commerce sales an important part of their business model. Although many tenants at our retail properties either provide services or sell groceries, for those tenants that do not have an online presence, the shift to e-commerce sales may adversely impact their sales, causing those retailers to adjust the size or number of retail locations in the future. This shift could adversely impact our occupancy and rental rates, which would, in turn, adversely impact our revenues and cash flows.

***Our management and our board of directors (the "Board") routinely evaluate opportunities to position the Company for various strategic transactions designed to provide liquidity for our stockholders. Such strategic transactions may not occur, and even if they do occur, they may not be successful in increasing stockholder value or providing liquidity for our stockholders.***

Our management and our Board routinely evaluate opportunities to position the Company for various strategic transactions designed to ultimately provide liquidity for our stockholders. The timing or the form of any such strategic transaction is uncertain. Strategic transaction options are subject to factors that are outside of our control, such as economic, political and market conditions. Such factors may affect whether any strategic transaction is available to the Company and, if so, whether the transaction is available on terms satisfactory to the Company or at a time of the Company's choosing. Our Board may decide to apply to have our shares of common stock listed for trading on a national securities exchange or included for quotation on a national market system; seek to sell all or substantially all of our assets, liquidate or engage in a merger transaction; contribute substantial assets to a joint venture in exchange for cash; sell our assets individually or approve a strategic transaction whose form we cannot yet reasonably anticipate. It is possible that no such strategic transaction will ever occur. Even if a strategic transaction does occur, it may not be successful in increasing share value or providing liquidity for our stockholders, and may have the opposite effect, eroding share value and failing to deliver any meaningful liquidity, in which case our stockholders' investment would lose value.

***Our ongoing business strategy involves the selling of assets; however, we may be unable to sell an asset at acceptable terms and conditions, if at all.***

We intend to continue to hold our assets as long-term investments until such time as we determine that a sale or other disposition appears to be advantageous to achieve our investment objectives or until it appears such objectives will not be met. As we look to sell these assets, general economic, political and market conditions, and asset-specific issues may negatively affect the value of our assets and therefore reduce our return on the investment or prevent us from selling the asset on acceptable terms or at all. Some of our leases contain provisions giving the tenant a right to purchase the asset, such as a right of first offer or right of first refusal, which may lessen our ability to freely control the sale of the asset. Debt levels currently exceed the value of certain assets and debt levels on other assets may exceed the value of those assets in the future, making it more difficult for us to rent, refinance or sell the assets, which may lead to the asset being subject to foreclosure, a deed in lieu of foreclosure or another transaction with a lender. In addition, real estate investments are relatively illiquid and often cannot be sold quickly, limiting our ability to sell our assets when we decide to do so, or in response to such changing economic or asset-specific issues. Further, economic conditions may prevent potential purchasers from obtaining financing on acceptable terms, if at all, thereby delaying or preventing our ability to sell our assets.

***Our ongoing strategy depends, in part, upon completing future acquisitions and dispositions, and we may not be successful in identifying attractive acquisition opportunities and consummating these transactions.***

As part of our strategy, we intend to tailor and grow our multi-tenant retail platform. We cannot assure our stockholders that we will be able to identify opportunities or complete transactions on commercially reasonable terms or at all, or that we will

actually realize any anticipated benefits from such acquisitions or investments. There may be high barriers to entry in many key markets and scarcity of available acquisition and investment opportunities in desirable locations. We face significant competition for attractive investment opportunities from an indeterminate number of other real estate investors, including investors with significant capital resources such as domestic and foreign corporations and financial institutions, sovereign wealth funds, public and private REITs, private institutional investment funds, domestic and foreign high-net-worth individuals, life insurance companies and pension funds. As a result of competition, we may be unable to acquire additional properties as we desire or the purchase price may be significantly elevated. Similarly, we cannot assure our stockholders that we will be able to obtain financing for acquisitions or investments on attractive terms or at all, or that the ability to obtain financing will not be restricted by the terms of our credit facility or other indebtedness we may incur.

Additionally, we regularly review our business to identify properties or other assets that we believe are in certain markets or have certain characteristics that may not benefit us as much as properties in other markets or with different characteristics. One of our strategies is to selectively dispose of retail properties and use sale proceeds to fund our growth in markets and with properties that will enhance our multi-tenant retail platform. We cannot assure our stockholders that we will be able to consummate any such sales on commercially reasonable terms or at all, or that we will actually realize any anticipated benefits from such sales. Additionally, we may be unable to successfully identify attractive and suitable replacement assets even if we are successful in completing such dispositions. We may face delays in reinvesting net sales proceeds in new assets, which would impact the return we earn on our assets. Dispositions of real estate assets can be particularly difficult in a challenging economic environment when uncertainties exist about the impact of e-commerce on retailers and when financing alternatives are limited for potential buyers. Our inability to sell assets, or to sell such assets at attractive prices, could have an adverse impact on our ability to realize proceeds for reinvestment. In addition, even if we are successful in consummating sales of selected retail properties, such dispositions may result in losses.

Any such acquisitions, investments or dispositions could also demand significant attention from management that would otherwise be available for our regular business operations, which could harm our business.

***Our ongoing strategy depends, in part, on expanding, developing or re-developing some of our current retail properties as well as properties acquired in the future. We face risks with the expansion, development and re-development of properties that may impact our financial condition and results of operations.***

We seek to expand, develop and re-develop some of our existing properties and such activity is subject to various risks. We may not be successful in identifying and pursuing expansion, development and re-development opportunities. In addition, like newly-acquired properties, expanded, developed and re-developed properties may not perform as well as expected. Risks include the following:

- we may be unable to lease developments to full occupancy on a timely basis;
- the occupancy rates and rents of a completed project may not be sufficient to make the project profitable;
- actual costs of a project may exceed original estimates, possibly making the project unprofitable;
- delays in the development or construction process may increase our costs;
- we may not be able to obtain, or may experience delays in obtaining necessary zoning, land use, building, occupancy and other required governmental permits and authorizations;
- we may abandon a development project and lose our investment;
- the size of our development pipeline may strain our labor or capital capacity to complete developments within targeted timelines and may reduce our investment returns;
- a reduction in the demand for new retail space may reduce our future development activities, which in turn may reduce our net operating income;
- changes in the level of future development activity may adversely impact our results from operations by reducing the amount of certain internal overhead costs that may be capitalized; and
- a shift in our development and acquisition thesis, which may include mixed-use properties (with or without joint venture or development partners), with differing tenant profiles or mixes, and/or multi-story buildings, all in select cases.

***If we lose or are unable to retain and obtain key personnel, our ability to implement our business strategies could be delayed or hindered.***

We believe that our future success depends, in large part, on our ability to retain and hire highly-skilled managerial and operating personnel. Competition for persons with managerial and operational skills is intense, and we cannot assure our

stockholders that we will be successful in retaining or attracting skilled personnel. If we lose or are unable to obtain the services of our executive officers and other key personnel, or we are unable to establish or maintain the necessary strategic relationships, our ability to implement our business strategy could be delayed or hindered.

***We are increasingly dependent on information technology ("IT"), and potential cyber-attacks, security problems, or other disruptions present risks.***

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include an intruder gaining unauthorized access to systems to disrupt operations, corrupt data or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced.

Although we make efforts to maintain the security and integrity of our IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches would not be successful or damaging. While we maintain some of our own critical IT systems, we also depend on third parties to provide important IT services relating to several key business functions. Furthermore, the security measures employed by third-party service providers may prove to be ineffective at preventing breaches of their systems. Moreover, cyber incidents perpetrated against our tenants, including unauthorized access to customers' credit card data and other confidential information, could diminish consumer confidence and consumer spending and negatively impact our business and reputation.

Our primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our relationships with our tenants and private data exposure. Our financial results and reputation may be negatively impacted by such an incident.

***A failure of our IT infrastructure could adversely impact our business and operations.***

We rely upon the capacity, reliability and security of our IT infrastructure and our ability to expand and continually update this infrastructure in response to changing needs of our business. We continue to face the challenge of integrating new systems and hardware into our operations. If there are technological impediments, unforeseen complications, errors or breakdowns in the IT infrastructure, the disruptions could have an adverse effect on our business and financial condition.

***We disclose funds from operations ("FFO"), a non-GAAP (U.S. generally accepted accounting principles, or "GAAP") financial measure, in communications with investors, including documents filed with the SEC; however, FFO is not equivalent to our net income or loss as determined under GAAP, and GAAP measures should be considered to be more relevant to our operating performance.***

We use internally, and disclose to investors, FFO, a non-GAAP financial measure. FFO is not equivalent to our net income or loss as determined under GAAP, and investors should consider GAAP measures to be more relevant to our operating performance. Because of the manner in which FFO differs from GAAP net income or loss, it may not be an accurate indicator of our operating performance. Furthermore, FFO is not necessarily indicative of cash flow available to fund cash needs and should not be considered as an alternative to cash flows from operations as an indication of our liquidity, or indicative of funds available to fund our cash needs, including our ability to make distributions to our stockholders. Neither the SEC nor any other regulatory body has passed judgment on the acceptability of the adjustments that we use to calculate FFO. Also, because not all companies calculate FFO the same way, comparisons with other companies may not be meaningful.

***We are subject to litigation that could negatively impact our cash flow, financial condition and results of operations.***

We are a defendant from time to time in lawsuits and regulatory proceedings relating to our business. Due to the inherent uncertainties of litigation and regulatory proceedings, we may not be able to accurately predict the ultimate outcome of any such litigation or proceedings. A significant unfavorable outcome could negatively impact our cash flow, financial condition and results of operations.

***Corporate responsibility related to environmental, social and governance factors, may impose additional costs and expose us to new risks.***

We, as well as our investors, are focused on corporate responsibility, specifically related to environmental, social and governance factors. Third-party providers of corporate responsibility ratings and reports on companies have increased to meet growing investor demand for measurement of corporate responsibility and performance. There is no assurance as to how we will rate according to the metrics. Additionally, the measurement parameters may change over time. We may face reputational damage in the event our corporate responsibility procedures or standards do not meet the standards set by various

constituencies. In addition, our competitors may receive more favorable ratings. The occurrence of any of the foregoing could have an adverse impact on our business, financial condition and results of operations, including increased capital expenditures and operating expenses.

### **Risks Related to our Real Estate Assets**

#### ***There are inherent risks with investments in real estate, including the relative illiquidity of such investments.***

Investments in real estate are subject to varying degrees of risk. For example, an investment in real estate cannot generally be quickly sold, and we cannot predict whether we will be able to sell any asset we desire to on the terms set by us or acceptable to us, or the length of time needed to find a willing purchaser and to close the sale of such asset. Moreover, the Code imposes restrictions on a REIT's ability to dispose of assets that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs require that we hold our assets for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forgo or defer sales of assets that otherwise would be in our best interests. Therefore, we may not be able to vary our multi-tenant retail platform promptly in response to changing economic, financial and investment conditions and dispose of assets at opportune times or on favorable terms, which may adversely affect our cash flows and our ability to make distributions to stockholders.

Investments in real estate are also subject to adverse changes in general economic conditions. Among the factors that could impact our assets and the value of an investment in us are the following:

- risks associated with the possibility that cost increases will outpace revenue increases and that in the event of an economic slowdown, the high proportion of fixed costs will make it difficult to reduce costs to the extent required to offset declining revenues;
- changes in tax laws and property taxes, or an increase in the assessed valuation of an asset for real estate tax purposes;
- adverse changes in the federal, state or local laws and regulations applicable to us, including those affecting zoning, fuel and energy consumption, water and environmental restrictions, and the related costs of compliance;
- changing market demographics;
- an inability to finance real estate assets on favorable terms, if at all;
- the ongoing need for owner-funded capital improvements and expenditures to maintain or upgrade assets;
- fluctuations in real estate values or potential impairments in the value of our assets;
- natural disasters, such as earthquakes, floods or other insured or uninsured losses; and
- changes in interest rates and availability, cost and terms of financing.

#### ***Our assets may be subject to impairment charges that may materially and adversely affect our financial results.***

Economic and other conditions may adversely impact the valuation of our assets, resulting in impairment charges that could have a material adverse effect on our results of operations. On a regular basis, we evaluate our assets for impairments based on various factors, including changes in the holding periods, projected cash flows of such assets and market conditions as described in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates - Impairment of Long Lived Assets." If we determine that an impairment has occurred, we would be required to make an adjustment to the net carrying value of the asset, which could have a material adverse effect on our results of operations in the accounting period in which the adjustment is made. Furthermore, changes in estimated future cash flows due to a change in our plans, policies, or views of market and economic conditions could result in the recognition of additional impairment losses for already impaired assets, which, under the applicable accounting guidance, could be substantial and could materially adversely affect our results of operations. We have incurred and we may incur future impairment charges, which could be material.

#### ***We depend on tenants for our revenue, and accordingly, lease terminations, tenant defaults and bankruptcies could adversely affect the income produced by our assets.***

Our business and financial condition depend on the financial stability of our tenants. Certain economic conditions may adversely affect one or more of our tenants. For example, business failures, downsizings, changing consumer tastes and e-commerce can contribute to reduced consumer demand for retail products and services, which would impact tenants of our retail properties. In addition, our retail properties typically are anchored by large, nationally recognized tenants, any of which may experience a downturn in its business that may weaken significantly its financial condition and thus the performance of the

applicable shopping center. Further, mergers or consolidations among large retail establishments could result in the closure of existing stores or duplicate or geographically overlapping store locations, which could include tenants at our retail properties.

As a result of these factors, our tenants may delay lease commencements, decline to extend or renew their leases upon expiration, fail to make rental payments, or declare bankruptcy. Individual tenants may lease more than one asset or space at more than one asset. As a result, the financial failure of one tenant could increase vacancy at more than one asset or cause more than one lease to become non-performing. Any of these actions could result in the termination of the tenants' leases, the expiration of existing leases without renewal or the loss of rental income attributable to the terminated or expired leases, any of which could have a material adverse effect on our financial condition, cash flows, results of operations, and our ability to pay distributions.

In the event of a tenant default or bankruptcy, we may experience delays in enforcing our rights as a landlord and may incur substantial costs in protecting our investment and re-leasing our asset. Specifically, a bankruptcy filing by, or relating to, one of our tenants or a lease guarantor would bar efforts by us to collect pre-bankruptcy debts from that tenant or lease guarantor, or its asset, unless we receive an order permitting us to do so from the bankruptcy court. In addition, we cannot evict a tenant solely because of bankruptcy. The bankruptcy of a tenant or lease guarantor could delay our efforts to collect past-due balances under the relevant leases, and could ultimately preclude collection of these sums. If a lease is rejected by a tenant in bankruptcy, we would have only a general, unsecured claim for damages. An unsecured claim would only be paid to the extent that funds are available and only in the same percentage as is paid to all other holders of general, unsecured claims. Restrictions under the bankruptcy laws further limit the amount of any other claims that we can make if a lease is rejected. As a result, it is likely that we would recover substantially less than the full value of the remaining rent during the term.

***Our multi-tenant retail portfolio is subject to geographic concentration, which exposes us to risks of oversupply and competition in the relevant markets. Significant increases in the supply of certain property types without corresponding increases in demand in those markets could have a material adverse effect on our financial condition, our results of operations and our ability to pay distributions.***

As of December 31, 2019, approximately 42.0% of our total annualized base rental income was generated by properties located in Texas, with 13.3%, 12.4%, 10.4%, and 5.8% of our total annualized base rental income generated by properties located in the Houston, Austin, Dallas-Fort Worth-Arlington, and San Antonio metropolitan areas, respectively. An oversupply of retail properties in any of these markets could have a material adverse effect on our financial condition, our results of operations and our ability to pay distributions.

***Risk associated with expansion into new markets.***

If opportunities arise, we may acquire or develop properties in markets where we currently have no presence. Each of the risks applicable to acquiring or developing properties in our current markets are applicable to acquiring, developing and integrating properties in new markets. In addition, we may not possess the same level of familiarity with the dynamics and conditions of the new markets we may enter, which may adversely affect our operating results and investment returns in those markets.

***Real estate is a competitive business.***

We compete with numerous developers, owners and operators of commercial real estate assets in the leasing market, many of which own assets similar to, and in the same market areas as, our assets. In addition, some of these competitors may be willing to accept lower returns on their investments than we are, and many have greater resources than we have and may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. Principal factors of competition include rents charged, attractiveness of location, the quality of the asset and breadth and quality of services provided. Our success depends upon, among other factors, trends affecting national and local economies, the financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation, job creation and population trends.

We also face competition from other real estate investment programs for buyers. We perceive there to be a smaller population of potential buyers for certain types of assets that comprise our multi-tenant retail portfolio in comparison to assets in other real estate sectors, which may make it challenging for us to sell certain of our multi-tenant retail properties.

***We may be unable to renew leases, lease vacant space or re-let space as leases expire, thereby increasing or prolonging vacancies, which would adversely affect our financial condition, cash flows and results of operations.***

As of December 31, 2019, our retail properties are 95.2% occupied. As of December 31, 2019, leases representing approximately 5.3% and 10.7% of our total GLA are scheduled to expire in 2020 and 2021, respectively. We cannot assure our

stockholders that leases will be renewed or that our properties will be re-leased on terms equal to or better than the current terms, or at all. We also may not be able to lease space which is currently not occupied on acceptable terms and conditions, if at all. In addition, some of our tenants have leases that include early termination provisions that permit the lessee to terminate all or a portion of its lease with us after a specified date or upon the occurrence of certain events with little or no liability to us. We may be required to offer substantial rent abatements, tenant improvements, early termination rights or below-market renewal options to retain these tenants or attract new ones. It is possible that, in order to lease currently vacant space, or space that may become vacant, we will be required to make rent or other concessions to tenants, accommodate requests for renovations, make tenant improvements and other improvements or provide additional services to our tenants. As a result, we may have to make significant capital or other expenditures in order to retain tenants whose leases expire or to attract new tenants. Portions of our assets may remain vacant for extended periods of time. If the rental rates for our assets decrease, our existing tenants do not renew their leases or we do not re-lease a significant portion of our available space and space for which leases will expire, our financial condition, cash flows and results of operations could be adversely affected.

***We may be required to make significant expenditures to improve our properties in order to retain and attract tenants.***

In order to retain tenants whose leases are expiring or to attract replacement tenants, we may be required to provide rent or other concessions, accommodate requests for renovations, build-to-suit remodeling and other improvements or provide additional services. As a result, we may have to pay for significant leasing costs or tenant improvements. Additionally, if we have insufficient capital reserves, we may need to raise capital to fund these expenditures. If we are unable to do so, we may be unable to fund the necessary or desirable improvements to our properties. This could result in non-renewals by tenants upon the expiration of their leases or an inability to attract new tenants, which would result in declines in revenues from operations and adversely affect our cash flows and results of operations.

Furthermore, deferring necessary improvements to a property may cause the property to suffer from a greater risk of obsolescence or a decline in value, or a greater risk of decreased cash flow as a result of fewer potential tenants being attracted to the property. If this happens, we may not be able to maintain projected rental rates for affected properties, and our results of operations may be negatively impacted.

***Any difficulties in obtaining capital necessary to make tenant improvements, pay leasing commissions and make capital improvements at our assets could materially and adversely affect our financial condition and results of operations.***

Ownership of real estate is a capital intensive business that requires significant capital expenditures to operate, maintain and renovate assets. Access to the capital that we need to lease, maintain and renovate existing assets is critical to the success of our business. We may not be able to fund tenant improvements, pay leasing commissions or fund capital improvements at our existing assets solely from cash provided from our operating activities. Consequently, we may have to rely upon the availability of debt, net proceeds from the dispositions of our assets or equity capital to fund tenant improvements, pay leasing commissions or fund capital improvements. The inability to do so could impair our ability to compete effectively and harm our business.

***We are subject to risks from natural disasters and severe weather.***

Natural disasters and severe weather such as earthquakes, wildfires, mudslides, tornadoes, hurricanes, blizzards, hailstorms or floods may result in significant damage to our properties, disrupt operations at our properties and adversely affect both the value of our properties and the ability of our tenants and operators to make their scheduled rent payments to us. The extent of our casualty losses and loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. These losses may not be insured or insurable at commercially reasonable rates. When we have a geographic concentration, a single catastrophe or destructive weather event affecting a region may have a significant negative effect on our financial condition, results of operations, and cash flows. As a result, our operating and financial results may vary significantly from one period to the next. We also are exposed to the risk of an increased need for the maintenance and repair of our buildings due to inclement weather.

***We may obtain only limited warranties when we purchase a property and would have only limited recourse if our due diligence did not identify issues that could decrease the value of our property after the purchase.***

The seller of a property often sells the property to us in its "as is" condition on a "where is" basis and "with all faults," without any warranties of merchantability or fitness for a particular use or purpose. In addition, purchase agreements may contain only limited warranties, representations and indemnifications that will only survive for a limited period after the closing. The purchase of properties with limited warranties increases the risk that we may lose some or all of our invested capital in the property, as well as the loss of rental income from that property, and may also require additional investment to make the property suitable and competitive.

***Actions of our joint venture partner could negatively impact our performance.***

With respect to our joint venture, we are not in a position to exercise sole decision-making authority regarding the property or the joint venture. Consequently, our joint venture may involve risks not present with other methods of investing in real estate. For example, our joint venture partner may have economic or business interests or goals which are or which become inconsistent with our economic or business interests or goals or may take action contrary to our instructions or requests or contrary to our policies or objectives. We have experienced these events from time to time with our former joint venture partners, which in some cases have resulted in litigation. An adverse outcome in any lawsuit could have a material effect on our business, financial condition or results of operations. In addition, any litigation increases our expenses and prevents our officers and directors from focusing their time and effort on our multi-tenant retail portfolio and business plans. Our relationship with our joint venture partner is contractual in nature. These agreements may restrict our ability to sell our interest when we desire or on advantageous terms and may be terminated or dissolved and, in each event, we may not continue to own or operate the interests or assets underlying the relationship or may need to purchase the interests or assets at an above-market price to continue ownership. Such joint venture investments may involve other risks not otherwise present with a direct investment in real estate, including the following examples:

- the possibility that the investment may require additional capital that we or our joint venture partner does not have, which lack of capital could affect the performance of the investment or dilute our interest if our joint venture partner were to contribute our share of the capital;
- the possibility that our joint venture partner in an investment might breach a loan agreement or other agreement or otherwise, by action or inaction, act in a way detrimental to us or the investment;
- the possibility that we may incur liabilities as the result of the action taken by our joint venture partner; or
- that such joint venture partner may exercise buy/sell rights that force us to either acquire the entire investment, or dispose of our share, at a time, on terms and/or at a price that may not be consistent with our investment objectives.

***The termination of our joint venture may adversely affect our cash flow, operating results, and our ability to make distributions to stockholders.***

If our joint venture was terminated for any reason, we could lose the fee income, including but not limited to asset, property management and leasing fees from these partnerships, which would adversely affect our operating results and our cash available for distribution to stockholders.

***An increase in real estate taxes may decrease our income from properties.***

From time to time, the amount we pay for property taxes may increase as either property values increase or assessment rates are adjusted. Increases in a property's value or in the tax assessment rate could result in an increase in the real estate taxes due for that property. If we are unable to pass the increase in taxes through to our tenants, our net operating income for the property will decrease.

***Uninsured losses or premiums for insurance coverage may adversely affect a stockholder's returns.***

Various types of catastrophic losses, like windstorms, earthquakes and floods, and losses from foreign terrorist activities may not be insurable or may not be economically insurable. Even when insurable, these policies may have high deductibles and/or high premiums. Lenders may require such insurance. Our failure to obtain such insurance could constitute a default under loan agreements, and/or our lenders may force us to obtain such insurance at unfavorable rates, which could materially and adversely affect our profitability.

In the event of a substantial loss, our insurance coverage may not be sufficient to cover the full current market value or replacement cost of our lost investment. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in an asset, as well as the anticipated future revenue from the asset. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the asset. Inflation, changes in building codes and ordinances, environmental considerations and other factors might require us to come out of pocket to replace or renovate an asset after it has been damaged or destroyed. Under those circumstances, the insurance proceeds we receive might be inadequate to restore our economic position on the damaged or destroyed property, which could materially and adversely affect our profitability.

In addition, insurance risks associated with potential terrorist acts could sharply increase the premiums we pay for coverage against property and casualty claims. With the enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2007, United States insurers cannot exclude conventional, chemical, biological, nuclear and radiation terrorism losses. These

insurers must make terrorism insurance available under their property and casualty insurance policies; however, this legislation does not regulate the pricing of such insurance. In many cases, mortgage lenders have begun to insist that commercial property owners purchase coverage against terrorism as a condition of providing mortgage loans. Such insurance policies may not be available at a reasonable cost, which could inhibit our ability to finance or refinance our assets. In such instances, we may be required to provide other financial support to cover potential losses. We may not have adequate coverage for such losses, which could materially and adversely affect our profitability.

***We could incur material costs related to government regulation and litigation with respect to environmental matters, which could materially and adversely affect our revenues and profitability.***

Our assets are subject to various U.S. federal, state and local environmental laws that impose liability for contamination. Under these laws, governmental entities have the authority to require us, as the current or former owner of an asset, to perform or pay for the clean-up of contamination (including hazardous substances, asbestos and asbestos-containing materials, waste or petroleum products) at, on, under or emanating from the asset and to pay for natural resource damages arising from such contamination. Such laws often impose liability without regard to whether the owner or operator or other responsible party knew of, or caused such contamination, and the liability may be joint and several. Because these laws also impose liability on persons who owned an asset at the time it became contaminated, it is possible we could incur cleanup costs or other environmental liabilities even after we sell assets. Contamination at, on, under or emanating from our assets also may expose us to liability to private parties for costs of remediation and/or personal injury or property damage. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. If contamination is discovered on our assets, environmental laws also may impose restrictions on the manner in which the assets may be used or businesses may be operated, and these restrictions may require substantial expenditures. Moreover, environmental contamination can affect the value of an asset and, therefore, an owner's ability to borrow funds using the asset as collateral or to sell the asset on favorable terms or at all. Furthermore, persons who sent waste to a waste disposal facility, such as a landfill or an incinerator, may be liable for costs associated with cleanup of that facility.

In addition, our assets are subject to various federal, state, and local environmental, health and safety laws and regulations that address a wide variety of issues, including, but not limited to, storage tanks, air emissions from emergency generators, storm water and wastewater discharges, lead-based paint, mold and mildew, and waste management. We may handle and use hazardous or regulated substances and wastes as part of their operations, which substances and wastes are subject to regulation. We may incur costs to comply with these environmental, health and safety laws and regulations and could be subject to fines and penalties for non-compliance with applicable requirements.

Environmental laws in the U.S. also require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, adequately inform or train those who may come into contact with asbestos and undertake special precautions, including removal or other abatement, if that asbestos is disturbed during building renovation or demolition. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos. Some of our assets may contain asbestos-containing building materials.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our assets could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected asset or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability to third parties if property damage or personal injury occurs.

Liabilities and costs associated with environmental contamination at, on, under or emanating from our assets, defending against claims related to alleged or actual environmental issues, or complying with environmental, health and safety laws could be material and could materially and adversely affect us. We can make no assurances that changes in current laws or regulations or future laws or regulations will not impose additional or new material environmental liabilities or that the current environmental condition of our assets will not be affected by our operations, the condition of the assets in the vicinity of our assets, or by third parties unrelated to us. The discovery of material environmental liabilities at our assets could subject us to unanticipated significant costs, which could significantly reduce or eliminate our profitability and the cash available for distribution to our stockholders.

***Compliance or failure to comply with the Americans with Disabilities Act and other safety regulations and requirements***



*could result in substantial costs.*

Under the Americans with Disabilities Act of 1990 and the Accessibility Guidelines promulgated thereunder, which we refer to collectively as the ADA, all public accommodations must meet various federal requirements related to access and use by disabled persons. Compliance with the ADA's requirements could require removal of access barriers, and non-compliance could result in the U.S. government imposing fines or in private litigants winning damages.

Our assets are also subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements would require significant unanticipated expenditures that would affect our cash flow and results of operations. If we incur substantial costs to comply with the ADA or other safety regulations and requirements, it could materially and adversely affect our revenues and profitability.

### **Risks Related to our Retail Assets**

*Our retail properties face considerable competition for the tenancy of our lessees and the business of retail shoppers.*

There are numerous shopping venues that compete with our retail properties in attracting retailers to lease space and shoppers to patronize their properties. In addition, our retail tenants face changing consumer preferences and increasing competition from other forms of retailing, such as e-commerce websites and catalogs as well as other retail centers located within the geographic market areas of our retail properties that compete with our properties for customers. All these factors may adversely affect our tenants' cash flows and, therefore, their ability to pay rent. To the extent that our tenants do not pay their rent or do not pay on a timely basis, it could have a negative impact on our financial condition and result of operations.

*Retail conditions may adversely affect our income and our ability to make distributions to our stockholders.*

A retail property's revenues and value may be adversely affected by a number of factors, many of which apply to real estate investment generally, but which also include trends in the retail industry and perceptions by retailers or shoppers of the safety, convenience and attractiveness of the retail property. Our retail properties are public locations, and any incidents of crime or violence, including acts of terrorism, could result in a reduction of business traffic to tenant stores in our properties. Any such incidents may also expose us to civil liability or harm our reputation. In addition, to the extent that the investing public has a negative perception of the retail sector, the value of our retail properties may be negatively impacted.

*An economic downturn could have an adverse impact on the retail industry generally. Slow or negative growth in the retail industry could result in defaults by retail tenants, which could have an adverse impact on our business, financial condition or result of operations.*

An economic downturn could have an adverse impact on the retail industry generally. As a result, the retail industry could face reductions in sales revenues and increased bankruptcies. Adverse economic conditions may result in an increase in distressed or bankrupt retail companies, which in turn would result in an increase in defaults by tenants at our commercial properties. Such conditions may also affect shadow anchor retailers in some of our centers, which we cannot control. Although we do not generate revenue from shadow anchor retailers, their presence drives traffic to some of our centers. Additionally, slow economic growth could hinder new entrants into the retail market, which may make it difficult for us to fully lease our real properties. Tenant defaults and decreased demand for retail space would have an adverse impact on the value of our multi-tenant retail properties and our results of operations.

*Our success depends on the success and continued presence of our anchor tenants.*

Our properties are largely dependent on the operational success of their anchor tenants (those occupying 10,000 square feet or more). Anchor tenants occupy significant amounts of square footage, pay a significant portion of the total rents at a property and contribute to the success of other tenants by drawing consumers to a property. Our net income could be adversely affected by the loss of revenues in the event a significant tenant becomes bankrupt or insolvent, experiences a downturn in its business, materially defaults on its leases, does not renew its leases as they expire, or renews at a lower rental rate. In addition, if a significant tenant vacates a property, co-tenancy clauses may allow other tenants to modify or abate their minimum rent, reduce their share or the amount of payments for common area operating expenses and property taxes, or terminate their rent or lease obligations. Co-tenancy clauses have several variants and may allow a tenant to pay reduced levels of rent until a certain number of tenants open their stores within the same property.

*If our non-anchor tenants (tenants occupying less than 10,000 square feet) are not successful and, consequently, terminate their leases, our cash flow, financial condition and results of operations could be adversely affected.*

As of December 31, 2019, approximately 55% of our total annualized base rental income is generated by our non-anchor tenants. Our non-anchor tenants may be more vulnerable to negative economic conditions as they generally have more limited resources than our anchor tenants. If a significant number of our non-anchor tenants experience financial difficulties or are unable to remain open, our cash flow, financial condition and result of operations could be adversely affected.

***We may be restricted from re-leasing space at our multi-tenant retail properties.***

Leases with retail tenants may contain provisions giving the particular tenant the exclusive right to sell particular types of merchandise or provide specific types of services within the particular retail center. These provisions may limit the number and types of prospective tenants interested in leasing space in a particular retail property.

***Our revenue will be impacted by the success and economic viability of our anchor retail tenants. Our reliance on single or significant tenants in certain buildings may decrease our ability to lease vacated space and adversely affect the returns on our stockholder's investments.***

In the retail sector, a tenant occupying all or a large portion of the gross leasable area of a retail center, commonly referred to as an anchor tenant, may become insolvent, may suffer a downturn in business or may decide not to renew its lease. Any of these events could result in a reduction or cessation in rental payments to us, which would adversely affect our financial condition and results of operations. A lease termination by an anchor tenant also could result in lease terminations or reductions in rent by other tenants whose leases may permit cancellation or rent reduction if another tenant's lease is terminated. Similarly, the leases of some anchor tenants may permit the anchor tenant to transfer its lease to another retailer. The transfer to a new anchor tenant could reduce customer traffic in the retail center and thereby reduce the income generated by that retail center. A transfer of a lease to a new anchor tenant could also allow other tenants to make reduced rental payments or to terminate their leases in accordance with lease terms. If we are unable to re-lease the vacated space to a new anchor tenant, we may incur additional expenses in order to remodel the space to be able to re-lease the space to more than one tenant.

***Our retail leases may contain co-tenancy provisions, which would have an adverse effect on our operation of such retail properties if exercised.***

With respect to any multi-tenant retail properties we own or acquire, we may enter into leases containing co-tenancy provisions. Co-tenancy provisions may allow a tenant to exercise certain rights if, among other things, another tenant fails to open for business, delays its opening or ceases to operate, or if a percentage of the property's gross leasable space or a particular portion of the property is not leased or subsequently becomes vacant. A tenant exercising co-tenancy rights may be able to abate minimum rent, reduce its share or the amount of its payments for common area operating expenses and property taxes or cancel its lease.

### **Risks Associated with Debt Financing**

***Volatility in the financial markets and challenging economic conditions could adversely affect our ability to secure debt financing on attractive terms and our ability to service our indebtedness.***

The domestic and international commercial real estate debt markets could become very volatile as a result of, among other things, the tightening of underwriting standards by lenders and credit rating agencies, increased interest rates and changing regulations. This could result in less availability of credit and increasing costs for what is available. If the overall cost of borrowing increases, either by increases in the index rates or by increases in lender spreads, the increased costs may result in lower overall economic returns potentially reducing future cash flow available for distribution. If these disruptions in the debt markets were to persist, our ability to borrow funds to finance activities related to real estate assets could be negatively impacted. In addition, we may find it difficult, costly or impossible to refinance indebtedness that is maturing.

Further, economic conditions could negatively impact commercial real estate fundamentals and result in declining values in our multi-tenant retail portfolio and in the collateral securing any loan investments we may make, which could have various negative impacts. Specifically, the value of collateral securing any loan we hold could decrease below the outstanding principal amounts of such loans.

***Debt service may reduce the funds available for distribution and increase the risk of loss since defaults may cause us to lose the properties securing the loans.***

We have acquired, and will continue to acquire, real estate assets by assuming existing financing or borrowing new monies. We may borrow money for other purposes to, among other things, satisfy the requirement that we distribute at least 90% of our "REIT taxable income," subject to certain adjustments, annually or as is otherwise necessary or advisable to assure that we qualify as a REIT for federal income tax purposes. However, payments required on any amounts we borrow reduce the funds

otherwise available for, among other things, capital expenditures or distributions to our stockholders.

If there is a shortfall between the cash flow from our assets and the cash flow needed to service our debts, the amount of cash flow from operations available for distributions to stockholders may be reduced. In addition, incurring mortgage debt increases the risk of loss since defaults on indebtedness secured by an asset may result in lenders initiating foreclosure actions. In such a case, we could lose the asset securing the loan that is in default, thus reducing the value of our stockholders' investments. For tax purposes, a foreclosure is treated as a sale of the asset or assets for a purchase price equal to the outstanding balance of the debt secured by the asset or assets. If the outstanding balance of the debt exceeds our tax basis in the asset or assets, we would recognize taxable gain on the foreclosure action and we would not receive any cash proceeds. We also may fully or partially guarantee any funds that subsidiaries borrow to operate assets. In these cases, we will likely be responsible to the lender for repaying the loans if the subsidiary is unable to do so. If any mortgage contains cross-collateralization or cross-default provisions, more than one asset may be affected by a default.

***If we are unable to borrow at favorable rates, we may not be able to refinance existing loans at maturity.***

If we are unable to borrow money at favorable rates, or at all, we may be unable to refinance existing loans at maturity. Further, we may enter into loan agreements or other credit arrangements that require us to pay interest on amounts we borrow at variable or "adjustable" rates. Increases in interest rates will increase our interest costs. If interest rates are higher when we refinance our loans, our expenses will increase, thereby reducing our cash flow. Further, during periods of rising interest rates, we may be forced to sell one or more of our assets earlier than anticipated in order to repay existing loans, which may not permit us to maximize the return on the particular assets being sold.

***Our existing or future debt agreements will contain covenants that restrict certain aspects of our operations, and our failure to comply with those covenants could materially and adversely affect us.***

The mortgages on our existing assets, and any future mortgages, likely will contain customary covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable asset or to discontinue insurance coverage even if we believe that the insurance premiums are greater than the risk of loss being insured against. In addition, such loans contain negative covenants that, among other things, preclude certain changes of control, inhibit our ability to incur additional indebtedness or, under certain circumstances, restrict cash flow necessary to make distributions to our stockholders. Any credit facility or secured loans that we may enter into likely will contain customary financial covenants, restrictions, requirements and other limitations with which we must comply. While we may have plans to undertake certain alterations, developments, re-developments or leasing actions at a property, a lender may have approval rights that prevent us from moving forward. In addition, our continued ability to borrow under any credit facility that we may obtain will be subject to compliance with our financial and other covenants, including covenants relating to debt service coverage ratios, leverage ratios, and liquidity and net worth requirements, and our ability to meet these covenants will be adversely affected if our financial condition and cash flows are materially adversely affected or if general economic conditions deteriorate.

In addition, our failure to comply with these covenants, as well as our inability to make required payments, could cause a default under the applicable agreement, which could result in the acceleration of the debt and require us to repay such debt with capital obtained from other sources, which may not be available to us or may be available only on unattractive terms. Furthermore, if we default on secured debt, lenders can take possession of the asset or assets securing such debt. In addition, agreements may contain specific cross-default provisions with respect to specified other indebtedness, giving the lenders the right to declare a default on its debt and to enforce remedies, including acceleration of the maturity of such debt upon the occurrence of a default under such other indebtedness. If we default on any of our agreements, it could have a material adverse effect on our financial condition, cash flows or results of operations.

***Our mortgage agreements contain certain provisions that may limit our ability to sell our properties.***

In order to assign or transfer our rights and obligations under certain of our mortgage agreements, we generally must obtain the consent of the lender, pay a fee equal to a fixed percentage of the outstanding loan balance and pay any costs incurred by the lender in connection with any such assignment or transfer.

These provisions of our mortgage agreements may limit our ability to sell our properties which, in turn, could adversely impact the price realized from any such sale. To the extent we receive lower sale proceeds, we could experience a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to stockholders.

***Covenants applicable to current or future debt, such as those in our credit line and mortgages, could restrict our ability to make distributions to our stockholders and, as a result, we may be unable to make distributions necessary to qualify as a REIT, which could materially and adversely affect us and the value of our common stock.***

In order to continue to qualify as a REIT, we generally are required to distribute at least 90% of our REIT taxable income (subject to certain adjustments) to our stockholders each year. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to our stockholders in a calendar year is less than a minimum amount specified under the Code. If, as a result of covenants applicable to our current or future debt, we are restricted from making distributions to our stockholders, we may be unable to make distributions necessary for us to avoid U.S. federal corporate income and excise taxes and maintain our qualification as a REIT, which could materially and adversely affect us.

***Interest-only indebtedness may increase our risk of default and ultimately may reduce our funds available for distribution to our stockholders.***

We have obtained, and may continue to enter into, mortgage indebtedness that does not require us to pay principal for all or a portion of the life of the debt instrument. During the period when no principal payments are required, the amount of each scheduled payment is less than that of a traditional amortizing mortgage loan. The principal balance of the mortgage loan is not reduced (except in the case of prepayments) because there are no scheduled monthly payments of principal required during this period. After the interest-only period, we may be required either to make scheduled payments of principal and interest or to make a lump-sum or "balloon" payment at or prior to maturity. These required principal or balloon payments will increase the amount of our scheduled payments and may increase our risk of default under the related mortgage loan if we do not have funds available or are unable to refinance the obligation. In addition, we may be forced to sell one or more of our properties or investments in real estate at times that may not permit us to realize the return on the investments we would have otherwise realized.

***Increases in interest rates could increase the amount of our debt payments and adversely affect our ability to make distributions to our stockholders.***

As of December 31, 2019, approximately \$100.0 million of our debt bore interest at variable rates. Increases in interest rates on variable rate debt reduces the funds available for other needs, including distributions to our stockholders. As of December 31, 2019, approximately \$476.1 million of our total indebtedness bore interest at rates that are fixed. As fixed-rate debt matures, we may not be able to borrow at rates equal to or lower than the rates on the expiring debt. In addition, if rising interest rates cause us to need additional capital to repay indebtedness, we may be forced to sell one or more of our properties or investments in real estate at times that may not permit us to realize the return on the investments we would have otherwise realized.

Increases in interest rates would increase our interest expense on any variable rate debt, as well as any debt that must be refinanced at higher interest rates at the time of maturity. Our future earnings and cash flows could be adversely affected due to the increased requirement to service our debt and could reduce the amount we are able to distribute to our stockholders.

***The expected London Inter-bank Offered Rate ("LIBOR") phase-out may have unpredictable impacts on contractual mechanics in the credit markets or the broader financial markets, which could have an adverse effect on our results of operations.***

The United Kingdom Financial Conduct Authority, which regulates LIBOR, intends to cease encouraging or requiring banks to submit rates for the calculation of LIBOR after 2021. It is unclear whether LIBOR will cease to exist after that date, and there is currently no global consensus on what rate or rates will become acceptable alternatives. In the United States, the U.S. Federal Reserve Board-led industry group, the Alternative Reference Rates Committee, selected the Secured Overnight Financing Rate ("SOFR") as an alternative to LIBOR for U.S. dollar-denominated LIBOR-benchmarked obligations. SOFR is a broad measure of the cost of borrowing cash in the overnight United States treasury repo market, and the Federal Reserve Bank of New York has published the daily rate since 2018. Nevertheless, because SOFR is a fully secured overnight rate and LIBOR is a forward-looking unsecured rate, SOFR is likely to be lower than LIBOR on most dates, and any spread adjustment applied by market participants to alleviate any mismatch during a transition period will be subject to methodology that remains undefined. Additionally, master agreements or other contracts drafted before consensus is reached on a variety of details related to a transition may not reflect provisions necessary to address it once LIBOR is fully phased out. The discontinuation of LIBOR and the transition from LIBOR to SOFR or other benchmark rates could have an unpredictable impact on contractual mechanics in the credit markets or result in disruption to the broader financial markets, including causing interest rates under our current or future LIBOR-benchmarked agreements to perform differently than in the past, which could have an adverse effect on our results of operations.

***To hedge against interest rate fluctuations, we use derivative financial instruments, which may be costly and ineffective.***

From time to time, we use derivative financial instruments to hedge exposures to changes in interest rates on certain loans secured by our assets. Our derivative instruments currently consist of interest rate swap contracts but may, in the future, include, interest rate cap or floor contracts, futures or forward contracts, options or repurchase agreements. Our actual hedging decisions are determined in light of the facts and circumstances existing at the time of the hedge. There is no assurance that our hedging strategy will achieve our objectives. We may be subject to costs, such as transaction fees or breakage costs, if we terminate these arrangements.

To the extent that we use derivative financial instruments to hedge against interest rate fluctuations, we are exposed to credit risk, basis risk and legal enforceability risks. In this context, credit risk is the failure of the counterparty to perform under the terms of the derivative contract. Basis risk occurs when the index upon which the contract is based is more or less variable than the index upon which the hedged asset or liability is based, thereby making the hedge less effective. Finally, legal enforceability risks encompass general contractual risks including the risk that the counterparty will breach the terms of, or fail to perform its obligations under, the derivative contract. A counterparty could fail, shut down, file for bankruptcy or be unable to pay out contracts. The business failure of a hedging counterparty with whom we enter into a hedging transaction will most likely result in a default. Default by a party with whom we enter into a hedging transaction may result in the loss of unrealized profits and force us to cover our resale commitments, if any, at the then-current market price. Additionally, it may not always be possible to dispose of or close out a hedging position without the consent of the hedging counterparty, and we may not be able to enter into an offsetting contract to cover our risk. We cannot provide assurance that a liquid secondary market will exist for hedging instruments purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in losses.

Further, the REIT provisions of the Code may limit our ability to hedge the risks inherent to our operations. We may be unable to manage these risks effectively.

***We may be contractually obligated to purchase property even if we are unable to secure financing for the acquisition.***

In some cases, we finance a portion of the purchase price for properties that we acquire. However, to ensure that our offers are as competitive as possible, we generally do not enter into contracts to purchase property that include financing contingencies. Thus, we may be contractually obligated to purchase a property even if we are unable to secure financing for the acquisition. In this event, we may choose to close on the property by using cash on hand, which would result in less cash available for other purposes, including funding operating costs or paying distributions to our stockholders. Alternatively, we may choose not to close on the acquisition of the property and default on the purchase contract. If we default on any purchase contract, we could lose our earnest money, become subject to liquidated or other contractual damages and remedies and suffer reputational harm in the commercial real estate market, which could make future sellers less likely to accept our bids or cause them to require a higher purchase price or more onerous contractual terms.

***Our special purpose property-owning subsidiaries may default under non-recourse mortgage loans.***

Some of our assets are or will be held in special-purpose property-owning subsidiaries. In the future, such special purpose property-owning subsidiaries may default and/or send notices of imminent default on non-recourse mortgage loans where the relevant asset is or will be suffering from cash shortfalls on operating expenses, leasing costs and/or debt service obligations. Any default by our special purpose property-owning subsidiaries under non-recourse mortgage loans would give the lenders the right to accelerate the payment on the loans and the right to foreclose on the asset underlying such loans. There are several potential outcomes on the default of a non-recourse mortgage loan, including foreclosure, a deed-in-lieu of foreclosure, a cooperative short sale, or a negotiated modification to the terms of the loan. There is no assurance that we will be able to achieve a favorable outcome on a cooperative or timely basis on any defaulted mortgage loan.

**Risk Related to our Spin-off Transactions**

***We could incur significant indemnification liabilities in connection with the spin-off transactions of our former subsidiaries. It is also possible that our former subsidiaries will not satisfy their indemnification obligations to us, leaving us with significant liabilities for business and assets that we no longer own. Any of these outcomes could materially adversely affect our operations.***

In 2015 we spun off Xenia and in 2016 we spun off Highlands by distributing 95% and 100%, respectively, of the shares of the common stock of these former subsidiaries to our stockholders. In connection with each of these spin-off transactions, we entered into a Separation and Distribution Agreement with Xenia or Highlands, as applicable, which provides for, among other things, the allocation between us and Xenia or Highlands, as applicable, of our assets, liabilities and obligations attributable to

periods prior to, at and after the applicable share distribution. Among other things, each Separation and Distribution Agreement also provides that we will indemnify and be financially responsible for liabilities that may exist relating to the assets that were not included in the spun-off company or for certain liabilities relating to the spin-off transactions. Conversely, each of Xenia and Highlands agreed to indemnify us related to certain of their assets and businesses and for certain liabilities relating to the spin-off transactions. However, third parties could seek to hold us responsible for any of the liabilities that these former subsidiaries agreed to retain, and there can be no assurance that our former subsidiaries will be able to fully satisfy any indemnification obligations they owe to us in a timely manner or in full. As a result, we may be responsible for substantial liabilities under the Separation and Distribution Agreements or that relate to Xenia or Highlands.

### **Risks Related to Our Common Stock**

***Since InvenTrust shares are not currently traded on a national stock exchange, there is no established public market for our shares and our stockholders may not be able to sell their shares.***

Our shares of common stock are not listed on a national securities exchange. There is no established public trading market for our shares and no assurance that one may develop. Our charter prohibits any persons or groups from owning more than 9.8% (in value or number of shares, whichever is more restrictive) of the aggregate of the outstanding shares of our stock or more than 9.8% (in value or number of shares, whichever is more restrictive) of the aggregate of the outstanding shares of our common stock unless exempted prospectively or retroactively by our Board. This may inhibit investors from purchasing a large portion of our shares. Our charter also does not require our directors to seek stockholder approval to liquidate our assets by a specified date, nor does our charter require our directors to list our shares for trading on a national exchange by a specified date or provide any other type of liquidity to our stockholders. Although our management and Board are working on positioning the Company to explore various strategic alternatives, there is no assurance that we will be successful in identifying and executing on a strategic alternative. In addition, we do not know the timing or what form the alternative would take. Strategic transaction options are subject to factors that are outside of our control, such as economic, political and market conditions. Such factors may affect whether any strategic transaction is available to the Company and, if so, whether the transaction is available on terms satisfactory to the Company or at a time of the Company's choosing. If our Board were to pursue a strategic alternative in the form of a listing event of our common stock on a national securities exchange or otherwise, there is no assurance that we would satisfy the listing requirements or that our shares would be approved for listing. Additionally, if and/or when a liquidity event occurs, there is no guarantee our stockholders will be able to liquidate their common stock at a price equal to its initial investment value or the current estimated share value. Our estimated share value is generally determined only once a year and is based on a number of assumptions and estimates that may not be accurate or complete and is subject to a number of limitations as described below.

***The estimated value per share of our common stock is based on a number of assumptions and estimates that may not be accurate or complete and is also subject to a number of limitations.***

On May 9, 2019, we announced an estimated value of our common stock equal to \$3.14 per share. Our Board engaged Duff & Phelps, LLC ("Duff & Phelps"), an independent third-party valuation advisory firm that specializes in providing real estate valuation services, to advise the Audit Committee and the Board in their estimate of the per share value of our common stock outstanding as of May 1, 2019. As with any methodology used to estimate value, the methodology employed by Duff & Phelps and the recommendations made by us were based upon a number of estimates and assumptions that may not have been accurate or complete. Further, different parties using different assumptions and estimates could have derived a different estimated value per share, which could be significantly different from our estimated value per share. The estimated per share value does not represent: (i) the expected price at which our shares would trade on a national securities exchange, (ii) the amount per share a stockholder would obtain if he, she or it tried to sell his, her or its shares or (iii) the amount per share stockholders would receive if we liquidated our assets and distributed the proceeds after paying all our expenses and liabilities. Furthermore, the estimated share value is generally determined only as of a particular date once a year and could be subject to significant volatility due to a variety of economic, political, market, competitive and other factors, which could cause the estimated share value to go up or down over time. Accordingly, with respect to the estimated value per share, we can give no assurance that:

- a stockholder would be able to resell his, her or its shares at this estimated value;
- a stockholder would ultimately realize distributions per share equal to our estimated value per share upon liquidation of our assets and settlement of our liabilities or a sale of the Company;
- our shares would trade at a price equal to or greater than the estimated value per share if we listed them on a national securities exchange;
- the methodology used to estimate our value per share would be acceptable to the Financial Industry Regulatory Authority ("FINRA") or that the estimated value per share will satisfy the applicable annual valuation requirements under the

Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code with respect to employee benefit plans subject to ERISA and other retirement plans or accounts subject to Section 4975 of the Code; or

- this estimated value will increase, stay at the current level, or not continue to decrease, over time.

***There is no assurance that we will be able to continue paying cash distributions or that distributions will continue to increase over time.***

Historically we have paid, and we intend to continue to pay, regular cash distributions to our stockholders. On November 7, 2018, our Board approved an increase to our annual distribution rate effective for the quarterly distribution paid in April 2019 from \$0.0716 per share to \$0.0737 per share, on an annualized basis. The adjustment to the distribution rate equates to a 2019 calendar year total distribution of \$0.0732 per share (an annual rate of \$0.0716 per share paid in January 2019 and an annual rate of \$0.0737 per share paid in April, July and October 2019). On November 11, 2019, our Board approved an increase to our annual distribution rate effective for the quarterly distribution payable in April 2020 from \$0.0737 per share to \$0.0759, on an annualized basis.

Our ability to continue to pay dividends at current rates or to continue to increase our dividend rate will depend on a number of factors, including, among others, the following:

- our financial condition and results of future operations;
- the terms of our loan covenants; and
- our ability to acquire, finance, develop or redevelop and lease additional properties at attractive rates.

If we do not maintain or periodically increase the dividend on our common stock, it may have an adverse effect on the value of our common stock and other securities. As we execute on our retail strategy, our Board expects to evaluate our distribution rate on a periodic basis. See Part I. Item 1. "Business - Current Strategy and Outlook" for more information regarding our retail strategy.

Factors that can affect the availability and timing of cash distributions include our ability to earn positive yields on our real estate assets, the yields on securities in which we invest and our operating expense levels, and many others. Our multi-tenant retail platform strategy may also affect our ability to pay our cash distributions if we are not able to timely reinvest the capital we receive from our property dispositions. There is no assurance that we will be able to continue paying distributions at the current level or that the amount of distributions will increase, or not continue to decrease, over time. Even if we are able to continue paying distributions, the actual amount and timing of distributions is determined by our Board in its discretion and typically depends on the amount of funds available for distribution, which depends on items such as current and projected cash requirements and tax considerations. As a result, our distribution rate and payment frequency may vary from time to time.

***Funding distributions from sources other than cash flow from operating activities may negatively impact our ability to sustain or pay future distributions and result in us having less cash available for other uses, such as property purchases.***

If our cash flow from operating activities is not sufficient to fully fund the payment of distributions, the level of our distributions may not be sustainable. For the year ended December 31, 2019, distributions were paid from cash flow from operations, distributions from unconsolidated entities and proceeds from the sales of properties.

We may pay distributions from sources other than cash flow from operations or funds from operations, including funding such distributions from external financing sources, which may not be available at commercially attractive terms. Distributions out of our current or accumulated earnings and profits will be treated as dividends for federal income tax purposes. To the extent that the aggregate amount of cash distributed with respect to our stock in any given year exceeds the amount of our current and accumulated earnings and profits allocable to such stock for the same period, the excess amount will be deemed a return of capital, rather than a dividend, to the extent of the stockholder's tax basis in our stock, and any remaining excess amount will be treated as capital gain, for federal income tax purposes. Furthermore, in the event that we are unable to fund future distributions from our cash flows from operating activities, the value of our stockholders' shares may be materially adversely affected.

At any time that we are not generating cash flow from operations sufficient to cover the current distribution rate, we may determine to pay lower distributions, or to fund all or a portion of our future distributions from other sources. If we utilize borrowings for the purpose of funding all or a portion of our distributions, we will incur additional interest expense. We have not established any limit on the extent to which we may use alternate sources of cash for distributions, except that, in accordance with the law of the State of Maryland and our organizational documents, generally, we may not make distributions that would: (i) cause us to be unable to pay our debts as they become due in the usual course of business, (ii) cause our total

assets to be less than the sum of our total liabilities, or (iii) jeopardize our ability to maintain our qualification as a REIT for so long as the Board determines that it is in our best interests to continue to qualify as a REIT.

***We may issue additional equity or debt securities in the future in order to raise capital. Additional issuances of equity securities could dilute the investment of our current stockholders.***

Issuing additional equity securities to finance future developments and acquisitions instead of incurring additional debt could dilute the interests of our existing stockholders. Our ability to execute our business and growth plan depends on our access to an appropriate blend of capital, which could include a line of credit and other forms of secured and unsecured debt, equity financing, or joint ventures.

***Our Share Repurchase Program may be amended, suspended or terminated by our board of directors at any time without stockholder approval, reducing the potential liquidity of a stockholder's investment.***

Our Share Repurchase Program, as defined in "Part II, Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities", is designed to provide qualified stockholders with limited, interim liquidity by enabling them to sell their shares back to us. Our board of directors, however, may amend, suspend or terminate the Share Repurchase Program at any time in its sole discretion without stockholder approval. Any amendments to or suspension or termination of, the Share Repurchase Program may restrict or eliminate a stockholder's ability to resell shares to us.

### **Risks Related to Our Organization and Structure**

***Stockholders have limited control over changes in our policies and operations.***

Our Board determines our major policies, including our investment policies and strategies and policies regarding financing, debt and equity capitalization, REIT qualification and distributions. Our Board may amend or revise certain of these and other policies without a vote of the stockholders.

***Stockholders' interest in us may be diluted if we issue additional shares.***

Stockholders do not have preemptive rights with respect to any shares issued by us in the future. Our charter authorizes our Board, without stockholder approval, to amend the charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the Company has authority to issue. Future issuances of common stock reduce the percentage of our shares owned by our current stockholders who do not participate in future stock issuances. Stockholders are not entitled to vote on whether or not we issue additional shares. In addition, depending on the terms and pricing of an additional offering of our shares and the value of our properties, our stockholders may experience dilution in the value of their shares. Further, our Board could issue stock on terms and conditions that subordinate the rights of the holders of our current common stock or have the effect of delaying, deferring or preventing a change in control in us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all our assets) that might provide a premium price for our stockholders.

***Increases in market interest rates may reduce demand for our common stock and result in a decline in the value of our common stock.***

The value of our common stock may be influenced by the distribution yield on our common stock (i.e., the amount of our quarterly distributions as a percentage of the fair market value of our common stock) relative to market interest rates. An increase in market interest rates, which are currently low compared to historical levels, may lead prospective purchasers of our common stock to expect a higher distribution yield, which we may not be able, or may choose not, to provide. Higher interest rates would also likely increase our borrowing costs and decrease our operating results and cash available for distribution. Thus, higher market interest rates could cause the value of our common stock to decline.

***Stockholders' returns may be reduced if we are required to register as an investment company under the Investment Company Act.***

We are not registered, and do not intend to register our company or any of our subsidiaries, as an investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act"). If we or any of our subsidiaries become obligated to register as an investment company, the registered entity would have to comply with regulation under the Investment Company Act with respect to capital structure (including the registered entity's ability to use borrowings), management, operations, transactions with affiliated persons (as defined in the Investment Company Act) and portfolio composition, including disclosure requirements and restrictions with respect to diversification and industry concentration, and other matters. Compliance with the Investment Company Act may not be feasible as it would limit our ability to make certain



investments and require us to significantly restructure our operations and business plan. The costs we would incur and the limitations that would be imposed on us as a result of such compliance and restructuring would negatively affect the value of our common stock, our ability to make distributions and the sustainability of our business and investment strategies.

We believe that neither we nor any subsidiaries we own fall within the definition of an investment company under Section 3(a)(1) of the Investment Company Act because we primarily engage in the business of acquiring and owning real property, through our wholly or majority-owned subsidiaries, each of which has at least 60% of its assets in real property. The company intends to conduct its operations, directly and through wholly or majority-owned subsidiaries, so that neither the company nor any of its subsidiaries is registered or will be required to register as an investment company under the Investment Company Act. Section 3(a)(1) of the Investment Company Act, in relevant part, defines an investment company as (i) any issuer that is, or holds itself out as being, engaged primarily in the business of investing, reinvesting or trading in securities, or (ii) any issuer that is engaged, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and owns, or proposes to acquire, "investment securities" having a value exceeding 40% of the value of its total assets (exclusive of government securities and cash items) on an unconsolidated basis (the "40% Test"). The term "investment securities" generally includes all securities except government securities and securities of majority-owned subsidiaries that are not themselves investment companies and are not relying on the exclusion from the definition of investment company under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act. We and our subsidiaries are primarily engaged in the business of investing in real property and, as such, we believe we and our subsidiaries should fall outside of the definition of an investment company under Section 3(a)(1)(A) of the Investment Company Act.

Accordingly, we believe that neither we nor any of our wholly and majority-owned subsidiaries are considered investment companies under either Section 3(a)(1)(A) or Section 3(a)(1)(C) of the Investment Company Act. We believe we and our wholly-owned or majority-owned subsidiaries are also able to rely on the exclusion provided by Section 3(c)(5)(C) of the Investment Company Act. To rely upon Section 3(c)(5)(C) of the Investment Company Act as it has been interpreted by the SEC staff, an entity would have to invest at least 55% of its total assets in "mortgage and other liens on and interests in real estate," which we refer to as "qualifying real estate investments," and maintain an additional 25% of its total assets in qualifying real estate investments or other real estate-related assets. The remaining 20% of the entity's assets can consist of miscellaneous assets. These criteria may limit what we buy, sell and hold.

We classify our assets for purposes of Section 3(c)(5)(C) based in large measure upon no-action letters issued by the SEC staff and other interpretive guidance provided by the SEC and its staff. The no-action positions are based on factual situations that may be substantially different from the factual situations we may face, and a number of these no-action positions were issued more than 20 years ago. Pursuant to this guidance, and depending on the characteristics of the specific investments, certain mortgage-backed securities, other mortgage-related instruments, joint venture investments and the equity securities of other entities may not constitute qualifying real estate assets, and therefore, we may limit our investments in these types of assets. The SEC or its staff may not concur with the way we classify our assets. Future revisions to the Investment Company Act or further guidance from the SEC or its staff may cause us to no longer be in compliance with the exclusion from the definition of an "investment company" provided by Section 3(c)(5)(C) and may force us to re-evaluate our portfolio and our investment strategy (e.g., in 2011 the SEC staff published a Concept Release in which it reviewed and questioned certain interpretative positions taken under Section 3(c)(5)(C)). To the extent that the SEC or its staff provides more specific or different guidance, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC or its staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies we have chosen.

A change in the value of any of our assets could cause us to fall within the definition of "investment company" and negatively affect our ability to be free from registration and regulation under the Investment Company Act. To avoid being required to register the company or any of its subsidiaries as an investment company under the Investment Company Act, we may be unable to sell assets we would otherwise want to sell and may need to sell assets we would otherwise wish to retain. Sales may be required under adverse market conditions, and we could be forced to accept a price below that which we would otherwise consider acceptable. In addition, we may have to acquire additional income or loss generating assets that we might not otherwise have acquired or may have to forgo opportunities to acquire interests in companies that we would otherwise want to acquire and would be important to our investment strategy. Any such selling, acquiring or holding of assets driven by Investment Company Act considerations could negatively affect the value of our common stock, our ability to make distributions and the sustainability of our business and investment strategies.

If we or our subsidiaries were required to register as an investment company but failed to do so, we or the applicable subsidiary would be prohibited from engaging in our or its business, and criminal and civil actions could be brought against us or the applicable subsidiary. If we or any of our subsidiaries were deemed an unregistered investment company, we or the applicable subsidiary could be subject to monetary penalties and injunctive relief and we or the applicable subsidiary could be unable to enforce contracts with third parties and third parties could seek to obtain rescission of transactions undertaken during the period

we or the applicable subsidiary were deemed an unregistered investment company, unless the court found that under the circumstances, enforcement (or denial of rescission) would produce a more equitable result than no enforcement (or grant of rescission) and would not be inconsistent with the Investment Company Act.

***Our rights and the rights of our stockholders to take action against our directors and officers are limited.***

Under Maryland law generally, a director is required to perform his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Under Maryland law, directors are presumed to have acted in accordance with this standard of conduct. In addition, our charter eliminates the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from the following:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the director or officer that was established by a final judgment as being material to the cause of action adjudicated.

Our charter and bylaws obligate us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to any present or former director or officer who is made or threatened to be made a party to the proceeding by reason of his or her service to us in that capacity. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist absent the current provisions in our charter and bylaws.

***Our charter places limits on the amount of common stock that any person may own.***

In order for us to qualify as a REIT under the Code, no more than 50% of the outstanding shares of our common stock may be beneficially owned, directly or indirectly, by five or fewer individuals at any time during the last half of each taxable year. Unless exempted by our Board, prospectively or retroactively, our charter prohibits any persons or groups from beneficially or constructively owning more than 9.8% (in value or number of shares, whichever is more restrictive) of the aggregate of the outstanding shares of our stock or more than 9.8% (in value or number of shares, whichever is more restrictive) of the aggregate of the outstanding shares of our common stock. These provisions may have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction such as a merger, tender offer or sale of all or substantially all of our assets that might involve a premium price for holders of our common stock.

***Our charter permits our Board to issue preferred stock on terms that may subordinate the rights of the holders of our current common stock or discourage a third party from acquiring us.***

Our Board may classify or reclassify any unissued shares of common or preferred stock into other classes or series of stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, and terms or conditions of redemption of the stock and may amend our charter from time to time to increase or decrease the aggregate number of shares or the number of shares of any class or series that we have authority to issue without stockholder approval. Thus, our Board could authorize us to issue shares of preferred stock with terms and conditions that could subordinate the rights of the holders of our common stock or shares of preferred stock or common stock that could have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction such as a merger, tender offer or sale of all or substantially all of our assets, that might provide a premium price for holders of our common stock.

***Certain provisions of Maryland law could inhibit changes in control.***

Certain provisions of the Maryland General Corporation Law ("MGCL"), may have the effect of deterring a third party from making a proposal to acquire us or of impeding a change in our control under circumstances that otherwise could provide the holders of our common stock with the opportunity to benefit from a sale of our common stock, including the following:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns, directly or indirectly, 10% or more of the voting power of our outstanding voting stock or an affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10% or more of the voting power of our then outstanding stock at any time within the two-year period immediately prior to the date in question) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose fair price and/or supermajority stockholder voting requirements on these combinations; and

- "control share" provisions that provide that "control shares" of our company (defined as voting shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding control shares) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

As permitted by Maryland law, we have elected, by resolution of our Board, to opt out of the business combination provisions of the MGCL, provided that such business combination has been approved by our Board (including a majority of directors who are not affiliated with the interested stockholder), and, pursuant to a provision in our bylaws, to exempt any acquisition of our stock from the control share provisions of the MGCL. However, our Board may by resolution elect to repeal the exemption from the business combination provisions of the MGCL and may by amendment to our bylaws opt into the control share provisions of the MGCL at any time in the future.

Certain provisions of the MGCL permit our Board, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to adopt certain mechanisms, some of which (for example, a classified board) we do not have. These provisions may have the effect of limiting or precluding a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in our control under circumstances that otherwise could provide the holders of our common stock with the opportunity to benefit from a sale of our common stock.

If our Board were to elect to be subject to the provision of Subtitle 8 providing for a classified board or the business combination provisions of the MGCL or if the provisions of our bylaws opting out of the control share acquisition provisions of the MGCL were amended or rescinded, these provisions of the MGCL could have anti-takeover effects.

***Our Board or a committee of our Board may change our investment policies without stockholder approval, which could alter the nature of our stockholders' investment.***

Our investment policies may change over time. The methods of implementing our investment policies may also vary, as new investment techniques are developed. Our investment policies, the methods for implementing them, and our other objectives, policies and procedures may be altered by our Board or a committee of our Board without the approval of our stockholders. As a result, the nature of our stockholders' investment could change without their consent. A change in our investment strategy may, among other things, increase our exposure to interest rate risk, default risk and real property market fluctuations, all of which could materially and adversely affect our ability to achieve our investment objectives.

***The failure of any bank in which we deposit our funds could reduce the amount of cash we have available to pay distributions and make additional investments.***

We have deposited our cash and cash equivalents in several banking institutions in an attempt to minimize exposure to the failure of any one of these entities. However, the Federal Deposit Insurance Corporation ("FDIC") generally only insures limited amounts per depositor per insured bank. At December 31, 2019, we had cash and cash equivalents and restricted cash deposited in interest-bearing transaction accounts at certain financial institutions exceeding these federally insured levels. If any of the banking institutions in which we have deposited funds ultimately fails, we may lose our deposits in excess of the federally insured levels. The loss of our deposits would reduce the amount of cash we have available.

## **Federal Income Tax Risks**

***Failure to remain qualified as a REIT would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to our stockholders.***

Our qualification as a REIT depends on our ability to continue to meet requirements regarding our organization and ownership, distributions of our income, the nature and diversification of our income and assets, as well as other tests imposed by the Code. We cannot assure our stockholders that our actual operations for any one taxable year will satisfy these requirements. Further, new legislation, regulations, administrative interpretations or court decisions could significantly affect our ability to qualify as a REIT or the federal income tax consequences of our qualification as a REIT. If we fail to qualify as a REIT in any taxable year, we will face serious tax consequences that will substantially reduce the funds available for distributions to our stockholders because of the following:

- we would not be allowed a deduction for dividends paid to stockholders in computing our taxable income and would be subject to U.S. federal corporate income tax on our taxable income;
- we could be subject to the U.S. federal alternative minimum tax for the tax years prior to January 1, 2018, and possibly increased state and local taxes; and

- unless we are entitled to relief under certain U.S. federal income tax laws, we could not re-elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT.

In addition, if we fail to qualify as a REIT, we will no longer be required to make distributions. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and adversely affect the value of our common stock.

***REIT distribution requirements could adversely affect our liquidity and may force us to borrow funds or sell assets during unfavorable market conditions.***

To satisfy the REIT distribution requirements, we may need to borrow funds on a short-term basis or sell assets sooner than anticipated, even if the then-prevailing market conditions are not favorable for these borrowings or sales. Our cash flows from operations may be insufficient to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of income for U.S. federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt service or amortization payments. The insufficiency of our cash flows to cover our distribution requirements could have an adverse impact on our ability to raise short- and long-term debt or sell equity securities in order to fund distributions required to maintain our qualification as a REIT.

***Even if we continue to qualify as a REIT, we may face other tax liabilities that reduce our cash flows.***

Even if we continue to qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. In addition, our taxable REIT subsidiaries ("TRSs") are subject to regular corporate federal, state and local taxes. Any of these taxes would decrease cash available for distributions to stockholders.

***Failure to make required distributions would subject us to federal corporate income tax.***

In order to continue to qualify as a REIT, we generally are required to distribute at least 90% of our REIT taxable income (subject to certain adjustments) to our stockholders each year (the "90% Distribution Requirement"). To the extent that we satisfy the 90% Distribution Requirement, but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal, state and local corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under the Code.

***The prohibited transactions tax may limit our ability to dispose of our properties, and we could incur a material tax liability if the Internal Revenue Service (the "IRS") successfully asserts that the 100% prohibited transaction tax applies to some or all of our dispositions.***

A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of assets, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. We may be subject to the prohibited transactions tax equal to 100% of net gain upon a disposition of an asset. As part of our plan to refine our multi-tenant retail portfolio, we have selectively disposed of certain of our properties in the past and intend to make additional dispositions of our assets in the future. Although a safe harbor to the characterization of the sale of property by a REIT as a prohibited transaction is available, not all of our past dispositions have qualified for that safe harbor and some or all of our future dispositions may not qualify for that safe harbor. We believe that our past dispositions will not be treated as prohibited transactions, and we intend to avoid disposing of property that may be characterized as held primarily for sale to customers in the ordinary course of business. To avoid the prohibited transaction tax, we may choose not to engage in certain sales of our assets or may conduct such sales through a TRS, which would be subject to federal, state and local income taxation. Moreover, no assurance can be provided that the IRS will not assert that some or all of our future dispositions are subject to the 100% prohibited transactions tax. If the IRS successfully imposes the 100% prohibited transactions tax on some or all of our dispositions, the resulting tax liability could be material.

***We may fail to qualify as a REIT if the IRS successfully challenges the valuation of our common stock used for purposes of our dividend reinvestment program.***

In order to satisfy the 90% Distribution Requirement, the dividends we paid during our 2014 and prior taxable years must not have been "preferential." For our 2014 and prior taxable years and for any future taxable year in which we do not qualify as a "publicly offered REIT" (i.e., a REIT required to file annual and periodic reports with the SEC), a dividend determined to be preferential will not qualify for the dividends paid deduction. To have avoided paying preferential dividends, we must have treated every stockholder of a class of stock with respect to which we made a distribution the same as every other stockholder

of that class, and we must not have treated any class of stock other than according to its dividend rights as a class. For example, if a certain stockholder received a distribution that was more or less (on a per-share basis) than the distributions received by other stockholders of the same class, the distribution would be preferential. If any part of a distribution was preferential, none of that distribution would be applied towards satisfying the 90% Distribution Requirement.

We reactivated our Third Amended and Restated Distribution Reinvestment Program ("DRP"), as defined in "Part II, Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities", after suspending it in August 2014, at which time dividends would not qualify for the dividends paid deduction if determined to be preferential. Stockholders who participate in our DRP receive distributions in the form of shares of our common stock rather than in cash. At the time our DRP was suspended in 2014, the purchase price per share under our DRP was equal to 100% of the "market price" of a share of our common stock. Because our common stock was not, and is not yet, listed for trading, for these purposes, "market price" means the fair market value of a share of our common stock, as estimated by us. Prior to the suspension of our DRP, our DRP has offered participants the opportunity to acquire newly-issued shares of our common stock at a discount to the "market price." Pursuant to an IRS ruling, the prohibition on preferential dividends does not prohibit a REIT from offering shares under a distribution reinvestment plan at discounts of up to 5% of fair market value, but a discount in excess of 5% of the fair market value of the shares would be considered a preferential dividend. Any discount we have offered in the past, prior to the 2014 suspension of the DRP, was intended to fall within the safe harbor for such discounts set forth in the ruling published by the IRS. However, the fair market value of our common stock has not been susceptible to a definitive determination. If the purchase price under our DRP, prior to its suspension in 2014, is deemed to have been at more than a 5% discount at any time, we would be treated as having paid one or more preferential dividends at such time. Similarly, we would be treated as having paid one or more preferential dividends in or prior to 2014 if the IRS successfully asserted that the value of the common stock distributions paid to stockholders participating in our DRP, prior to its suspension in 2014, exceeded on a per-share basis the cash distribution paid to our other stockholders, which could occur if the IRS successfully asserted that the fair market value of our common stock exceeded the "market value" used for purposes of calculating the distributions under our DRP. If we are determined to have paid preferential dividends in or prior to 2014 as a result of our DRP prior to its suspension in 2014, we would likely fail to qualify as a REIT.

***Stockholders may have tax liability on distributions that they elect to reinvest in our common stock.***

Stockholders that participate in our DRP will be deemed to have received, and for income tax purposes, will be taxed on, the fair market value of the share of our common stock that they receive in lieu of cash distributions. As a result, unless the stockholder is a tax-exempt entity, he or she will have to use funds from other sources to pay his or her resulting tax liability.

***The stock ownership limit imposed by the Code for REITs and our charter may restrict our business combination opportunities and our stockholders may be restricted from acquiring or transferring certain amounts of our common stock.***

The stock ownership restrictions of the Code for REITs and the 9.8% stock ownership limit in our charter may restrict our business combination opportunities and restrict our stockholders' ability to acquire or transfer certain amounts of our common stock.

In order to continue to qualify as a REIT, five or fewer individuals, as defined in the Code, may not own, beneficially or constructively, more than 50% in value of our issued and outstanding stock at any time during the last half of a taxable year. Attribution rules in the Code determine if any individual or entity beneficially or constructively owns our capital stock under this requirement. Additionally, at least 100 persons must beneficially own our capital stock during at least 335 days of a taxable year. To help ensure that we satisfy these tests, our charter restricts the acquisition and ownership of shares of our capital stock. However, these ownership limits might delay or prevent a transaction or a change in our control or other business combination opportunities.

Our charter authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our Board (prospectively or retroactively), our charter prohibits any persons or groups from beneficially or constructively owning more than 9.8% (in value or number of shares, whichever is more restrictive) of the aggregate of the outstanding shares of our stock or more than 9.8% (in value or number of shares, whichever is more restrictive) of the aggregate of the outstanding shares of our common stock. Our Board may not grant an exemption from these restrictions to any proposed transferee whose ownership in excess of the 9.8% stock ownership limit would result in our failing to qualify as a REIT. These restrictions on transferability and ownership will not apply, however, if our Board determines that it is no longer in our best interest to attempt to, or continue to, qualify as a REIT or that compliance is no longer required in order for us to qualify as a REIT.

***If our leases are not respected as true leases for federal income tax purposes, we would fail to qualify as a REIT.***

To qualify as a REIT, we must satisfy two gross income tests, pursuant to which specified percentages of our gross income must be passive income such as rent. For the rent we receive under our leases to be treated as qualifying income for purposes of the gross income tests, the leases must be respected as true leases for federal income tax purposes and must not be treated as service contracts, joint ventures or some other type of arrangement. There are no controlling Treasury regulations, published rulings or judicial decisions involving leases with terms substantially the same as our former hotel leases that discuss whether such leases constitute true leases for federal income tax purposes. We believe that all our leases, including our former hotel leases, will be respected as true leases for federal income tax purposes. There can be no assurance, however, that the IRS will agree with this characterization. If a significant portion of our leases were not respected as true leases for federal income tax purposes, we would not be able to satisfy either of the two gross income tests and we would likely lose our REIT status.

***We may fail to qualify as a REIT as a result of our investments in joint ventures and other REITs.***

We have owned, and intend to continue to own, limited partner or non-managing member interests in partnerships and limited liability companies that are joint ventures. In addition, we have owned, and intend to continue to own, significant equity ownership interests in other REITs. If a partnership or limited liability company in which we own an interest takes or expects to take actions that could jeopardize our qualification as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action which could cause us to fail a REIT gross income or asset test, and that we would not become aware of such action in time to dispose of our interest in the partnership or limited liability company or take other corrective action on a timely basis. Similarly, if one of the REITs in which we own or have owned a significant equity interest were to fail to qualify as a REIT, we would likely fail to satisfy one or more of the REIT gross income and asset tests. If we failed to satisfy a REIT gross income or asset test as a result of an investment in a joint venture or another REIT, we would fail to continue to qualify as a REIT unless we are able to qualify for a statutory REIT "savings" provision, which may require us to pay a significant penalty tax to maintain our REIT qualification.

***Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.***

The maximum tax rate applicable to "qualified dividend income" payable to U.S. stockholders that are taxed at individual rates is 20%. Under the federal tax legislation enacted in December 2017, commonly known as the Tax Cuts and Jobs Act (the "2017 Tax Legislation"), U.S. stockholders that are individuals, trusts and estates generally may deduct up to 20% of the ordinary dividends (e.g., dividends not designated as capital gain dividends or qualified dividend income) received from a REIT for taxable years beginning after December 31, 2017, and before January 1, 2026. Although this deduction reduces the effective tax rate of U.S. federal income taxes applicable to certain dividends paid by REITs (generally to 29.6% assuming the stockholder is subject to the 37% maximum rate), such tax rate is still higher than the tax rate applicable to corporate dividends that constitute qualified dividend income. Accordingly, investors who are individuals, trusts or estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends treated as qualified dividend income, which could adversely affect the value of the shares of REITs, including our common stock.

***Complying with REIT requirements may limit our ability to hedge effectively.***

The REIT provisions of the Code may limit our ability to hedge the risks inherent to our operations. Under current law, any income that we generate from derivatives or other transactions intended to hedge our interest rate risk with respect to borrowings made, or to be made, to acquire or carry real estate assets generally will not constitute gross income for purposes of the 75% and 95% income requirements applicable to REITs, provided that we properly identify the hedging transaction pursuant to the applicable sections of the Code and Treasury Regulations. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both gross income tests. As a result of these rules, we may be required to limit the use of hedging techniques that might otherwise be advantageous, which could result in greater risks associated with interest rate or other changes than we would otherwise incur.

***The ability of our Board to revoke our REIT qualification without stockholder approval may cause adverse consequences to our stockholders.***

Our charter provides that our Board may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to attempt to, or continue to qualify as a REIT. If we cease to be a REIT, we would become subject to U.S. federal corporate income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders.

***If a transaction intended to qualify as a tax deferred like-kind exchange under Section 1031 of the Code ("1031 Exchange") is later determined to be taxable, we may face adverse consequences, and if the laws applicable to such transactions are amended or repealed, we may be unable to dispose of properties on a tax-deferred basis.***

From time to time, we may dispose of properties in transactions that are intended to qualify as 1031 Exchanges. It is possible that the qualification of a transaction as a 1031 Exchange could be successfully challenged and determined to be currently taxable. In such case, our taxable income and earnings and profits would increase, which could increase the ordinary dividend income to our stockholders. In some circumstances, we may be required to pay additional dividends or, in lieu of that, corporate income tax, possibly including interest and penalties. As a result, we may be required to borrow funds in order to pay additional dividends or taxes, and the payment of such taxes could cause us to have less cash available to distribute to our stockholders. In addition, if a 1031 Exchange was later determined to be taxable, we may be required to amend our tax returns for the applicable year in question, including any information reports we sent our stockholders. Moreover, it is possible that legislation could be enacted that could modify or repeal the laws with respect to 1031 Exchanges, which could make it more difficult or impossible for us to dispose of properties on a tax-deferred basis.

***We may be subject to adverse legislative or regulatory tax changes that could reduce the value of our common stock.***

At any time, the U.S. federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new U.S. federal income tax law, regulation, or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation. In addition, the law relating to the tax treatment of other entities, or an investment in other entities, could change, making an investment in such other entities more attractive relative to an investment in a REIT.

#### **Item 1B. Unresolved Staff Comments**

None.

## Item 2. Properties

The following table summarizes the properties included in our multi-tenant retail portfolio as of December 31, 2019.

	No. of Properties	GLA (square feet)	Economic Occupancy	ABR PSF
<b>Wholly-owned and consolidated</b>				
Community and neighborhood center	42	4,813,201	95.6%	\$20.18
Power center	12	3,498,320	95.1%	16.84
	54	8,311,521	95.4%	18.79
<b>Properties held by IAGM</b>				
Community and neighborhood center	6	1,496,786	94.8%	17.21
Power center	5	1,083,826	94.3%	17.77
	11	2,580,612	94.6%	17.42
<b>Multi-tenant retail portfolio, totals</b>	<b>65</b>	<b>10,892,133</b>	<b>95.2%</b>	<b>\$18.48</b>

The following table represents the geographical diversity of our multi-tenant retail portfolio as of December 31, 2019.

State	Region	No. of Properties	GLA (square feet)	% of Total GLA
Texas	Southwest	26	5,026,580	46.3%
Florida	South Atlantic	10	1,981,550	18.2%
California	West	7	1,050,559	9.6%
North Carolina	South Atlantic	7	1,015,870	9.3%
Georgia	South Atlantic	9	995,538	9.1%
Colorado	West	3	461,777	4.2%
Maryland	East	2	183,348	1.7%
Virginia	South Atlantic	1	176,911	1.6%
		65	10,892,133	100.0%

The following table represents information regarding the top 10 tenants by total ABR in our multi-tenant retail portfolio as of December 31, 2019.

Tenant Name	Total ABR	Percent of Total ABR	GLA (square feet)	Percentage of Total GLA
Kroger	\$ 9,615	5.2%	889,138	8.2%
Publix Super Markets, Inc.	6,290	3.4%	591,038	5.4%
Albertson's	4,977	2.7%	425,481	3.9%
TJX Companies	4,286	2.3%	372,534	3.4%
Bed Bath & Beyond Inc.	4,193	2.3%	366,325	3.4%
Best Buy	3,380	1.8%	243,806	2.2%
Petsmart, Inc.	3,040	1.6%	198,307	1.8%
H.E.B.	2,913	1.6%	348,445	3.2%
Ross Dress For Less	2,759	1.5%	240,657	2.2%
Whole Foods Market	2,156	1.2%	154,551	1.4%
<b>Totals</b>	<b>\$ 43,609</b>		<b>3,830,282</b>	



The following table represents the lease expirations of our economic occupied multi-tenant retail portfolio as of December 31, 2019.

Lease Expiration Year	No. of Expiring Leases	GLA of Expiring Leases (square feet)	Percent of Total GLA of Expiring Leases	ABR of Expiring Leases	Percent of Total ABR	Expiring ABR PSF
2020	158	546,485	5.3%	\$ 12,013	6.4%	\$21.98
2021	217	1,107,647	10.7%	21,026	11.1%	18.98
2022	232	1,457,192	14.0%	27,237	14.3%	18.69
2023	194	933,427	9.0%	18,463	9.7%	19.78
2024	188	1,293,064	12.5%	23,269	12.3%	18.00
2025	110	1,029,786	9.9%	16,001	8.4%	15.54
2026	80	409,495	4.0%	9,552	5.0%	23.33
2027	106	855,842	8.3%	17,896	9.4%	20.91
2028	81	498,110	4.8%	10,751	5.7%	21.58
2029	90	579,947	5.6%	11,522	6.1%	19.87
Thereafter	75	1,463,018	14.1%	21,338	11.2%	14.58
Other (a)	242	185,137	1.8%	854	0.4%	24.51
<b>Totals</b>	<b>1,773</b>	<b>10,359,150</b>	<b>100%</b>	<b>\$ 189,922</b>	<b>100%</b>	<b>\$18.33</b>

- (a) Other lease expirations include month-to-month and specialty leases. Specialty leasing represents leases of less than one year in duration for inline space and includes any term length for a common area space. Examples include retail holiday stores, storage, and short-term clothing and furniture consignment stores. Specialty leasing includes, but is not limited to, any term length for a common area space, including but not limited to: tent sales, automated teller machines, cell towers, billboards, and vending.

We believe the percentage of leases expiring annually over the next five years may allow us to capture an appropriate portion of potential market rent increases while allowing us to manage any potential re-leasing risk. For purposes of preparing the table, we have not assumed that unexercised contractual lease renewal or extension options contained in our leases will, in fact, be exercised.

Certain of our properties are encumbered by mortgages, totaling \$176.1 million as of December 31, 2019. Additional detail about our retail properties can be found on Schedule III – Real Estate and Accumulated Depreciation.

During the year ended December 31, 2019, we did not experience any tenant bankruptcies or receivable write-offs that materially impacted our results of operations. Our retail business is neither highly dependent on specific retailers nor subject to lease roll-over concentration. We believe this minimizes risk to our multi-tenant retail portfolio from significant revenue variances over time.

### Item 3. Legal Proceedings

We are subject, from time to time, to various legal proceedings and claims that arise in the ordinary course of business. While the resolution of these matters cannot be predicted with certainty, we believe, based on currently available information, that the final outcome of such matters will not have a material adverse effect on our financial condition, results of operations, or liquidity.

### Item 4. Mine Safety Disclosures

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

#### Market Information

Our shares of common stock are not listed on a national securities exchange and there is not otherwise an established public trading market for our shares. We publish an estimated per share value of our common stock to assist broker dealers that sold our common stock in our initial and follow-on "best efforts" offerings to comply with the rules published by FINRA. On May 9, 2019, we announced an estimated value of our common stock as of May 1, 2019, equal to \$3.14 per share.

The Audit Committee of our Board and our Board engaged Duff & Phelps LLC ("Duff & Phelps"), an independent third-party global valuation advisory and corporate finance consulting firm that specializes in providing real estate valuation services, to advise the Audit Committee and the Board in their estimate of the per share value of our common stock outstanding as of May 1, 2019. Duff & Phelps has extensive experience estimating the fair values of commercial real estate. The report furnished to the Audit Committee and the Board by Duff & Phelps complies with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice and is certified by a member of the Appraisal Institute with the MAI designation. The Duff & Phelps report, dated May 1, 2019, reflects values as of May 1, 2019.

Duff & Phelps does not have any direct or indirect interests in any transaction with us or in any currently proposed transaction to which we are a party, and there are no conflicts of interest between Duff & Phelps, on one hand, and the Company or any of our directors, on the other. Previously, Duff & Phelps provided services to us in connection with the allocation of the purchase price of acquired properties for accounting and financial reporting purposes, but those services are no longer provided.

The Board is ultimately and solely responsible for the determination of the estimated value per share of our common stock. The estimated value per share was determined and approved by the Board based on the recommendation of the Audit Committee.

Duff & Phelps provided a range of per share values for the Audit Committee and the Board to consider and utilized the "net asset value" or "NAV" method. This method is based on the fair value of real estate, real estate related investments and all other assets, less the fair value of total liabilities. The fair value estimate of the real estate assets is equal to the sum of its individual real estate values. Generally, Duff & Phelps estimated the value of our real estate and real estate-related assets at our ownership interest using the income capitalization approach, which included using a discounted cash flow calculation of projected net operating income, less capital expenditures, for each property for the ten-year hold period ending April 30, 2029 or the residual stabilized year, and applying a market supported discount rate and capitalization rate. For properties under contract for sale, Duff & Phelps valued the assets at the contractual purchase price. For all other assets, including cash, other current assets, non-retail joint ventures, land developments and marketable securities, fair value was determined separately. A fair value of our long-term debt obligations, including current liabilities, was also estimated by Duff & Phelps, by comparing market interest rates to the contract rates on our long-term debt and discounting to present value the difference in future payments.

Duff & Phelps completed its work in conformance with Investment Program Association Practice Guideline 2013-01, "Valuations of Publicly Registered Non-Listed REITs," dated April 29, 2013 and guidelines published by FINRA. In addition, Duff & Phelps determined NAV in a manner consistent with the definition of fair value under U.S. GAAP set forth in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820 *Fair Value Measurement and Disclosures*.

The NAV per share provided by Duff & Phelps was estimated by subtracting the fair value of the total liabilities from the fair value of the total assets and then dividing the result by the number of shares of common stock outstanding as of May 1, 2019. Duff & Phelps then applied a discount rate sensitivity analysis on the discount rates used to value the multi-tenant retail properties and single tenant properties resulting in a value range of \$3.00 to \$3.29 per share. The mid-point in that range is \$3.14.

On May 9, 2019, our Audit Committee and our Board met to review and discuss the Duff & Phelps report. Following this review, the Audit Committee recommended and the Board unanimously determined a new estimated per share value of our common stock of \$3.14 as of May 1, 2019.

#### *Limitations of the Estimated Value per Share*

As with any methodology used to estimate value, the methodology employed and the recommendations made by the Company were based upon a number of estimates and assumptions that may not be accurate or complete. Further, different parties using different assumptions and estimates could derive a different estimated value per share, which could be significantly different

from our estimated value per share. The estimated per share value does not represent (i) the amount at which our shares would trade at on a national securities exchange, (ii) the amount a stockholder would obtain if he or she tried to sell his or her shares, or (iii) the amount stockholders would receive if we liquidated our assets and distributed the proceeds after paying all of our expenses and liabilities. Accordingly, with respect to the estimated value per share, we can give no assurance that:

- a stockholder would be able to resell his or her shares at this estimated value;
- a stockholder would ultimately realize distributions per share equal to our estimated value per share upon liquidation of our assets and settlement of our liabilities or a sale of the Company;
- our shares would trade at a price equal to or greater than the estimated value per share if we listed them on a national securities exchange;
- the methodology used to estimate our value per share would be acceptable to FINRA or that the estimated value per share will satisfy the applicable annual valuation requirements under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Code, with respect to employee benefit plans subject to ERISA and other retirement plans or accounts subject to Section 4975 of the Code; or
- this estimated value will increase, stay at the current level, or not continue to decrease, over time.

The estimated value per share was determined by our Board on May 9, 2019, and reflects the fact that the estimate was calculated at a moment in time. The value of our shares will likely change over time and will be influenced by changes to the value of our individual assets as well as changes and developments in the real estate and capital markets and the economy as a whole. We currently anticipate publishing a new estimated share value within one year. Nevertheless, stockholders should not rely on the estimated value per share in making a decision to buy or sell shares of our common stock.

### **Second Amended and Restated Share Repurchase Program**

On November 1, 2019, we adopted a Second Amended and Restated Share Repurchase Program ("Share Repurchase Program"), authorizing redemption of the Company's shares of common stock, subject to certain conditions and limitations, to provide limited liquidity to qualifying stockholders. Our obligation to repurchase any shares under the Share Repurchase Program is conditioned upon our having sufficient funds available to complete the repurchase. The repurchase price per share for all stockholders is equal to a 25% discount to the most recent estimated NAV per share of our common stock established by our Board, which was \$3.14 per share as of May 1, 2019. During the year ended December 31, 2019, 8,517,605 shares were repurchased in connection with the Share Repurchase Program. The price per share for all shares repurchased was \$2.355 for an aggregate consideration of \$20.1 million.

### **Amended and Restated Distribution Reinvestment Plan**

On November 1, 2019, we began offering shares of our common stock to our existing stockholders pursuant to our Third Amended and Restated Distribution Reinvestment Plan. Under the DRP, stockholders may elect to reinvest an amount equal to the distributions declared on their shares of common stock into additional shares of our common stock in lieu of receiving cash distributions. In accordance with the DRP, participants may acquire shares of common stock at a 25% discount to the most recent estimated NAV per share of our common stock established by our Board, which was \$3.14 per share as of May 1, 2019. As of December 31, 2019, the DRP purchase price was \$2.355 per share. In connection with the DRP, in January 2020, we sold a total of 21,249 shares and generated \$0.05 million in gross offering proceeds under the DRP.

### **Stockholders**

As of January 3, 2020, we had 140,015 stockholders of record.

### **Distributions**

We have been paying cash distributions since October 2005. Our quarterly distributions are paid one quarter in arrears.

During the years ended December 31, 2019 and 2018, we paid cash distributions of \$53.3 million and \$54.2 million, respectively, or \$0.073 and \$0.071 per share of common stock, respectively.

For federal income tax purposes, for the year ended December 31, 2019, \$0.003 per share, or approximately 4% of the Company's total distributions would be treated as an ordinary dividend and \$0.070 per share, or approximately 96%, of the Company's total distributions would be treated as a non-taxable return of capital and will reduce the tax basis of each share of the Company's common stock held.

For federal income tax purposes, for the year ended December 31, 2018, \$0.028 per share, or approximately 39% of the Company's total distributions would be treated as an ordinary dividend and \$0.043 per share, or approximately 61%, of the Company's total distributions would be treated as a non-taxable return of capital and will reduce the tax basis of each share of the Company's common stock held.

### **Notification Regarding Payments of Distributions**

Stockholders should be aware that the method by which a stockholder has chosen to receive his or her distributions affects the timing of the stockholder's receipt of those distributions. Specifically, under our transfer agent's payment processing procedures, distributions are paid in the following manner:

- (1) those stockholders who have chosen to receive their distributions via wire transfer receive their distributions on the distribution payment date (as determined by our Board);
- (2) those stockholders who have chosen to receive their distributions by paper check are typically mailed those checks on the distribution payment date, but sometimes paper checks are mailed on the day following the distribution payment date; and
- (3) for those stockholders holding shares through a broker or other nominee, the distribution payments are wired, or paper checks are mailed, to the broker or other nominee on the day following the distribution payment date.

All stockholders who hold shares directly in record name may change at any time the method through which they receive their distributions from our transfer agent, and those stockholders will not have to pay any fees to us or our transfer agent to make such a change. Accordingly, each stockholder may select the timing of receipt of distributions from our transfer agent by selecting the method above that corresponds to the desired timing for receipt of the distributions. Because all stockholders may elect to have their distributions sent via wire transfer on the distribution payment date, we treat all of our stockholders, regardless of the method by which they have chosen to receive their distributions, as having constructively received their distributions from us on the distribution payment date for federal income tax purposes.

Stockholders who hold shares directly in record name and who would like to change their distribution payment method should complete a "Change of Distribution Election Form." The form is available on our website under "Investor Relations-Forms page."

We note that the payment method for stockholders who hold shares through a broker or nominee is determined by the broker or nominee. Similarly, the payment method for stockholders who hold shares in a tax-deferred account, such as an individual retirement account, is generally determined by the custodian for the account. Stockholders that currently hold shares through a broker or other nominee and would like to receive distributions via wire transfer or paper check should contact their broker or other nominee regarding their processes for transferring shares to record name ownership. Similarly, stockholders who hold shares in a tax-deferred account may need to hold shares outside of their tax-deferred accounts to change the method through which they receive their distributions. Stockholders who hold shares through a tax-deferred account and who would like to change the method through which they receive their distributions should contact their custodians regarding the transfer process and should consult their tax advisor regarding the consequences of transferring shares outside of a tax-deferred account.

### **Recent Sales of Unregistered Securities**

None.

## Item 6. Selected Financial Data

The following table shows selected financial data relating to our consolidated financial condition and results of operations required by Item 301 of Regulation S-K. Such selected data should be read in conjunction with "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes appearing elsewhere in this report (dollar amounts are stated in thousands, except share and per share amounts).

	As of and for the year ended December 31,				
	2019	2018	2017	2016	2015
<b>Balance Sheet Data:</b>					
Total assets	\$ 2,507,188	\$ 2,536,006	\$ 2,698,604	\$ 2,786,754	\$ 4,204,923
Debt, net	\$ 572,850	\$ 561,782	\$ 667,891	\$ 730,605	\$ 1,094,651
<b>Operating Data:</b>					
Total income	\$ 226,490	\$ 242,674	\$ 251,809	\$ 242,693	\$ 257,628
Total interest, dividend and other income	\$ 2,486	\$ 2,494	\$ 3,941	\$ 11,849	\$ 11,767
Net income	\$ 38,399	\$ 83,849	\$ 61,793	\$ 252,722	\$ 3,464
Net income per common share, basic and diluted	\$ 0.05	\$ 0.11	\$ 0.07	\$ 0.29	\$ 0.01
<b>Common Stock Distributions:</b>					
Distributions declared on common stock	\$ 53,473	\$ 53,782	\$ 53,758	\$ 83,633	\$ 138,614
Distributions paid to common stockholders	\$ 53,250	\$ 54,194	\$ 53,358	\$ 98,606	\$ 146,510
Distributions declared per weighted average common share	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.10	\$ 0.16
Distributions paid per weighted average common share	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.12	\$ 0.17
<b>Cash Flow Data:</b>					
Net cash provided by operating activities	\$ 106,008	\$ 124,657	\$ 118,152	\$ 133,164	\$ 195,615
Net cash (used in) provided by investing activities	\$ (41,797)	\$ 175,414	\$ (209,088)	\$ 1,078,749	\$ (164,274)
Net cash used in financing activities	\$ (68,316)	\$ (207,096)	\$ (159,411)	\$ (1,013,112)	\$ (561,206)
<b>Other Information:</b>					
Weighted average number of common shares outstanding, basic and diluted	728,620,309	761,139,011	773,445,341	854,638,497	861,830,627

Since 2015, we have continued to implement a strategy of focusing, tailoring, and refining our multi-tenant retail platform, including the following major dispositions classified as discontinued operations: the spin-off of Highlands REIT, Inc. in 2016, the sale of University House Communities Group, Inc. in 2016, the spin-off of Xenia Hotels & Resorts, Inc. in 2015, all as disclosed in our Annual Reports on Form 10-K for prior years. Information regarding our acquisitions and dispositions in 2018 and 2019 can be found in "Item 8. Note 4. Acquired Properties" and "Item 8. Note 5. Disposed Properties", respectively, in the notes to the consolidated financial statements included herein.

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Part II, Item 6. Selected Financial Data" and our consolidated financial statements included in this Annual Report. In addition to historical data, this discussion contains forward-looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those discussed in "Special Note Regarding Forward-Looking Statements" and "Part I, Item 1A. Risk Factors" included elsewhere in this Annual Report.*

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis relates to the operations of the Company for the years ended December 31, 2019 and 2018 and its financial position as of December 31, 2019 and 2018. Discussion of 2017 items and year-to-year comparisons between 2018 and 2017 that are not included in this Annual Report can be found in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2018. The following discussion and analysis should be read in conjunction with our consolidated financial statements and the related notes included in this Annual Report.

### **Executive Summary**

InvenTrust Properties Corp. is a premier multi-tenant retail REIT that owns, leases, redevelops, acquires and manages grocery-anchored neighborhood centers, and select power centers that often have a grocery component, in Sun Belt markets with favorable demographics. We seek to continue to execute our strategy to enhance our multi-tenant retail platform by further investing in grocery-anchored centers with essential retail in our current markets, while exhibiting focused and disciplined capital allocation.

During the year ended December 31, 2019, we continued to execute on our strategy by opportunistically disposing of properties not located in our identified markets or where we believe the properties' values have been maximized. Our strategy is to redeploy the proceeds from these sales with a disciplined approach into strategic retail properties in our target markets. However, we face significant competition for attractive investment opportunities. As a result of this competition, the purchase prices for attractive and suitable assets may be significantly elevated and may adversely impact our ability to redeploy the proceeds from property sales for reinvestment. In addition, our disposition activity could continue to cause us to experience dilution in financial operating performance during the period in which we dispose of properties.

In evaluating our financial condition and operating performance, management focuses on the following financial and non-financial indicators, discussed in further detail herein:

- Property net operating income ("NOI"), which excludes general and administrative expenses, depreciation and amortization, provision for asset impairment, interest, dividend and other income, gains (losses) from sales of properties, gains (losses) on extinguishment of debt, interest expense, net, equity in earnings (losses) and (impairment), net, from unconsolidated entities, and realized and unrealized gains on marketable securities, net;
- Modified NOI, a supplemental measure not determined in accordance with GAAP, which reflects property NOI exclusive of lease termination income and GAAP rent adjustments (such as straight-line rent, above/below market lease amortization and amortization of lease incentives);
- FFO Applicable to Common Shares, a supplemental non-GAAP measure;
- Modified FFO Applicable to Common Shares, a supplemental non-GAAP measure;
- Cash flow from operations as determined in accordance with GAAP;
- Economic and physical occupancy and rental rates;
- Leasing activity and lease rollover;
- Management of operating expenses;
- Management of general and administrative expenses;
- Debt maturities and leverage ratios; and
- Liquidity levels.

## Our Multi-Tenant Retail Portfolio

Our wholly-owned, consolidated and managed retail properties include grocery-anchored community and neighborhood centers and power centers, including those classified as necessity-based. As of December 31, 2019, we owned 65 retail properties with a GLA of approximately 10.9 million square feet, which includes 11 retail properties with a GLA of approximately 2.6 million square feet owned through the Company's ownership interest in an unconsolidated joint venture, IAGM. The following table summarizes our multi-tenant retail portfolio as of December 31, 2019, 2018 and 2017.

	Total Portfolio			Wholly-Owned and Consolidated Retail Properties			IAGM Retail Properties		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
No. of properties	65	71	86	54	58	71	11	13	15
GLA (square feet)	10,892,133	12,081,296	15,421,106	8,311,521	9,475,482	12,444,703	2,580,612	2,605,814	2,976,403
Economic occupancy	95.2%	94.0%	93.5%	95.4%	95.0%	94.2%	94.6%	92.0%	90.9%
ABR PSF	\$18.48	\$17.59	\$16.23	\$18.79	\$17.52	\$16.11	\$17.42	\$17.87	\$16.76

## Multi-Tenant Retail Portfolio Summary by Center Type

The following tables summarize our multi-tenant retail portfolio, by center type, as of December 31, 2019, 2018 and 2017.

### Community and neighborhood centers

	Total Portfolio			Wholly-Owned and Consolidated Retail Properties			IAGM Retail Properties		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
No. of properties	48	45	48	42	38	41	6	7	7
GLA (square feet)	6,309,987	5,514,782	5,433,355	4,813,201	4,248,008	4,166,659	1,496,786	1,266,774	1,266,696
Economic occupancy	95.4%	95.0%	93.4%	95.6%	95.0%	94.1%	94.8%	95.0%	91.1%
ABR PSF	\$19.48	\$19.03	\$17.61	\$20.18	\$19.12	\$17.32	\$17.21	\$18.72	\$18.60

### Power centers

	Total Portfolio			Wholly-Owned and Consolidated Retail Properties			IAGM Retail Properties		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
No. of properties	17	26	38	12	20	30	5	6	8
GLA (square feet)	4,582,146	6,566,514	9,987,751	3,498,320	5,227,474	8,278,044	1,083,826	1,339,040	1,709,707
Economic occupancy	94.9%	93.0%	93.6%	95.1%	94.0%	94.2%	94.3%	88.0%	90.7%
ABR PSF	\$17.04	\$16.33	\$15.46	\$16.84	\$16.20	\$15.50	\$17.77	\$16.92	\$15.29

## Same-Property Multi-Tenant Retail Portfolio Summary

The following table summarizes the GLA, economic occupancy and ABR per square foot of the properties included in our multi-tenant retail portfolio classified as same-property for the years ended December 31, 2019 and 2018. The properties classified as same-property were owned for the entirety of both periods presented.

### Same-property results for the years ended December 31, 2019 and 2018

	Total Portfolio		Wholly-Owned and Consolidated Retail Properties		IAGM Retail Properties	
	2019	2018	2019	2018	2019	2018
No. of properties	55	55	44	44	11	11
GLA (square feet)	9,608,218	9,373,781	7,027,606	7,023,181	2,580,612	2,350,600
Economic occupancy	95.3%	94.9%	95.5%	95.3%	94.6%	93.5%
ABR PSF	\$17.71	\$17.61	\$17.81	\$17.42	\$17.42	\$18.21

## Leasing Activity

The following table summarizes the leasing activity for leases that were executed during the year ended December 31, 2019, compared with expiring or expired leases for the same or previous tenant for renewals and the same unit for new leases at the 65 retail properties in our multi-tenant retail portfolio. We had GLA totaling 1,312,882 square feet expiring during the year ended December 31, 2019, of which 960,758 square feet was re-leased. This achieved a retention rate of approximately 73.2%.

	No. of Leases Executed for the year ended Dec. 31, 2019	GLA SF	New Contractual Rent (\$PSF)(b)	Prior Contractual Rent (\$PSF)(b)	% Change over Prior Contract Rent (b)	Weighted Average Lease Term (Years)	Tenant Improvement Allowance (\$PSF)	Lease Commissions (\$PSF)
<u>All tenants</u>								
Comparable Renewal Leases (a)	130	739,327	\$17.80	\$16.95	5.0%	5.7	\$1.33	\$0.03
Comparable New Leases (a)	35	69,237	\$33.17	\$30.23	9.7%	8.6	\$20.20	\$11.84
Non-Comparable Renewal and New Leases	67	236,369	\$23.89	N/A	N/A	8.3	\$22.43	\$7.51
<b>Total</b>	<b>232</b>	<b>1,044,933</b>	<b>\$19.12</b>	<b>\$18.09</b>	<b>5.7%</b>	<b>6.4</b>	<b>\$7.35</b>	<b>\$2.50</b>
<u>Anchor tenants (leases over 10,000 square feet)</u>								
Comparable Renewal Leases (a)	17	483,828	\$12.01	\$11.43	5.1%	5.9	\$1.08	\$—
Comparable New Leases (a)	—	—	\$—	\$—	—%	—	\$—	\$—
Non-Comparable Renewal and New Leases	2	56,240	\$9.95	N/A	N/A	7.9	\$11.00	\$2.20
<b>Total</b>	<b>19</b>	<b>540,068</b>	<b>\$12.01</b>	<b>\$11.43</b>	<b>5.1%</b>	<b>6.1</b>	<b>\$2.11</b>	<b>\$0.23</b>
<u>Non-anchor tenants (leases under 10,000 square feet)</u>								
Comparable Renewal Leases (a)	113	255,499	\$28.77	\$27.40	5.0%	5.2	\$1.80	\$0.09
Comparable New Leases (a)	35	69,237	\$33.17	\$30.23	9.7%	8.6	\$20.20	\$11.84
Non-Comparable Renewal and New Leases	65	180,129	\$27.09	n/a	N/A	8.4	\$26.00	\$9.16
<b>Total</b>	<b>213</b>	<b>504,865</b>	<b>\$29.71</b>	<b>\$28.00</b>	<b>6.1%</b>	<b>6.8</b>	<b>\$12.96</b>	<b>\$4.94</b>

(a) Comparable leases are leases that meet all of the following criteria: terms greater than one year, unit was vacant one year or less prior to occupancy, square footage of unit remains unchanged or within 10% of prior unit square footage, and has a rent structure consistent with the previous tenant.

(b) Non-comparable leases are not included in totals.



## *Highlights for the year ended December 31, 2019*

### Liquidation of Joint Venture Interest

On June 24, 2019, we liquidated all interests in Downtown Railyard Venture, LLC ("DRV"), a joint venture established for the purpose of developing and selling a land development in Sacramento, California, in exchange for \$30.0 million of cash consideration. During the year ended December 31, 2018, we recorded an other-than-temporary impairment of \$29.9 million on DRV due to a reduction in the expected hold period, thereby reducing the investment to an estimated fair value that we believed would be most probable of realization if the investment was liquidated. As a result of the other-than-temporary impairment, the liquidation of interests resulted in no gain or loss being recognized on the transaction during the year ended December 31, 2019.

### University House Communities Group, Inc., Indemnity Claims

During the year ended December 31, 2019, we recognized additional losses, within discontinued operations, of \$25.5 million as a result of the final settlement related to indemnity claims between UHC Acquisition Sub LLC ("UHC") and the Company.

### Share Repurchase Program

On November 1, 2019, we adopted the Share Repurchase Program, authorizing redemption of the Company's shares of common stock, subject to certain conditions and limitations, to provide limited liquidity to qualifying stockholders. Our obligation to repurchase any shares under the Share Repurchase Program was conditioned upon our having sufficient funds available to complete the repurchase. The repurchase price per share for all stockholders is equal to a 25% discount to the most recent estimated NAV per share of our common stock established by our Board, which was \$3.14 per share as of May 1, 2019. During the year ended December 31, 2019, 8,517,605 shares were repurchased in connection with the Program. The price per share for all shares repurchased was \$2.355 for aggregate consideration of \$20.1 million.

### Amended and Restated Distribution Reinvestment Plan

On November 1, 2019, we began offering shares of our common stock to our existing stockholders pursuant to the DRP. Under the DRP, stockholders may elect to reinvest an amount equal to the distributions declared on their shares of common stock into additional shares of our common stock in lieu of receiving cash distributions. In accordance with the DRP, participants may acquire shares of common stock at a 25% discount to the most recent estimated NAV per share of our common stock established by our Board, which was \$3.14 per share as of May 1, 2019. As of December 31, 2019, the DRP purchase price was \$2.355 per share. In connection with the DRP, in January 2020, we sold a total of 21,249 shares and generated \$0.05 million in gross offering proceeds under the DRP.

### Distribution rate

On November 11, 2019, our Board approved an increase to our annual distribution rate effective for the quarterly distribution payable in April 2020, from \$0.0737 to \$0.0759 per share annualized.

### Recent Activities

In preparing our consolidated financial statements, we have evaluated events and transactions occurring after December 31, 2019, through the date the financial statements were issued for recognition and disclosure purposes.

### **Current Strategy and Outlook**

InvenTrust focuses on grocery-anchored neighborhood centers, and select power centers that often have a grocery component, in markets with favorable demographics, including above average growth in population, employment and income. We believe these conditions create favorable demand characteristics for grocery-anchored and necessity-based retail centers which will enable us to capitalize on potential future rent increases while enjoying sustained occupancy at our centers. Using these criteria, we have identified 15 to 20 markets within the metropolitan areas of Atlanta, Austin, Charlotte, Dallas-Fort Worth-Arlington, Houston, the greater Los Angeles and San Diego areas, Miami, Orlando, Raleigh-Durham, San Antonio and Tampa.

We have a coordinated program to increase rental income by maximizing existing re-development opportunities and identifying locations in our current multi-tenant retail platform where we can increase the overall square footage of the property. In addition, we work with our tenants to expand rentable square footage at select retail properties where demand warrants additional supply. In addition, due to our properties as both retail centers and community focal points, we are able to identify short-term and specialty leasing opportunities that generate revenue from areas of the properties which are typically vacant.

Our grocery-anchored neighborhood centers bring consumers to our well-located properties, while our larger-format necessity-based power center retailers continue to adapt their business models to embrace omni-channel retail and appeal to consumers' continuing focus on value. Our property management team is focused on enhancing the consumer shopping experience at our centers by maintaining strong tenant relationships, controlling expenses, and investing in sustainability programs at a number of our retail properties with initiatives such as LED lighting, trash recycling, water conservation and other programs to reduce energy consumption and expenses.

In addition, our leasing staff continues to focus on leasing space at our retail properties at favorable rental rates while establishing a more favorable tenant mix and identifying complementary uses to maximize tenant performance. We believe our strong locations have allowed and will continue to allow us to backfill the vacancies created by such tenants.

We believe the refinement of our multi-tenant retail platform has positioned us for future success and will allow us to evaluate and ultimately execute on a potential strategic transaction, achieve liquidity for and provide a return of capital to our stockholders in the long term. While we believe in our ability to execute on our plan, the timing is uncertain and may be shortened or extended by external and macroeconomic factors including, among others, interest rate movements, local, regional, national and global economic performance, competitive factors, the impact of e-commerce on the retail industry, future retailer store closings, retailer consolidation, retailers reducing store size, retailer bankruptcies, and government policy changes.

## Results of Operations

### *Comparison of Results for the years ended December 31, 2019 and 2018*

The following section describes and compares our consolidated results of operations for the years ended December 31, 2019 and 2018. We generate substantially all of our net income from property operations. Since January 1, 2018, we have acquired 11 retail properties and disposed of 24 retail properties and transferred two retail properties to their lenders in satisfaction of non-recourse debt. All dollar amounts shown in the following tables are stated in thousands unless otherwise noted.

The following table presents the changes in our income.

	Year ended December 31,		Increase	Variance
	2019	2018	(Decrease)	
Income				
Lease income, net	\$ 220,653	\$ 236,560	\$ (15,907)	(6.7)%
Other property income	1,981	1,724	257	14.9%
Other fee income	3,856	4,390	(534)	(12.2)%
Total income	\$ 226,490	\$ 242,674	\$ (16,184)	(6.7)%

Lease income, net, consists of basic monthly rent, amortization of acquired above and below market leases, amortization of lease inducements, straight-line rent adjustments, percentage of sales rental income recorded pursuant to tenant leases, contractual reimbursements for real estate taxes, common area maintenance costs, tax and insurance costs, late charges, termination fee income, and estimated credit losses resulting from changes in the collectability of operating lease receivables.

The change in lease income, net, was a result of the following:

- \$40.4 million decrease from our dispositions,
- \$21.2 million increase from our acquisitions, and,
- \$3.3 million increase from our properties classified as same-property.

The following table presents the changes in our operating expenses.

	Year ended December 31,		Decrease	Variance
	2019	2018		
Operating expenses				
Depreciation and amortization	\$ 97,429	\$ 100,593	\$ (3,164)	(3.1)%
Property operating expenses	31,944	34,822	(2,878)	(8.3)%
Real estate taxes	34,232	35,205	(973)	(2.8)%
General and administrative expenses	35,361	35,267	94	0.3%
Total operating expenses	<u>\$ 198,966</u>	<u>\$ 205,887</u>	<u>\$ (6,921)</u>	<u>(3.4)%</u>

The changes in our operating expenses were a result of the following:

- \$3.2 million decrease in depreciation and amortization, which was primarily a result of \$5.8 million of accelerated depreciation at one property under re-development in 2018,
- \$7.1 million decrease in property operating expenses from our dispositions,
- \$3.4 million increase in property operating expenses from our acquisitions and \$0.8 million increase in property operating expenses from our properties classified as same-property,
- \$4.9 million decrease in real estate taxes from our dispositions since January 1, 2018, and,
- \$2.9 million increase in real estate taxes from our acquisitions and \$1.0 million increase in real estate taxes from our properties classified as same-property.

The following table presents the components of other income (expense).

	Year ended December 31,		Increase (Decrease)	Variance
	2019	2018		
<b>Other income (expense)</b>				
Interest, dividend and other income	\$ 2,486	\$ 2,494	\$ (8)	(0.3)%
Interest expense, net	(22,717)	(24,943)	(2,226)	(8.9)%
(Loss) gain on extinguishment of debt, net	(2,901)	9,103	(12,004)	131.9%
Provision for asset impairment	(2,359)	(3,510)	1,151	(32.8)%
Gain on sale and transfer of investment properties, net	62,011	95,097	33,086	(34.8)%
Equity in earnings (losses) and (impairment), net, of unconsolidated entities	957	(31,393)	32,350	(103.0)%
Realized and unrealized gains on marketable securities, net	—	244	(244)	(100.0)%
Total other income	<u>\$ 37,477</u>	<u>\$ 47,092</u>	<u>\$ (9,615)</u>	<u>(20.4)%</u>

#### *Interest expense, net*

Interest expense, net, consists of interest incurred on mortgages payable and our corporate credit facilities, interest incurred on other financing instruments, and amortization of loan fees.

Changes in interest expense, net, were a result of the following:

- \$3.5 million decrease from our dispositions,
- \$0.7 million decrease from the surrender of two retail properties to the lenders in satisfaction of non-recourse debt in 2018,
- \$0.3 million decrease related to properties classified as same-property, and,
- \$2.3 million increase from a higher outstanding balance on our corporate term loan subsequent to December 31, 2018.

#### *(Loss) gain on extinguishment of debt, net*

During the year ended December 31, 2019, we recognized a loss on extinguishment of debt of \$2.9 million related to the loan pay-offs on two retail properties disposed of, comprising a \$2.7 million prepayment penalty and \$0.2 million of loan fee write-offs.

During the year ended December 31, 2018, we recognized a gain on extinguishment of debt, net, of \$9.1 million as a result of the following:

- \$10.8 million gain related to the surrender of Stonecrest Marketplace and a \$1.7 million gain related to the surrender of Bellerive Plaza (both to their lenders in satisfaction of non-recourse debt), and,
- \$3.3 million loss related to the loan pay-offs on four retail properties at disposition as a result of \$3.1 million in prepayment penalties.

#### *Provision for asset impairment*

During the year ended December 31, 2019, we identified one retail property that had a reduction in its expected hold period. As a result, we recorded a provision for asset impairment of \$2.4 million as the fair value (based on the agreed upon price) in the purchase contract being lower than the property's carrying value. This property was sold in 2019.

During the year ended December 31, 2018, we identified three retail properties that had reductions in their expected holding periods. As a result, we recorded an additional provision for asset impairment of:

- \$0.8 million on the disposal of one retail property in 2018, and
- \$2.7 million on two retail properties as a result of the fair value (the agreed upon price with the buyers) in the sales contracts being lower than the properties' carrying values during the year ended December 31, 2018. These properties were sold in 2018.

#### *Gain on sale and transfer of investment properties, net*

During the year ended December 31, 2019, we recognized a gain of \$62.0 million on the sale of ten retail properties.

During the year ended December 31, 2018, we recognized a gain on sale and transfer of investment properties, net, of \$95.1 million as a result of the following:

- \$93.1 million net gain on the sale of 14 retail properties,
- \$1.8 million gain on transfer of assets, net, related to the surrender of Stonecrest Marketplace and Bellerive Plaza to the lender, and,
- \$0.2 million gain related to the completion of a partial condemnation at one retail property.

#### *Equity in earnings (losses) and (impairment), net, of unconsolidated entities*

During the year ended December 31, 2019, we recognized equity in earnings, net, of unconsolidated entities of \$1.0 million as a result of net income from property operations within the IAGM joint venture.

During the year ended December 31, 2018, we recognized equity in earnings (losses) and (impairment), net, of unconsolidated entities of \$31.4 million as a result of the following:

- \$29.9 million other-than-temporary impairment on DRV due to a reduction in the expected hold period of the joint venture, and,
- \$2.0 million equity in losses as a result of a net loss in property operations within the IAGM joint venture, including our \$0.8 million share of a provision for asset impairment on three retail properties and our \$0.3 million share of losses on the sale of two retail properties.

#### *Net loss from discontinued operations*

During the year ended December 31, 2019, we recognized \$25.5 million relating to indemnity claims from the sale of our student housing business, which was sold in June 2016.

#### ***Net Operating Income***

We evaluate the performance of our wholly-owned and consolidated retail properties based on modified NOI. Modified NOI reflects income from operations excluding lease termination income and GAAP rent adjustments (such as straight-line rent, above/below market lease amortization and amortization of lease incentives). We believe modified NOI, same-property modified NOI, and modified NOI from other investment properties, each of which are supplemental non-GAAP financial measures, provide added comparability across periods when evaluating the financial condition and operating performance that is not readily apparent from "Operating income" or "Net income" in accordance with GAAP.

#### *Comparison of same-property results for the years ended December 31, 2019 and 2018*

A total of 44 wholly-owned retail properties met our same-property criteria for the years ended December 31, 2019 and 2018. Modified NOI from other investment properties in the table below for the years ended December 31, 2019 and 2018 includes retail properties that did not meet our same-property criteria. The following table represents the reconciliation of net income,

the most directly comparable GAAP measure, to Modified NOI and same-property modified NOI for the years ended December 31, 2019 and 2018.

	Year ended December 31,		Increase (Decrease)	Variance
	2019	2018		
Net income	\$ 38,399	\$ 83,849	\$ (45,450)	(54.2)%
Adjustments to reconcile to non-GAAP metrics:				
Net loss from discontinued operations	25,500	—	25,500	—%
Income tax expense	1,102	30	1,072	3,573.3%
Realized and unrealized gains on marketable securities, net	—	(244)	244	(100.0)%
Equity in (earnings) losses and impairment, net, of unconsolidated entities	(957)	31,393	(32,350)	(103.0)%
Interest expense, net	22,717	24,943	(2,226)	(8.9)%
Loss (gain) on extinguishment of debt, net	2,901	(9,103)	12,004	(131.9)%
Gain on sale and transfer of investment properties, net	(62,011)	(95,097)	33,086	(34.8)%
Interest, dividend and other income	(2,486)	(2,494)	8	(0.3)%
Provision for asset impairment	2,359	3,510	(1,151)	(32.8)%
Depreciation and amortization	97,429	100,593	(3,164)	(3.1)%
General and administrative expenses	35,361	35,267	94	0.3%
Other fee income	(3,856)	(4,390)	534	(12.2)%
Adjustments to modified NOI (a)	(10,830)	(10,655)	(175)	1.6%
Modified NOI	145,628	157,602	(11,974)	(7.6)%
Modified NOI from other investment properties (b)	(37,294)	(53,352)	16,058	(30.1)%
Same-property modified NOI	\$ 108,334	\$ 104,250	\$ 4,084	3.9%

(a) Adjustments to modified NOI include termination fee income and GAAP rent adjustments (such as straight-line rent, above/below market lease amortization and amortization of lease incentives).

(b) Modified NOI from other investment properties for the years ended December 31, 2019 and 2018 includes retail properties that did not meet our same-property criteria.

*Comparison of the components of same-property modified NOI for the years ended December 31, 2019 and 2018*

	Year ended December 31,		Increase	Variance
	2019	2018		
Lease income, net	\$ 156,983	\$ 152,384	\$ 4,599	3.0%
Other property income	1,255	567	688	121.3%
	158,238	152,951	5,287	3.5%
Property operating expenses	23,720	23,565	155	0.7%
Real estate taxes	26,184	25,136	1,048	4.2%
	49,904	48,701	1,203	2.5%
Same-property modified NOI	\$ 108,334	\$ 104,250	\$ 4,084	3.9%

Same-property modified NOI increased by \$4.1 million, or 3.9%, when comparing the year ended December 31, 2019, to the same period in 2018. Approximately \$3.0 million of this increase in modified NOI is attributed to base rent increases resulting from leasing previously unoccupied space and achieving more favorable rent terms with tenants. The remaining increase is the result of an increase in other property income of \$0.7 million which was offset by an increase of \$1.7 million in non-recoverable operating expenses. Included in the \$4.1 million increase is \$1.1 million related to the strategic acquisition of an adjacent portion of an existing shopping center that expanded GLA at a property classified as same-property.

**Funds From Operations**

The National Association of Real Estate Investment Trusts ("NAREIT"), an industry trade group, has promulgated a standard known as Funds From Operations ("FFO"). Our FFO, based on the NAREIT definition, is net income (or loss) in accordance with GAAP excluding gains (or losses) resulting from dispositions of properties, plus depreciation and amortization and impairment charges on depreciable real property, after adjustments for unconsolidated partnerships and joint ventures in which we hold an interest. We have adopted the NAREIT definition in our calculation of FFO Applicable to Common Shares because management considers FFO a widely accepted and appropriate non-GAAP measure of performance for REITs.

In calculating FFO, impairment charges of depreciable real estate assets are added back even though the impairment charge may represent a permanent decline in value due to the decreased operating performance of the applicable property. Furthermore, because gains and losses from sales of property are excluded from FFO, it is consistent and appropriate that impairments, which are often early recognition of losses on prospective sales of property, also be excluded. If evidence exists that a loss reflected in the investment of an unconsolidated entity is due to the impairment of depreciable real estate assets, our share of these impairments is added back to net income in the determination of FFO.

Modified Funds From Operations ("Modified FFO") is an additional financial measure we use because FFO includes certain non-comparable items that affect our performance over time. We define Modified FFO as FFO Applicable to Common Shares excluding the impact of discrete non-operating transactions and other events, which we do not deem representative of the comparable operating results of our multi-tenant retail platform.

We believe FFO Applicable to Common Shares provides a performance measure that, when compared year over year, reflects the impact on operations from trends in occupancy rates, rental rates, operating costs, acquisition and development activities, and financing costs. This provides a perspective of our financial performance that is not immediately apparent from net income determined in accordance with GAAP. We believe that Modified FFO extends that perspective and is helpful in assisting management and investors in assessing the sustainability of operating performance in future periods by excluding items that may cause short-term fluctuations in net income but have no impact on operating cash flows.

FFO and Modified FFO are intended to be neither a substitute for "net income" nor a substitute for "cash flows from operating activities" as determined by GAAP. Other REITs may use alternative methodologies for calculating similarly titled measures, which may not be comparable to our calculation of FFO Applicable to Common Shares or Modified FFO Applicable to Common Shares.

FFO Applicable to Common Shares and Modified FFO Applicable to Common Shares are calculated as follows:

	<b>Year ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Net income	\$ 38,399	\$ 83,849
Depreciation and amortization related to investment properties	94,322	96,666
Our share of depreciation and amortization recognized in equity in earnings (losses) and (impairment), net, of unconsolidated entities	11,074	11,551
Provision for asset impairment	2,359	3,510
Our share of provision for asset impairment recognized in equity in earnings (losses) and (impairment), net, of unconsolidated entities	794	31,953
Gain on sale and transfer of investment properties, net	(62,011)	(95,097)
Our share of losses from property dispositions recognized in equity in earnings (losses) and (impairment), net, of unconsolidated entities	307	2,274
FFO Applicable to Common Shares	<u>\$ 85,244</u>	<u>\$ 134,706</u>
Realized and unrealized gains on marketable securities, net	—	(244)
Loss (gain) on extinguishment of debt, net	2,901	(9,103)
Amortization of mark to market debt, premium, and discount, net	(202)	(202)
Amortization of above and below-market leases and lease inducements, net	(6,148)	(5,347)
Depreciation and amortization of corporate assets	3,107	3,927
Straight-line rent adjustment, net	(3,464)	(4,262)
Our share of straight-line rent adjustment, net, recognized in equity in earnings (losses) and (impairment), net, of unconsolidated entities	(52)	(538)
Stock-based compensation, net	5,541	4,330
Provision for indemnification claims in discontinued operations	25,500	—
Modified FFO Applicable to Common Shares	<u><u>\$ 112,427</u></u>	<u><u>\$ 123,267</u></u>

## Critical Accounting Policies and Estimates

### *General*

The accompanying consolidated financial statements have been prepared in accordance with GAAP, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates, judgments and assumptions are required in a number of areas, including, but not limited to, evaluating the impairment of long-lived assets, allocating the purchase price of acquired retail properties, determining the fair value of debt and evaluating the collectability of accounts receivable. We base these estimates, judgments and assumptions on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

### *Consolidation*

We evaluate our investments in LLCs and LPs to determine whether each such entity may be a VIE. The accounting standards related to the consolidation of VIEs require qualitative assessments to determine whether we are the primary beneficiary. Determination of the primary beneficiary is based on whether we have (i) power to direct significant activities of the VIE and (ii) an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. We consolidate a VIE if we are deemed to be the primary beneficiary. The equity method of accounting is applied to entities in which we are not the primary beneficiary, or the entity is not a VIE and we do not have control, but can exercise influence over the entity with respect to its operations and major decisions. Our ability to correctly assess control over an entity affects the presentation of these investments in our consolidated financial statements.

### *Revenue Recognition*

#### *Lease Income*

Fixed consideration, generally consisting of minimum lease payments, is recognized on a straight-line basis over the term of each lease. The cumulative difference between fixed consideration recognized on a straight-line basis and the cash payments due under the provisions of the lease agreements is recorded as deferred rent receivable and is included as a component of accounts and rents receivable on the consolidated balance sheets.

We commence revenue recognition on leases when the lessee takes possession of, or controls the physical use of, the leased asset, unless the lessee is constructing improvements for which we are deemed to be the owner for accounting purposes. If we are deemed the owner for accounting purposes, the leased asset is the finished space and revenue recognition commences when the lessee takes possession of it, typically when the improvements are substantially complete. Alternatively, if the lessee is deemed to be the owner of the improvements for accounting purposes, then the leased asset is the unimproved space, and any tenant improvement allowances funded under the lease are treated as lease incentives which reduce lease income recognized over the lease term, and we commence revenue recognition when the lessee takes possession of the unimproved space.

The determination of who owns the tenant improvements, for accounting purposes, is based on contractual rights and subject to judgment. In making that judgment, no one factor is determinative. We routinely consider:

- whether the lease stipulates how and on what a tenant improvement allowance may be spent;
- whether the tenant is required to provide evidence supporting the cost of improvements prior to reimbursement;
- whether the tenant or landlord retains legal title to the improvements;
- the uniqueness of the improvements;
- the expected economic life of the tenant improvements relative to the length of the lease; and
- who constructs or directs the construction of the improvements.

#### *Sale of Real Estate*

We derecognize real estate and recognize a gain or loss when a contract exists and control of the property has transferred to the buyer. Control of the property, including controlling financial interest, is generally considered to transfer upon closing through transfer of the legal title and possession of the property, at which point we recognize a gain or loss equal to the difference between the transaction price and the carrying amount of the property.

### ***Acquisition of Real Estate***

We evaluate the inputs, processes and outputs of each asset acquired to determine if the transaction is a business combination or asset acquisition. If an acquisition qualifies as a business combination, the related transaction costs are recorded as an expense in the consolidated statements of operations and comprehensive income. If an acquisition qualifies as an asset acquisition, the related transaction costs are generally capitalized and amortized over the useful life of the acquired assets.

We allocate the purchase price of real estate to land, building, other building improvements, tenant improvements, intangible assets and liabilities (such as the value of above- and below-market leases, in-place leases and origination costs associated with in-place leases). The values of above- and below-market leases are recorded as intangible assets, net, and intangible liabilities, net, respectively, on the consolidated balance sheets, and are amortized as either a decrease (in the case of above-market leases) or an increase (in the case of below-market leases) to rental income over the remaining term of the associated tenant lease. The values, if any, associated with in-place leases are recorded in intangible assets, net on the consolidated balance sheets and are amortized to depreciation and amortization expense on the consolidated statements of operations and comprehensive income over the remaining lease term.

The difference between the contractual rental rates and our estimate of market rental rates is measured over a period equal to the remaining non-cancelable term of the leases plus the term of any below-market renewal options. For the amortization period, the remaining term of leases with renewal options at terms below market reflect the assumed exercise of such below-market renewal options, if reasonably assured.

If a tenant vacates its space prior to the contractual expiration of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible asset or liability is written off. Tenant improvements are depreciated and origination costs are amortized over the remaining term of the lease or charged against earnings if the lease is terminated prior to its contractual expiration date.

We perform, with the assistance of a third-party valuation specialist, the following procedures for assets acquired:

- Estimate the value of the property "as if vacant" as of the acquisition date;
- Allocate the value of the property among land, building, and other building improvements and determine the associated useful life for each;
- Calculate the value and associated life of above- and below-market leases on a tenant-by-tenant basis. The difference between the contractual rental rates and our estimate of market rental rates is measured over a period equal to the remaining term of the leases (using a discount rate which reflects the risks associated with the leases acquired, including geographical location, size of leased area, tenant profile and credit risk);
- Estimate the fair value of the tenant improvements, legal costs and leasing commissions incurred to obtain the leases and calculate the associated useful life for each;
- Estimate the fair value of assumed debt, if any; and
- Estimate the intangible value of the in-place leases based on lease execution costs of similar leases as well as lost rent payments during an assumed lease-up period and their associated useful lives on a tenant-by-tenant basis.

### ***Impairment of Long Lived Assets***

We assess the carrying values of the long-lived assets whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable, such as a reduction in the expected holding period of the asset. If it is determined that the carrying value is not recoverable because the expected undiscounted cash flows do not exceed that carrying value, we record an impairment loss to the extent that the carrying value exceeds the estimated fair value. The valuation and possible subsequent impairment of investment properties is a significant estimate that can and does change based on our continuous process of analyzing each property's economic condition at a point in time and reviewing assumptions about uncertain inherent factors, including observable inputs such as contractual revenues and unobservable inputs such as forecasted revenues and expenses, estimated net disposition proceeds, and discount rate. These unobservable inputs are based on market conditions and our expected growth rates.

However, assumptions and estimates about future cash flows and capitalization rates are complex and subjective. Changes in economic and operating conditions and in our ultimate investment intent that occur subsequent to the impairment analyses could impact these assumptions and result in additional impairment of the investment properties.



Periodically, we assess whether there are any indicators that the carrying value of our investments in unconsolidated entities may be other-than-temporarily impaired. To the extent other-than-temporary impairment has occurred, the loss is measured as the excess of the carrying value of the investment over the estimated fair value of the investment. The estimated fair value of the investment is generally derived from the cash flows generated from the investee's underlying real property investments.

### ***Real Estate Capitalization and Depreciation***

Real estate is reflected at cost less accumulated depreciation within investment property on the consolidated balance sheets. Ordinary repairs and maintenance are expensed as incurred.

Depreciation expense is computed using the straight line method. Buildings are depreciated based upon an estimated useful life of 30 years, and 5-15 years for furniture, fixtures and equipment and site improvements. Finance lease assets are generally amortized using the straight-line method over the lease term. Finance lease asset amortization is included in depreciation and amortization on the consolidated statements of operations and comprehensive income.

Tenant improvements are amortized on a straight-line basis over the lesser of the life of the tenant improvement or the lease term and is included in depreciation and amortization on the consolidated statements of operations and comprehensive income.

Direct and indirect costs that are clearly related to the construction and improvements of investment properties are capitalized. Costs incurred for property taxes and insurance are capitalized during periods in which activities necessary to prepare the property for its intended use are in progress. Interest costs are also capitalized during such periods.

### ***Income Taxes***

We qualify and have elected to be taxed as a REIT under the Code for federal income tax purposes commencing with the tax year ended December 31, 2005. Since we qualify for taxation as a REIT, we generally are not subject to federal income tax on taxable income that is distributed to stockholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its REIT taxable income (subject to certain adjustments) to its stockholders. If we fail to qualify as a REIT in any taxable year, without the benefit of certain relief provisions, we will be subject to federal and state income tax on our taxable income at regular corporate tax rates. Even if we qualify for taxation as a REIT, we may be subject to certain state and local taxes on our income, property or net worth and federal income and excise taxes on our undistributed income. We have elected to treat certain of our consolidated subsidiaries, and may in the future elect to treat newly formed subsidiaries, as TRSs pursuant to the Code. Among other activities, TRSs may participate in non-real estate related activities and/or perform non-customary services for tenants and are subject to federal and state income tax at regular corporate tax rates.

### ***Liquidity and Capital Resources***

#### *Development, Re-development, Capital Expenditures and Leasing Activities*

The following table summarizes capital resources used through development and re-development, capital expenditures and leasing activities at the Company's retail properties owned during the year ended December 31, 2019. These costs are classified as cash used in capital expenditures and tenant improvements on the consolidated statements of cash flows for the year ended December 31, 2019.

	<b>Development and Re-development</b>	<b>Capital Expenditures</b>	<b>Leasing</b>	<b>Total</b>
Direct costs	\$ 5,181 (a)	\$ 11,384	\$ 5,457 (c)	\$ 22,022
Indirect costs	1,346 (b)	1,489	—	2,835
<b>Total</b>	<b>\$ 6,527</b>	<b>\$ 12,873</b>	<b>\$ 5,457</b>	<b>\$ 24,857</b>

- (a) Direct development and re-development costs relate to construction of buildings at our retail properties.
- (b) Indirect development and re-development costs relate to the capitalized interest, real estate taxes, insurance and payroll attributed to improvements at our retail properties.
- (c) Direct leasing costs relate to improvements to a tenant space that are either paid directly by or reimbursed to the tenants.

### Short-Term Liquidity and Capital Resources

On a short-term basis, our principal demands for funds are to pay our operating, corporate, and transaction readiness expenses, as well as property capital expenditures, to make distributions to our stockholders, and to pay interest and principal on our indebtedness. We expect to meet our short-term liquidity requirements from cash flows from operations, distributions from our joint venture investment, sales of our retail properties and available capacity on our revolving credit agreements.

### Long-Term Liquidity and Capital Resources

Our objectives are to maximize revenue generated by our multi-tenant retail platform, to further enhance the value of our retail properties to produce attractive current yield and long-term returns for our stockholders, and to generate sustainable and predictable cash flow from our operations to distribute to our stockholders. We are seeking to increase our operating cash flows over time through the execution of our strategy.

Our Board approved an increase to our annual distribution rate effective for the quarterly distribution paid in April 2019. As we execute our retail strategy, the Board has evaluated and will continue to evaluate our distribution rate and, if the Board deems appropriate, adjust the rate to take into account our progress in refining and balancing our multi-tenant retail platform. See "Part I, Item 1A. Risk Factors - *There is no assurance that we will be able to continue paying cash distributions or that distributions will increase over time.*"

Our primary sources and uses of capital are as follows:

#### Sources

- Operating cash flows from our real estate investments, which consists of our retail properties;
- Distributions from our joint venture investment;
- Proceeds from sales of properties;
- Proceeds from mortgage loan borrowings on properties;
- Proceeds from corporate borrowings; and
- Proceeds from interest earned on cash and cash equivalents.

#### Uses

- To pay our operating expenses;
- To make distributions to our stockholders;
- To service or pay down our debt;
- To invest in properties and portfolios of properties;
- To fund development, re-development, maintenance and capital expenditures or leasing investments; and
- To repurchase our common stock.

We may, from time to time, seek to retire or purchase additional amounts of our outstanding equity through cash purchases or exchanges for other securities. Such purchases or exchanges, if any, will depend on our liquidity requirements, contractual restrictions, and other factors. The amounts involved may be material.

### Summary of Cash Flows

	Year ended December 31,		Increase (Decrease)
	2019	2018	
Cash provided by operating activities	\$ 106,008	\$ 124,657	\$ (18,649)
Cash (used in) provided by investing activities	(41,797)	175,414	(217,211)
Cash used in financing activities	(68,316)	(207,096)	138,780
(Decrease) increase in cash and cash equivalents	(4,105)	92,975	(97,080)
Cash, cash equivalents, and restricted cash at beginning of year	264,853	171,878	92,975
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 260,748</u>	<u>\$ 264,853</u>	<u>\$ (4,105)</u>

Cash provided by operating activities of \$106.0 million and \$124.7 million for the years ended December 31, 2019 and 2018, respectively, was generated primarily from income from property operations and operating distributions from unconsolidated entities. Cash provided by operating activities decreased \$18.6 million when comparing the year ended December 31, 2019, to the same period in 2018 primarily as a result of general fluctuations in working capital and the disposition of 24 retail

properties and transfer of two retail properties since January 1, 2018, which was partially offset by the acquisition of ten retail properties since January 1, 2018.

Cash used in investing activities of \$41.8 million for the year ended December 31, 2019, was primarily the result of:

- \$359.1 million for acquisitions of investment properties,
- \$17.8 million for capital expenditures and tenant improvements,
- \$7.1 million for investment in development projects,
- \$5.6 million for lease commissions and other leasing costs,
- \$30.0 million to settle the UHC claims as described in "Note 12. Commitments and Contingencies" of the consolidated financial statements, partially offset by cash provided of
- \$346.7 million from net proceeds received from the sale of investment properties,
- \$30.0 million received from the sale of an unconsolidated entity, and,
- \$1.1 million from cash inflows from other investing activities.

Cash provided by investing activities of \$175.4 million for the year ended December 31, 2018, was primarily the result of:

- \$430.5 million from net proceeds received from the sale of investment properties,
- \$2.7 million received from net cash inflows from other investing activities, partially offset by cash used of
- \$220.8 million for acquisitions of investment properties,
- \$27.2 million for capital expenditures and tenant improvements,
- \$3.8 million for investment in development projects, and
- \$6.0 million for lease commissions and other leasing costs.

Cash used in financing activities of \$68.3 million for the year ended December 31, 2019, was primarily the result of:

- \$111.0 million for pay-offs of debt, debt prepayment penalties, principal payments of mortgage debt, and payment of loan fees and other deposits,
- \$20.4 million for the repurchase of common stock under our share repurchase plan,
- \$53.3 million to pay distributions,
- \$1.4 million for the payment of tax withholding for share-based compensation,
- \$0.2 million for the payment of finance lease liabilities, partially offset by cash provided of
- \$118.0 million from proceeds received from debt related to the Term Loan Agreement.

Cash used in financing activities of \$207.1 million for the year ended December 31, 2018, was primarily the result of:

- \$231.9 million for pay-offs of debt, debt prepayment penalties, principal payments of mortgage debt, and payment of loan fees and other deposits,
- \$98.4 million for the 2018 Offer,
- \$54.2 million to pay distributions,
- \$1.6 million for the payment of tax withholding for share-based compensation,
- \$0.3 million for the payment of finance lease liabilities, partially offset by cash provided of
- \$179.3 million from proceeds from debt related to the Term Loan Agreement.

We consider all demand deposits, money market accounts and investments in certificates of deposit and repurchase agreements with a maturity of three months or less, at the date of purchase, to be cash equivalents. We maintain our cash and cash equivalents at major financial institutions. The combined account balances at one or more institutions generally exceed the Federal Depository Insurance Corporation ("FDIC") insurance coverage. The Company periodically assesses the credit risk associated with these financial institutions. As a result, there is what we believe to be insignificant credit risk related to amounts on deposit in excess of FDIC insurance coverage.

### **Acquisitions and Dispositions of Real Estate Investments**

In 2019, we acquired seven retail properties and a building and two retail parcels adjacent to three existing retail properties. In 2018, we acquired three retail properties, including one retail property classified as a consolidated VIE, and the acquisition of two retail parcels adjacent to two existing retail properties. These acquisitions were funded with available cash, disposition

proceeds, and mortgage indebtedness. During the years ended December 31, 2019 and 2018, we invested net cash of approximately \$359.1 million and \$220.8 million, respectively, for these acquisitions.

In 2019, we disposed of ten retail properties. In 2018, we disposed of 16 retail properties, including the surrender of two properties to their respective lenders in satisfaction of non-recourse debt, and completed a partial condemnation at one retail property for an aggregate gross disposition price of \$466.2 million.

### Distributions

During the year ended December 31, 2019, we declared cash distributions to our stockholders totaling \$53.5 million and paid cash distributions of \$53.3 million.

As we execute on our retail strategy, the Board evaluated and expects to continue to evaluate our distribution rate on a periodic basis. See "Part I. Item 1. Business - Current Strategy and Outlook" for more information regarding our retail strategy. The following table presents a historical summary of distributions declared, paid and reinvested.

	Year ended December 31,				
	2019	2018	2017	2016	2015
Distributions declared	\$ 53,473	\$ 53,782	\$ 53,758	\$ 83,633	\$ 138,614
Distributions paid	53,250	54,194	53,358	98,606	146,510
Distributions reinvested	50	—	—	—	—

### Share Repurchase Program

On November 1, 2019, we adopted the Share Repurchase Program, authorizing redemption of the Company's shares of common stock, subject to certain conditions and limitations, to provide limited liquidity to qualifying stockholders. Our obligation to repurchase any shares under the Share Repurchase Program was conditioned upon our having sufficient funds available to complete the repurchase. The repurchase price per share for all stockholders is equal to a 25% discount to the most recent estimated NAV per share of our common stock established by our Board, which was \$3.14 per share as of May 1, 2019. During the year ended December 31, 2019, 8,517,605 shares were repurchased in connection with the Share Repurchase Program. The price per share for all shares repurchased was \$2.355.

### Amended and Restated Distribution Reinvestment Plan

On November 1, 2019, we began offering shares of our common stock to our existing stockholders pursuant to the DRP. Under the DRP, stockholders may elect to reinvest an amount equal to the distributions declared on their shares of common stock into additional shares of our common stock in lieu of receiving cash distributions. In accordance with the DRP, participants may acquire shares of common stock at a 25% discount to the most recent estimated NAV per share of our common stock established by our Board, which was \$3.14 per share as of May 1, 2019. In connection with the DRP, in January 2020, we sold a total of 21,249 shares and generated \$0.05 million in gross offering proceeds under the DRP.

### Borrowings

#### *Mortgages Payable, Maturities*

The following table shows the scheduled maturities for the Company's mortgages payable as of December 31, 2019, for each of the next five years and thereafter:

	Maturities during the year ending December 31,						Total
	2020	2021	2022	2023	2024	Thereafter	
Mortgages payable	\$ 41,000	\$ —	\$ 49,788	\$ 40,933	\$ 15,700	\$ 28,630	\$ 176,051

#### *Credit agreements, maturities*

The following table shows the Company's outstanding borrowings under its unsecured term loans as of December 31, 2019.

	Principal Balance	Interest Rate	Maturity Date
\$250.0 million 5 year - swapped to fixed rate (a)	\$ 100,000	2.6795%	December 21, 2023
\$250.0 million 5 year - swapped to fixed rate (a)	100,000	2.6795%	December 21, 2023
\$250.0 million 5 year - variable rate (b)	50,000	2.8911%	December 21, 2023
\$150.0 million 5.5 year - swapped to fixed rate (a)	50,000	2.6915%	June 21, 2024
\$150.0 million 5.5 year - swapped to fixed rate (a)	50,000	2.6990%	June 21, 2024
\$150.0 million 5.5 year - variable rate (b)	50,000	2.8911%	June 21, 2024
Total unsecured term loans	<u>\$ 400,000</u>		

- (a) During the third quarter of 2019, the Company entered into four interest rate swap agreements which effectively replaced the two interest rate swaps which terminated on December 1, 2019. Of the four new interest rate swap agreements, two have a notional amount of \$100,000, an effective date of December 2, 2019, a termination date of December 21, 2023, and achieve a fixed interest rate of 2.6795%. The other two interest rate swap agreements each have a notional amount of \$50,000, an effective date of December 2, 2019, a termination date of June 21, 2024, and achieve fixed interest rates of 2.6915% and 2.6990%.
- (b) Interest rate reflects 1-Month LIBOR plus 1.20% effective December 2, 2019.

### Off Balance Sheet Arrangements

The Company does not have off balance sheet arrangements other than its joint venture, IAGM, as disclosed in "Part IV. Item 8. Note 6. Investment in Consolidated and Unconsolidated Entities."

### Contractual Obligations

We have obligations related to our mortgage loans, term loan, and revolving credit facility as described in "Note 8. Debt" in the consolidated financial statements. The unconsolidated entity in which we have an investment has third party mortgage debt of \$258.8 million at December 31, 2019, as described in "Note 6. Investment in Consolidated and Unconsolidated Entities" in the consolidated financial statements. It is anticipated that our unconsolidated entity will be able to repay or refinance all of its debt on a timely basis.

The following table presents, on a consolidated basis, obligations and commitments to make future payments under debt obligations and lease agreements. It excludes third-party debt associated with our unconsolidated entity and debt discounts that are not future cash obligations as of December 31, 2019.

	Payments due by year ending December 31,						Total
	2020	2021	2022	2023	2024	Thereafter	
Long term debt:							
Fixed rate debt, principal (a)	\$ 41,000	\$ —	\$ 49,788	\$ 240,933	\$ 115,700	\$ 28,630	\$ 476,051
Variable rate debt, principal	—	—	—	50,000	50,000	—	100,000
Interest	16,961	16,670	14,913	12,765	3,385	744	65,438
Total long term debt	<u>57,961</u>	<u>16,670</u>	<u>64,701</u>	<u>303,698</u>	<u>169,085</u>	<u>29,374</u>	<u>641,489</u>
Operating lease obligations (b)	586	469	442	454	469	40	2,460
Finance lease obligations (c)	493	480	279	21	—	—	1,273
Grand total	<u>\$ 59,040</u>	<u>\$ 17,619</u>	<u>\$ 65,422</u>	<u>\$ 304,173</u>	<u>\$ 169,554</u>	<u>\$ 29,414</u>	<u>\$ 645,222</u>

- (a) Includes \$300.0 million of variable rate unsecured term loan debt that has been swapped to a fixed rate as of December 31, 2019.
- (b) Includes leases on corporate office spaces.
- (c) Includes contracts for property improvements which have been deemed to contain finance leases.

### Inflation

A number of our leases contain provisions designed to partially mitigate any adverse impact of inflation. With respect to current economic conditions and governmental fiscal policy, inflation may become a greater risk. Our leases typically require the tenant to pay its share of operating expenses, including common area maintenance, real estate taxes and insurance. By sharing these costs with our tenants, we may reduce our exposure to increases in costs and operating expenses resulting from inflation. A portion of our leases also include clauses enabling us to receive percentage rents based on a tenant's gross sales above predetermined levels or escalation clauses which are typically related to increases in the Consumer Price Index or similar inflation indices. Furthermore, many of our leases are for terms of 10 years or less, allowing us to seek to adjust rents upon renewal.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risk associated with changes in interest rates both in terms of variable-rate debt and the price of new fixed-rate debt upon maturity of existing debt and for acquisitions.

### Interest Rate Risk

Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. As of December 31, 2019, our debt included outstanding variable-rate term loans of \$400.0 million, of which \$300.0 million has been swapped to a fixed rate. If market rates of interest on all variable rate debt as of December 31, 2019, permanently increased and decreased by 1%, the annual increase and decrease in interest expense on the variable-rate debt and future earnings and cash flows would be \$1.0 million.

With regard to our variable-rate financing, we assess interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. We maintain risk management control systems to monitor interest rate cash flow risk attributable to both outstanding or forecasted debt obligations as well as our potential offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on our future cash flows. We continue to assess retaining cash flows that may assist us in maintaining a flexible low debt balance sheet and managing the impact of upcoming debt maturities.

We monitor interest rate risk using a variety of techniques, including periodically evaluating fixed interest rate quotes on all variable rate debt and the costs associated with converting the debt to fixed rate debt. In addition, existing fixed and variable rate loans that are scheduled to mature within the next two years are evaluated for possible early refinancing and/or extension due to consideration given to current interest rates. Refer to our Borrowings table in Item 7 of this Annual Report for debt principal amounts and expected maturities by year to evaluate the expected cash flows and sensitivity to interest rate changes.

We may use financial instruments to hedge exposures to changes in interest rates on loans. To the extent we do, we are exposed to credit risk and market risk. Credit risk is the risk of failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, it does not pose credit risk. We seek to minimize the credit risk in derivative instruments by entering into transactions with what we believe are high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument resulting from a change in interest rates.

In July 2017, the Financial Conduct Authority ("FCA"), which regulates LIBOR, announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Alternative Reference Rates Committee ("ARRC") has proposed that the Secured Overnight Financing Rate ("SOFR") is the rate that best represents the alternative to USD-LIBOR for use in derivatives and other financial contracts that are currently indexed to USD-LIBOR. The ARRC has proposed a paced market transition plan to SOFR from USD-LIBOR, and organizations are currently working on industry wide and company specific transition plans as they relate to derivatives and cash markets exposed to USD-LIBOR. The Company is not able to predict when LIBOR will cease to be available or when there will be sufficient liquidity in the SOFR markets. Any changes adopted by FCA or other governing bodies in the method used for determining LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR. If that were to occur, our interest costs could change.

The following table summarizes the Company's four effective interest rate swaps as of December 31, 2019:

Variable Rate Debt Swapped to Fixed Rate Debt	Effective Date	Termination Date	Bank Pays Variable Rate of	InvenTrust Pays Fixed Rate of	Notional Amount as of December 31, 2019	Fair Value as of	
						December 31, 2019	December 31, 2018
5 year - fixed portion	Dec 2, 2019	Dec 21, 2023	1-Month LIBOR	1.4795%	\$ 100,000	\$ 341	\$ —
5 year - fixed portion	Dec 2, 2019	Dec 21, 2023	1-Month LIBOR	1.4795%	100,000	199	—
5.5 year - fixed portion	Dec 2, 2019	Jun 21, 2024	1-Month LIBOR	1.4915%	50,000	342	—
5.5 year - fixed portion	Dec 2, 2019	Jun 21, 2024	1-Month LIBOR	1.4990%	50,000	175	—
Total fixed of unsecured term loans					\$ 300,000	\$ 1,057	\$ —

The gains or losses resulting from marking-to-market our derivatives at the end of each reporting period are recognized as an increase or decrease in other comprehensive income on our consolidated statements of operations and comprehensive income.

**Item 8. Consolidated Financial Statements and Supplementary Data**

See the Index to Consolidated Financial Statements and financial statements commencing on page F-1.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

Not applicable.

**Item 9A. Controls and Procedures**

As required by Rule 13a-15(b) and Rule 15d-15(b) under the Securities Exchange Act, our management, including our Principal Executive Officer and our Principal Financial Officer evaluated as of December 31, 2019, the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and Rule 15d-15(e). Based on that evaluation, our Principal Executive Officer and our Principal Financial Officer concluded that our disclosure controls and procedures, as of December 31, 2019, were effective for the purpose of ensuring that information required to be disclosed by us in this report is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Exchange Act and is accumulated and communicated to management, including the Principal Executive Officer and our Principal Financial Officer as appropriate to allow timely decisions regarding required disclosures.

**Management's Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our management, including our Principal Executive Officer and Principal Financial Officer, evaluated as of December 31, 2019, the effectiveness of our internal control over financial reporting based on the framework in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on its evaluation, our management has concluded that we maintained effective internal control over financial reporting as of December 31, 2019.

The rules of the SEC do not require us to have, and this Annual Report on Form 10-K does not include, an attestation report of an independent registered public accounting firm regarding internal control over financial reporting.

**Changes in Internal Control over Financial Reporting**

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2019, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.

### Part III

#### Item 10. Directors, Executive Officers and Corporate Governance

Information regarding our executive officers is included under the heading "Executive Officers of the Registrant" in Item 1 of this Annual Report. Information regarding our directors and corporate governance under the following captions in our Proxy Statement for our annual meeting of stockholders to be held on May 7, 2020, is incorporated by reference herein.

"Proposal No. 1 - Election of Directors"

"Stock Ownership - Section 16(a) Beneficial Ownership Reporting Compliance"

"Stockholder Proposals - Nominations of Director Candidates for the 2019 Annual Meeting"

"Corporate Governance Principles"

Our Board has adopted a code of ethics and business conduct (the "Code of Ethics and Business Conduct") applicable to our directors, officers and employees, which is available on our website at [www.inventrustproperties.com](http://www.inventrustproperties.com) through the "Investor Relations - Corporate Governance" tab. In addition, printed copies of the Code of Ethics and Business Conduct are available to any stockholder, without charge, by writing us at InvenTrust Properties Corp., 3025 Highland Parkway, Suite 350, Downers Grove, Illinois, 60515, Attention: Investor Relations. In the event that the Company amends or waives any of the provisions of the Code of Ethics and Business Conduct that applies to the Company's Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer or Controller, and other senior financial officers performing similar functions, the Company intends to disclose such amendment or waiver information on its website.

#### Item 11. Executive Compensation

Information regarding executive compensation under the following captions in our Proxy Statement is incorporated by reference herein.

"Executive Compensation"

"Compensation Committee Report"

#### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information related to the beneficial ownership of our common stock is presented under the caption "Stock Ownership - Stock Owned by Certain Beneficial Owners and Management" in our Proxy Statement and is incorporated by reference herein.

#### Equity Compensation Plan Information

The following table provides information regarding our equity compensation plans as of December 31, 2019.

	I	II
	Number of Shares or Share Units Issuable Upon Vesting of Outstanding RSU Awards and Share Unit Awards (a)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in column I) (b)
Equity compensation plans not approved by security holders:		
InvenTrust Properties Corp. 2015 Incentive Award Plan (c)	2,685,333	21,213,679

- (a) Represents RSU Awards outstanding under the Incentive Award Plan and Annual Share Unit Awards and Contingency Share Unit Awards outstanding under the Inland American Real Estate Trust, Inc. 2014 Share Unit Plan, which we refer to as the Retail Plan, as of December 31, 2019. The number of share units subject to each share unit award reflects the value of the award and does not necessarily correspond to an equivalent number of shares of common stock of the Company.
- (b) Includes shares of common stock available for future grants under the Incentive Award Plan as of December 31, 2019.
- (c) The weighted average grant date price per share of common stock underlying the unvested restricted stock units based on total outstanding restricted stock units as of December 31, 2019, was \$3.14.



## Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships and related transactions, and director independence under the following captions in our Proxy Statement is incorporated by reference herein.

"Certain Relationships and Related Person Transactions"

"Corporate Governance Principles - Director Independence"

## Item 14. Principal Accounting Fees and Services

Information regarding principal accounting fees and services under the caption "Proposal No. 2 - Ratify Appointment of KPMG LLP" in our Proxy Statement is incorporated by reference herein.

## Part IV

## Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Annual Report

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[Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2019, 2018 and 2017](#)

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2 [Consolidated Financial Statement Schedules](#)

[Schedule III - Real Estate and Accumulated Depreciation](#)

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All schedules other than those indicated in the index have been omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

3 EXHIBITS

The following documents are filed as exhibits to this report:

EXHIBIT NO.	DESCRIPTION
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<a href="#">2.1</a>	<a href="#">Master Modification Agreement, dated as of March 12, 2014, by and among Inland American Real Estate Trust, Inc., Inland American Business Manager &amp; Advisor, Inc., Inland American Lodging Corporation, Inland American Holdco Management LLC, Inland American Retail Management LLC, Inland American Office Management LLC, Inland American Industrial Management LLC and Eagle I Financial Corp. (incorporated by reference to Exhibit 2.1 to the Registrant's Form 8-K, as filed by the Registrant with the SEC on March 13, 2014)</a>
<a href="#">2.2</a>	<a href="#">Asset Acquisition Agreement, dated as of March 12, 2014, by and among Inland American Real Estate Trust, Inc., Inland American Holdco Management LLC, Inland American Retail Management LLC, Inland American Office Management LLC, Inland American Industrial Management LLC and Eagle I Financial Corp. (incorporated by reference to Exhibit 2.2 to the Registrant's Form 8-K, as filed by the Registrant with the SEC on March 13, 2014)</a>
<a href="#">2.3</a>	<a href="#">Separation and Distribution Agreement by and between Inland American Real Estate Trust, Inc. and Xenia Hotels &amp; Resorts, Inc., dated as of January 20, 2015 (incorporated by reference to Exhibit 2.1 to the Registrant's Form 8-K, as filed by the Registrant with the SEC on January 23, 2015)</a>
<a href="#">2.4</a>	<a href="#">Separation and Distribution Agreement by and between InvenTrust Properties Corp. and Highlands REIT, Inc., dated as of April 14, 2016 (incorporated by reference to Exhibit 2.1 to the Registrant's Form 8-K, as filed by the Registrant with the SEC on April 14, 2016)</a>
<a href="#">2.5</a>	<a href="#">Stock Purchase Agreement by and among InvenTrust Properties Corp., University House Communities Group, Inc. and UHC Acquisition Sub LLC, dated as of January 3, 2016 (incorporated by reference to Exhibit 2.1 to the Registrant's Form 10-Q, as filed by the Registrant on May 10, 2016)</a>
<a href="#">2.6</a>	<a href="#">Amendment No. 1 to Stock Purchase Agreement, dated as of May 30, 2016, by and among InvenTrust Properties Corp., University House Communities Group, Inc. and UHC Acquisition Sub LLC (incorporated by reference to Exhibit 2.2 to the Registrant's Form 8-K, as filed by the Registrant on June 27, 2016)</a>
<a href="#">2.7</a>	<a href="#">Amendment No. 2 to Stock Purchase Agreement, dated as of June 20, 2016, by and among InvenTrust Properties Corp., University House Communities Group, Inc. and UHC Acquisition Sub LLC (incorporated by reference to Exhibit 2.3 to the Registrant's Form 8-K, as filed by the Registrant on June 27, 2016)</a>

**EXHIBIT  
NO.****DESCRIPTION**

<b>EXHIBIT NO.</b>	<b>DESCRIPTION</b>
<a href="#"><u>3.1</u></a>	<a href="#"><u>Seventh Articles of Amendment and Restatement of InvenTrust Properties Corp., as amended (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-Q, as filed by the Registrant with the SEC on May 14, 2015)</u></a>
<a href="#"><u>3.2</u></a>	<a href="#"><u>Second Amended and Restated Bylaws of InvenTrust Properties Corp. (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q, as filed by the Registrant with the SEC on November 9, 2017)</u></a>
<a href="#"><u>4.1</u></a>	<a href="#"><u>Statement regarding restrictions on transferability of shares of common stock (to appear on stock certificate or to be sent upon request and without charge to stockholders issued shares without certificates) (incorporated by reference to Exhibit 4.4 to the Registrant's Amendment No. 1 to Form S-11 Registration Statement, as filed by the Registrant with the SEC on July 31, 2007 (file number 333-139504))</u></a>
<a href="#"><u>4.2</u></a>	<a href="#"><u>Third Amended and Restated Distribution Reinvestment Plan (incorporated by reference to Appendix A to the prospectus dated November 1, 2019 included in Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-3 (No. 333-172862) filed November 1, 2019)</u></a>
<a href="#"><u>10.1</u></a>	<a href="#"><u>Amended and Restated Master Management Agreement, dated as of March 12, 2014, by and between Inland American Real Estate Trust, Inc. and Inland American Retail Management LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on March 13, 2014)</u></a>
<a href="#"><u>10.2</u></a>	<a href="#"><u>Amended and Restated Master Management Agreement, dated as of March 12, 2014, by and between Inland American Real Estate Trust, Inc. and Inland American Office Management LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on March 13, 2014)</u></a>
<a href="#"><u>10.3</u></a>	<a href="#"><u>Amended and Restated Master Management Agreement, dated as of March 12, 2014, by and between Inland American Real Estate Trust, Inc. and Inland American Industrial Management LLC (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K, as filed by the Registrant with the Securities and Exchange Commission on March 13, 2014)</u></a>
<a href="#"><u>10.4</u></a>	<a href="#"><u>Articles of Association of Oak Real Estate Association by and among Inland Real Estate Corporation, Inland Real Estate Trust, Inc., Inland Western Retail Real Estate Trust, Inc. and Inland American Real Estate Trust, Inc., dated September 29, 2006 (incorporated by reference to Exhibit 10.139 to the Registrant's Quarterly Report on Form 10-Q, as filed by the Registrant with the SEC on November 7, 2006)</u></a>
<a href="#"><u>10.5</u></a>	<a href="#"><u>Operating Agreement of Oak Property and Casualty L.L.C. by and among Inland Real Estate Corporation, Inland Retail Real Estate Trust, Inc., Inland Western Retail Real Estate Trust, Inc. and Inland American Real Estate Trust, Inc., dated September 29, 2006 (incorporated by reference to Exhibit 10.140 to the Registrant's Quarterly Report on Form 10-Q, as filed by the Registrant with the SEC on November 7, 2006)</u></a>
<a href="#"><u>10.6</u></a>	<a href="#"><u>Oak Property and Casualty L.L.C. Membership Participation Agreement by and among Inland Real Estate Corporation, Inland Retail Real Estate Trust, Inc., Inland Western Retail Real Estate Trust, Inc., Inland American Real Estate Trust, Inc., and Oak Property and Casualty L.L.C. dated September 29, 2006 (incorporated by reference to Exhibit 10.141 to the Registrant's Quarterly Report on Form 10-Q, as filed by the Registrant with the SEC on November 7, 2006)</u></a>
<a href="#"><u>10.7</u></a>	<a href="#"><u>Indemnity Agreement, dated as of August 8, 2014, by and between Inland American Real Estate Trust, Inc., and Xenia Hotels &amp; Resorts, Inc., and Inland American Lodging Group, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, as filed by the Registrant with the SEC on August 14, 2014)</u></a>
<a href="#"><u>10.8.5^</u></a>	<a href="#"><u>Separation and Consulting Agreement, dated as of September 6, 2017, between InvenTrust Properties Corp. and David F. Collins (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, as filed by the Registrant with the SEC on September 7, 2017)</u></a>
<a href="#"><u>10.8.6^</u></a>	<a href="#"><u>First Amendment to Separation and Consulting Agreement, dated as of December 8, 2017, between InvenTrust Properties Corp. and David F. Collins (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, as filed by the Registrant with the SEC on December 11, 2017)</u></a>
<a href="#"><u>10.8.7^</u></a>	<a href="#"><u>Second Amendment to Separation and Consulting Agreement, dated as of October 5, 2018, between InvenTrust Properties Corp. and David F. Collins (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, as filed by the Registrant with the SEC on October 9, 2018)</u></a>
<a href="#"><u>10.8.8^</u></a>	<a href="#"><u>Employment Offer Letter, dated as of May 10, 2018, by and between InvenTrust Properties Corp. and Ivy Greaner</u></a>
<a href="#"><u>10.8.9^</u></a>	<a href="#"><u>Severance Agreement and General Release, dated as of August 27, 2018, by and between Michael E. Podboy and InvenTrust Properties Corp. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, as filed by the Registrant with the SEC on August 27, 2018)</u></a>
<a href="#"><u>10.8.10^</u></a>	<a href="#"><u>Employment Offer Letter, dated as of June 20, 2019, by and between InvenTrust Properties Corp. and Daniel J. Busch (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q as filed by the Registrant on August 8, 2019)</u></a>
<a href="#"><u>10.9</u></a>	<a href="#"><u>Asset Purchase Agreement, dated as of September 17, 2014, by and among Inland American Real Estate Trust, Inc., IHP I Owner JV, LLC, IHP West Homestead (PA) Owner LLC and Northstar Realty Finance Corp. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, as filed by the Registrant with the SEC on September 22, 2014)</u></a>
<a href="#"><u>10.10.1^</u></a>	<a href="#"><u>The Inland American Real Estate Trust, Inc. 2014 Share Unit Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K, as filed by the Registrant with the SEC on September 22, 2014)</u></a>
<a href="#"><u>10.10.2^</u></a>	<a href="#"><u>Form of Inland American Real Estate Trust, Inc. Share Unit Award Agreement (Annual Award) (incorporated by reference to Exhibit 10.6 to the Registrant's Form 8-K, as filed by the Registrant with the SEC on September 22, 2014)</u></a>
<a href="#"><u>10.10.3^</u></a>	<a href="#"><u>Form of Inland American Real Estate Trust, Inc. Share Unit Award Agreement (Contingency) (incorporated by reference to Exhibit 10.9 to the Registrant's Form 8-K, as filed by the Registrant with the SEC on September 22, 2014)</u></a>
<a href="#"><u>10.10.4^</u></a>	<a href="#"><u>InvenTrust Properties Corp. 2015 Incentive Award Plan (incorporated by reference to Exhibit 99.1 to the Registrant's Form S-8 Registration Statement, as filed by the Registrant with the SEC on June 19, 2015)</u></a>
<a href="#"><u>10.10.5^</u></a>	<a href="#"><u>First Amendment to InvenTrust Properties Corp. 2015 Incentive Award Plan, dated May 6, 2016 (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q, as filed by the Registrant with the SEC on August 15, 2016)</u></a>
<a href="#"><u>10.10.6^</u></a>	<a href="#"><u>Form of Time-Based Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q, as filed by the Registrant with the SEC on August 10, 2017)</u></a>

**EXHIBIT  
NO.****DESCRIPTION**

<a href="#">10.10.7^</a>	<a href="#">Form of Director Restricted Stock Unit Agreement for 2016 Pro Rata Awards (incorporated by reference to Exhibit 10.10.3 to the Registrant's Form 10-K, as filed by the Registrant with the SEC on March 17, 2017)</a>
<a href="#">10.10.8^</a>	<a href="#">Form of Director Restricted Stock Unit Agreement for 2017 Annual Pro Rata Awards (incorporated by reference to Exhibit 10.3 to the Registrant's Form 10-Q, as filed by the Registrant with the SEC on August 10, 2017)</a>
<a href="#">10.10.9^</a>	<a href="#">Form of Director Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.4 to the Registrant's Form 10-Q, as filed by the Registrant with the SEC on August 10, 2017)</a>
<a href="#">10.10.10^</a>	<a href="#">InvenTrust Properties Corp. Director Compensation Program (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q, as filed by the Registrant with the SEC on August 10, 2017)</a>
<a href="#">10.10.11^</a>	<a href="#">InvenTrust Properties Corp. Executive Severance and Change of Control Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, as filed by the Registrant on July 13, 2018)</a>
<a href="#">10.10.12^</a>	<a href="#">Form of Performance-Based Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, as filed by the Registrant with the SEC on May 14, 2019)</a>
<a href="#">10.11</a>	<a href="#">First Amendment to Indemnity Agreement by and among Inland American Real Estate Trust, Inc. and Xenia Hotels &amp; Resorts, Inc., dated as of February 3, 2015 (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K, as filed by the Registrant with the SEC on February 9, 2015)</a>
<a href="#">10.12</a>	<a href="#">Amended and Restated Term Loan Credit Agreement dated as of December 21, 2018, among InvenTrust Properties Corp., as Borrower, Wells Fargo Bank, National Association, as Administrative Agent, Bank of America, N.A and U.S. Bank National Association, as tranche A-1 Co-Syndication Agents, PNC Bank, National Association and U.S. Bank National Association, as tranche A-2 Co-Syndication Agents, BMO Harris Bank, N.A. and Fifth Third Bank, as tranche A-1 Co-Documentation Agents, KeyBank National Association, as tranche A-2 Documentation Agent, and the other lenders from time to time party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K, as filed by the Registrant with the SEC on December 31, 2018)</a>
<a href="#">10.13</a>	<a href="#">Second Amended and Restated Credit Agreement dated as of December 21, 2018, among InvenTrust Properties Corp., as borrower, KeyBank National Association, as Administrative Agent, KeyBanc Capital Markets Inc. and Wells Fargo Securities, LLC, as Joint Book Managers, KeyBanc Capital Markets Inc., Wells Fargo Securities, LLC, JPMorgan Chase Bank, N.A., Bank of America, N.A., PNC Bank, National Association, and BMO Harris Bank, N.A., as Joint Lead Arrangers, Wells Fargo Bank, National Association, and JPMorgan Chase Bank, N.A., as Co-Syndication Agents, Bank of America, N.A., PNC Bank, National Association, and BMO Harris Bank, N.A., as Co-Documentation Agents, and the other lenders from time to time party thereto (incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K, as filed by the Registrant with the SEC on December 31, 2018)</a>
<a href="#">21.1*</a>	<a href="#">Subsidiaries of the Registrant</a>
<a href="#">23.1*</a>	<a href="#">Consent of KPMG LLP</a>
<a href="#">31.1*</a>	<a href="#">Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">31.2*</a>	<a href="#">Certification by Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32.1*</a>	<a href="#">Certification by Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32.2*</a>	<a href="#">Certification by Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">99.1</a>	<a href="#">Second Amended and Restated Share Repurchase Program (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed November 1, 2019)</a>
101	The following financial information from our Annual Report for the year ended December 31, 2019, filed with the Securities and Exchange Commission on February 21, 2020, is formatted in Extensible Business Reporting Language ("XBRL"): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income, (iii) Consolidated Statements of Equity, (iv) Consolidated Statements of Cash Flows (v) Notes to Consolidated Financial Statements (tagged as blocks of text).
*	Filed as part of this Annual Report
^	Management contract or compensatory plan or arrangement.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### INVENTRUST PROPERTIES CORP.

By: /s/ Thomas P. McGuinness  
Name: Thomas P. McGuinness  
President and Chief Executive Officer (Principal Executive Officer)  
Date: February 21, 2020

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
By: <u>/s/ Thomas P. McGuinness</u> Name: Thomas P. McGuinness	President and Chief Executive Officer (Principal Executive Officer)	February 21, 2020
By: <u>/s/ Daniel J. Busch</u> Name: Daniel J. Busch	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	February 21, 2020
By: <u>/s/ Adam M. Jaworski</u> Name: Adam M. Jaworski	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 21, 2020
By: <u>/s/ Stuart Aitken</u> Name: Stuart Aitken	Director	February 21, 2020
By: <u>/s/ Amanda Black</u> Name: Amanda Black	Director	February 21, 2020
By: <u>/s/ Thomas F. Glavin</u> Name: Thomas F. Glavin	Director	February 21, 2020
By: <u>/s/ Scott A. Nelson</u> Name: Scott A. Nelson	Director	February 21, 2020
By: <u>/s/ Paula J. Saban</u> Name: Paula J. Saban	Director	February 21, 2020
By: <u>/s/ Michael A. Stein</u> Name: Michael A. Stein	Director	February 21, 2020
By: <u>/s/ Julian E. Whitehurst</u> Name: Julian E. Whitehurst	Director	February 21, 2020

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS  
AND FINANCIAL STATEMENT SCHEDULE**

**Consolidated Financial Statements and Supplementary Data**

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<a href="#"><u>Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017</u></a>	<a href="#"><u>F-6</u></a>
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Schedules not filed:

All schedules other than the ones listed in the index have been omitted as the required information is inapplicable or the information is presented in the financial statements or related notes thereto.

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and Board of Directors  
InvenTrust Properties Corp.:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of InvenTrust Properties Corp. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations and comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement schedule III (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2005.

Chicago, Illinois  
February 21, 2020

**INVENTRUST PROPERTIES CORP.**

**Consolidated Balance Sheets**  
(in thousands, except share amounts)

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Investment properties		
Land	\$ 572,353	\$ 558,817
Building and other improvements	1,628,486	1,670,678
Construction in progress	4,052	12,788
Total	2,204,891	2,242,283
Less accumulated depreciation	(246,702)	(286,330)
Net investment properties	1,958,189	1,955,953
Cash and cash equivalents	255,069	260,131
Restricted cash	5,679	4,722
Investment in unconsolidated entities	118,861	156,132
Intangible assets, net	116,360	108,005
Accounts and rents receivable, net	30,194	27,087
Deferred costs and other assets, net	22,836	23,976
Total assets	<u>\$ 2,507,188</u>	<u>\$ 2,536,006</u>
<b>Liabilities</b>		
Debt, net	\$ 572,850	\$ 561,782
Accounts payable and accrued expenses	29,804	32,784
Distributions payable	13,252	13,029
Intangible liabilities, net	42,642	46,985
Other liabilities	29,039	29,112
Total liabilities	<u>687,587</u>	<u>683,692</u>
Commitments and contingencies		
<b>Stockholders' Equity</b>		
Preferred stock, \$.001 par value per share, 40,000,000 shares authorized, none outstanding	—	—
Common stock, \$.001 par value per share, 1,460,000,000 shares authorized, 720,807,884 shares issued and outstanding as of December 31, 2019 and 728,558,989 shares issued and outstanding as of December 31, 2018	721	729
Additional paid-in capital	5,568,707	5,585,758
Distributions in excess of accumulated net income	(3,750,884)	(3,735,810)
Accumulated comprehensive income	1,057	1,637
Total stockholders' equity	<u>1,819,601</u>	<u>1,852,314</u>
Total liabilities and stockholders' equity	<u>\$ 2,507,188</u>	<u>\$ 2,536,006</u>

See accompanying notes to the consolidated financial statements.

**INVENTRUST PROPERTIES CORP.**

**Consolidated Statements of Operations and Comprehensive Income**  
(in thousands, except share and per share amounts)

	Year Ended December 31,		
	2019	2018	2017
<b>Income</b>			
Lease income, net	\$ 220,653	\$ 236,560	\$ 246,242
Other property income	1,981	1,724	1,345
Other fee income	3,856	4,390	4,222
<b>Total income</b>	<b>226,490</b>	<b>242,674</b>	<b>251,809</b>
<b>Operating expenses</b>			
Depreciation and amortization	97,429	100,593	95,345
Property operating expenses	31,944	34,822	35,656
Real estate taxes	34,232	35,205	35,566
General and administrative expenses	35,361	35,267	42,661
<b>Total operating expenses</b>	<b>198,966</b>	<b>205,887</b>	<b>209,228</b>
<b>Other income (expense)</b>			
Interest, dividend and other income	2,486	2,494	3,941
Interest expense, net	(22,717)	(24,943)	(30,155)
(Loss) gain on extinguishment of debt, net	(2,901)	9,103	840
Provision for asset impairment	(2,359)	(3,510)	(27,754)
Gain on sale and transfer of investment properties, net	62,011	95,097	24,066
Equity in earnings (losses) and (impairment), net, of unconsolidated entities	957	(31,393)	(804)
Realized and unrealized gains on marketable securities, net	—	244	46,563
<b>Total other income</b>	<b>37,477</b>	<b>47,092</b>	<b>16,697</b>
Income before income taxes	65,001	83,879	59,278
Income tax expense	(1,102)	(30)	(1,324)
Net income from continuing operations	63,899	83,849	57,954
Net (loss) income from discontinued operations	(25,500)	—	3,839
<b>Net income</b>	<b>\$ 38,399</b>	<b>\$ 83,849</b>	<b>\$ 61,793</b>
Weighted average number of common shares outstanding, basic	728,620,309	761,139,011	773,445,341
Weighted average number of common shares outstanding, diluted	729,384,149	762,065,474	774,600,479
Net income per common share, from continuing operations, basic and diluted	\$ 0.09	\$ 0.11	\$ 0.07
Net loss per common share, from discontinued operations, basic and diluted	\$ (0.04)	\$ —	\$ —
Net income per common share, basic and diluted	<b>\$ 0.05</b>	<b>\$ 0.11</b>	<b>\$ 0.07</b>
Distributions declared per common share outstanding	\$ 0.07	\$ 0.07	\$ 0.07
Distributions paid per common share outstanding	\$ 0.07	\$ 0.07	\$ 0.07
<b>Comprehensive income</b>			
Net income	\$ 38,399	\$ 83,849	\$ 61,793
Unrealized loss on marketable securities	—	—	(11,734)
Unrealized gain on derivatives	816	923	1,183
Reclassification for amounts recognized in net income	(1,396)	(956)	(46,563)
<b>Comprehensive income</b>	<b>\$ 37,819</b>	<b>\$ 83,816</b>	<b>\$ 4,679</b>

See accompanying notes to the consolidated financial statements.



**INVENTRUST PROPERTIES CORP.**

**Consolidated Statements of Equity**  
(in thousands, except share amounts)

	Number of Shares	Common Stock	Additional Paid-in Capital	Distributions in excess of accumulated net income	Accumulated Comprehensive Income	Total
Beginning balance, January 1, 2017	773,304,997	\$ 773	\$ 5,676,639	\$ (3,786,943)	\$ 59,059	\$ 1,949,528
Net income	—	—	—	61,793	—	61,793
Unrealized gain on investment securities	—	—	—	—	(11,734)	(11,734)
Unrealized gain on derivatives	—	—	—	—	1,183	1,183
Reclassification for amounts recognized in net income	—	—	—	—	(46,563)	(46,563)
Distributions declared	—	—	—	(53,758)	—	(53,758)
Stock-based compensation, net	988,200	—	3,344	—	—	3,344
Refund of excess funds associated with 2016 tender offer	—	—	1,929	—	—	1,929
Ending balance, December 31, 2017	774,293,197	773	5,681,912	(3,778,908)	1,945	1,905,722
Impact of Accounting Standards Update ("ASU") No. 2016-01, <i>Recognition and Measurement of Financial Assets and Financial Liabilities</i>	—	—	—	275	(275)	—
Impact of ASU No. 2017-05 (a)	—	—	—	12,756	—	12,756
Adjusted balance at January 1, 2018	774,293,197	773	5,681,912	(3,765,877)	1,670	1,918,478
Net income	—	—	—	83,849	—	83,849
Unrealized gain on derivatives	—	—	—	—	923	923
Reclassification to interest expense, net	—	—	—	—	(956)	(956)
Distributions declared	—	—	—	(53,782)	—	(53,782)
Stock-based compensation, net	825,081	1	2,292	—	—	2,293
Repurchase of common stock through tender offer	(46,559,289)	(45)	(98,446)	—	—	(98,491)
Ending balance, December 31, 2018	728,558,989	729	5,585,758	(3,735,810)	1,637	1,852,314
Net income	—	—	—	38,399	—	38,399
Unrealized gain on derivatives	—	—	—	—	816	816
Reclassification to interest expense, net	—	—	—	—	(1,396)	(1,396)
Distributions declared	—	—	—	(53,473)	—	(53,473)
Stock-based compensation, net	766,500	1	3,324	—	—	3,325
Repurchase of common stock under share repurchase plan	(8,517,605)	(9)	(20,375)	—	—	(20,384)
Ending balance, December 31, 2019	720,807,884	\$ 721	\$ 5,568,707	\$ (3,750,884)	\$ 1,057	\$ 1,819,601

(a) See Note 6. Investments in Consolidated and Unconsolidated Entities.

See accompanying notes to the consolidated financial statements.

**INVENTRUST PROPERTIES CORP.**

**Consolidated Statements of Cash Flows**  
(Amounts in thousands)

	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>			
Net income	\$ 38,399	\$ 83,849	\$ 61,793
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation and amortization	97,429	100,593	95,345
Amortization of above and below-market leases and lease inducements, net	(6,148)	(5,347)	(4,121)
Amortization of debt premiums, discounts, and financing costs, net	1,706	1,048	1,219
Straight-line rent adjustment, net	(3,464)	(4,262)	(2,202)
Provision for asset impairment	2,359	3,510	27,754
Gain on sale and transfer of investment properties, net	(62,011)	(95,097)	(34,181)
Loss (gain) on extinguishment of debt, net	2,901	(9,103)	(838)
Equity in (earnings) losses and impairment, net, of unconsolidated entities	(957)	31,393	804
Distributions from unconsolidated entities	8,228	8,032	2,443
Realized and unrealized gains on marketable securities, net	—	(244)	(46,563)
Stock-based compensation, net	5,541	4,330	3,355
Provision for indemnification claims	25,500	—	4,500
<b>Changes in operating assets and liabilities:</b>			
Accounts and rents receivable, net	(3,510)	(218)	(1,048)
Deferred costs and other assets	(1,624)	1,426	2,051
Accounts payable and accrued expenses	(66)	2,499	5,561
Other liabilities	1,725	2,248	2,280
Net cash provided by operating activities	<u>106,008</u>	<u>124,657</u>	<u>118,152</u>
<b>Cash flows from investing activities:</b>			
Purchase of investment properties	(329,493)	(205,462)	(539,242)
Acquired in-place and market lease intangibles, net	(29,602)	(15,369)	(50,207)
Capital expenditures and tenant improvements	(17,754)	(27,233)	(15,910)
Investment in development and re-development projects	(7,103)	(3,796)	(3,630)
Proceeds from the sale and transfer of investment properties, net	346,707	430,514	233,686
Proceeds from the sale of marketable securities, net	—	4,696	171,666
Proceeds from the sale of unconsolidated entity	30,000	—	—
Indemnification payment related to the sale of investment properties	(30,000)	—	—
Contributions to unconsolidated entities	—	(2,782)	(6,875)
Distributions from unconsolidated entities	—	745	1,592
Lease commissions and other leasing costs	(5,621)	(6,029)	(4,356)
Other assets	333	(127)	439
Other liabilities	736	257	3,749
Net cash (used in) provided by investing activities	<u>(41,797)</u>	<u>175,414</u>	<u>(209,088)</u>

**INVENTRUST PROPERTIES CORP.**

**Consolidated Statements of Cash Flows**  
(Amounts in thousands)

	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Cash flows from financing activities:</b>			
Payment of tax withholdings for share-based compensation	\$ (1,397)	\$ (1,567)	\$ (2,192)
Repurchase of common stock under share repurchase plan	(20,384)	—	—
Repurchase of common stock through tender offer	—	(98,447)	—
Distributions to shareholders	(53,250)	(54,194)	(53,358)
Refund received of excess funds associated with 2016 tender offer	—	—	1,929
Proceeds from debt	118,000	179,333	—
Payoffs of debt	(106,041)	(221,358)	(104,032)
Debt prepayment penalties	(1,834)	(3,088)	—
Principal payments of mortgage debt	(2,692)	(1,924)	(1,390)
Payment of loan fees and deposits	(446)	(5,544)	(368)
Payment of finance lease liabilities	(272)	(307)	—
Net cash used in financing activities	<u>(68,316)</u>	<u>(207,096)</u>	<u>(159,411)</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(4,105)	92,975	(250,347)
Cash, cash equivalents, and restricted cash at beginning of year	264,853	171,878	422,225
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 260,748</u>	<u>\$ 264,853</u>	<u>\$ 171,878</u>

Reconciliation of cash, cash equivalents, and restricted cash to consolidated balance sheets:

Cash and cash equivalents	\$ 255,069	\$ 260,131	\$ 162,747
Restricted cash	5,679	4,722	9,131
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 260,748</u>	<u>\$ 264,853</u>	<u>\$ 171,878</u>

Supplemental disclosure of cash flow information:

<b>Cash flow disclosure, including non-cash investing and financing activities:</b>			
Cash paid for interest, net of capitalized interest of \$101, \$0, and \$0 for 2019, 2018 and 2017, respectively	\$ 21,259	\$ 24,096	\$ 31,196
Cash paid for income taxes, net of refunds of \$498, \$1,703, and \$918 for 2019, 2018 and 2017, respectively	\$ 446	\$ 463	\$ 625
Distributions payable to shareholders	\$ 13,252	\$ 13,029	\$ 13,441
Recognition of partially deferred gains on property sales	\$ —	\$ 12,756	\$ —
Accrued capital expenditures and tenant improvements	\$ 1,180	\$ 1,679	\$ 1,593
Accrued investment in re-development projects	\$ 329	\$ 67	\$ —
Accrued lease commissions and other leasing costs	\$ 136	\$ 104	\$ 376
Capitalized costs placed in service	\$ 29,027	\$ 17,786	\$ 15,866
Gross issuance of shares for share-based compensation	\$ 4,051	\$ 4,319	\$ 5,916

**INVENTRUST PROPERTIES CORP.**

**Consolidated Statements of Cash Flows**  
(Amounts in thousands)

	Year Ended December 31,		
	2019	2018	2017
Purchase of investment properties:			
Net investment properties	\$ 332,148	\$ 206,763	\$ 582,660
Accounts and rents receivable, lease intangibles, and deferred costs and other assets	37,103	21,631	69,617
Accounts payable and accrued expenses, lease intangibles, and other liabilities	(10,156)	(7,563)	(21,111)
Assumption of mortgage debt	—	—	(41,717)
Cash outflow for purchase of investment properties, net	359,095	220,831	589,449
Assumption of mortgage principal	—	—	41,000
Capitalized acquisition costs	(2,334)	(430)	(1,911)
Construction escrow accounts	—	975	1,649
Credits and other changes in cash outflow, net	9,003	1,224	3,238
Gross acquisition price of investment properties	<u>\$ 365,764</u>	<u>\$ 222,600</u>	<u>\$ 633,425</u>
Sale and transfer of investment properties:			
Net investment properties	\$ 286,682	\$ 382,241	\$ 200,399
Accounts and rents receivable, lease intangibles, and deferred costs and other assets	9,295	14,692	6,658
Accounts payable and accrued expenses, lease intangibles, and other liabilities	(9,189)	(13,035)	(5,047)
Debt extinguished through transfer of properties	—	(44,331)	(3,343)
Debt assumed by buyer through disposition of properties	—	(16,395)	—
Gain on sale and transfer of investment properties, net	62,011	95,097	34,181
(Loss) gain on extinguishment of debt, net	(2,092)	9,157	838
Debt prepayment penalties and defeasance costs	—	3,088	—
Proceeds from sale and transfer of investment properties, net	346,707	430,514	233,686
Assumption of mortgage principal by buyer	—	16,600	—
Surrender of mortgage escrows for transferred properties	—	2,160	6,024
Credits and other changes in cash inflow, net	11,093	16,901	4,356
Gross disposition price of investment properties	<u>\$ 357,800</u>	<u>\$ 466,175</u>	<u>\$ 244,066</u>

See accompanying notes to the consolidated financial statements.

# INVENTRUST PROPERTIES CORP.

## Notes to Consolidated Financial Statements

December 31, 2019, 2018 and 2017

### 1. Organization

On October 4, 2004, InvenTrust Properties Corp. (the "Company") was incorporated as Inland American Real Estate Trust, Inc., as a Maryland corporation and has elected to be taxed, and currently qualifies, as a real estate investment trust ("REIT") for federal tax purposes. The Company changed its name to InvenTrust Properties Corp. in April of 2015 and is focused on owning, managing, acquiring and developing a multi-tenant retail platform.

Unless otherwise noted, all amounts are stated in thousands, except share, per share and per square foot data. Number of properties and square feet are unaudited.

The accompanying consolidated financial statements include the accounts of the Company, as well as all wholly-owned subsidiaries and any consolidated variable interest entities ("VIEs"). Subsidiaries generally consist of limited liability companies ("LLCs") and limited partnerships ("LPs"). All significant intercompany balances and transactions have been eliminated.

Each retail property is owned by a separate legal entity that maintains its own books and financial records, and each separate legal entity's assets are not available to satisfy the liabilities of other affiliated entities, except as otherwise disclosed in "Note 8. Debt".

The Company believes it has a single reportable segment, multi-tenant retail, for disclosure purposes in accordance with U.S. generally accepted accounting principles ("GAAP"). As of December 31, 2019, the Company's wholly-owned investment properties consisted of 54 retail properties, with a gross leasable area ("GLA") of approximately 8.3 million square feet. As of December 31, 2018, the Company's wholly-owned or consolidated investment properties consisted of 58 retail properties, with a GLA of approximately 9.5 million square feet, which includes one retail property classified as a consolidated VIE, with a GLA of approximately 125,000 square feet. As of December 31, 2017, the Company's wholly-owned or consolidated investment properties consisted of 71 retail properties, with a GLA of approximately 12.4 million square feet, which includes two retail properties classified as consolidated VIEs, with a GLA of approximately 501,000 square feet.

In addition, as of December 31, 2019, the Company had an investment in one unconsolidated real estate joint venture which owned an interest in 11 retail properties with GLA of approximately 2.6 million square feet managed by the Company. As of December 31, 2018 and 2017, the Company had an investment in two unconsolidated real estate joint ventures, one of which owned an interest in 13 and 15 operating retail properties, respectively, with a GLA of approximately 2.6 million and 3.0 million square feet, respectively, managed by the Company. The other unconsolidated real estate joint venture owned development land in Sacramento, California. The Company has since liquidated its interest in that venture as disclosed in "Note 6. Investment in Consolidated and Unconsolidated Entities."

# INVENTRUST PROPERTIES CORP.

## Notes to Consolidated Financial Statements

December 31, 2019, 2018 and 2017

### 2. Basis of Presentation and Summary of Significant Accounting Policies

#### *Estimates, Risks, and Uncertainties*

The accompanying consolidated financial statements have been prepared in accordance with GAAP, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates, judgments and assumptions are required in a number of areas, including, but not limited to, evaluating the impairment of long-lived assets, allocating the purchase price of acquired retail properties, determining the fair value of debt and evaluating the collectability of accounts receivable. The Company bases these estimates, judgments and assumptions on historical experience and various other factors that the Company believes to be reasonable under the circumstances. Actual results may differ from these estimates.

#### *Reclassifications*

As a result of the Company's adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 842, *Leases*, ("Topic 842"), lease income is presented on a combined basis. The Company has chosen to apply the combined presentation retrospectively to the years ended December 31, 2018 and 2017 by combining amounts previously reported as rental income and tenant recovery income and making certain other reclassifications to the consolidated statements of operations and comprehensive income.

The Company has made certain reclassifications to the consolidated statements of cash flows for the years ended December 31, 2018 and 2017 to conform to the 2019 presentation, including a \$4,500 reclassification of the provision for indemnification claims recognized during the year ended December 31, 2017, as disclosed in *"Note 12. Commitments and Contingencies,"* previously presented within the change in other operating liabilities. These reclassifications to the consolidated statements of cash flows for the years ended December 31, 2018 and 2017 are limited to changes in presentation and did not result in any change to overall cash flows from operating activities.

#### *Consolidation*

The Company evaluates its investments in LLCs and LPs to determine whether each such entity may be a VIE. The accounting standards related to the consolidation of VIEs require qualitative assessments to determine whether the Company is the primary beneficiary. Determination of the primary beneficiary is based on whether the Company has (i) power to direct significant activities of the VIE and (ii) an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. The Company consolidates a VIE if it is deemed to be the primary beneficiary. The equity method of accounting is applied to entities in which the Company is not the primary beneficiary, or the entity is not a VIE and the Company does not have control, but can exercise significant influence over the entity with respect to its operations and major decisions. The Company's ability to correctly assess control over an entity affects the presentation of these investments in the Company's consolidated financial statements.

From time to time, the Company may enter into purchase agreements structured as a reverse like-kind exchange under Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code") ("Reverse 1031 Exchange") in order to acquire retail properties. For a Reverse 1031 Exchange in which the Company purchases a new asset that is similar in nature, character, or class prior to selling the asset to be matched in the like-kind exchange (the Company refers to a new asset being acquired in the Reverse 1031 Exchange prior to the sale of the related asset as a "Parked Asset"), legal title to the Parked Asset is held by a wholly-owned subsidiary (the "EAT Subsidiary") of an Exchange Accommodation Titleholder ("EAT") engaged to execute the Reverse 1031 Exchange until the sale transaction and the Reverse 1031 Exchange is completed.

The Company, through a subsidiary, enters into a master lease agreement with the EAT Subsidiary whereby the EAT Subsidiary leases the Parked Asset and all other rights in connection with the acquisition to the Company. The master lease terminates on the earlier of (i) the date that the Parked Asset is transferred to the Company, or an affiliate, (ii) the date that the EAT transfers to the Company, or an affiliate of the Company, its ownership in the EAT Subsidiary, or (iii) 180 days from the date that legal title to the Parked Asset was transferred to the EAT Subsidiary. The EAT is classified as a VIE, as it does not have sufficient equity investment at risk to finance its activities without additional subordinated financial support. The Company generally structures the purchase agreements in a manner which results in the Company being deemed the primary beneficiary as it has the ability to direct the activities of the entities that most significantly impact economic performance and has all of the risks and rewards of ownership. Accordingly, the Company consolidates properties acquired through active Reverse 1031 Exchanges.

Notes to Consolidated Financial Statements

December 31, 2019, 2018 and 2017

**Revenue Recognition**

*Adoption of Topic 842*

In conjunction with the adoption of Topic 842 on January 1, 2019, the Company elected the package of practical expedients which permitted the Company to not reassess: (1) whether any expired or existing contracts are, or contain leases; (2) the lease classification for any expired or existing leases; and (3) any initial direct costs for existing leases as of the effective date. Except as described below, the Company's accounting policies and resulting recognition of lease income remained substantially consistent with previous guidance. In addition, the Company has elected the practical expedient of not separating lease and non-lease components for all qualifying leases. In effect, this generally relieves the Company from the requirement to account for certain consideration under FASB ASC 606, *Revenue from Contracts with Customers* ("Topic 606"). As a result of the accounting policy election, all income arising from leases is presented on a combined basis as lease income, net on the consolidated statements of operations and comprehensive income.

Beginning on January 1, 2019, the provision for estimated credit losses resulting from changes in the collectability of lease payments, including variable payments, is recognized as a direct adjustment to lease income on the consolidated statements of operations and comprehensive income, and a direct write-off of the operating lease receivable on the consolidated balance sheets. Changes in collectability occur when the Company no longer believes it is probable that substantially all the lease payments will be collected under the term of the lease. If collection is not probable, the lease payments will be accounted for on a cash basis, and revenue will be recorded as received. If reassessed, and the collection of substantially all the lease payments from the tenant becomes probable, the accrual basis of revenue recognition is reestablished.

As a result of the narrowed definition of initial direct costs under Topic 842, the Company expenses as incurred certain lease origination costs previously capitalized and amortized to expense over the lease term.

*Lease Income*

The majority of revenue recognized from the Company's retail properties is comprised of fixed and variable consideration received from tenants under long-term operating leases with varying terms. Fixed consideration generally consists of minimum lease payments for the rental of retail space while the variable consideration generally consists of reimbursements of the tenant's pro-rata share of certain operating expenses incurred by the Company, including real estate taxes, special assessments, insurance, utilities, common area maintenance, management fees and certain capital repairs. Certain other tenants are subject to net leases whereby the tenant is responsible for fixed minimum lease payments to the Company, as well as directly paying all costs and expenses associated with occupancy to third party service providers. Such direct payments to third parties are not recorded as revenue and expense by the Company.

Minimum lease payments are recognized on a straight-line basis over the term of each lease. The cumulative difference between fixed consideration recognized on a straight-line basis and the cash payments due under the provisions of the lease agreements is recorded as deferred rent receivable and is included as a component of accounts and rents receivable on the consolidated balance sheets.

The Company records lease termination income when all conditions of a signed termination agreement have been met, the tenant is no longer occupying the property, and termination income amounts due are considered collectible. The Company defers recognition of contingent lease income until the specified target that triggers the contingent lease income is achieved.

The Company commences revenue recognition on its leases when the lessee takes possession of, or controls the physical use of, the leased asset, unless the lessee is constructing improvements for which the Company is deemed to be the owner for accounting purposes. If the Company is deemed the owner for accounting purposes, the leased asset is the finished space and revenue recognition commences when the lessee takes possession of it, typically when the improvements are substantially complete. Alternatively, if the lessee is deemed to be the owner of the improvements for accounting purposes, then the leased asset is the unimproved space, and any tenant improvement allowances funded under the lease are treated as lease incentives, which reduce lease income recognized over the lease term, and the Company commences revenue recognition when the lessee takes possession of the unimproved space.

# INVENTRUST PROPERTIES CORP.

## Notes to Consolidated Financial Statements

December 31, 2019, 2018 and 2017

The determination of who owns the tenant improvements, for accounting purposes, is based on contractual rights and subject to judgment. In making that judgment, no one factor is determinative. The Company routinely considers:

- whether the lease stipulates how and on what a tenant improvement allowance may be spent;
- whether the tenant is required to provide evidence supporting the cost of improvements prior to reimbursement;
- whether the tenant or landlord retains legal title to the improvements;
- the uniqueness of the improvements;
- the expected economic life of the tenant improvements relative to the length of the lease; and
- who constructs or directs the construction of the improvements.

### *Other Fee Income*

The adoption of Topic 606 on January 1, 2018, generally did not change the timing or pattern of revenue recognition for other fee income. The Company recognizes revenue when it satisfies a performance obligation. These rights to consideration most often result in receivables that are settled through recurring monthly customer payments for the services provided over the term of the contract. The Company generally does not receive prepayments for services or recognize revenue prior to being legally entitled to payment from the customer. As a result, the Company does not record material contract assets or contract liabilities.

The Company earns property management and asset management fees from services provided to its joint venture partnerships. Property management and asset management fees are recognized over time as services are rendered. The bundled services of the property management performance obligation and asset management performance obligation each qualify as a series of distinct services satisfied over time. The variable consideration related to each of the performance obligations is recognized in each of the periods that directly relate to the Company's efforts to provide those services. Accordingly, the Company elected the optional exemption provided by Topic 606 to not disclose information about remaining wholly unsatisfied performance obligations. The variability in timing of the property management and asset management fees, which generally relate to the fluctuation in cash receipts from tenants and potential changes in equity capitalization, are resolved on a monthly basis.

For certain services, the Company acts as an agent on behalf of the customer to arrange for performance by a third party. Based on the Company's judgment, both the underlying asset management service activities and the underlying property management service activities are not distinct but are inputs (or fulfillment activities) to provide the combined output (either the overall asset management service or the overall property management service).

The Company earns leasing commissions and other fees from services provided to its joint venture partnerships. Leasing commissions and other fees are recognized at a point in time consistent with the underlying service. The leasing performance obligation and other performance obligations are satisfied at the point in which the customer is transferred control over and consumes the benefit of the service. The uncertainty of the leasing commissions and other fees are resolved upon delivery of the underlying service. Generally, the first and second installments of leasing commissions are paid upon lease execution and rent commencement, respectively.

### *Sale of Real Estate*

The Company derecognizes real estate and recognizes a gain or loss when a contract exists and control of the property has transferred to the buyer. Control of the property, including controlling financial interest, is generally considered to transfer upon closing through transfer of the legal title and possession of the property, at which point the Company recognizes a gain or loss equal to the difference between the transaction price and the carrying amount of the property.

Prior to January 1, 2018, based on historical accounting guidance, the Company derecognized real estate and recognized a gain or loss according to the full accrual method when: (i) a sale was consummated; (ii) the buyer's initial and continuing investment were adequate to demonstrate a commitment to pay for the property; (iii) the Company's receivable, if applicable, was not subject to future subordination; (iv) the Company had transferred to the buyer the usual risks and rewards of ownership; and (v) the Company did not have substantial continuing involvement with the property.



# INVENTRUST PROPERTIES CORP.

## Notes to Consolidated Financial Statements

December 31, 2019, 2018 and 2017

### *Acquisition of Real Estate*

The Company evaluates the inputs, processes and outputs of each asset acquired to determine if the transaction is a business combination or asset acquisition. If an acquisition qualifies as a business combination, the related transaction costs are recorded as an expense in the consolidated statements of operations and comprehensive income. If an acquisition qualifies as an asset acquisition, the related transaction costs are generally capitalized and amortized over the useful life of the acquired assets.

The Company allocates the purchase price of real estate to land, building, other building improvements, tenant improvements, intangible assets and liabilities (such as the value of above- and below-market leases, in-place leases and origination costs associated with in-place leases). The values of above- and below-market leases are recorded as intangible assets, net, and intangible liabilities, net, respectively, on the consolidated balance sheets, and are amortized as either a decrease (in the case of above-market leases) or an increase (in the case of below-market leases) to lease income over the remaining term of the associated tenant lease. The values, if any, associated with in-place leases are recorded in intangible assets, net, on the consolidated balance sheets and are amortized to depreciation and amortization expense on the consolidated statements of operations and comprehensive income over the remaining lease term.

The difference between the contractual rental rates and the Company's estimate of market rental rates is measured over a period equal to the remaining non-cancelable term of the leases plus the term of any below-market renewal options. For the amortization period, the remaining term of leases with renewal options at terms below market reflect the assumed exercise of such below-market renewal options, if reasonably assured.

If a tenant vacates its space prior to the contractual expiration of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible asset or liability is written off. Tenant improvements are depreciated and origination costs are amortized over the remaining term of the lease or charged against earnings if the lease is terminated prior to its contractual expiration date.

The Company performs, with the assistance of a third-party valuation specialist, the following procedures for assets acquired:

- Estimate the value of the property "as if vacant" as of the acquisition date;
- Allocate the value of the property among land, building, and other building improvements and determine the associated useful life for each;
- Calculate the value and associated life of above- and below-market leases on a tenant-by-tenant basis. The difference between the contractual rental rates and the Company's estimate of market rental rates is measured over a period equal to the remaining term of the leases (using a discount rate which reflects the risks associated with the leases acquired, including geographical location, size of leased area, tenant profile and credit risk);
- Estimate the fair value of the tenant improvements, legal costs and leasing commissions incurred to obtain the leases and calculate the associated useful life for each;
- Estimate the fair value of assumed debt, if any; and
- Estimate the intangible value of the in-place leases based on lease execution costs of similar leases as well as lost rent payments during an assumed lease-up period and their associated useful lives on a tenant-by-tenant basis.

### *Properties Held for Sale*

In determining whether to classify a property as held for sale, the Company considers whether: (i) management has committed to a plan to sell the property; (ii) the property is available for immediate sale, in its present condition; (iii) the Company has initiated a program to locate a buyer; (iv) the Company believes that the sale of the property is probable; (v) the Company has received a significant non-refundable deposit for the purchase of the property; (vi) the Company is actively marketing the property for sale at a price that is reasonable in relation to its estimated fair value; and (vii) actions required for the Company to complete the plan indicate that it is unlikely that any significant changes will be made to the plan. When all criteria are met, the property is classified as held for sale and carried at the lower of cost or estimated fair value less costs to sell. Additionally, if the sale represents a strategic shift that has (or will have) a major effect on the Company's results and operations, the income and expenses for the period are classified as discontinued on the consolidated statements of operations and comprehensive income for all periods presented.

Notes to Consolidated Financial Statements

December 31, 2019, 2018 and 2017

***Impairment of Long Lived Assets***

The Company assesses the carrying values of long-lived assets whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable, such as a reduction in the expected holding period of the asset. If it is determined that the carrying value is not recoverable because the expected undiscounted cash flows do not exceed that carrying value, the Company records an impairment loss to the extent that the carrying value exceeds the estimated fair value. The valuation and possible subsequent impairment of investment properties is a significant estimate that can and does change based on the Company's continuous process of analyzing each property's economic condition at a point in time and reviewing assumptions about uncertain inherent factors, including observable inputs such as contractual revenues and unobservable inputs such as forecasted revenues and expenses, estimated net disposition proceeds, and discount rate. These unobservable inputs are based on market conditions and the Company's expected growth rates.

However, assumptions and estimates about future cash flows and capitalization rates are complex and subjective. Changes in economic and operating conditions and the Company's ultimate investment intent that occur subsequent to the impairment analyses could impact these assumptions and result in additional impairment of the investment properties.

Periodically, management assesses whether there are any indicators that the carrying value of the Company's investments in unconsolidated entities may be other-than-temporarily impaired. To the extent other-than-temporary impairment has occurred, the loss is measured as the excess of the carrying value of the investment over the estimated fair value of the investment. The estimated fair value of the investment is generally derived from the cash flows generated from the underlying real property investments of the investee.

***Real Estate Capitalization and Depreciation***

Real estate is reflected at cost less accumulated depreciation within investment properties on the consolidated balance sheets. Ordinary repairs and maintenance are expensed as incurred.

Depreciation expense is computed using the straight-line method. Buildings are depreciated based upon an estimated useful life of 30 years and 5-15 years for furniture, fixtures and equipment and site improvements. Finance lease assets are generally amortized using the straight-line method over the lease term. Finance lease asset amortization is included in depreciation and amortization on the consolidated statements of operations and comprehensive income.

Tenant improvements are amortized on a straight-line basis over the lesser of the life of the tenant improvement or the lease term and is included in depreciation and amortization on the consolidated statements of operations and comprehensive income.

Deferred leasing costs are recognized as a part of deferred costs and other assets, net, on the consolidated balance sheets and are amortized to depreciation and amortization on the consolidated statements of operations and comprehensive income over the remaining term of the associated tenant lease.

Direct and indirect costs that are clearly related to the construction and improvements of investment properties are capitalized. Costs incurred for property taxes and insurance are capitalized during periods in which activities necessary to prepare the property for its intended use are in progress. Interest costs are also capitalized during such periods.

***Cash and Cash Equivalents***

The Company considers all demand deposits, money market accounts and investments in certificates of deposit and repurchase agreements with a maturity of three months or less, at the date of purchase, to be cash equivalents. The Company maintains its cash and cash equivalents at financial institutions. The combined account balances at one or more institutions generally exceed the Federal Deposit Insurance Corporation ("FDIC") insurance coverage. The Company periodically assesses the credit risk associated with these financial institutions. There is what the Company believes to be insignificant credit risk related to amounts on deposit in excess of FDIC insurance coverage.

***Restricted Cash***

Restricted cash consists of lenders' escrows, operating real estate escrows for taxes, insurance, capital expenditures and payments required under certain lease agreements, and funds restricted through lender or other agreements, including funds held in escrow for future acquisitions and potential like-kind exchanges under Section 1031 of the Code.

# INVENTRUST PROPERTIES CORP.

## Notes to Consolidated Financial Statements

December 31, 2019, 2018 and 2017

### *Derivative Instruments*

In the normal course of business, the Company is exposed to the effect of interest rate changes. The Company's objective in using interest rate derivatives is to manage its exposure to interest rate movements and add stability to interest expense. To accomplish this objective, the Company uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable rate amounts from a counterparty in exchange for the Company making fixed rate payments over the life of the agreement without exchange of the underlying notional amount.

The Company has a policy of only entering into contracts with established financial institutions based upon their credit ratings and other factors. When viewed in conjunction with the underlying and offsetting exposure that the derivatives are designed to hedge, the Company has not sustained a material loss from those instruments, nor does it anticipate any material adverse effect on its net income or financial position in the future from the use of derivatives.

The Company recognizes all derivatives on the consolidated balance sheets at fair value. Additionally, the fair value adjustments will affect either equity or net income depending on whether the derivative instruments qualify as a hedge for accounting purposes and, if so, the nature of the hedging activity. When the underlying transaction is terminated or completed, all changes in the fair value of the instrument are marked-to-market with changes in value included in net income each period until the instrument matures. Any derivative instrument used for risk management that does not meet the criteria for hedge accounting is marked-to-market each period on the consolidated statements of operations and comprehensive income. The Company does not use derivatives for trading or speculative purposes.

### *Fair Value Measurements*

In accordance with FASB ASC 820, *Fair Value Measurement and Disclosures* ("Topic 820"), the Company defines fair value based on the price that would be received upon sale of an asset or the exit price that would be paid to transfer or settle a liability in an orderly transaction between market participants at the measurement date. The Company uses a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value. The fair value hierarchy consists of the three broad levels described below:

- Level 1 - Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
- Level 2 - Observable inputs, other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company has estimated the fair value of its financial instruments and non-financial assets using available market information and valuation methodologies the Company believes to be appropriate for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates and, accordingly, they are not necessarily indicative of amounts that would be realized upon disposition.

The carrying amounts of cash and cash equivalents, restricted cash, accounts and rents receivables, other assets, accounts payable, accrued expenses and other liabilities reasonably approximate fair value, in management's judgment, because of their short-term nature. Fair value information pertaining to derivative financial instruments, investment properties, investments in unconsolidated entities and debt is provided in "Note 9. Fair Value Measurements".

### *Income Taxes*

The Company is qualified and has elected to be taxed as a REIT under the Code for federal income tax purposes commencing with the tax year ended December 31, 2005. Since the Company qualifies for taxation as a REIT, the Company generally is not subject to federal income tax on taxable income distributed to stockholders. To continue to qualify as a REIT, the Company generally is required to distribute at least 90% of its REIT taxable income (subject to certain adjustments) to its stockholders each year (the "90% Distribution Requirement"). If the Company fails to qualify as a REIT in any taxable year, without the benefit of certain relief provisions, the Company will be subject to federal and state income tax on its taxable income at regular corporate tax rates. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income, property or net worth and federal income and excise taxes on its undistributed income.

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For federal income tax purposes, distributions may consist of ordinary income, qualifying dividends, return of capital, capital gains or a combination thereof. Distributions to the extent of the Company's current and accumulated earnings and profits for federal income tax purposes are taxable to the recipient as ordinary dividends, qualified dividends or capital gain distributions. Distributions in excess of these earnings and profits will constitute a non-taxable return of capital and will reduce the recipient's basis in the shares. Distributions in excess of the Company's current and accumulated earnings and profits and in excess of the recipient's basis in the shares will be taxable as capital gains.

The Company has elected to treat certain of its consolidated subsidiaries, and may in the future elect to treat newly formed subsidiaries, as taxable REIT subsidiaries ("TRSs") pursuant to the Code. Among other activities, TRSs may participate in non-real estate related activities and/or perform non-customary services for tenants and are subject to federal and state income tax at regular corporate tax rates.

The Company accounts for income taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for the estimated future tax consequences attributed to differences between the GAAP carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of available evidence, including future reversal of existing taxable temporary differences, future projected taxable income, and tax-planning strategies. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company's analysis in determining the deferred tax asset valuation allowance involves management judgment and assumptions.

As of December 31, 2019 and 2018, Management determined it is more likely than not that the Company will not realize the benefits of these deductible differences of \$26,427 and \$27,351, respectively. Accordingly, a valuation allowance has been recognized to reduce the deferred tax assets to zero as of December 31, 2019 and 2018. The Company had no unrecognized tax benefits as of or during the three year period ended December 31, 2019. The Company expects no significant changes in unrecognized tax benefits due to changes in tax positions within one year of December 31, 2019. Income tax expense for the years ended December 31, 2019, 2018 and 2017 is generally comprised of federal and state taxes paid by consolidated TRSs and certain state taxes paid by the Company. The Company has accrued no material interest or penalties relating to income taxes recognized in the consolidated statements of operations and comprehensive income for the years ended December 31, 2019, 2018 and 2017 or in the consolidated balance sheets as of December 31, 2019 and 2018. As of December 31, 2019, the Company's 2018, 2017, and 2016 tax years remain subject to examination by U.S. and various state tax jurisdictions.

### ***Share-Based Compensation***

As of December 31, 2019, the Company has one share-based compensation plan under which time-based restricted stock units ("RSUs") and performance-based RSUs have been issued with tandem dividend equivalents. Compensation expense related to these awards, which are generally equity classified, and the tandem dividend equivalent cash payments are recognized as a part of general and administrative expenses on the consolidated statements of operations and comprehensive income.

Time-based awards are generally measured at grant date fair value and not subsequently re-measured. Compensation expense related to these awards is recognized on a straight-line basis over the vesting period. Performance-based awards are measured at grant date fair value and each grantee is eligible to vest in a number of RSUs ranging from 0% to 100% of the total number granted based on specified performance levels. For awards with a performance condition, compensation cost is recognized when the performance condition is considered probable of achievement. If a performance award has more than one potential outcome, recognition of compensation cost is based on the most likely outcome. During the service period, a cumulative catch-up approach is used to account for changes in the assessment of which outcome is most likely to occur. Generally, compensation expense related to these awards is recognized on a straight-line basis from the grant date through the vesting date. Forfeitures of awards are recognized as they occur.

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***Recently Issued Accounting Pronouncements Adopted***

<b>Standard</b>	<b>Description</b>	<b>Date of adoption</b>	<b>Effect on the financial statements or other significant matters</b>
ASU No. 2016-02, <i>Leases, (Topic 842) and related updates</i>	ASU No. 2016-02 amends the existing guidance for lease accounting for both parties to a lease contract (i.e., lessees and lessors). The new standard requires a modified retrospective transition method for all leases existing at the date of initial application, with an option to use certain practical expedients available.	January 2019	<p>The Company adopted ASU No. 2016-02 and the related updates on a modified retrospective basis and applied the effective date method in which the elected practical expedients were applied consistently to all leases commenced before the ASU effective date of January 1, 2019.</p> <p>The incremental policies and disclosures pertaining to the Company as a lessor and lessee have been included in "Note 2. Basis of Presentation and Summary of Significant Accounting Policies", "Note 3. Revenue Recognition" and "Note 12. Commitments and Contingencies," respectively.</p>

***Recently Issued Accounting Pronouncements Not Yet Adopted***

<b>Standard</b>	<b>Description</b>	<b>Date of adoption</b>	<b>Effect on the financial statements or other significant matters</b>
ASU No. 2018-13, <i>Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement</i>	ASU No. 2018-13 is intended to improve the effectiveness of the disclosures required by Topic 820, <i>Fair Value Measurement</i> by eliminating, amending, or adding certain disclosures. Certain amendments require a prospective transition method, while others require a retrospective transition method. The guidance is effective for all entities for fiscal years beginning after December 15, 2019, and early adoption is permitted.	January 2020	The Company has evaluated this guidance and determined that it will only impact fair value measurement disclosures and will not have an impact on the Company's financial position, results of operations, or cash flows.

Other recently issued accounting standards or pronouncements not disclosed in the foregoing tables have been excluded because they are either not relevant to the Company, or are not expected to have, or did not have, a material effect on the consolidated financial statements of the Company.

**INVENTRUST PROPERTIES CORP.**

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**3. Revenue Recognition**

*Operating Leases*

Minimum lease payments to be received under long-term operating leases and short-term specialty leases, excluding additional percentage rent based on tenants' sales volume and tenant reimbursements of certain operating expenses, and assuming no exercise of renewal options or early termination rights, are as follows:

<b>For the year ending December 31,</b>	<b>As of December 31, 2019</b>
2020	144,021
2021	133,294
2022	112,925
2023	98,685
2024	82,861
Thereafter	293,157
<b>Total</b>	<b>\$ 864,943</b>

<b>For the year ending December 31,</b>	<b>As of December 31, 2018</b>
2019	151,874
2020	139,290
2021	124,366
2022	103,204
2023	83,744
Thereafter	282,629
<b>Total</b>	<b>\$ 885,107</b>

The remaining lease terms range from one year to forty-one years.

The following table reflects the disaggregation of lease income, net:

	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Minimum lease payments	\$ 156,896	\$ 170,379	\$ 182,043
Tax and insurance recoveries	32,347	33,177	31,966
Common area maintenance and other recoveries	23,363	24,817	25,226
Amortization of above and below-market leases and lease inducements, net	6,148	5,347	5,326
Short-term, termination fee and other lease income	3,311	2,840	1,681
Estimated credit losses	(1,412)	—	—
<b>Lease income, net</b>	<b>\$ 220,653</b>	<b>\$ 236,560</b>	<b>\$ 246,242</b>

**INVENTRUST PROPERTIES CORP.****Notes to Consolidated Financial Statements****December 31, 2019, 2018 and 2017***Other Fee Income*

During the years ended December 31, 2019, 2018 and 2017, the Company earned other fee income of \$3,856, \$4,390, and \$4,222, respectively, which are fees derived from services provided to IAGM Retail Fund I, LLC ("IAGM"), an unconsolidated retail joint venture partnership between the Company as 55% owner and PGGM Private Real Estate Fund ("PGGM"), as disclosed in "Note 6. Investment in Consolidated and Unconsolidated Entities", and therefore deemed to be related party transactions. The property management, asset management, leasing and other services are provided over the term of the contract which has a remaining original duration through 2023. The Company had receivables of \$460, \$778 and \$515 as of December 31, 2019, 2018 and 2017, respectively, which are included in deferred costs and other assets, net on the consolidated balance sheets.

The following table reflects the disaggregation of other fee income:

	Year Ended December 31,		
	2019	2018	2017
Property management fee	\$ 2,421	\$ 2,626	\$ 2,794
Asset management fee	1,074	1,080	1,213
Leasing commissions and other fees	361	684	215
Other fee income	<u>\$ 3,856</u>	<u>\$ 4,390</u>	<u>\$ 4,222</u>

**INVENTRUST PROPERTIES CORP.**

**Notes to Consolidated Financial Statements**

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**4. Acquired Properties**

The following table reflects the retail properties acquired, accounted for as asset acquisitions, during the year ended December 31, 2019:

<b>Acquisition Date</b>	<b>Property</b>	<b>Metropolitan Area</b>	<b>Gross Acquisition Price</b>	<b>Square Feet</b>
January 31, 2019	Commons at University Place	Raleigh	\$ 23,250	92,000
March 20, 2019	Lakeside Winter Park and Lakeside Crossings	Orlando	63,500	76,000
April 30, 2019	Scotfield Crossing (a)	Austin	3,000	64,000
May 7, 2019	Tomball Town Center Kroger	Houston	13,992	74,000
June 14, 2019	Sandy Plains Outparcel (b)	Atlanta	2,900	6,000
June 28, 2019	Shops at Fairview Town Center	Dallas	36,000	67,500
July 11, 2019	Southern Palm Crossing (c)	Miami	96,750	346,200
September 9, 2019	Travilah Square	Washington, D.C.	52,272	58,300
September 13, 2019	Eldorado Marketplace	Dallas	70,850	189,500
September 27, 2019	Garden Village Outparcel (b)	Los Angeles	3,250	3,900
			<u>\$ 365,764</u>	<u>977,400</u>

- (a) The building and tenant improvements acquired were subject to an existing ground lease at the property.
- (b) The assets, liabilities and operations of the outparcels acquired are combined for presentation purposes with retail properties already owned by the Company.
- (c) This acquisition was made through a consolidated VIE and was used to facilitate a Reverse 1031 Exchange. During the third quarter of 2019, the title of Southern Palm Crossing transferred to the Company through the completion of an exchange with the dispositions of West Creek and Boynton Commons.

The following table reflects the retail properties acquired, accounted for as asset acquisitions, during the year ended December 31, 2018:

<b>Acquisition Date</b>	<b>Property</b>	<b>Metropolitan Area</b>	<b>Gross Acquisition Price</b>	<b>Square Feet</b>
May 16, 2018	PGA Plaza (a)	Miami	\$ 88,000	120,000
May 30, 2018	Kennesaw Marketplace (a)	Atlanta	64,300	117,000
September 13, 2018	Kennesaw Marketplace, Phase 3	Atlanta	7,500	13,000
December 13, 2018	Peachland Promenade, Phase 2	Fort Myers	18,700	95,000
December 21, 2018	Sandy Plains Centre (a)	Atlanta	44,100	125,000
			<u>\$ 222,600</u>	<u>470,000</u>

- (a) These acquisitions were made through three consolidated VIEs and were used to facilitate Reverse 1031 Exchanges. During the fourth quarter of 2018, the title of PGA Plaza and Kennesaw Marketplace transferred to the Company through the completion of an exchange and expiration of the 180-day waiting period, respectively. During the second quarter of 2019, the title of Sandy Plains Centre transferred to the Company through the expiration of the 180-day waiting period.

The Company incurred transaction costs of \$2,334 and \$430 during the years ended December 31, 2019 and 2018, which were capitalized and included in building and other improvements on the Company's consolidated balance sheets.



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**Notes to Consolidated Financial Statements**

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**5. Disposed Properties**

*Continuing operations*

The following table reflects the retail properties disposed of during the year ended December 31, 2019:

<b>Date</b>	<b>Property</b>	<b>Metropolitan Area</b>	<b>Square Feet</b>	<b>Gross Disposition Price</b>	<b>Gain (Loss) on Sale of Investment Properties, net</b>	<b>Loss on Extinguishment of Debt</b>
April 3, 2019	Brooks Corner	San Antonio	173,000	\$ 26,300	\$ 5,531	\$ (809)
May 31, 2019	Silverlake	Cincinnati	101,000	6,650	131	—
August 15, 2019	Promenade Fultondale	Birmingham, AL	207,600	23,200	1,861	—
August 21, 2019	Crossroads at Chesapeake Square and Chesapeake Commons	Virginia Beach	198,700	23,100	1,353	—
September 10, 2019	West Creek	Austin	53,300	18,700	5,962	—
September 13, 2019	Boynton Commons	Miami	210,300	50,000	18,405	—
September 25, 2019	Quebec Square	Denver	207,600	42,250	(800)	(2,092)
October 11, 2019	Northwest Marketplace	Houston	185,200	29,500	7,037	—
November 14, 2019	White Oak Crossing	Raleigh	564,700	92,500	21,737	—
November 20, 2019	Woodbridge Crossing	Dallas	197,000	45,600	794	—
			<u>2,098,400</u>	<u>\$ 357,800</u>	<u>\$ 62,011</u>	<u>\$ (2,901)</u>

In aggregate, the Company recognized net proceeds of \$346,707 from the sales of these retail properties on the consolidated statement of cash flows during the year ended December 31, 2019.

The following table reflects the retail properties disposed of during the year ended December 31, 2018:

<b>Date</b>	<b>Property</b>	<b>Metropolitan Area</b>	<b>Square Feet</b>	<b>Gross Disposition Price</b>	<b>Gain (Loss) on Sale and Transfer of Investment Properties, net</b>	<b>Gain (Loss) on Extinguishment of Debt</b>
January 9, 2018	Sherman Town Center I & II	Dallas	485,000	\$ 63,000	\$ 12,382	\$ —
January 25, 2018	Grafton Commons	Milwaukee	239,000	33,500	6,564	—
March 8, 2018	Lakeport Commons	Sioux City, IA	283,000	31,000	(666)	—
March 21, 2018	Stonecrest Marketplace (a)	Atlanta	265,000	—	1,777	10,752
March 31, 2018	Northwest Marketplace (b)	Houston	—	—	248	—
April 17, 2018	Market at Morse/Hamilton	Columbus	45,000	10,000	1,592	—
May 24, 2018	Siegen Plaza	Baton Rouge	156,000	29,000	3,849	(54)
June 20, 2018	Tomball Town Center	Houston	67,000	22,750	7,184	—
June 26, 2018	Bellerive Plaza (c)	Lexington, KY	76,000	—	(22)	1,694
June 28, 2018	Parkway Centre North	Columbus	143,000	23,700	5,357	(1,695)
September 14, 2018	Tulsa Hills	Tulsa	473,000	70,000	13,476	—
October 5, 2018	McKinney Town Center	Dallas	243,000	51,000	15,430	—
October 5, 2018	Riverstone Shopping Center	Houston	273,000	27,750	(320)	(1,540)
October 23, 2018	Hiram Pavilion	Atlanta	363,000	44,350	22,124	—
November 19, 2018	Poplin Place	Charlotte, NC	228,000	28,300	2,841	—
November 20, 2018	Walden Park	Austin	34,000	5,325	5	—
December 20, 2018	Streets of Cranberry	Pittsburgh	108,000	26,500	3,276	—
			<u>3,481,000</u>	<u>\$ 466,175</u>	<u>\$ 95,097</u>	<u>\$ 9,157</u>

- (a) On March 21, 2018, the Company surrendered Stonecrest Marketplace, with a carrying value of \$23,932, to the lender in satisfaction of non-recourse debt with an initial maturity date of March 1, 2017, and recognized a gain on transfer of assets, net, of \$1,777. The Company is not aware of any material outstanding commitments and contingencies related to Stonecrest Marketplace.

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- (b) The Company recognized a gain on sale of \$248 related to the completion of a partial condemnation at this retail property.
- (c) On June 26, 2018, the Company surrendered Bellerive Plaza, with a carrying value of \$4,771, to the lender in satisfaction of non-recourse debt with an initial maturity date of June 1, 2017. The Company recognized a loss on transfer of assets, net, of \$22. The Company is not aware of any material outstanding commitments and contingencies related to Bellerive Plaza.

In aggregate, the Company recognized net proceeds of \$430,514 from the sales, surrender, and condemnation of these retail properties on the consolidated statement of cash flows during the year ended December 31, 2018.

*Discontinued operations*

The item reflected as discontinued operations on the consolidated statement of operations and comprehensive income for the year ended December 31, 2019 is the settlement of indemnity claims arising from the sale of University House Communities Group, Inc. ("University House"), the Company's former student housing platform, as disclosed in "Note 12. Commitments and Contingencies." The item reflected as discontinued operations on the consolidated statement of operations and comprehensive income for the year ended December 31, 2017, is the disposition of Worldgate Plaza, a non-core office property.

On August 30, 2017, the Company sold Worldgate Plaza for a gross disposition price of \$53,500, and recognized a gain on the sale of this property of \$10,115 as part of income from discontinued operations. The following table summarizes the Company's discontinued operations during the year ended December 31, 2017:

	<b>Year ended December 31, 2017</b>
Total income	\$ 3,935
Depreciation and amortization	(1,205)
Other operating expenses	(2,308)
Interest expense, income taxes, and other miscellaneous income	(6,696)
Gain on sale of investment property	10,115
Loss on extinguishment of debt	(2)
Net income from discontinued operations	<u>\$ 3,839</u>

**6. Investment in Consolidated and Unconsolidated Entities**

*Consolidated Entities*

As of December 31, 2019, the Company had no VIEs. At December 31, 2018, Sandy Plains Centre was the Company's only VIE through an active Reverse 1031 Exchange. The liabilities of the VIE are not recourse to the Company, and the assets must be used first to settle obligations of the VIE. The following table reflects the assets, liabilities and net assets of the Company's VIE as of December 31, 2018.

	<b>December 31, 2018</b>
Net investment properties	\$ 39,634
Other assets	4,457
Total assets	<u>44,091</u>
Liabilities	385
Net assets	<u>\$ 43,706</u>

*Unconsolidated Entities*

The entities listed in the table below are or were owned by the Company and other unaffiliated parties in joint ventures. Net income, distributions and capital transactions for these entities are or was allocated to the Company and its joint venture partners in accordance with the respective partnership agreements.

The Company analyzed the joint venture agreements and determined that the joint ventures were not VIEs. The Company also considered the joint venture partners' participating rights under the joint venture agreements and determined that the joint venture partners have the ability to participate in major decisions, which equates to shared decision making. Accordingly, the Company has significant influence but does not control the joint ventures. Therefore, these joint ventures were not consolidated

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by the Company, and the equity method of accounting was used to account for these investments. Under the equity method of accounting, the net equity investment of the Company and the Company's share of net income or loss from the unconsolidated entity are reflected in the consolidated balance sheets and the consolidated statements of operations and comprehensive income.

Entity	Description	Current Ownership %	Carrying Value of Investment as of December 31,	
			2019	2018
IAGM Retail Fund I, LLC	Multi-tenant retail shopping centers	55%	\$ 118,861	\$ 126,195
Downtown Railyard Venture, LLC	Land development	—%	—	30,049
Other unconsolidated entities	Various real estate investments	—%	—	(112)
			\$ 118,861	\$ 156,132

**IAGM**

On April 17, 2013, the Company entered into a joint venture, IAGM, with PGGM for the purpose of acquiring, owning, managing, supervising and disposing of retail properties and sharing in the profits and losses from those retail properties and their activities. The Company contributed 14 properties to IAGM during the year ended December 31, 2013, and treated the contributions as partial sales under FASB Topic 360-20, "*Property, Plant and Equipment - Real Estate Sales.*" The resulting deferred aggregate gain of \$15,625 was reflected as a basis adjustment and subsequently amortized over 30 years, consistent with the depreciation period of the investee's underlying assets. The Company's adoption of ASU No. 2017-05, "*Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*" on January 1, 2018, resulted in the remaining \$12,756 of the aforementioned deferred gain being recognized through beginning distributions in excess of accumulated net income.

During the year ended December 31, 2019, IAGM disposed of Rockwell Plaza, a 255,000 square foot retail property, for a gross disposition price of \$20,500 and recognized a provision for asset impairment of \$1,443 and a loss on sale of \$559. The Company's share of IAGM's provision for asset impairment was \$794, and its share of the loss on sale was \$307. Proceeds from the sale were used to extinguish the related \$16,250 non-recourse mortgage loan.

During the year ended December 31, 2018, IAGM recognized a provision for asset impairment of \$3,673 on three retail properties and a loss on sale of \$4,135 on two retail properties. For the year ended December 31, 2018, the Company's share of IAGM's provision for asset impairment and loss on sale was \$2,020 and \$2,274, respectively.

**Downtown Railyard Ventures, LLC**

On September 30, 2015, the Company was admitted as a member to Downtown Railyard Venture, LLC ("DRV"), which was a joint venture established for the purpose of developing and selling a land development in Sacramento, California. The joint venture partner was the developer and managing member of DRV, responsible for the day-to-day activities and earned fees for managing the venture. During the year ended December 31, 2018, the Company recorded an other-than-temporary impairment of \$29,933 on DRV due to a reduction in the expected hold period, thereby reducing the investment to an estimated fair value that the Company believed would be most probable of realization if the investment was liquidated. On June 24, 2019, the Company liquidated all interests in DRV in exchange for \$30,000 of cash consideration. As a result of the other-than-temporary impairment recorded in 2018, the liquidation of interests resulted in no gain or loss being recognized on the transaction. Upon liquidation, the Company has no continuing involvement with DRV.

During the year ended December 31, 2017, the Company received a final distribution from one unconsolidated entity of \$366, which reduced the Company's investment in the unconsolidated entity to zero. No gain or loss was recognized as part of the transaction.

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*Combined Financial Information*

The following tables present the combined financial information for the Company's investments in unconsolidated entities.

	<b>As of</b>	
	<b>December 31, 2019</b>	<b>December 31, 2018</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Assets:</b>		
Real estate assets, net of accumulated depreciation	\$ 425,585	\$ 494,583
Other assets	66,437	103,565
<b>Total assets</b>	<b>492,022</b>	<b>598,148</b>
<b>Liabilities and equity:</b>		
Mortgage debt, net	256,732	272,629
Other liabilities	20,765	42,569
Equity	214,525	282,950
<b>Total liabilities and equity</b>	<b>492,022</b>	<b>598,148</b>
Company's share of equity	118,861	185,814
Outside basis difference (a)	—	(29,682)
<b>Carrying value of investments in unconsolidated entities</b>	<b>\$ 118,861</b>	<b>\$ 156,132</b>

(a) The outside basis difference principally related to the DRV impairment recorded in 2018.

	<b>Year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Revenues</b>	<b>\$ 53,464</b>	<b>\$ 58,322</b>	<b>\$ 62,367</b>
<b>Expenses:</b>			
Interest expense and loan cost amortization	10,882	13,205	13,419
Depreciation and amortization	20,135	21,001	26,860
Operating, general and administrative expenses	18,670	19,732	22,304
Provision for asset impairment	1,443	3,673	4,745
<b>Total expenses</b>	<b>51,130</b>	<b>57,611</b>	<b>67,328</b>
Income (loss) before sale of real estate and debt extinguishments	2,334	711	(4,961)
(Loss) gain on sale of real estate	(5,540)	(4,123)	434
Loss on debt extinguishment	—	(20)	—
<b>Net loss</b>	<b>\$ (3,206)</b>	<b>\$ (3,432)</b>	<b>\$ (4,527)</b>
Company's share of net loss, net of excess basis depreciation of \$0, \$0, and \$520, respectively	\$ (3,446)	\$ (1,870)	\$ (1,930)
Distributions from unconsolidated entities in excess of the investments' carrying value	—	410	1,126
Impairment of investment in unconsolidated entity	—	(29,933)	—
Outside basis adjustment for investee's sale of real estate	4,403	—	—
<b>Equity in earnings (losses) and (impairment), net, of unconsolidated entities</b>	<b>\$ 957</b>	<b>\$ (31,393)</b>	<b>\$ (804)</b>

The following table presents the scheduled maturities of IAGM's total third party mortgage debt of \$258,827 as of December 31, 2019, for each of the next five years, and thereafter:

	<b>Maturities during the year ending December 31,</b>						<b>Total</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Thereafter</b>	
Mortgages payable	\$ 14,872	\$ 23,150	\$ —	\$ 180,125	\$ —	\$ 40,680	\$ 258,827

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As of December 31, 2019 and 2018, none of IAGM's mortgages payable are recourse to the Company. It is anticipated that the joint venture will be able to repay, refinance or extend all of its debt on a timely basis. On January 22, 2020, IAGM prepaid a \$14,872 mortgage payable.

On November 2, 2018, IAGM entered into a senior secured term loan facility of \$152,000 to refinance its mortgages payable maturing in 2018. The senior secured term loan facility matures in November 2023 and contains two twelve-month extension options that IAGM may exercise upon payment of an extension fee equal to 0.10% of the total commitment amount on the first day of the extension term and subject to certain other conditions. The senior secured term loan facility bears interest at a rate equal to the London Inter-bank Offered Rate ("LIBOR") daily floating rate plus 1.55% and requires the maintenance of certain financial covenants.

**7. Intangible Assets, Liabilities, and Deferred Leasing Costs**

The following table summarizes the Company's identified intangible assets, liabilities, and deferred leasing costs as of December 31, 2019 and 2018:

	As of December 31,	
	2019	2018
<b>Intangible assets:</b>		
In-place leases	\$ 158,002	\$ 156,004
Above-market leases	16,625	22,353
Intangible assets	<u>174,627</u>	<u>178,357</u>
<b>Accumulated amortization:</b>		
In-place leases	(51,471)	(58,203)
Above-market leases	(6,796)	(12,149)
Accumulated amortization	<u>(58,267)</u>	<u>(70,352)</u>
Intangible assets, net	<u>\$ 116,360</u>	<u>\$ 108,005</u>
<b>Intangible liabilities:</b>		
Below-market leases	\$ 69,161	\$ 74,312
Accumulated amortization	(26,519)	(27,327)
Intangible liabilities, net	<u>\$ 42,642</u>	<u>\$ 46,985</u>
<b>Deferred leasing costs:</b>		
Leasing costs	\$ 14,806	\$ 18,236
Accumulated amortization	(3,896)	(8,018)
Deferred leasing costs, net	<u>\$ 10,910</u>	<u>\$ 10,218</u>

The following table provides a summary of the amortization related to intangible assets, liabilities, and deferred leasing costs for the years ended December 31, 2019, 2018 and 2017:

	Year ended December 31,		
	2019	2018	2017
<b>Intangible assets:</b>			
In-place leases	\$ 24,601	\$ 22,523	\$ 22,580
Above-market leases	2,613	3,036	3,053
Amortization of intangible assets	<u>\$ 27,214</u>	<u>\$ 25,559</u>	<u>\$ 25,633</u>
<b>Intangible liabilities:</b>			
Amortization of below-market leases	\$ 8,736	\$ 8,570	\$ 8,563
<b>Deferred leasing costs:</b>			
Amortization of deferred leasing costs	<u>\$ 2,311</u>	<u>\$ 2,036</u>	<u>\$ 1,806</u>

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The following table provides a summary of the amortization during the next five years and thereafter related to deferred costs and intangible assets and liabilities as of December 31, 2019:

<b>Year ending December 31,</b>	<b>In-place leases</b>	<b>Above market leases</b>	<b>Deferred leasing costs</b>	<b>Below market leases</b>
2020	\$ 20,164	\$ 2,124	\$ 3,212	\$ 7,572
2021	16,923	1,786	1,667	6,314
2022	12,919	1,265	1,493	4,839
2023	10,952	1,046	1,187	3,792
2024	9,542	824	820	3,095
Thereafter	36,031	2,784	2,531	17,030
<b>Total</b>	<b>\$ 106,531</b>	<b>\$ 9,829</b>	<b>\$ 10,910</b>	<b>\$ 42,642</b>

**8. Debt**

As of December 31, 2019, the Company's total debt, net, was \$572,850, which consists of mortgages payable, net, of \$175,321 and credit agreements, net, of \$397,529. The Company believes that it has the ability to repay, refinance or extend any of its debt, and that it has adequate sources of funds to meet short-term cash needs related to its mortgages payable and credit agreements. It is anticipated that the Company will use proceeds from property sales, cash on hand, and available capacity on credit agreements, if any, to repay, refinance or extend the mortgages payable maturing in the near term.

*Mortgages payable*

As of December 31, 2019 and 2018, the Company had the following mortgages payable outstanding:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Mortgages payable (a)	\$ 176,051	\$ 213,925
Premium, net of accumulated amortization	—	239
Discount, net of accumulated amortization	(121)	(158)
Debt issuance costs, net of accumulated amortization	(609)	(1,079)
<b>Total mortgages payable, net</b>	<b>\$ 175,321</b>	<b>\$ 212,927</b>

(a) Mortgages payable had fixed interest rates ranging from 3.49% to 5.49% as of December 31, 2019 and 2018, with a weighted average interest rate of 4.34% and 4.33% as of December 31, 2019 and 2018, respectively.

Some of the mortgage loans require compliance with certain covenants, such as debt service coverage ratios, investment restrictions and distribution limitations. As of December 31, 2019 and 2018, the Company was in compliance with all mortgage loan requirements.

The following table shows the scheduled maturities of the Company's mortgages payable as of December 31, 2019, for each of the next five years, and thereafter:

	<b>Maturities during the year ending December 31,</b>						
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Thereafter</b>	<b>Total</b>
Mortgages payable	\$ 41,000	\$ —	\$ 49,788	\$ 40,933	\$ 15,700	\$ 28,630	\$ 176,051

*Credit Agreements*

Unsecured revolving line of credit

On December 21, 2018, the Company entered into an unsecured revolving credit agreement, which amended and restated the Company's prior unsecured revolving credit agreement in its entirety, and provides for a \$350,000 unsecured revolving line of credit (the "Revolving Credit Agreement"). The Revolving Credit Agreement has a 4-year term maturing on December 21, 2022, with two six month extension options. Interest rates are based on the Company's total leverage ratio or, at the Company's one-time irrevocable option, upon achievement of an investment-grade credit rating. A facility fee accrues on the aggregate commitments at a rate ranging from 0.15% to 0.30% depending on the Company's total leverage ratio, and as of December 31, 2019 and 2018, the facility fee was 0.15%. As of December 31, 2019, the Company had no outstanding borrowings under the unsecured revolving credit agreements.

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Unsecured term loans

On December 21, 2018, the Company entered into an unsecured term loan credit agreement, which amended and restated the Company's prior unsecured term loan credit agreement in its entirety, and provides for \$400,000 in unsecured term loans (the "Term Loan Agreement"). The Term Loan Agreement consists of two tranches: a \$250,000 5-year tranche maturing on December 21, 2023, and a \$150,000 5.5-year tranche maturing on June 21, 2024. Interest rates are based on the Company's total leverage ratio or, at the Company's one-time irrevocable option, upon achievement of an investment-grade credit rating.

The term loan credit facility is subject to maintenance of certain financial covenants. As of December 31, 2019 and 2018, the Company was in compliance with all of the covenants and default provisions under the credit agreements.

As of December 31, 2019 and 2018, the Company had the following borrowings outstanding under its unsecured term loans:

	December 31, 2019		December 31, 2018		Maturity Date
	Principal Balance	Interest Rate	Principal Balance	Interest Rate	
\$250.0 million 5 year - swapped to fixed rate	\$ 100,000	2.6795% (a)	\$ 90,000	2.5510% (a)	December 21, 2023
\$250.0 million 5 year - swapped to fixed rate	100,000	2.6795% (a)	60,000	2.5525% (a)	December 21, 2023
\$250.0 million 5 year - variable rate	50,000	2.8911% (b)	50,000	3.5493% (c)	December 21, 2023
\$250.0 million 5 year - variable rate	—	—%	26,000	3.6794% (d)	December 21, 2023
\$150.0 million 5.5 year - swapped to fixed rate	50,000	2.6915% (a)	50,000	3.5493% (c)	June 21, 2024
\$150.0 million 5.5 year - swapped to fixed rate	50,000	2.6990% (a)	50,000	3.5493% (c)	June 21, 2024
\$150.0 million 5.5 year - variable rate	50,000	2.8911% (b)	26,000	3.6794% (d)	June 21, 2024
Total unsecured term loans	400,000		352,000		
Issuance costs, net of accumulated amortization	(2,471)		(3,145)		
Total outstanding credit agreements, net	<u>\$ 397,529</u>		<u>\$ 348,855</u>		

- (a) During the third quarter of 2019, the Company entered into four interest rate swap agreements which effectively replaced the two previous interest rate swaps which terminated on December 1, 2019. Of the four new interest rate swap agreements, two have a notional amount of \$100,000, an effective date of December 2, 2019, a termination date of December 21, 2023, and achieve a fixed interest rate of 2.6795%. The other two interest rate swap agreements each have a notional amount of \$50,000, an effective date of December 2, 2019, a termination date of June 21, 2024, and achieve fixed interest rates of 2.6915% and 2.6990%. As of December 31, 2018, the Company swapped \$90,000 (notional amount of \$90,000) and \$60,000 (notional amount of \$60,000) of variable-rate debt at an interest rate of 1-Month LIBOR plus 1.20% to a fixed rate of 2.5510% and 2.5525%, respectively. The swaps had an effective date of December 10, 2015, and a termination date of December 1, 2019.
- (b) Interest rate reflects 1-Month LIBOR plus 1.20% effective December 2, 2019.
- (c) Interest rate reflects 1-Month LIBOR plus 1.20% as of December 3, 2018.
- (d) Interest rate reflects 1-Month LIBOR plus 1.20% as of December 21, 2018.

For the years ending December 31, 2019 and 2018, each of the Company's interest rate swaps are in an asset position and included within deferred costs and other assets, net on the consolidated balance sheets. The Company has designated these interest rate swaps as cash flow hedges. The following table represents the effect of the derivative financial instruments on the consolidated financial statements:

	Location and amount of gain recognized in accumulated comprehensive income			Interest expense, net	Location and amount of gain (loss) reclassified from accumulated comprehensive income into net income			Interest expense, net	Total interest expense presented in the consolidated statements of operations in which the effects of cash flow hedges are recorded		
	2019	2018	2017		2019	2018	2017		2019	2018	2017
Unrealized gain on derivatives	\$ 816	923	1,183	\$ 1,396	956	(423)	\$ 22,717	24,943	30,155		

As of December 31, 2019, the Company expects \$379 of deferred amounts in accumulated comprehensive income to be reclassified into earnings during the next 12 months.

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**9. Fair Value Measurements**

*Recurring Measurements*

The following financial instruments are re-measured at fair value on a recurring basis:

	Fair Value Measurements as of					
	December 31, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative interest rate assets	\$ —	\$ 1,057	\$ —	\$ —	\$ 1,637	\$ —

Level 1

At December 31, 2019 and 2018, the Company had no level one recurring fair value measurements.

Level 2

To calculate the fair value of the derivative interest rate instruments, the Company primarily uses quoted prices for similar contracts and inputs based on data that are observed in the forward yield curve that is widely observable in the marketplace. The Company also incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements that utilize Level 3 inputs, such as estimates of current credit spreads.

As of December 31, 2019 and 2018, the Company determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company's derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Level 3

At December 31, 2019 and 2018, the Company had no level three recurring fair value measurements.

*Non-Recurring Measurements*

*Investment Properties*

During the year ended December 31, 2019, the Company identified one retail property that had a reduction in its expected holding period and recorded a provision for asset impairment of \$2,359 on the consolidated statement of operations and comprehensive income as a result of the fair value being lower than the property's carrying value. The Company's fair value was based on an executed sales contract.

During the year ended December 31, 2018, the Company identified three retail properties that had reductions in the expected holding period and recorded an aggregate provision for asset impairment of \$3,510 on the consolidated statement of operations and comprehensive income as a result of the fair values being lower than the properties' carrying values. The Company's fair values were based on executed sales contracts.

During the year ended December 31, 2017, the Company identified certain retail properties that had reductions in the expected holding periods and reviewed the probability of these properties' disposition. The Company's estimated fair value relating to the investment retail properties' impairment analyses were based on, as applicable to the particular retail property, purchase contracts, broker opinions of value, letters of intent and 10-year discounted cash flow models, which include estimated inflows and outflows over a specific holding period and estimated net disposition proceeds at the end of the 10-year period. The discounted cash flow models consist of observable inputs, such as contractual revenues, and unobservable inputs, such as forecasted revenues, and expenses and estimated net disposition proceeds at the end of the 10-year period. These unobservable inputs are based on market conditions and the Company's expected growth rates. Capitalization rates ranging from 7.00% to 8.00%, and discount rates ranging from 8.00% to 9.00% were utilized in the 10-year discounted cash flow model and were based upon observable rates that the Company believed to be within a reasonable range of current market rates. As a result of these analyses, the Company recorded a provision for asset impairment of \$27,754 on six retail properties on the consolidated statement of operations and comprehensive income for the year ended December 31, 2017.



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*Investment in Unconsolidated Entities*

During the year ended December 31, 2018, the Company evaluated its investment in DRV for potential other-than-temporary impairment due to a reduction in expected holding period. The Company obtained a third-party independent appraisal to assist in establishing a range of estimated fair values of the underlying assets as of December 31, 2018. The appraisal utilized a discounted cash flow model, which included inflows and outflows over a specific holding period. The cash flows consisted of unobservable inputs such as forecasted revenues and expenses, based on market conditions and expected growth rates. Capitalization rates ranging from 5.00% to 8.00% and discount rates ranging from 10.00% to 35.00% were utilized in the model based upon observable rates that the Company believed to be within a reasonable range of then current market rates, based on the nature of the underlying investment and associated risks. As a result of the third party independent appraisal, the Company recorded an other-than-temporary impairment of \$29,933 related to DRV on the consolidated statement of operations and comprehensive income for the year ended December 31, 2018.

The following table summarizes activity for the Company's assets measured at fair value on a non-recurring basis and the related impairment charges for the years ended December 31, 2019, 2018, and 2017:

	As of December 31, 2019		As of December 31, 2018		As of December 31, 2017	
	Level 3	Impairment Loss	Level 3	Impairment Loss	Level 3	Impairment Loss
Investment properties	\$ 42,250	\$ 2,359	\$ 64,075	\$ 3,510	\$ 105,900	\$ 27,754
Investment in unconsolidated entities	—	—	30,049	29,933	—	—
<b>Total</b>		<b>\$ 2,359</b>		<b>\$ 33,443</b>		<b>\$ 27,754</b>

*Financial Instruments Not Measured at Fair Value*

The table below represents the estimated fair value of financial instruments presented at carrying values in the Company's consolidated financial statements as of December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Mortgages payable	\$ 176,051	\$ 178,937	\$ 213,925	\$ 212,572
Term loans	\$ 400,000	\$ 400,020	\$ 352,000	\$ 352,006

The Company estimated the fair value of its mortgages payable using a weighted-average effective market interest rate of 3.71% and 4.38% as of December 31, 2019 and 2018, respectively. The fair value estimate of the term loans approximate the carrying value due to limited market volatility in pricing. The assumptions reflect the terms currently available on similar borrowing terms to borrowers with credit profiles similar to that of the Company's. As a result, the Company used a weighted-average interest rate of 2.77% and 3.63% as of December 31, 2019 and 2018, respectively, to estimate the fair value of its term loans. The Company has determined that its debt instrument valuations are classified in Level 2 of the fair value hierarchy.

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**10. Earnings Per Share and Equity Transactions**

Basic earnings per share ("EPS") is computed using the two-class method by dividing net income by the weighted average number of common shares outstanding for the period (the "common shares") and participating securities. The restricted share awards issued pursuant to the InvenTrust Properties Corp. 2015 Incentive Award Plan (as amended, the "Incentive Award Plan") are deemed to be participating securities. Diluted EPS is generally computed using the treasury-stock method by dividing net income by the common shares plus potential common shares resulting from restricted share awards.

The following table reconciles the amounts used in calculating basic and diluted income per share:

	<b>Year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Numerator:</b>			
Net income from continuing operations	\$ 63,899	\$ 83,849	\$ 57,954
Earnings allocated to unvested restricted shares	(29)	(95)	(15)
Net income from continuing operations attributable to common shareholders	<u>\$ 63,870</u>	<u>\$ 83,754</u>	<u>\$ 57,939</u>
Net (loss) income from discontinued operations attributable to common shareholders	<u>\$ (25,500)</u>	<u>\$ —</u>	<u>\$ 3,839</u>
<b>Denominator:</b>			
Weighted average number of common shares outstanding - basic	728,620,309	761,139,011	773,445,341
Effect of unvested restricted shares	763,840	926,463	1,155,138
Weighted average number of common shares outstanding - diluted	<u>729,384,149</u>	<u>762,065,474</u>	<u>774,600,479</u>
<b>Basic and diluted income per common share:</b>			
Net income from continuing operations per share	\$ 0.09	\$ 0.11	\$ 0.07
Net (loss) income from discontinued operations per share	(0.04)	—	—
Net income per share	<u>\$ 0.05</u>	<u>\$ 0.11</u>	<u>\$ 0.07</u>

On November 1, 2019, the Company adopted a Second Amended and Restated Share Repurchase Program ("Share Repurchase Program"), authorizing redemption of the Company's shares of common stock, subject to certain conditions and limitations, to provide limited liquidity to stockholders. The Company's obligation to repurchase any shares under the Share Repurchase Program was conditioned upon having sufficient funds available to complete the repurchase. The repurchase price per share for all stockholders is equal to a 25% discount to the most recent estimated NAV per share of the Company's common stock established by the Company's board of directors, which was \$3.14 per share as of May 1, 2019. During the year ended December 31, 2019, 8,517,605 shares were repurchased in connection with the Share Repurchase Program. The price per share for all shares repurchased was \$2.355.

On November 1, 2019, the Company began offering shares of the Company's common stock to existing stockholders pursuant to the Company's amended and restated distribution reinvestment plan ("DRP"). Under the DRP, stockholders may elect to reinvest an amount equal to the distributions declared on their shares of common stock into additional shares of the Company's common stock in lieu of receiving cash distributions. In accordance with the DRP, participants may acquire shares of common stock at a 25% discount to the most recent estimated NAV per share of the Company's common stock established by the Company's board of directors, which was \$3.14 per share as of May 1, 2019. During the year ended December 31, 2019, the Company did not issue shares pursuant to the DRP.

On August 15, 2018, the Company announced and commenced a modified "Dutch Auction" tender offer (the "Offer") to purchase for cash up to \$75,000 in value of shares of the Company's common stock, par value \$0.001 per share (the "Shares"), subject to its ability to increase the number of Shares accepted for payment by up to 2% of the Company's outstanding Shares. The Company exercised that option and increased the Offer by 10,706,774 shares, or \$22,500, to avoid any proration for the stockholders tendering shares. The Offer expired on September 13, 2018.

As a result of the Offer, the Company accepted for purchase 46,559,289 shares of its common stock (which represented approximately 6.0% of the shares of common stock outstanding at the time) at a purchase price of \$2.10 per share, for a cost of approximately \$97,775, excluding fees and expenses. Aggregate costs of \$98,491 were recorded as reductions to common stock and additional paid-in capital on the consolidated statements of equity for the year ended December 31, 2018.

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**11. Stock-Based Compensation**

*Incentive Award Plan*

Effective as of June 19, 2015, the Company's Board adopted the Incentive Award Plan, under which the Company may grant cash and equity incentive awards to eligible employees, directors, and consultants. Time-based awards granted to employees vest equally on each of three anniversaries subsequent to the grant date, and annually for those awards granted to directors, subject to the recipients' continued service to the Company. Performance-based awards granted to employees vest on the third anniversary subsequent to the grant date, subject to the recipients' continued service to the Company and achievement of the specified performance levels.

Under the Incentive Award Plan, the Company is authorized to grant up to 30,000,000 shares of the Company's common stock pursuant to awards under the plan. As of December 31, 2019, 21,213,679 shares were available for future issuance under the Incentive Award Plan.

The following table summarizes the Company's RSU activity under the Incentive Award Plan during the years ended December 31, 2019, 2018 and 2017:

	Unvested Time-Based RSUs	Unvested Performance-Based RSUs	Weighted Average Grant Date Value Per Share (a)
Outstanding as of January 1, 2017	1,646,523	—	\$3.29
Shares granted	2,019,078	—	\$3.29
Shares vested	(1,750,773)	—	\$3.38
Shares forfeited	(379,323)	—	\$3.25
Outstanding as of December 31, 2017	1,535,505	—	\$3.19
Shares granted	1,950,307	—	\$3.14
Shares vested	(1,349,852)	—	\$3.20
Shares forfeited	(587,810)	—	\$3.19
Outstanding as of December 31, 2018	1,548,150	—	\$3.18
Shares granted	1,225,170	1,450,811	\$3.14
Shares vested	(1,275,188)	—	\$3.18
Shares forfeited	(202,441)	(61,169)	\$3.17
Outstanding as of December 31, 2019	1,295,691	1,389,642	\$3.14

(a) On an annual basis, the Company engages an independent third-party valuation advisory consulting firm to estimate the value per share of the Company's common stock.

As of December 31, 2019, there was \$6,528 of total unrecognized compensation expense related to unvested stock-based compensation arrangements that will vest through December 2021. The Company recognized stock-based compensation expense of \$5,541, \$4,330 and \$5,782 for the years ended December 31, 2019, 2018 and 2017, respectively, as a part of general and administrative expenses on the consolidated statements of operations and comprehensive income.

*Retail Share Unit Plan*

During 2014, the Company adopted the Inland American Real Estate Trust, Inc., 2014 Share Unit Plan (the "Retail Share Unit Plan"), with respect to the Company's retail business. Vesting of the share units was conditioned upon the occurrence of a triggering event, such as a listing or a change in control. As of June 19, 2015, in connection with the adoption of the Incentive Award Plan, the Company terminated the Retail Share Unit Plan. As no triggering event occurred within five years following the applicable grant dates, all share units have been forfeited as of March 12, 2019, and no share-based compensation expense has been recognized for the years ended December 31, 2019, 2018 or 2017.

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**12. Commitments and Contingencies**

The Company is subject, from time to time, to various types of third-party legal claims or litigation that arise in the ordinary course of business, including, but not limited to, property loss claims, personal injury or other damages resulting from contact with the Company's properties. These claims and lawsuits and any resulting damages are generally covered by the Company's insurance policies. The Company accrues for legal costs associated with loss contingencies when these costs are probable and reasonably estimable. While the resolution of these matters cannot be predicted with certainty, management does not expect, based on currently available information, that the final outcome of any pending claims or legal proceedings will have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

*University House Communities Group, Inc., Indemnity Claims*

The Company received an indemnity notice from UHC Acquisition Sub LLC ("UHC") regarding certain matters under the Stock Purchase Agreement, dated January 3, 2016, for University House, which was sold in June 2016. The notice set forth various items for which UHC believed they were entitled to indemnification from the Company. In the normal course of property dispositions, pursuant to the purchase and sale agreements, certain indemnification claims can be made against the Company by the purchaser. Based on the facts and circumstances of the indemnification claims made, guidance provided by third-party specialists and external counsel, and management's ongoing assessment of the UHC claims, the Company accrued a potential loss contingency representing their best estimate of the potential loss related to these claims. On June 14, 2019, UHC and the Company, through various negotiations, reached a final settlement for the claims in the amount of \$30,000, which was paid by the Company on June 24, 2019. During the years ended December 31, 2019, 2018 and 2017 the Company recognized losses from discontinued operations of \$25,500, \$0, and \$4,500, respectively, related to these claims.

*Legacy Corner Apartments*

As previously disclosed in the Annual Report for the year ended December 31, 2017, the Company recorded \$553 of other expenses on the consolidated statements of operations and comprehensive income related to its portion of the final settlement of this matter.

*Operating and Finance Lease Commitments*

The Company has non-cancelable contracts of property improvements that have been deemed to contain finance leases that, prior to the adoption of Topic 842, were previously classified as capital leases. In addition, the Company has non-cancelable operating leases for office space used in its business and, upon the adoption of Topic 842, the Company recognized operating lease right-of-use ("ROU") assets of \$2,890 and lease liabilities of \$3,114.

In conjunction with the adoption of Topic 842, the Company elected the following practical expedients and accounting policies:

- to combine lease and non-lease components and apply Topic 842 to the combined component;
- to utilize a portfolio approach for determining a discount rate for groups of leases which are similar in nature and have similar contract provisions;
- to not recognize assets and liabilities related to leases with terms of 12 months or less; and
- to exclude variable lease payments from initial recognition of the lease liabilities and all lease options from the determination of minimum lease terms.

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The following table reflects the Company's operating, finance and capital lease arrangements as of December 31, 2019 and 2018:

	As of	
	December 31, 2019	December 31, 2018
Operating lease ROU assets (a)	\$ 2,515	\$ —
Operating lease ROU accumulated amortization (a)	\$ (539)	\$ —
Operating lease liabilities (b)	\$ 2,169	\$ —
Finance lease ROU assets (c)	\$ 1,641	\$ —
Finance lease ROU accumulated amortization (d)	\$ (187)	\$ —
Finance lease liabilities (b)	\$ 1,050	\$ —
Capital lease assets (c)	\$ —	\$ 2,097
Capital lease accumulated amortization (d)	\$ —	\$ (104)
Capital lease liabilities (b)	\$ —	\$ 1,789

- (a) Recognized as a part of deferred costs and other assets, net, on the consolidated balance sheets.
- (b) Recognized as a part of other liabilities on the consolidated balance sheets.
- (c) Recognized as a part of building and other improvements on the consolidated balance sheets.
- (d) Recognized as a part of accumulated depreciation on the consolidated balance sheets.

The following table reflects the Company's total lease cost, weighted-average lease terms and weighted-average discount rates for the year ended December 31, 2019:

	Year ended December 31, 2019
Minimum operating lease payments (a)	\$ 672
Variable operating lease payments (a)	122
Short-term operating lease payments (a)	313
ROU amortization of finance leases (b)	133
Interest expense of finance leases (c)	60
Total lease cost	<u>\$ 1,300</u>
Weighted-average remaining lease term of operating leases	4.7 years
Weighted-average remaining lease term of finance leases	2.8 years
Weighted-average discount rate of operating leases	4.44%
Weighted-average discount rate of finance leases	3.50%

- (a) Recognized as a part of general and administrative expenses on the consolidated statements of operations and comprehensive income.
- (b) Recognized as a part of depreciation and amortization on the consolidated statements of operations and comprehensive income.
- (c) Recognized as a part of interest expense, net, on the consolidated statements of operations and comprehensive income.

The following table reflects the Company's future minimum lease obligations as of December 31, 2019:

	Future Minimum Lease Payments	
	Operating Leases	Finance Leases
2020	\$ 586	\$ 493
2021	469	480
2022	442	279
2023	454	21
2024	469	—
Thereafter	40	—
Total expected minimum lease obligation	<u>2,460</u>	<u>1,273</u>
Less: Amount representing interest (a)	(291)	(223)
Present value of net minimum lease payments	<u>\$ 2,169</u>	<u>\$ 1,050</u>

- (a) Interest includes the amount necessary to reduce the total expected minimum lease obligations to present value calculated at the Company's incremental borrowing rate.

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The following table reflects the Company's future minimum lease obligations as of December 31, 2018:

	Future Minimum Lease Payments	
	Operating Leases	Capital Leases
2019	\$ 717	\$ 532
2020	611	532
2021	494	519
2022	466	317
2023	479	40
Thereafter	1,041	—
Total expected minimum lease obligation	<u>\$ 3,808</u>	<u>1,940</u>
Less: Amount representing interest (a)		(151)
Present value of net minimum lease payments		<u>\$ 1,789</u>

- (a) Interest includes the amount necessary to reduce the total expected minimum lease obligations to present value calculated at the Company's incremental borrowing rate.

**13. Subsequent Events**

In preparing its consolidated financial statements, the Company evaluated events and transactions occurring after December 31, 2019 through the date the financial statements were issued for recognition and disclosure purposes.

On January 15, 2020, the Company sold a total of 21,249 shares and generated \$50 in gross offering proceeds under the DRP.

On January 3, 2020, the Company extinguished the \$41,000 mortgage payable of Campus Marketplace with cash on hand.

**14. Quarterly Supplemental Financial Information (unaudited)**

The following table represents the results of operations, for each quarterly period, during 2019 and 2018:

	For the quarter ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Total income	\$ 54,740	\$ 58,169	\$ 57,190	\$ 56,391
Net income from continuing operations	28,694	24,926	6,278	4,001
Net loss from discontinued operations	—	—	(12,000)	(13,500)
Net income (loss)	28,694	24,926	(5,722)	(9,499)
Net loss per common share, from discontinued operations, basic and diluted (a)	\$—	\$—	(\$0.02)	(\$0.02)
Net income (loss) per common share, basic and diluted (a)	\$0.04	\$0.03	(\$0.01)	(\$0.01)
Weighted average number of common shares outstanding, basic (a)	728,544,149	728,722,763	728,654,374	728,558,989
Weighted average number of common shares outstanding, diluted (a)	729,536,570	729,456,722	729,287,663	728,827,861

  

	For the quarter ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Total income	\$ 57,256	\$ 60,094	\$ 61,490	\$ 63,834
Net income	17,507	8,947	23,163	34,232
Net income per common share, basic and diluted (a)	\$0.03	\$0.01	\$0.03	\$0.04
Weighted average number of common shares outstanding, basic (a)	727,904,818	768,385,770	774,391,881	774,311,254
Weighted average number of common shares outstanding, diluted (a)	728,973,047	769,306,859	774,930,240	774,394,732

- (a) Quarterly net income per common share amounts may not total to the annual amounts due to rounding and the changes in the number of weighted average common shares outstanding.

**INVENTRUST PROPERTIES CORP.**

**Schedule III - Real Estate and Accumulated Depreciation  
(amounts stated in thousands)**

PROPERTY NAME Location	Encumbrance	Initial Cost (A)				Gross amount at which carried at end of period				Accumulated Depreciation (D,E)	Date Acquired
		Land	Buildings and Improvements	Adjustments to Land Basis (B)	Adjustments to Basis (B)	Land and Improvements	Buildings and Improvements	Total (C)			
BEAR CREEK VILLAGE CENTER Wildomar, CA	\$ 12,748	\$ 3,523	\$ 12,384	\$ —	\$ 317	\$ 3,523	\$ 12,701	\$ 16,224	\$ 4,965	2009	
BENT TREE PLAZA Raleigh, NC	—	1,983	7,093	—	1,605	1,983	8,698	10,681	3,104	2009	
BUCKHEAD CROSSING Atlanta, GA	—	7,565	27,104	—	1,013	7,565	28,117	35,682	11,052	2009	
CAMPUS MARKETPLACE San Marcos, CA	41,000	26,928	43,445	55	(33)	26,983	43,412	70,395	4,681	2017	
CARY PARK TOWN CENTER Cary, NC	—	5,555	17,280	—	—	5,555	17,280	22,835	1,534	2017	
CENTERPLACE OF GREELEY Greeley, CO	13,795	3,904	14,715	—	369	3,904	15,084	18,988	5,978	2009	
CHEYENNE MEADOWS Colorado Springs, CO	—	2,023	6,991	—	171	2,023	7,162	9,185	2,843	2009	
COMMONS AT UNIVERSITY PLACE Raleigh, NC	—	3,198	17,909	—	—	3,198	17,909	21,107	569	2019	
COWETA CROSSING Newnan, GA	—	1,143	4,590	—	8	1,143	4,598	5,741	1,898	2009	
CUSTER CREEK VILLAGE Richardson, TX	—	4,750	12,245	—	387	4,750	12,632	17,382	5,534	2007	
ELDORADO MARKETPLACE Dallas, TX	—	15,732	49,311	—	—	15,732	49,311	65,043	582	2019	
ELDRIDGE TOWN CENTER Houston, TX	—	5,380	22,994	—	1,687	5,380	24,681	30,061	12,470	2005	
GARDEN VILLAGE San Pedro, CA	—	3,188	16,522	3,268	144	6,456	16,666	23,122	6,379	2009	
GATEWAY MARKET CENTER Tampa, FL	—	13,600	4,992	—	4,011	13,600	9,003	22,603	2,232	2010	

PROPERTY NAME Location	Encumbrance	Initial Cost (A)				Gross amount at which carried at end of period					Date Acquired
		Land	Buildings and Improvements	Adjustments to Land Basis (B)	Adjustments to Basis (B)	Land and Improvements	Buildings and Improvements	Total (C)	Accumulated Depreciation (D,E)		
KENNESAW MARKETPLACE Kennesaw, GA	\$ —	\$ 12,587	\$ 51,860	\$ —	\$ 242	\$ 12,587	\$ 52,102	\$ 64,689	\$ 2,840	2018	
KROGER TOMBALL Tomball, TX	—	1,104	10,223	—	—	1,104	10,223	11,327	241	2019	
KYLE MARKETPLACE Kyle, TX	—	6,076	48,220	—	331	6,076	48,551	54,627	3,902	2017	
LAKESIDE WINTER PARK AND LAKESIDE CROSSINGS Orland, FL	—	16,594	41,085	—	—	16,594	41,085	57,679	1,090	2019	
MARKET AT WESTLAKE Westlake Hills, TX	—	1,200	6,274	(64)	—	1,136	6,274	7,410	2,802	2007	
NORTHCROSS COMMONS Charlotte, NC	—	7,591	21,303	—	463	7,591	21,766	29,357	2,479	2016	
OLD GROVE MARKETPLACE Oceanside, CA	—	12,545	8,902	—	49	12,545	8,951	21,496	1,156	2016	
PARAISO PARC AND WESTFORK PLAZA Pembroke Pines, FL	—	28,267	124,019	—	4,367	28,267	128,386	156,653	12,518	2017	
PAVILION AT LAQUINTA LaQuinta, CA	23,245	15,200	20,947	—	856	15,200	21,803	37,003	8,417	2009	
PEACHLAND PROMENADE Port Charlotte, FL	—	1,742	6,502	4,158	7,857	5,900	14,359	20,259	942	2009	
PGA PLAZA Palm Beach Gardens, FL	—	10,414	75,730	—	302	10,414	76,032	86,446	4,075	2018	
PLANTATION GROVE Ocoee, FL	7,300	3,705	6,300	—	708	3,705	7,008	10,713	1,485	2014	
PLAZA MIDTOWN Atlanta, GL	—	5,295	23,946	—	194	5,295	24,140	29,435	1,871	2017	



PROPERTY NAME Location	Encumbrance	Initial Cost (A)				Gross amount at which carried at end of period					Date Acquired
		Land	Buildings and Improvements	Adjustments to Land Basis (B)	Adjustments to Basis (B)	Land and Improvements	Buildings and Improvements	Total (C)	Accumulated Depreciation (D,E)		
RENAISSANCE CENTER Durham, NC	\$ 14,818	\$ 26,713	\$ 96,141	\$ —	\$ 3,571	\$ 26,713	\$ 99,712	\$ 126,425	\$ 13,650	2016	
RIO PINOR PLAZA Orlando, FL	—	5,171	26,903	—	216	5,171	27,119	32,290	4,083	2015	
RIVER OAKS SHOPPING CENTER Valencia, CA	—	24,598	88,418	—	205	24,598	88,623	113,221	7,142	2017	
RIVERVIEW VILLAGE Arlington, TX	—	6,000	9,649	—	822	6,000	10,471	16,471	4,711	2007	
RIVERWALK MARKET Flower Mound, TX	—	5,931	23,922	—	73	5,931	23,995	29,926	2,773	2016	
ROSE CREEK Woodstock, GA	—	1,443	5,630	—	530	1,443	6,160	7,603	2,337	2009	
SANDY PLAINS CENTRE Marietta, GA	—	12,364	27,270	652	2,066	13,016	29,336	42,352	1,002	2018	
SARASOTA PAVILION Sarasota, FL	—	12,000	25,823	—	4,310	12,000	30,133	42,133	9,579	2010	
SCOFIELD CROSSING Austin, TX	—	8,100	4,992	(576)	3,269	7,524	8,261	15,785	2,457	2007	
SHOPS AT FAIRVIEW TOWN CENTER Dallas, TX	—	7,299	25,233	—	—	7,299	25,233	32,532	431	2019	
SHOPS AT THE GALLERIA Austin, TX	—	52,104	75,651	—	624	52,104	76,275	128,379	10,486	2016	
SONTERRA VILLAGE San Antonio, TX	—	5,150	15,095	—	404	5,150	15,499	20,649	2,199	2015	
SOUTHERN PALM CROSSING Miami, FL	—	37,735	49,843	—	—	37,735	49,843	87,578	941	2019	
STEVENSON RANCH Stevenson Ranch, CA	—	29,519	39,190	—	146	29,519	39,336	68,855	5,238	2016	

PROPERTY NAME Location	Encumbrance	Initial Cost (A)				Gross amount at which carried at end of period				Accumulated Depreciation (D,E)	Date Acquired
		Land	Buildings and Improvements	Adjustments to Land Basis (B)	Adjustments to Basis (B)	Land and Improvements	Buildings and Improvements	Total (C)			
SUNCREST VILLAGE Orlando, FL	\$ 8,400	\$ 6,742	\$ 6,403	\$ —	\$ 911	\$ 6,742	\$ 7,314	\$ 14,056	\$ 1,515	2014	
SYCAMORE COMMONS Matthews, NC	—	12,500	31,265	—	3,176	12,500	34,441	46,941	12,872	2010	
THE CENTER AT HUGH HOWELL Tucker, GA	—	2,250	11,091	—	751	2,250	11,842	14,092	5,611	2007	
THE PARKE Cedar Park, TX	—	9,271	83,078	—	428	9,271	83,506	92,777	7,011	2017	
THE POINTE AT CREEDMOOR Raleigh, NC	—	7,507	5,454	—	55	7,507	5,509	13,016	774	2016	
THE SHOPS AT TOWN CENTER Germantown, MD	—	19,998	29,776	—	295	19,998	30,071	50,069	2,987	2017	
THE SHOPS AT WALNUT CREEK Westminster, CO	28,630	10,132	44,089	—	1,876	10,132	45,965	56,097	7,644	2015	
THOMAS CROSSROADS Newnan, GA	—	1,622	8,322	—	1,156	1,622	9,478	11,100	3,489	2009	
TRAVILAH SQUARE Washington, D.C.	—	8,964	39,836	—	—	8,964	39,836	48,800	449	2019	
UNIVERSITY OAKS SHOPPING CENTER Round Rock, TX	26,115	7,250	25,326	—	8,098	7,250	33,424	40,674	11,585	2010	
WESTPARK SHOPPING CENTER Glen Allen, VA	—	7,462	24,164	—	4,279	7,462	28,443	35,905	3,256	2013	
WINDWARD COMMONS Alpharetta, GA	—	12,823	13,779	—	320	12,823	14,099	26,922	1,749	2016	
WOODLAKE CROSSING San Antonio, TX	—	3,420	14,153	—	3,411	3,420	17,564	20,984	6,464	2009	
Total Corporate Assets	—	—	—	—	9,064	—	9,064	9,064	6,628	-	
<b>Total</b>	<b>\$ 176,051</b>	<b>\$ 564,860</b>	<b>\$ 1,553,382</b>	<b>\$ 7,493</b>	<b>\$ 75,104</b>	<b>\$ 572,353</b>	<b>\$ 1,628,486</b>	<b>\$ 2,200,839</b>	<b>\$ 246,702</b>		

**INVENTRUST PROPERTIES CORP.**

**Schedule III - Real Estate and Accumulated Depreciation  
(amounts stated in thousands)**

**Notes to Schedule III**

The Company had \$4,052 of assets included in construction in progress at December 31, 2019, which have been omitted from the prior table. The aggregate cost of real estate owned at December 31, 2019 for federal income tax purposes was approximately \$2,410,252 (unaudited).

- (A) The initial cost to the Company represents the original purchase price of the asset, including amounts incurred subsequent to acquisition which were contemplated at the time the property was acquired.
- (B) Cost capitalized subsequent to acquisition includes additional tangible costs associated with investment properties, including any earnout of tenant space. Amount also includes impairment charges recorded subsequent to acquisition to reduce basis.
- (C) Reconciliation of real estate owned:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Balance at January 1,	\$ 2,229,495	\$ 2,516,085	\$ 2,180,252
Acquisitions and capital improvements	368,489	237,439	598,843
Disposals and write-offs	(397,145)	(524,029)	(263,010)
Balance at December 31,	<u>\$ 2,200,839</u>	<u>\$ 2,229,495</u>	<u>\$ 2,516,085</u>

- (D) Reconciliation of accumulated depreciation:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Balance at January 1,	\$ 286,330	\$ 348,337	\$ 351,389
Depreciation expense, continuing operations	66,808	73,021	70,959
Depreciation expense, properties classified as discontinued operations	—	—	974
Disposal and write-offs	(106,436)	(135,028)	(74,985)
Balance at December 31,	<u>\$ 246,702</u>	<u>\$ 286,330</u>	<u>\$ 348,337</u>

- (E) Depreciation is computed based upon the following estimated lives:

Buildings and improvements	30 years
Tenant improvements	Life of the lease
Furniture, fixtures and equipment	5 - 15 years

**INVENTRUST PROPERTIES CORP.**  
**List of Subsidiaries**

<u>Entity</u>	<u>Domestic Jurisdiction</u>
A-S 66 Beltway 8-Blackhawk, L.P.	Texas
IA (CDH II) Sub, LLC	Delaware
IA (Concord) Sub, L.L.C.	Delaware
IA Arlington Riverview GP, L.L.C.	Delaware
IA Arlington Riverview Limited Partnership	Illinois
IA Arlington Riverview LP, L.L.C.	Delaware
IA Atlanta Buckhead Member, L.L.C.	Delaware
IA Atlanta Buckhead, L.L.C.	Delaware
IA Austin Scofield GP, L.L.C.	Delaware
IA Austin Scofield Limited Partnership	Illinois
IA Austin Scofield LP, L.L.C.	Delaware
IA Austin Walden Park, L.L.C.	Delaware
IA Austin West Creek, L.L.C.	Delaware
IA Baton Rouge Siegen, L.L.C.	Delaware
IA Bloomington Fields, L.L.C.	Delaware
IA Boynton Beach Congress, L.L.C.	Delaware
IA Chesapeake Commons, L.L.C.	Delaware
IA Chesapeake Crossroads, L.L.C.	Delaware
IA Colorado Springs Cheyenne, L.L.C.	Delaware
IA Continental Cranberry Specialty Partner, L.P.	Delaware
IA Continental Morse, L.L.C.	Delaware
IA Cranberry General Partner DST	Delaware
IA Cranberry Limited Partner DST	Delaware
IA Cranberry Specialty GP DST	Delaware
IA Cranberry Specialty, L.P.	Illinois
IA Cypress Cyfair GP, L.L.C.	Delaware
IA Cypress CyFair Limited Partnership	Illinois
IA Cypress Cyfair LP, L.L.C.	Delaware
IA Dallas Prestonwood GP, L.L.C.	Delaware
IA Dallas Prestonwood Limited Partnership	Illinois
IA Dallas Prestonwood LP, L.L.C.	Delaware
IA Denver Quebec Square, L.L.C.	Delaware
IA Dothan Pavilion, L.L.C.	Delaware
IA Edmond Bryant, L.L.C.	Delaware
IA Edmond Legacy Woods, L.L.C.	Delaware
IA Erlanger Silverlake, L.L.C.	Delaware
IA Fultondale Promenade, L.L.C.	Delaware
IA Gahanna Morse, L.L.C.	Delaware
IA Garner White Oak, L.L.C.	Delaware
IA Grafton Port Washington, L.L.C.	Delaware
IA Greeley Centerplace Holding, L.L.C.	Delaware
IA Greeley Centerplace, L.L.C.	Delaware
IA Grove City Stringtown Outlot, L.L.C.	Delaware
IA Grove City Stringtown, L.L.C.	Delaware
IA Hiram Smith II, L.L.C.	Delaware

IA Hiram Smith, L.L.C.	Delaware
IA Holding TRS, Inc.	Delaware
IA Houston Antoine Outlot GP, L.L.C.	Delaware
IA Houston Antoine Outlot Limited Partnership	Illinois
IA Houston Antoine Outlot LP, L.L.C.	Delaware
IA Houston Northwest GP, L.L.C.	Delaware
IA Houston Northwest Limited Partnership	Illinois
IA Houston Northwest LP, L.L.C.	Delaware
IA Laquinta Pavilion, L.L.C.	Delaware
IA League City Bay Colony GP, L.L.C.	Delaware
IA League City Bay Colony Limited Partnership	Illinois
IA League City Bay Colony LP, L.L.C.	Delaware
IA League City Victory Lakes GP, L.L.C.	Delaware
IA League City Victory Lakes Limited Partnership	Illinois
IA League City Victory Lakes LP, L.L.C.	Delaware
IA Lexington Bellerive, L.L.C.	Delaware
IA Lithonia Stonecrest, L.L.C.	Delaware
IA Lodging Associates, Inc.	Delaware
IA Lodging Corporation	Delaware
IA Lodging Operations TRS, Inc.	Delaware
IA Matthews Sycamore, L.L.C.	Delaware
IA Mckinney Towne Crossing GP, L.L.C.	Delaware
IA McKinney Towne Crossing Limited Partnership	Illinois
IA Mckinney Towne Crossing LP, L.L.C.	Delaware
IA Mckinney Towne Crossing Outlots GP, L.L.C.	Delaware
IA Mckinney Towne Crossing Outlots Limited Partnership	Illinois
IA Mckinney Towne Crossing Outlots LP, L.L.C.	Delaware
IA Midwest City Legacy Corner, L.L.C.	Delaware
IA Missouri City Riverstone GP, L.L.C.	Delaware
IA Missouri City Riverstone Limited Partnership	Illinois
IA Missouri City Riverstone LP, L.L.C.	Delaware
IA Monroe Poplin, L.L.C.	Delaware
IA Morse Member, L.L.C.	Delaware
IA Newnan Coweta, L.L.C.	Delaware
IA Newnan Thomas, L.L.C.	Delaware
IA Ocoee Plantation Grove, L.L.C.	Delaware
IA Oklahoma City Rockwell, L.L.C.	Delaware
IA Orlando Suncrest Village, L.L.C.	Delaware
IA Port Charlotte Peachland, L.L.C.	Delaware
IA Raleigh Bent Tree, L.L.C.	Delaware
IA Richardson Custer Creek GP, L.L.C.	Delaware
IA Richardson Custer Creek Limited Partnership	Illinois
IA Richardson Custer Creek LP, L.L.C.	Delaware
IA Round Rock University Oaks GP, L.L.C.	Delaware
IA Round Rock University Oaks Limited Partnership	Illinois
IA Round Rock University Oaks LP, L.L.C.	Delaware
IA Sacramento Development VP, L.L.C.	Delaware
IA Sacramento Holdings, L.L.C.	Delaware
IA Sacramento Rail, L.L.C.	Delaware
IA Salem-Concord Holdings, L.L.C.	Delaware

IA San Antonio Stone Ridge, L.L.C.	Delaware
IA San Antonio Westover Outlot, L.L.C.	Delaware
IA San Antonio Westover, L.L.C.	Delaware
IA San Antonio Woodlake GP, L.L.C.	Delaware
IA San Antonio Woodlake Limited Partnership	Illinois
IA San Antonio Woodlake LP, L.L.C.	Delaware
IA San Pedro Garden, L.L.C.	Delaware
IA Sarasota Tamiami, L.L.C.	Delaware
IA Select Lodging TRS Holding, Inc.	Delaware
IA Select Lodging, LLC	Delaware
IA Sherman Town Center II GP, L.L.C.	Delaware
IA Sherman Town Center II Limited Partnership	Illinois
IA Sherman Town Center II LP, L.L.C.	Delaware
IA South Frisco Village, L.L.C.	Delaware
IA St. Petersburg Gateway, L.L.C.	Delaware
IA Tucker Hugh Howell, L.L.C.	Delaware
IA Tulsa 71st II, L.L.C.	Delaware
IA Tulsa 71st, L.L.C.	Delaware
IA Urban Hotels, Inc.	Delaware
IA Westlake GP, L.L.C.	Delaware
IA Westlake Limited Partnership	Illinois
IA Westlake LP, L.L.C.	Delaware
IA Wildomar Bear Creek, L.L.C.	Delaware
IA Woodstock Rose Creek, L.L.C.	Delaware
IA Wylie Woodbridge LP, L.L.C.	Delaware
IAGM REIT I, LLC	Delaware
IAGM Retail Fund I Member, L.L.C.	Delaware
IAGM Retail Fund I, L.L.C.	Delaware
InvenTrust Properties Corp.	Maryland
InvenTrust Property Management, LLC	Delaware
IVT Acquisitions Corp.	Delaware
IVT Antoine Town Center, LLC	Delaware
IVT Campus Marketplace San Marcos, LLC	Delaware
IVT Cary Park Town Center, LLC	Delaware
IVT Commons at University Place Durham, LLC	Delaware
IVT Creedmoor Raleigh, L.L.C.	Delaware
IVT Cypress Cyfair, LLC	Delaware
IVT Eldorado Marketplace Frisco, LLC	Delaware
IVT Highlands at Flower Mound GP, LLC	Delaware
IVT Highlands at Flower Mound LP, LLC	Delaware
IVT Highlands at Flower Mound, LP	Illinois
IVT Kennesaw Marketplace, LLC	Delaware
IVT Kyle Marketplace, LLC	Delaware
IVT Lakeside Crossing Winter Park, LLC	Delaware
IVT Lakeside Winter Park, LLC	Delaware
IVT Northcross Center Huntersville, LLC	Delaware
IVT Old Grove Marketplace Oceanside, LLC	Delaware
IVT OP GP, LLC	Delaware
IVT OP Limited Partnership	Delaware
IVT Paraiso Parc Pembroke Pines, LLC	Delaware

IVT Parke Cedar Park, LLC	Delaware
IVT PGA Plaza Palm Beach Gardens, LLC	Delaware
IVT Plaza Midtown Atlanta, LLC	Delaware
IVT Port Charlotte Peachland, LLC	Delaware
IVT Price Plaza Katy, LLC	Delaware
IVT Renaissance Center Durham I, LLC	Delaware
IVT Renaissance Center Durham II, LLC	Delaware
IVT Retail TRS, INC.	Delaware
IVT Rio Pinar Plaza Orlando, LLC	Delaware
IVT River Oaks Valencia, LLC	Delaware
IVT Riverwalk Market Flower Mound, LLC	Delaware
IVT San Marcos Campus, L.L.C.	Delaware
IVT Sandy Plains Centre Marietta, LLC	Delaware
IVT Shoppes at Fairview, LLC	Delaware
IVT Shops at Galleria Bee Cave LLC	Delaware
IVT Shops at MacArthur Hills Dallas Lender, LLC	Delaware
IVT Shops at MacArthur Hills Dallas, LLC	Delaware
IVT Shops at Town Center Germantown, LLC	Delaware
IVT Sonterra Village San Antonio, LLC	Delaware
IVT Southern Royal Palm Beach, LLC	Delaware
IVT Spring Stables, LLC	Delaware
IVT Stevenson Ranch Plaza, LLC	Delaware
IVT Tomball Town Center, LLC	Delaware
IVT Travilah Square Rockville, LLC	Delaware
IVT Walnut Creek Westminster, LLC	Delaware
IVT Westfork Plaza Pembroke Pines, LLC	Delaware
IVT Westpark Glen Allen, LLC	Delaware
IVT Windward Commons Alpharetta, LLC	Delaware
Lincoln Mall Condominium Association, Inc.	Rhode Island
Mainline Holdings, Inc.	Delaware
Marsh Landing Hotel Associates, LLC	Delaware
MB Cypress Cyfair GP, L.L.C.	Delaware
MB Cypress Cyfair Limited Partnership	Illinois
MB Cypress Cyfair LP, L.L.C.	Delaware
MB Houston Antoine GP, L.L.C.	Delaware
MB Houston Antoine Limited Partnership	Illinois
MB Houston Antoine LP, L.L.C.	Delaware
MB Houston Blackhawk GP, L.L.C.	Delaware
MB Houston Blackhawk LP, L.L.C.	Delaware
MB Houston Eldridge GP, L.L.C.	Delaware
MB Houston Eldridge Limited Partnership	Illinois
MB Houston Eldridge LP, L.L.C.	Delaware
MB Houston Eldridge Town Center GP, L.L.C.	Delaware
MB Houston Eldridge Town Center Limited Partnership	Illinois
MB Houston Eldridge Town Center LP, L.L.C.	Delaware
MB Houston Windemere GP, L.L.C.	Delaware
MB Houston Windemere Limited Partnership	Illinois
MB Houston Windemere LP, L.L.C.	Delaware
MB League City Bay Colony GP, L.L.C.	Delaware
MB League City Bay Colony Limited Partnership	Illinois

MB League City Bay Colony LP, L.L.C.	Delaware
MB San Antonio Brooks GP, L.L.C.	Delaware
MB San Antonio Brooks Limited Partnership	Illinois
MB San Antonio Brooks LP, L.L.C.	Delaware
MB Sherman Town Center GP, L.L.C.	Delaware
MB Sherman Town Center Limited Partnership	Illinois
MB Sherman Town Center LP, L.L.C.	Delaware
MB Sioux City Lakeport, L.L.C.	Delaware
MB Spring Stables GP, L.L.C.	Delaware
MB Spring Stables Limited Partnership	Illinois
MB Spring Stables LP, L.L.C.	Delaware
MB Tomball Town Center GP, L.L.C.	Delaware
MB Tomball Town Center Limited Partnership	Illinois
MB Tomball Town Center LP, L.L.C.	Delaware
New Forest Crossing Property Owners Association	Texas
Rose Creek Office Condominium Association, Inc.	Georgia
Woodbridge Crossing GP, L.L.C.	Delaware
Woodbridge Crossing, L.P.	Delaware



**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
InvenTrust Properties Corp.:

We consent to the incorporation by reference in the registration statements (No. 333-205098 and No. 333-199234) on Form S-8 and (No. 333-172862) on Form S-3 of InvenTrust Properties Corp. (formerly known as Inland American Real Estate Trust, Inc.) of our report dated February 21, 2020, with respect to the consolidated balance sheets of InvenTrust Properties Corp. as of December 31, 2019 and 2018, and the related consolidated statements of operations and comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement schedule III (collectively, the "consolidated financial statements"), which report appears in the December 31, 2019 annual report on Form 10-K of InvenTrust Properties Corp.

/s/ KPMG, LLP

Chicago, Illinois  
February 21, 2020

**Certification of Principal Executive Officer**

I, Thomas P. McGuinness, certify that:

1. I have reviewed this Annual Report on Form 10-K of InvenTrust Properties Corp.;
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: February 21, 2020

By: /s/ Thomas P. McGuinness

Name: Thomas P. McGuinness

Title: President and Chief Executive Officer (Principal Executive Officer)

**Certification of Principal Financial Officer**

I, Daniel J. Busch, certify that:

1. I have reviewed this Annual Report on Form 10-K of InvenTrust Properties Corp.;
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: February 21, 2020

By: /s/ Daniel J. Busch

Name: Daniel J. Busch

Title: Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)

**Certification of Principal Executive Officer  
Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of InvenTrust Properties Corp. (the "Company") for the fiscal year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of such officer's knowledge:

- (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: February 21, 2020

By: /s/ Thomas P. McGuinness

Name: Thomas P. McGuinness

Title: President and Chief Executive Officer (Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as a part of the Report or on a separate disclosure document.

**Certification of Principal Financial Officer  
Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of InvenTrust Properties Corp. (the "Company") for the fiscal year ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of such officer's knowledge:

- (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: February 21, 2020

By: /s/ Daniel J. Busch

Name: Daniel J. Busch

Title: Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as a part of the Report or on a separate disclosure document.