
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from to

Commission file number 001-31568

New England Realty Associates Limited Partnership

(Exact name of registrant as specified in its charter)

Massachusetts

(State or other jurisdiction of
incorporation or organization)

04-2619298

(I.R.S. employer
identification no.)

39 Brighton Avenue, Allston, Massachusetts
(Address of principal executive offices)

02134

(Zip Code)

Registrant's telephone number, including area code: **(617) 783-0039**

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

Depository Receipts
(Title of each Class)

NYSE AMEX
(Name of each Exchange on which Registered)

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

**Class A
Limited Partnership Units**
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller
reporting company)

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

As of November 13, 2013, there were 103,629 of the registrant's Class A units (3,108,860 Depository Receipts) of limited partnership issued and outstanding and 24,613 Class B units issued and outstanding.

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP

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NEW ENGLAND REALTY ASSOCIATES, L.P.

PART 1 — FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited consolidated balance sheets, statements of income, changes in partners' capital, and cash flows and related notes thereto, have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. The financial statements reflect all adjustments consisting only of normal, recurring adjustments, which are in the opinion of management, necessary for a fair presentation for the interim periods.

The consolidated balance sheet as of December 31, 2012 has been derived from the audited consolidated balance sheet at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

The aforementioned financial statements should be read in conjunction with the notes to the aforementioned financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in New England Realty Associates L.P.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

The results of operations for the nine month period ended September 30, 2013 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
ASSETS		
Rental Properties	\$ 154,264,585	\$ 94,973,600
Property Held for Sale	—	462,250
Cash and Cash Equivalents	5,259,049	6,981,906
Rents Receivable	564,197	475,083
Real Estate Tax Escrows	262,787	449,652
Prepaid Expenses and Other Assets	5,402,043	3,073,890
Investments in Unconsolidated Joint Ventures	10,652,571	13,986,173
Financing and Leasing Fees	1,225,463	1,135,936
Total Assets	<u>\$ 177,630,695</u>	<u>\$ 121,538,490</u>
LIABILITIES AND PARTNERS' CAPITAL		
Mortgage Notes Payable	191,974,239	\$ 138,055,522
Accounts Payable and Accrued Expenses	2,751,753	2,361,942
Advance Rental Payments and Security Deposits	4,026,643	3,636,704
Total Liabilities	198,752,635	144,054,168
Commitments and Contingent Liabilities (Notes 3 and 9)	—	—
Partners' Capital 129,539 and 130,444 units outstanding in 2013 and 2012 respectively	(21,121,940)	(22,515,678)
Total Liabilities and Partners' Capital	<u>\$ 177,630,695</u>	<u>\$ 121,538,490</u>

See notes to consolidated financial statements

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues				
Rental income	\$ 9,859,135	\$ 8,666,844	\$ 27,687,903	\$ 25,902,587
Laundry and sundry income	108,617	92,182	302,305	281,276
	<u>9,967,752</u>	<u>8,759,026</u>	<u>27,990,208</u>	<u>26,183,863</u>
Expenses				
Administrative	451,268	459,714	1,601,123	1,351,872
Depreciation and amortization	2,824,318	1,554,985	5,758,310	4,592,503
Management fee	400,588	355,613	1,144,462	1,064,402
Operating	786,179	720,490	3,032,964	2,648,567
Renting	78,874	48,483	135,540	147,844
Repairs and maintenance	1,641,608	1,449,939	4,238,821	3,776,725
Taxes and insurance	1,301,388	1,053,196	3,667,180	3,206,065
	<u>7,484,223</u>	<u>5,642,420</u>	<u>19,578,400</u>	<u>16,787,978</u>
Income Before Other Income (Expenses) and Discontinued Operations	<u>2,483,529</u>	<u>3,116,606</u>	<u>8,411,808</u>	<u>9,395,885</u>
Other Income (Expense)				
Interest income	230	554	945	1,746
Interest expense	(2,142,817)	(1,926,556)	(5,746,533)	(5,772,970)
Gain on the sale of equipment	2,250	—	2,250	—
(Loss) from investments in unconsolidated joint ventures	(375,412)	(417,733)	(1,028,602)	(1,222,077)
	<u>(2,515,749)</u>	<u>(2,343,735)</u>	<u>(6,771,940)</u>	<u>(6,993,301)</u>
Income (Loss) From Continuing Operations	<u>(32,220)</u>	<u>772,871</u>	<u>1,639,868</u>	<u>2,402,584</u>
Discontinued Operations				
Income (loss) from discontinued operations	(654)	1,583	19,160	46,084
Gain on the sale of real estate	—	—	3,678,839	—
	<u>(654)</u>	<u>1,583</u>	<u>3,697,999</u>	<u>46,084</u>
Net Income (Loss)	<u>\$ (32,874)</u>	<u>\$ 774,454</u>	<u>\$ 5,337,867</u>	<u>\$ 2,448,668</u>
Income (Loss) per Unit				
Income (loss) before discontinued operations	\$ (0.26)	\$ 5.89	\$ 12.62	\$ 18.28
Income (loss) from discontinued operations	(0.01)	0.01	28.45	0.35
Net Income (loss) per Unit	<u>\$ (0.25)</u>	<u>\$ 5.90</u>	<u>\$ 41.07</u>	<u>\$ 18.63</u>
Weighted Average Number of Units Outstanding	<u>129,719</u>	<u>131,277</u>	<u>129,981</u>	<u>131,410</u>

See notes to consolidated financial statements.

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

(Unaudited)

	Units						Partners's Capital			
	Limited		General Partnership	Subtotal	Treasury Units	Total	Limited		General Partnership	Total
	Class A	Class B					Class A	Class B		
Balance January 1, 2012	144,180	34,243	1,802	180,225	48,741	131,484	\$ (17,052,134)	\$ (4,045,783)	\$ (212,935)	\$ (21,310,852)
Distribution to Partners	—	—	—	—	—	—	(2,362,012)	(560,978)	(29,525)	(2,952,515)
Stock Buyback	—	—	—	—	708	(708)	(488,627)	(115,584)	(6,083)	(610,294)
Net Income	—	—	—	—	—	—	1,958,935	465,247	24,487	2,448,669
Balance September 30, 2012	<u>144,180</u>	<u>34,243</u>	<u>1,802</u>	<u>180,225</u>	<u>49,449</u>	<u>130,776</u>	<u>\$ (17,943,838)</u>	<u>\$ (4,257,098)</u>	<u>\$ (224,056)</u>	<u>\$ (22,424,992)</u>
Balance January 1, 2013	144,180	34,243	1,802	180,225	49,781	130,444	\$ (18,017,082)	\$ (4,273,666)	\$ (224,929)	\$ (22,515,677)
Distribution to Partners	—	—	—	—	—	—	(2,337,714)	(555,208)	(29,221)	(2,922,143)
Stock Buyback	—	—	—	—	905	(905)	(819,240)	(192,610)	(10,137)	(1,021,987)
Net Income	—	—	—	—	—	—	4,270,294	1,014,195	53,379	5,337,867
Balance September 30, 2013	<u>144,180</u>	<u>34,243</u>	<u>1,802</u>	<u>180,225</u>	<u>50,686</u>	<u>129,539</u>	<u>\$ (16,903,742)</u>	<u>\$ (4,007,289)</u>	<u>\$ (210,908)</u>	<u>\$ (21,121,940)</u>

See notes to consolidated financial statements.

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September	
	2013	2012
Cash Flows from Operating Activities		
Net income	\$ 5,337,867	\$ 2,448,669
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on the sale of real estate	(3,678,839)	—
Gain on the sale of equipment	(2,250)	—
Depreciation and amortization	5,758,310	4,592,503
Loss from investments in joint venture	1,028,601	1,222,077
Depreciation and amortization - discontinued operations	2,111	39,671
Change in operating assets and liabilities		
Decrease in rents receivable	(89,114)	(111,244)
Increase (Decrease) in accounts payable and accrued expense	181,883	(110,162)
(Increase) Decrease in real estate tax escrow	186,865	(44,989)
(Increase) Decrease in prepaid expenses and other assets	(2,402,166)	406,230
Increase in advance rental payments and security deposits	389,939	862
Total Adjustments	1,375,340	5,994,947
Net cash provided by operating activities	6,713,207	8,443,616
Cash Flows from Investing Activities		
Proceeds from unconsolidated joint ventures	2,560,722	772,000
Net proceeds from the sale of equipment	2,250	—
Net proceeds from the sale of real estate	2,155,546	—
(Investment in) unconsolidated joint ventures	(255,722)	—
Acquisition and improvement of rental properties	(64,284,999)	(1,640,502)
Net cash (used in) investing activities	(59,822,203)	(868,502)
Cash Flows from Financing Activities		
Payment of financing costs	(588,448)	(245,633)
Principal payments of note payable	—	(1,668,600)
Proceeds of mortgage notes payable	95,000,000	—
Principal payments and payoffs of mortgage notes payable	(39,081,283)	(825,943)
Stock buyback	(1,021,987)	(610,294)
Distributions to partners	(2,922,143)	(2,952,514)
Net cash provided by (used in) financing activities	51,386,139	(6,302,984)
Net (Decrease) Increase in Cash and Cash Equivalents	(1,722,857)	1,272,130
Cash and Cash Equivalents, at beginning of period	6,981,906	4,050,157
Cash and Cash Equivalents, at end of period	\$ 5,259,049	\$ 5,322,287

See notes to consolidated financial statements

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Line of Business: New England Realty Associates Limited Partnership (“NERA” or the “Partnership”) was organized in Massachusetts in 1977. NERA and its subsidiaries own 24 properties which include 16 residential buildings; 4 mixed use residential, retail and office buildings; 3 commercial buildings and individual units at one condominium complex. These properties total 2,412 apartment units, 19 condominium units and 110,949 square feet of commercial space. Additionally, the Partnership also owns a 40-50% interest in 9 residential and mixed use properties consisting of 798 apartment units, 12,500 square feet of commercial space and a 50 car parking lot. The properties are located in Eastern Massachusetts and Southern New Hampshire.

Basis of Presentation: The preparation of the financial statements, in conformity with accounting principles generally accepted in the United State of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Principles of Consolidation: The consolidated financial statements include the accounts of NERA and its subsidiaries. NERA has a 99.67% to 100% ownership interest in each subsidiary except for the nine limited liability companies (the “Investment Properties” or “Joint Ventures”) in which the Partnership has a 40 - 50% ownership interest. The consolidated group is referred to as the “Partnership.” Minority interests are not recorded, since they are insignificant. All significant intercompany accounts and transactions are eliminated in consolidation. The Partnership accounts for its investment in the above-mentioned Investment Properties using the equity method of consolidation. Generally, the Partnership would discontinue applying the equity method when the investment (and any advances) is reduced to zero and would not provide for additional losses unless the Partnership has guaranteed obligations of the venture or is otherwise committed to providing further financial support for the investee. If the venture subsequently generates income, the Partnership only recognizes its share of such income to the extent it exceeds its share of previously unrecognized losses. (See Note 14: Investments in Unconsolidated Joint Ventures).

The Partnership accounts for its investments in joint ventures using the equity method of accounting. These investments are recorded initially at cost, as Investments in Unconsolidated Joint Ventures, and subsequently adjusted for equity in earnings and cash contributions and distributions. The authoritative guidance on consolidation provides guidance on the identification of entities for which control is achieved through means other than voting rights (“variable interest entities” or “VIEs”) and the determination of which business enterprise, if any, should consolidate the VIE (the “primary beneficiary”). Generally, the consideration of whether an entity is a VIE applies when either (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest, (2) the equity investment at risk is insufficient to finance that entity’s activities without additional subordinated financial support or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest.

Impairment: On an annual basis management assesses whether there are any indicators that the value of the Partnership’s rental properties or investments in unconsolidated subsidiaries may be impaired. In addition to identifying any specific circumstances which may affect a property or properties, management considers other criteria for determining which properties may require assessment for potential impairment. The criteria considered by management include reviewing low leased percentages, significant near term lease expirations, recently acquired properties, current and historical operating and/or cash flow losses, near term mortgage debt maturities or other factors that might impact the Partnership’s intent and ability to hold property. A property’s value is impaired only if management’s estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the property over the fair value of the property. The Partnership’s estimates of aggregate future cash flows expected to be generated by each property are based on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for space,

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competition for tenants, changes in market rental rates, and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the future cash flows estimated by management in its impairment analyses may not be achieved. The Partnership has not recognized an impairment loss since 1995.

Revenue Recognition: Rental income from residential and commercial properties is recognized over the term of the related lease. For residential tenants, amounts 60 days in arrears are charged against income. The commercial tenants are evaluated on a case by case basis. Certain leases of the commercial properties provide for increasing stepped minimum rents, which are accounted for on a straight-line basis over the term of the lease. Contingent rent for commercial properties are received from tenants for certain costs as provided in the lease agreement. The costs generally include real estate taxes, utilities, insurance, common area maintenance and recoverable costs. Concessions made on residential leases are also accounted for on the straight-line basis.

Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the differences between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed-rate renewal options for below-market leases. The capitalized above-market lease values for acquired properties are amortized as a reduction of base rental revenue over the remaining term of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed-rate renewal options of the respective leases.

Rental Properties: Rental properties are stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense as incurred; improvements and additions which improve or extend the life of the assets are capitalized. When assets are retired or otherwise disposed of, the cost of the asset and related accumulated depreciation is eliminated from the accounts, and any gain or loss on such disposition is included in income. Fully depreciated assets are removed from the accounts. Rental properties are depreciated by both straight-line and accelerated methods over their estimated useful lives. Upon acquisition of rental property, the Partnership estimates the fair value of acquired tangible assets, consisting of land, building and improvements, and identified intangible assets and liabilities assumed, generally consisting of the fair value of (i) above and below market leases, (ii) in-place leases and (iii) tenant relationships. The Partnership allocated the purchase price to the assets acquired and liabilities assumed based on their fair values. The Partnership records goodwill or a gain on bargain purchase (if any) if the net assets acquired/liabilities assumed exceed the purchase consideration of a transaction. In estimating the fair value of the tangible and intangible assets acquired, the Partnership considers information obtained about each property as a result of its due diligence and marketing and leasing activities, and utilizes various valuation methods, such as estimated cash flow projections utilizing appropriate discount and capitalization rates, estimates of replacement costs net of depreciation, and available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant.

Other intangible assets acquired include amounts for in-place lease values and tenant relationship values, which are based on management's evaluation of the specific characteristics of each tenant's lease and the Partnership's overall relationship with the respective tenant. Factors to be considered by management in its analysis of in-place lease values include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commissions, legal and other related expenses. Characteristics considered by management in valuing tenant relationships include the nature and extent of the Partnership's existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals. The value of in-place leases are amortized to expense over the remaining initial terms of the respective leases. The value of tenant relationship intangibles are amortized to expense over the anticipated life of the relationships.

In the event that facts and circumstances indicate that the carrying value of a rental property may be impaired, an analysis of the value is prepared. The estimated future undiscounted cash flows are compared to the asset's carrying value to determine if a write-down to fair value is required.

Financing and Leasing Fees: Financing fees are capitalized and amortized, using the interest method, over the life of the related mortgages. Leasing fees are capitalized and amortized on a straight-line basis over the life of the related lease. Unamortized balances are expensed when the corresponding fee is no longer applicable.

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Income Taxes: The financial statements have been prepared on the basis that NERA and its subsidiaries are entitled to tax treatment as partnerships. Accordingly, no provision for income taxes have been recorded (See Note 13).

Cash Equivalents: The Partnership considers cash equivalents to be all highly liquid instruments purchased with a maturity of three months or less.

Segment Reporting: Operating segments are revenue producing components of the Partnership for which separate financial information is produced internally for management. Under the definition, NERA operated, for all periods presented, as one segment.

Comprehensive Income: Comprehensive income is defined as changes in partners' equity, exclusive of transactions with owners (such as capital contributions and dividends). NERA did not have any comprehensive income items in 2013 and 2012 other than net income as reported.

Income Per Depositary Receipt: Effective January 3, 2012, the Partnership authorized a 3-for-1 forward split of its Depositary Receipts listed on the NYSE Amex and a concurrent adjustment of the exchange ratio of Depositary Receipts for Class A Units of the Partnership from 10-to-1 to 30-to-1, such that each Depositary Receipt represents one-thirtieth (1/30) of a Class A Unit of the Partnership. All references to Depositary Receipts in the report are reflective of the 3-for-1 forward split.

Income (Loss) Per Unit: Net income (loss) per unit has been calculated based upon the weighted average number of units outstanding during each period presented. The Partnership has no dilutive units and, therefore, basic net income (loss) is the same as diluted net income per unit (see Note 7).

Concentration of Credit Risks and Financial Instruments: The Partnership's properties are located in New England, and the Partnership is subject to the general economic risks related thereto. No single tenant accounted for more than 5% of the Partnership's revenues in 2013 and 2012. The Partnership makes its temporary cash investments with high-credit quality financial institutions. At September 30, 2013, substantially all of the Partnership's cash and cash equivalents were held in interest-bearing accounts at financial institutions, earning interest at rates from 0.01% to 0.35%. At September 30, 2013 and 2012, respectively approximately \$6,445,000 and \$6,243,000 of cash and cash equivalents, and security deposits included in prepaid expenses and other assets exceeded federally insured amounts.

Advertising Expense: Advertising is expensed as incurred. Advertising expense was \$23,483 and \$43,190 for the nine months ended September 30, 2013 and 2012, respectively.

Discontinued Operations and Rental Property Held for Sale: When assets are identified by management as held for sale, the Partnership discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. If, in management's opinion, the net sales price of the assets which have been identified as held for sale is less than the net book value of the assets, a valuation allowance is established. Properties identified as held for sale and/or sold are presented in discontinued operations for all periods presented.

If circumstances arise that previously were considered unlikely and, as a result, the Partnership decides not to sell a property previously classified as held for sale, the property is reclassified as held and used. A property that is reclassified is measured and recorded individually at the lower of (a) its carrying amount before the property was classified as held for sale, adjusted for any depreciation (amortization) expense that would have been recognized had the property been continuously classified as held and used, or (b) the fair value at the date of the subsequent decision not to sell.

Interest Capitalized: The Partnership follows the policy of capitalizing interest as a component of the cost of rental property when the time of construction exceeds one year. During the nine months ended September 30, 2013 and 2012 there was no capitalized interest.

Extinguishment of Debt: When existing mortgages are refinanced with the same lender and it is determined that the refinancing is substantially different then they are recorded as an extinguishment of debt. However if it is determined that the refinancing is substantially the same then they are recorded as an exchange of debt.

Reclassifications: Certain reclassifications have been made to prior period amounts in order to conform to current period presentation.

NOTE 2. RENTAL PROPERTIES

As of September 30, 2013, the Partnership and its Subsidiary Partnerships owned 2,412 residential apartment units in 19 residential and mixed-use complexes (collectively, the “Apartment Complexes”). The Partnership also owns 19 condominium units in a residential condominium complex, all of which are leased to residential tenants (collectively referred to as the “Condominium Units”). The Apartment Complexes and Condominium Units are located primarily in the metropolitan Boston area of Massachusetts.

Additionally, as of September 30, 2013, the Partnership and its Subsidiary Partnerships owned a commercial shopping center in Framingham, commercial buildings in Newton and Brookline and mixed-use properties in Boston, Brockton and Newton, all in Massachusetts. These properties are referred to collectively as the “Commercial Properties.”

The Partnership also owned a 40% to 50% ownership interest in nine residential and mixed use complexes (the “Investment Properties”) at September 30, 2013 with a total of 798 units, accounted for using the equity method of consolidation. See Note 14 for summary information on these investments.

Rental properties consist of the following:

	September 30, 2013	December 31, 2012	Useful Life
Land, improvements and parking lots	\$ 43,853,519	\$ 27,743,726	15—40 years
Buildings and improvements	152,671,201	118,739,283	15—40 years
Kitchen cabinets	6,261,506	3,544,868	5—10 years
Carpets	6,225,566	3,218,975	5—10 years
Air conditioning	779,446	746,043	5—10 years
Laundry equipment	435,218	378,806	5—7 years
Elevators	1,139,296	1,139,296	20-40 years
Swimming pools	444,629	235,242	10-30 years
Equipment	5,234,614	1,529,904	5—7 years
Motor vehicles	101,657	101,657	5 years
Fences	32,695	22,445	5—15 years
Furniture and fixtures	5,703,942	1,031,348	5—7 years
Smoke alarms	220,014	193,298	5—7 years
Total fixed assets	223,103,303	158,624,893	
Less: Accumulated depreciation	(68,838,718)	(63,651,293)	
	<u>\$ 154,264,585</u>	<u>\$ 94,973,600</u>	

In May 2013 the Partnership sold the Nashoba Apartments located in Acton, Massachusetts. The sale price was \$4,300,000; the net proceeds of approximately \$2,100,000 were transferred to Investment Property Exchange Services, Inc. a Qualified Intermediary. These funds were held by the intermediary in order to maintain the Partnership’s ability to structure a tax free exchange in accordance with the Internal Revenue Service’s rules under Sec. 1031. The gain on the sale in accordance with GAAP is approximately \$3,679,000. The proceeds were subsequently used in the acquisition of the Hamilton Green apartments described below.

On July 15, 2013, Hamilton Green Apartments, LLC, a newly formed subsidiary of the Partnership, purchased Windsor Green at Andover, a 193 unit apartment complex located at 311 and 319 Lowell Street, Andover, Massachusetts. The purchase price was \$62,500,000. From the purchase price, the Partnership has allocated approximately \$1,656,000 to the value of the in-place leases and approximately \$96,000 to the value of the tenant relationships. These amounts will be amortized over 12 and 36 months respectively. To fund this purchase, the Partnership obtained short term financing of approximately \$40,000,000, used the funds of approximately \$2,100,000 from the like kind exchange of the Nashoba Apartments, and the balance from the Partnership’s cash reserves. The closing costs associated with this short term financing were approximately \$126,000. The original mortgage matures in November 2013. On September 30, 2013, the Partnership received a commitment for a new mortgage in the amount of \$38,500,000, with interest at 4.67% fixed for 15 years; amortized over 30 years with interest only for two years. See Note 16 — Subsequent events.

NOTE 3. RELATED PARTY TRANSACTIONS

The Partnership's properties are managed by an entity that is owned by the majority shareholder of the General Partner. The management fee is equal to 4% of gross receipts rental revenue and laundry income on the majority of the Partnership's properties and 3% on Linewt, LLC. Total fees paid including discontinued operations were approximately \$1,153,000 and \$1,078,000 during the nine months ended September 30, 2013 and 2012.

The Partnership Agreement permits the General Partner or Management Company to charge the costs of professional services (such as counsel, accountants and contractors) to NERA. During the nine months ended September 30, 2013 and 2012, approximately \$817,000 and \$503,000 was charged to NERA for legal, accounting, construction, maintenance, rental and architectural services and supervision of capital improvements. Of the 2013 expenses referred to above, approximately \$220,000 consisted of repairs and maintenance and \$271,000 of administrative expense. Approximately \$326,000 of expenses for construction, architectural services and supervision of capital projects were capitalized in rental properties. Additionally in 2013, the Hamilton Company received approximately \$568,000 from the Investment Properties of which approximately \$458,000 was the management fee, approximately \$10,000 was for construction, architectural services and supervision of capital projects, approximately \$51,000 was for maintenance services and approximately \$49,000 was for administrative services. The management fee is equal to 4% of gross receipts of rental income on the majority of investment properties and 2% on Dexter Park.

On January 1, 2004, all employees were transferred to the Management Company's payroll. The Partnership reimburses the management company for the payroll and related expenses of the employees who work at the properties. Total reimbursement was approximately \$1,943,000, and \$1,999,000 for the nine months ended September 30, 2013 and 2012, respectively. The Management Company maintains a 401K plan for all eligible employees whereby the employees may contribute the maximum allowed by law. The plan also provides for discretionary contributions by the employer. There were no employer contributions in 2013 and 2012.

Prior to 1991, the Partnership employed an outside, unaffiliated company to perform its bookkeeping and accounting functions. Since that time, such services have been provided by the Management Company's accounting staff, which consists of approximately 14 people. During the nine months ended September 30, 2013 and 2012 the Management Company charged the Partnership \$93,750 (\$125,000 per year) for bookkeeping and accounting services included in administrative expenses above.

In 1996, prior to becoming an employee of the Management Company, the President of the Management Company performed asset management consulting services for the Partnership. This individual continues to perform this service and receives an asset management fee from the Partnership. The Partnership does not have a written agreement with this individual. During each of the nine months ended September 30, 2013 and 2012 this individual received fees of \$56,250.

The Partnership has invested in nine limited partnerships, which have invested in mixed use residential apartment complexes. The Partnership has a 40% to 50% ownership interest in each investment property. The other investors are Harold Brown, the President of the Management Company and five other employees of the Management Company. Harold Brown's ownership interest is between 43.2% and 57%. See Note 14 for a description of the properties and their operations.

On October 28, 2009, the Partnership borrowed approximately \$7,168,000 with an interest rate of 6% from HBC Holdings, LLC, an entity owned by Harold Brown and his affiliates ("HBC"). The term of the loan is four years with a provision requiring payment in whole or in part upon demand by HBC with six months notice. The Partnership may also prepay the note without penalty. On August 17, 2010, HBC gave six months written notice to the Partnership requesting a principal pay down of \$2,500,000. During the fourth quarter of 2010, the Partnership paid HBC \$2,500,000 as requested. During 2011, the Partnership elected to make principal payments of \$1,000,000 on August 1, 2011, \$1,000,000 on October 1, 2011 and \$1,000,000 on December 15, 2011 reducing the loan balance to \$1,668,600. In February 2012, the Partnership elected to make an additional principal payment of \$750,000 to HBC Holdings and the balance of \$918,600 was paid in full in April 2012. The interest paid during the year ended December 31, 2012 was \$18,960.

See Note 8 for information regarding the repurchase of Class B and General Partnership Units.

NOTE 4. OTHER ASSETS

Approximately \$2,012,000 and \$1,919,000 of security deposits are included in prepaid expenses and other assets at September 30, 2013 and December 31, 2012, respectively. The security deposits and escrow accounts are restricted cash.

Included in prepaid expenses and other assets at September 30, 2013 and December 31, 2012 is approximately \$161,000 and \$420,000, respectively, held in escrow to fund future capital improvements.

Intangible assets of \$1,752,000 on the acquisition of Hamilton Green is included in prepaid expenses and other assets. On September 30, 2013, intangible assets are approximately \$1,400,000, net of accumulated amortization of approximately \$352,000.

Included in prepaid expenses and other assets at September 30, 2013 is approximately \$1,104,000 of deposits and prepaid financing fees for the refinancing of Westgate Apartments and Hamilton Green. See Note 5.

Financing fees of approximately \$1,225,000 and \$1,136,000 are net of accumulated amortization of approximately \$829,000 and \$772,000 at September 30, 2013 and December 31, 2012, respectively.

NOTE 5. MORTGAGE NOTES PAYABLE

At September 30, 2013 and December 31, 2012, the mortgages payable consisted of various loans, all of which were secured by first mortgages on properties referred to in Note 2. At September 30, 2013, the interest rates on these loans ranged from 2.44% to 7.07%, payable in monthly installments aggregating approximately \$791,000, including principal, to various dates through 2028. The majority of the mortgages are subject to prepayment penalties. At September 30, 2013, the weighted average interest rate on the above mortgages was 4.84%. The effective rate of 4.98% includes the amortization expense of deferred financing costs. See Note 12 for fair value information. The Partnership's mortgage debt and the mortgage debt of its unconsolidated joint ventures generally is non-recourse except for customary exceptions pertaining to misuse of funds and material misrepresentations.

The Partnership has pledged tenant leases as additional collateral for certain of these loans.

Approximate annual maturities at September 30, 2013 are as follows:

2014—current maturities	\$ 1,825,000
2015	9,127,000
2016	945,000
2017	1,889,000
2018	9,158,000
Thereafter	169,030,000
	<u>\$ 191,974,000</u>

The table reflects the refinancing of Westgate Woburn and Hamilton Green Apartments as described below.

On February 25, 2013, the Partnership paid off the mortgage of approximately \$3,697,000 on Hamilton Cypress LLC. There was no penalty on the early payoff. The funds used to pay off the mortgage were from the Partnerships cash reserves.

On March 11, 2013, the Partnership refinanced the property located at School Street. The new loan is \$15,000,000 with an interest rate of 3.7% due in 2023. The loan calls for interest only for three years followed by principal and interest payments over the remainder of the loan term. The costs associated with this refinancing were approximately \$159,000.

On July 7, 2013, Boylston Downtown LP, a wholly owned subsidiary of the Partnership, refinanced the property located at 62 Boylston Street, Boston, Massachusetts. The new 15 year \$40,000,000 mortgage has an interest rate of 3.97%. The terms of the loan are interest only for the first three years, with a 30 year amortization thereafter until maturity in August 2028. Approximately \$19,500,000 of loan proceeds was used to pay off the existing mortgage. The balance of the funds, approximately \$20,000,000, after closing costs, was used in connection with the purchase of Hamilton Green Apartments. The costs associated with this refinancing are approximately \$279,000.

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Westgate Apartments, LLC refinanced the property located at 2-20 Westgate Drive, Woburn, Massachusetts. The refinancing was completed on October 1, 2013. See Note 16 — Subsequent events.

On September 30, 2013, the Partnership received a commitment for a new mortgage on the Hamilton Green Apartments located in Andover, Massachusetts. The new mortgage is \$38,500,000, interest is fixed at 4.67% for 15 years, and payments are interest only for 2 years and include principal amortization, based on a 30 year schedule, thereafter. The Partnership anticipates closing on this mortgage in the fourth quarter of 2013. The Partnership anticipates that the closing costs associated with this new mortgage will be approximately \$405,000. See Note 16 — Subsequent events.

NOTE 6. ADVANCE RENTAL PAYMENTS AND SECURITY DEPOSITS

The Partnership's residential lease agreements may require tenants to maintain a one-month advance rental payment and/or a security deposit. At September 30, 2013, amounts received for prepaid rents of approximately \$1,399,000 are included in cash and cash equivalents, and security deposits of approximately \$2,012,000 are included in prepaid expenses and other assets and are restricted cash.

NOTE 7. PARTNERS' CAPITAL

The Partnership has two classes of Limited Partners (Class A and B) and one category of General Partner. Under the terms of the Partnership Agreement, distributions to holders of Class B Units and General Partnership Units must represent 19% and 1%, respectively, of the total units outstanding. All classes have equal profit sharing and distribution rights, in proportion to their ownership interests.

Effective January 3, 2012, the Partnership authorized a 3-for-1 forward split of its Depositary Receipts listed on the NYSE Amex and a concurrent adjustment of the exchange ratio of Depositary Receipts for Class A Units of the Partnership from 10-to-1 to 30-to-1, such that each Depositary Receipt represents one-thirtieth (1/30) of a Class A Unit of the Partnership.

In 2013, the Partnership paid quarterly distributions of \$7.50 per unit (\$0.25 per receipt) on March 29, June 28, and September 30, 2013. The Board of Advisors approved a quarterly distribution of \$7.50 per unit (\$0.25 per receipt) payable on December 31, 2013.

In 2012, the Partnership paid quarterly distributions of \$7.50 per unit (\$0.25 per receipt) in March, June, September, and December for a total distribution of \$30.00 per unit (\$1.00 per receipt).

The Partnership has entered into a deposit agreement with an agent to facilitate public trading of limited partners' interests in Class A Units. Under the terms of this agreement, the holders of Class A Units have the right to exchange each Class A Unit for 30 Depositary Receipts. The following is information per Depositary Receipt:

	Nine Months Ended September 30,	
	2013	2012
Income per Depositary Receipt before Discontinued Operations	\$ 0.42	\$ 0.61
Income from Discontinued Operations	0.95	0.01
Net Income per Depositary Receipt after Discontinued Operations	\$ 1.37	\$ 0.62
Distributions per Depositary Receipt	\$ 0.75	\$ 0.75

NOTE 8. TREASURY UNITS

Treasury Units at September 30, 2013 are as follows:

Class A	40,549
Class B	9,630
General Partnership	507
	<u>50,686</u>

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On August 20, 2007, NewReal, Inc., the General Partner authorized an equity repurchase program (“Repurchase Program”) under which the Partnership was permitted to purchase, over a period of twelve months, up to 300,000 Depositary Receipts (each of which is one-tenth of a Class A Unit). On January 15, 2008, the General Partner authorized an increase in the Repurchase Program from 300,000 to 600,000 Depositary Receipts. On January 30, 2008 the General Partner authorized an increase the Repurchase Program from 600,000 to 900,000 Depositary Receipts. On March 6, 2008, the General Partner authorized the increase in the total number of Depositary Receipts that could be repurchased pursuant to the Repurchase Program from 900,000 to 1,500,000. On August 8, 2008, the General Partner re-authorized and renewed the Repurchase Program for an additional 12-month period ended August 19, 2009. On March 22, 2010, the General Partner re-authorized and renewed the Repurchase Program that expired on August 19, 2009. Under the terms of the renewed Repurchase Program, the Partnership may purchase up to 1,500,000 Depositary Receipts from the start of the program in 2007 through March 31, 2015. The Repurchase Program requires the Partnership to repurchase a proportionate number of Class B Units and General Partner Units in connection with any repurchases of any Depositary Receipts by the Partnership based upon the 80%, 19% and 1% fixed distribution percentages of the holders of the Class A, Class B and General Partner Units under the Partnership’s Second Amended and Restated Contract of Limited Partnership. Repurchases of Depositary Receipts or Partnership Units pursuant to the Repurchase Program may be made by the Partnership from time to time in its sole discretion in open market transactions or in privately negotiated transactions. From August 20, 2007 through September 30, 2013, the Partnership has repurchased 1,241,636 Depositary Receipts at an average price of \$24.84 per receipt (or \$745.20 per underlying Class A Unit), 2,093 Class B Units and 110 General Partnership Units, both at an average price of \$655.55 per Unit, totaling approximately \$32,408,000 including brokerage fees paid by the Partnership.

On September 17, 2008, the Partnership completed the issuance of an aggregate of 6,642 Class A Units held in treasury to current holders of Class B and General Partner Units upon the simultaneous retirement to treasury of 6,309 Class B Units and 333 General Partner Units pursuant to an equity distribution plan authorized by the Board of Directors of the General Partner on August 8, 2008 and as further described under Item 3.02 of the Partnership’s Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 18, 2008, which is incorporated herein by reference. Harold Brown, the treasurer of the General Partner, owns 75% of the issued and outstanding Class B Units of the Partnership and 75% of the issued and outstanding equity of the General Partner, Ronald Brown, the brother of Harold Brown and the president of the General Partner, owns 25% of the issued and outstanding Class B Units of the Partnership and 25% of the issued and outstanding equity of the General Partner.

During the nine months ended September 30, 2013, the Partnership purchased 21,709 Depositary Receipts for a cost of \$819,240; 172 Class B Units for a cost of \$192,610 and 9 General Partnership Units for a cost of \$10,137 for a total cost of \$1,021,987.

From October 1, 2013 through November 13, 2013, the Partnership purchased a total of 92 Depositary Receipts. The price was \$43.73 per receipt or \$1,312 per Class A unit. The total cost was \$4,210. The Partnership is required to repurchase approximately 0.73 Class B Units and 0.03 General Partner units at a cost of \$962 and \$44, respectively.

NOTE 9. COMMITMENTS AND CONTINGENCIES

From time to time, the Partnership is involved in various ordinary routine litigation incidentals to their business. The Partnership either has insurance coverage or provides for any uninsured claims when appropriate. The Partnership is not involved in any material pending legal proceedings.

NOTE 10. RENTAL INCOME

During the nine months ended September 30, 2013, approximately 92% of rental income was related to residential apartments and condominium units with leases of one year or less. The majority of these leases expire in June, July and August. Approximately 8% was related to commercial properties, which have minimum future annual rental income on non-cancellable operating leases at September 30, 2013 as follows:

	Commercial Property Leases
2014	\$ 2,499,000
2015	1,929,000
2016	1,734,000
2017	903,000
2018	583,000
Thereafter	505,000
	<u>\$ 8,153,000</u>

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The aggregate minimum future rental income does not include contingent rentals that may be received under various leases in connection with common area charges and real estate taxes. Aggregate contingent rentals from continuing operations were approximately \$489,000 and \$477,000 for the nine months ended September 30, 2013 and 2012, respectively.

The following information is provided for commercial leases.

	Annual base rent for expiring leases	Total square feet for expiring leases	Total number of leases expiring	Percentage of annual base rent for expiring leases
Through September 30,				
2014	\$ 322,864	17,551	11	13%
2015	422,746	18,982	7	17%
2016	623,398	23,082	5	25%
2017	519,132	17,542	7	21%
2018	254,932	8,219	6	10%
2019	123,200	3,850	1	5%
2020	141,831	3,056	2	6%
2021	64,800	1,800	1	3%
2022	0	0	0	0%
2023	0	0	0	0%
Totals	<u>\$ 2,472,903</u>	<u>94,082</u>	<u>40</u>	<u>100%</u>

Rents receivable are net of an allowance for doubtful accounts of approximately \$556,000 and \$381,000 at September 30, 2013 and December 31, 2012. Included in rents receivable at September 30, 2013 is approximately \$311,000 resulting from recognizing rental income from non-cancelable commercial leases with future rental increases on a straight-line basis. The majority of this amount is for long-term leases with Staples and Trader Joe’s at Staples Plaza in Framingham, Massachusetts.

Rents receivable at September 30, 2013 also includes approximately \$16,000 representing the deferral of rental concession primarily related to the residential properties.

For the nine months ended September 30, 2013 rent at the commercial properties includes approximately \$1,600 of amortization of deferred rents arising from the fair values assigned to in-place leases upon the purchase of Cypress Street in Brookline, Massachusetts.

NOTE 11. CASH FLOW INFORMATION

During the nine months ended September 30, 2013 and 2012, cash paid for interest was approximately \$5,795,000, and \$5,854,000 respectively. Cash paid for state income taxes was approximately \$59,000, and \$48,000 during the nine months ended September 30, 2013 and 2012 respectively.

NOTE 12. FAIR VALUE MEASUREMENTS

Fair Value Measurements on a Recurring Basis

At September 30, 2013 and December 31, 2012, we do not have any significant financial assets or financial liabilities that are measured at fair value on a recurring basis in our consolidated financial statements.

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Financial Assets and Liabilities not Measured at Fair Value

At September 30, 2013 and December 31, 2012 the carrying amounts of certain of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses were representative of their fair values due to the short-term nature of these instruments or, the recent acquisition of these items.

At September 30, 2013 and December 31, 2012, we estimated the fair value of our mortgages payable and other notes based upon quoted market prices for the same (Level 1) or similar (Level 2) issues when current quoted market prices are available. We estimated the fair value of our secured mortgage debt that does not have current quoted market prices available by discounting the future cash flows using rates currently available to us for debt with similar terms and maturities (Level 3). The differences in the fair value of our debt from the carrying value are the result of differences in interest rates and/or borrowing spreads that were available to us at September 30, 2013 and December 31, 2012, as compared with those in effect when the debt was issued or acquired. The secured mortgage debt contain pre-payment penalties or yield maintenance provisions that could make the cost of refinancing the debt at lower rates exceed the benefit that would be derived from doing so.

The following methods and assumptions were used by the Partnership in estimating the fair value of its financial instruments:

- For cash and cash equivalents, accounts receivable, other assets, investment in partnerships, accounts payable, advance rents and security deposits: fair value approximates the carrying value of such assets and liabilities.
- For mortgage notes payable: fair value is generally based on estimated future cash flows, which are discounted using the quoted market rate from an independent source for similar obligations. Refer to the table below for the carrying amount and estimated fair value of such instruments.

The following table reflects the carrying amounts and estimated fair value of our debt.

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Mortgage Notes Payable		
Partnership Properties		
At September 30, 2013	\$ 191,974,239	\$ 196,257,531
At December 31, 2012	\$ 138,055,523	\$ 155,942,880
Investment Properties		
At September 30, 2013	\$ 139,654,421	\$ 149,617,171
At December 31, 2012	\$ 138,256,711	\$ 157,983,030

Disclosure about fair value of financial instruments is based on pertinent information available to management as of September 30, 2013 and December 31, 2012. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since September 30, 2013 and current estimates of fair value may differ significantly from the amounts presented herein.

NOTE 13. TAXABLE INCOME AND TAX BASIS

Taxable income reportable by the Partnership and includable in its partners' tax returns is different than financial statement income because of tax free exchanges, accelerated depreciation, different tax lives, and timing differences related to prepaid rents, allowances and intangible assets at significant acquisitions. Taxable income was approximately \$530,000 greater than statement income for the year ended December 31, 2012. The primary reason for the increase is reduced tax depreciation due to tax free exchanges and accelerated depreciation in prior years. The cumulative tax basis of the Partnership's real estate at December 31, 2012 is approximately \$12,000,000, less than the statement basis. The primary reasons for the lower tax basis are tax free exchanges, and accelerated depreciation. The Partnership's tax basis in its joint venture investments is approximately \$1,700,000 less than statement basis because of accelerated depreciation. In May 2013, the Partnership sold the Nashoba Apartments in Acton, Massachusetts for \$4,300,000 and had a book gain of approximately \$3,679,000. The Partnership structured a tax free exchange in accordance with the Internal Revenue Service's rule under Sec. 1031 of the Internal Revenue Code. The gain will be deferred through a reduction in the tax basis and related depreciation expense of Hamilton Green Apartments .

Certain entities included in the Partnership's consolidated financial statements are subject to certain state taxes. These taxes are not significant and are recorded as operating expenses in the accompanying consolidated financial statements.

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Allowable accelerated depreciation deductions have been reduced for 2013. This may result in higher taxable income. Future tax law changes may significantly affect taxable income.

The Partnership adopted the amended provisions related to uncertain tax provisions of ASC 740, Income Taxes. As a result of the implementation of the guidance, the Partnership recognized no material adjustments regarding its tax accounting treatment. The Partnership expects to recognize interest and penalties related to uncertain tax positions, if any, as income tax expense, which would be included in general and administrative expense.

In the normal course of business the Partnership or one of its subsidiaries is subject to examination by federal, state and local jurisdictions in which it operates, where applicable. As of September 30, 2013, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations is from the year 2007 forward.

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

Since November 2001, the Partnership has invested in nine limited partnerships and limited liability companies, the majority of which have invested in residential apartment complexes, with three partnerships investing in commercial property. The Partnership has between a 40%-50% ownership interests in each investment. The other investors are Harold Brown, the President of the Management Company and five other employees of the Management Company. Harold Brown's ownership interest is between 43.2% and 57%, with the balance owned by the others. A description of each investment is as follows:

On October 28, 2009 the Partnership invested approximately \$15,925,000 in a joint venture to acquire a 40% interest in a residential property located in Brookline, Massachusetts. The property, referred to as Dexter Park, is a 409 unit residential complex. The purchase price was \$129,500,000. The total mortgage was \$89,914,000 with an interest rate of 5.57% and it matures in 2019. The mortgage calls for interest only payments for the first two years of the loan and amortized over 30 years thereafter. In order to fund this investment, the Partnership used approximately \$8,757,000 of its cash reserves and borrowed approximately \$7,168,000 with an interest rate of 6% from HBC Holdings, LLC, an entity owned by Harold Brown and his affiliates ("HBC"). The term of the loan was four years with a provision requiring payment in whole or in part upon demand by HBC with six months notice. On August 17, 2010, HBC gave six months written notice to the Partnership requesting a principal pay down of \$2,500,000. During the fourth quarter of 2010, the Partnership paid HBC \$2,500,000 as requested. During 2011, the Partnership elected to make principal payments of \$1,000,000 on August 1, 2011, \$1,000,000 on October 1, 2011, and an additional \$1,000,000 on December 15, 2011 reducing the loan balance to \$1,668,600 at December 31, 2011. In February 2012, the Partnership elected to make an additional principal payment of \$750,000 to HBC Holdings and the balance of \$918,600 was paid in April 2012. The interest paid during the three months ended March 31, 2012 was \$18,807. There was no interest paid on this loan in 2013. A majority of the apartments were leased at the time of the acquisition. As a result, the Partnership amortized the intangible assets associated with the "in place" leases over a 12 month period which began in November 2009. The balance of the mortgage at September 30, 2013 is approximately \$87,707,000. This investment, Hamilton Park Towers, LLC is referred to as Dexter Park.

On October 3, 2005, the Partnership invested \$2,500,000 for a 50% ownership interest in a 168-unit apartment complex in Quincy, Massachusetts. The purchase price was \$30,875,000. The Partnership plans to sell the majority of units as condominiums and retain 48 units for long-term investment. Gains from the sales of units were taxed at ordinary income rates. In February 2007, the Partnership refinanced the 48 units with a new mortgage in the amount of \$4,750,000 with an interest rate of 5.57%, interest only for five years. The loan will be amortized over 30 years thereafter and matures in March 2017. As of September 30, 2013, the balance of the mortgage is approximately \$4,655,000. This investment is referred to as Hamilton Bay Apartments, LLC. In April 2008, the Partnership refinanced an additional 20 units and obtained a new mortgage in the amount of \$2,368,000 with interest at 5.75%, interest only, which matures in 2013. At September 30, 2013, 15 units are unsold. As of November 1, 2013, 105 units have been sold, the proceeds of which went to pay down the mortgage on the property. No unit was sold during the nine months ended September 30, 2013. The balance on the new mortgage is approximately \$1,318,000 at September 30, 2013. On October 18, 2013, Hamilton Bay Unit Sales paid off the balance of the outstanding mortgage. This investment is referred to as Hamilton Bay, LLC.

On March 7, 2005, the Partnership invested \$2,000,000 for a 50% ownership interest in a building comprising 49 apartments, one commercial space and a 50-car surface parking lot located in Boston, Massachusetts. The purchase price was \$14,300,000, with a \$10,750,000 mortgage. The Partnership plans to operate the building and initiate development of the parking lot. In June 2007, the Partnership separated the parcels, formed an additional limited liability company for the residential apartments and obtained a mortgage on the property. The new limited liability company formed for the residential apartments and commercial space is referred to as Hamilton Essex 81, LLC. In August 2008, the Partnership restructured the mortgages on both parcels at Essex 81 and transferred the residential apartments to Hamilton Essex 81, LLC. The mortgage

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balance on Hamilton Essex 81, LLC on September 30, 2013 is approximately \$8,264,000 amortizing over 30 years at 5.79% due in August 2016. The mortgage balance on Essex Development, LLC, at September 30, 2013 and the parking lot is approximately \$2,054,000 with a variable interest rate of 2.25% over the daily Libor rate (0.1789% at September 30, 2013). This loan was extended to August 2013 with the same conditions except for the addition of fixed principal payments in the amount of \$4,301 per month. The cost associated with the extension was approximately \$6,000. In September 2013, the loan was extended for an additional two years to August 2015 with the same conditions except for the increased principal payment of \$4,443 per month. The cost associated with the extension was approximately \$9,000. Harold Brown has issued a personal guaranty up to \$1,000,000 of this mortgage. In the event that he is obligated to make payments to the lender as a result of this guaranty, the Partnership and other investors have, in turn, agreed to indemnify him for their proportionate share of any such payments. The investment in the parking lot is referred to as Hamilton Essex Development, LLC; the investment in the apartments is referred to as Hamilton Essex 81, LLC.

On March 2, 2005, the Partnership invested \$2,352,000 for a 50% ownership interest in a 176-unit apartment complex with an additional small commercial building located in Quincy, Massachusetts. The purchase price was \$23,750,000. The Partnership sold 127 of the units as condominiums and retained 49 units for long-term investment. The Partnership obtained a new 10-year mortgage in the amount of \$5,000,000 on the units to be retained by the Partnership. The interest on the new loan is 5.67% fixed for the 10 year term with interest only payments for five years and amortized over a 30 year period for the balance of the loan term. The balance of this mortgage is approximately \$4,886,000 at September 30, 2013. This investment is referred to as Hamilton 1025, LLC.

In September 2004, the Partnership invested approximately \$5,075,000 for a 50% ownership interest in a 42-unit apartment complex located in Lexington, Massachusetts. The purchase price was \$10,100,000. In October 2004, the Partnership obtained a mortgage on the property in the amount of \$8,025,000 and returned \$3,775,000 to the Partnership. The Partnership obtained a new 10-year mortgage in the amount of \$5,500,000 in January 2007. The interest on the new loan is 5.67% fixed for the ten year term with interest only payments for five years and amortized over a 30 year period for the balance of the loan. This loan required a cash contribution by the Partnership of \$1,250,000 in December 2006. At September 30, 2013, the balance of this mortgage is approximately \$5,380,000. This investment is referred to as Hamilton Minuteman, LLC.

In August 2004, the Partnership invested \$8,000,000 for a 50% ownership interest in a 280-unit apartment complex located in Watertown, Massachusetts. The total purchase price was \$56,000,000. As of May 2008, the Partnership sold 137 units as condominiums. Gains from these sales were taxed as ordinary income. The majority of the sales proceeds were applied to reduce the mortgage with the final payment made during the second quarter of 2007. With the sale of the units and the payments of the liabilities, the assets were combined with Hamilton on Main Apartments, LLC. An entity partially owned by the majority shareholder of the General Partner and the President of the management company, 31% and 5%, respectively, was the sales agent and received a variable commission on each sale of 3% to 5%. Hamilton on Main, LLC is known as Hamilton Place.

In 2005, Hamilton on Main Apartments, LLC obtained a ten year mortgage on the three buildings to be retained. The mortgage was \$16,825,000, with interest only of 5.18% for three years and amortizing on a 30 year schedule for the remaining seven years when the balance is due. The net proceeds after funding escrow accounts and closing costs on the mortgage were approximately \$16,700,000, which were used to reduce the existing mortgage. Hamilton on Main LLC paid a fee of approximately \$400,000 in connection with this early extinguishment of debt. At September 30, 2013, the remaining balance on the mortgage is approximately \$15,391,000.

In November 2001, the Partnership invested approximately \$1,533,000 for a 50% ownership interest in a 40-unit apartment building in Cambridge, Massachusetts. In June 2013, the property was refinanced with a 15 year mortgage in the amount of \$10,000,000 at 3.87%, interest only for 3 years and is amortized on a 30-year schedule for the balance of the term. At September 30, 2013, the mortgage balance is \$10,000,000. This investment is referred to as 345 Franklin, LLC.

Summary financial information as of September 30, 2013

	Hamilton Essex 81	Hamilton Essex Development	345 Franklin	Hamilton 1025	Hamilton Bay Sales	Hamilton Bay Apts	Hamilton Minuteman Apts	Hamilton on Main Apts	Dexter Park	Total
ASSETS										
Rental Properties	\$ 8,855,213	\$ 2,617,557	\$ 7,596,004	\$ 5,448,764	\$ 1,785,933	\$ 6,752,521	\$ 6,851,307	\$ 20,455,309	\$ 103,516,956	\$ 163,879,565
Cash & Cash Equivalents	18,578	24,337	15,400	743	901	14,460	60,794	15,593	919,270	1,070,076
Rent Receivable	25,174	—	3,684	5,841	4,019	10,560	—	8,402	72,166	129,845
Real Estate Tax Escrow	92,679	—	39,519	77,637	—	51,134	38,025	70,460	417,391	786,845
Prepaid Expenses & Other Assets	89,720	889	43,130	46,234	113,082	28,815	51,583	306,657	1,532,522	2,212,631
Financing & Leasing Fees	51,002	9,067	98,213	15,876	—	21,472	12,973	9,435	355,191	573,227
Total Assets	\$ 9,132,365	\$ 2,651,850	\$ 7,795,948	\$ 5,595,095	\$ 1,903,935	\$ 6,878,962	\$ 7,014,682	\$ 20,865,856	\$ 106,813,495	\$ 168,652,189
LIABILITIES AND PARTNERS' CAPITAL										
Mortgage Notes Payable	\$ 8,263,635	\$ 2,054,475	\$ 10,000,000	\$ 4,885,643	\$ 1,318,000	\$ 4,655,194	\$ 5,379,695	\$ 15,390,766	\$ 87,707,013	\$ 139,654,420
Accounts Payable& Accrued Exp	50,122	5,642	76,207	52,855	21,118	8,792	77,740	188,156	1,037,568	1,518,200
Advance Rental Pymts& Security Dep	160,109	—	162,242	86,196	26,410	89,430	73,462	276,764	2,107,529	2,982,141
Total Liabilities	8,473,866	2,060,117	10,238,449	5,024,693	1,365,528	4,753,416	5,530,897	15,855,686	90,852,110	144,154,762
Partners' Capital	658,500	591,733	(2,442,501)	570,401	538,407	2,125,546	1,483,785	5,010,170	15,961,384	24,497,427
Total Liabilities and Capital	\$ 9,132,365	\$ 2,651,850	\$ 7,795,948	\$ 5,595,095	\$ 1,903,935	\$ 6,878,962	\$ 7,014,682	\$ 20,865,856	\$ 106,813,495	\$ 168,652,189
Partners' Capital - NERA 50%	\$ 329,250	\$ 295,867	\$ (1,221,250)	\$ 285,201	\$ 269,204	\$ 1,062,773	\$ 741,893	\$ 2,505,085		\$ 4,268,021
NERA 40%									\$ 6,384,554	\$ 6,384,554
										\$ 10,652,575
Total units/condominiums										
Apartments	48	—	40	175	120	48	42	148	409	1,030
Commercial	1	1	—	1	—	—	—	—	—	3
Total	49	1	40	176	120	48	42	148	409	1,033
Units to be retained	49	1	40	49	—	48	42	148	409	786
Units to be sold	—	—	—	127	120	—	—	—	—	247
Units sold through November 1, 2013	—	—	—	127	105	—	—	—	—	232
Unsold units	—	—	—	—	15	—	—	—	—	15
Unsold units with deposits for future sale as of November 1, 2013	—	—	—	—	—	—	—	—	—	—

Financial information for the nine months ended September 30, 2013

	<u>Hamilton Essex 81</u>	<u>Hamilton Essex Development</u>	<u>345 Franklin</u>	<u>Hamilton 1025</u>	<u>Hamilton Bay Sales</u>	<u>Hamilton Bay Apts</u>	<u>Hamilton Minuteman Apts</u>	<u>Hamilton on Main Apts</u>	<u>Dexter Park</u>	<u>Total</u>
Revenues										
Rental Income	\$ 1,006,954	\$ 215,601	\$ 931,629	\$ 666,484	\$ 189,661	\$ 676,641	\$ 638,208	\$ 2,046,366	\$ 9,487,525	\$ 15,859,069
Laundry and Sundry Income	12,144	—	3,483	—	—	—	675	27,391	70,846	114,538
	<u>1,019,097</u>	<u>215,601</u>	<u>935,112</u>	<u>666,484</u>	<u>189,661</u>	<u>676,641</u>	<u>638,883</u>	<u>2,073,756</u>	<u>9,558,371</u>	<u>15,973,608</u>
Expenses										
Administrative	15,037	1,021	18,796	7,968	9,502	14,367	4,253	26,848	191,418	289,209
Depreciation and Amortization	319,895	6,671	321,730	180,399	60,895	230,538	237,847	733,437	4,326,808	6,418,221
Management Fees	41,713	8,624	38,633	27,108	7,614	26,682	25,801	83,965	203,719	463,860
Operating	94,588	—	53,310	927	2,038	1,232	56,899	252,383	802,142	1,263,520
Renting	10,831	—	1,788	5,378	1,425	9,753	6,096	4,331	66,105	105,705
Repairs and Maintenance	93,194	4,400	62,553	239,752	70,217	224,156	50,840	278,025	843,069	1,866,206
Taxes and Insurance	164,374	37,050	85,152	114,730	31,912	109,188	91,893	257,239	1,170,929	2,062,466
	<u>739,632</u>	<u>57,765</u>	<u>581,962</u>	<u>576,261</u>	<u>183,604</u>	<u>615,915</u>	<u>473,628</u>	<u>1,636,229</u>	<u>7,604,189</u>	<u>12,469,187</u>
Income Before Other Income (Loss)	<u>279,465</u>	<u>157,835</u>	<u>353,150</u>	<u>90,223</u>	<u>6,057</u>	<u>60,726</u>	<u>165,255</u>	<u>437,527</u>	<u>1,954,182</u>	<u>3,504,421</u>
Other Income (Loss)										
Interest Expense	(366,060)	(43,776)	(355,345)	(212,962)	(70,021)	(200,200)	(234,140)	(616,349)	(3,757,844)	(5,856,697)
Interest Income	—	—	26	5	122	—	—	—	57	210
Interest Income from Note	—	—	—	—	2,729	—	—	—	—	2,729
Gain on Sale of Real Estate	—	—	—	—	—	—	—	—	—	—
Other Income (Expenses)	—	—	(68,588)	—	—	—	—	—	—	(68,588)
	<u>(366,060)</u>	<u>(43,776)</u>	<u>(423,908)</u>	<u>(212,957)</u>	<u>(67,170)</u>	<u>(200,200)</u>	<u>(234,140)</u>	<u>(616,349)</u>	<u>(3,757,786)</u>	<u>(5,922,346)</u>
Net Income (Loss)	<u>\$ (86,594)</u>	<u>\$ 114,059</u>	<u>\$ (70,758)</u>	<u>\$ (122,734)</u>	<u>\$ (61,113)</u>	<u>\$ (139,474)</u>	<u>\$ (68,884)</u>	<u>\$ (178,822)</u>	<u>\$ (1,803,605)</u>	<u>\$ (2,417,925)</u>
Net Income (Loss) - NERA 50%	<u>\$ (43,297)</u>	<u>\$ 57,029</u>	<u>\$ (35,379)</u>	<u>\$ (61,367)</u>	<u>\$ (30,556)</u>	<u>\$ (69,737)</u>	<u>\$ (34,442)</u>	<u>\$ (89,411)</u>		<u>\$ (307,160)</u>
NERA 40%									<u>\$ (721,442)</u>	<u>\$ (721,442)</u>
										<u>\$ (1,028,602)</u>

Financial information for the three months ended September 30, 2013

	<u>Hamilton Essex 81</u>	<u>Hamilton Essex Development</u>	<u>345 Franklin</u>	<u>Hamilton 1025</u>	<u>Hamilton Bay Sales</u>	<u>Hamilton Bay Apts</u>	<u>Hamilton Minuteman Apts</u>	<u>Hamilton on Main Apts</u>	<u>Dexter Park</u>	<u>Total</u>
Revenues										
Rental Income	\$ 343,035	\$ 71,809	\$ 315,594	\$ 224,602	\$ 68,189	\$ 235,198	\$ 205,420	\$ 693,178	\$ 3,155,855	\$ 5,312,880
Laundry and Sundry Income	3,146	—	1,550	—	—	—	—	10,109	24,417	39,222
	<u>346,181</u>	<u>71,809</u>	<u>317,144</u>	<u>224,602</u>	<u>68,189</u>	<u>235,198</u>	<u>205,420</u>	<u>703,287</u>	<u>3,180,272</u>	<u>5,352,102</u>
Expenses										
Administrative	5,109	317	4,365	4,162	5,916	6,816	1,788	8,440	77,694	114,608
Depreciation and Amortization	107,829	2,182	105,992	60,185	19,797	76,900	79,914	244,670	1,448,329	2,145,798
Management Fees	15,699	2,872	12,851	8,922	2,627	8,795	8,725	26,626	70,212	157,330
Operating	31,039	—	13,266	215	77	615	14,951	61,202	237,482	358,848
Renting	1,281	—	—	1,453	—	2,503	2,054	1,026	39,451	47,766
Repairs and Maintenance	29,100	700	24,374	82,343	24,231	76,461	25,303	112,318	389,052	763,882
Taxes and Insurance	52,614	12,642	28,897	37,599	11,293	38,040	29,945	87,950	427,973	726,954
	<u>242,671</u>	<u>18,715</u>	<u>189,745</u>	<u>194,878</u>	<u>63,942</u>	<u>210,131</u>	<u>162,681</u>	<u>542,233</u>	<u>2,690,194</u>	<u>4,315,188</u>
Income Before Other Income (Loss)	<u>103,510</u>	<u>53,095</u>	<u>127,399</u>	<u>29,724</u>	<u>4,248</u>	<u>25,068</u>	<u>42,739</u>	<u>161,054</u>	<u>490,078</u>	<u>1,036,914</u>
Other Income (Loss)										
Interest Expense	(122,858)	(14,510)	(97,798)	(71,481)	(21,332)	(67,226)	(78,601)	(206,762)	(1,262,391)	(1,942,961)
Interest Income	—	—	—	2	36	—	—	—	—	39
Interest Income from Note	—	—	—	—	722	—	—	—	—	722
Gain on Sale of Real Estate	—	—	—	—	—	—	—	—	—	—
Other Income (Expenses)	—	—	—	—	—	—	—	—	—	—
	<u>(122,858)</u>	<u>(14,510)</u>	<u>(97,798)</u>	<u>(71,479)</u>	<u>(20,574)</u>	<u>(67,226)</u>	<u>(78,601)</u>	<u>(206,762)</u>	<u>(1,262,391)</u>	<u>(1,942,200)</u>
Net Income (Loss)	<u>\$ (19,348)</u>	<u>\$ 38,584</u>	<u>\$ 29,601</u>	<u>\$ (41,755)</u>	<u>\$ (16,326)</u>	<u>\$ (42,159)</u>	<u>\$ (35,862)</u>	<u>\$ (45,708)</u>	<u>\$ (772,312)</u>	<u>\$ (905,286)</u>
Net Income (Loss) - NERA 50%	<u>\$ (9,674)</u>	<u>\$ 19,292</u>	<u>\$ 14,801</u>	<u>\$ (20,878)</u>	<u>\$ (8,163)</u>	<u>\$ (21,079)</u>	<u>\$ (17,931)</u>	<u>\$ (22,854)</u>		<u>\$ (66,487)</u>
NERA 40%									<u>\$ (308,925)</u>	<u>\$ (308,925)</u>
										<u>\$ (375,412)</u>

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Future annual mortgage maturities at September 30, 2013 are as follows:

<u>Period End</u>	<u>Hamilon Essex 81 March 2005</u>	<u>Hamilton Essex 81 Development March 2005</u>	<u>345 Franklin November 2001</u>	<u>Hamilton 1025 March 2005</u>	<u>Hamilton Bay Sales October 2005</u>	<u>Hamilton Bay Apts October 2005</u>	<u>Hamilton Minuteman August 2004</u>	<u>Hamilton on Main Apts August 2004</u>	<u>Dexter Park October 2009</u>	<u>Total</u>
9/31/2014	\$ 134,209	\$ 53,316	\$	\$ 68,013	\$ 1,318,000	\$ 70,508	\$ 74,491	\$ 304,943	\$ 1,359,159	\$ 3,382,639
9/31/2015	139,026	2,001,159		72,028		72,921	78,887	15,085,823	1,406,142	18,855,987
9/31/2016	7,990,399		42,990	75,510		83,707	82,697		1,486,495	9,761,799
9/31/2017			180,476	4,670,091		4,428,058	5,143,620		1,571,440	15,993,686
9/31/2018			189,026						1,661,239	1,850,285
Thereafter			9,587,508						80,222,538	89,810,045
	<u>\$ 8,263,635</u>	<u>\$ 2,054,475</u>	<u>\$ 10,000,000</u>	<u>\$ 4,885,642</u>	<u>\$ 1,318,000</u>	<u>\$ 4,655,194</u>	<u>\$ 5,379,695</u>	<u>\$ 15,390,766</u>	<u>\$ 87,707,013</u>	<u>\$ 139,654,419</u>

At September 30, 2013 the weighted average interest rate on the above mortgages was 5.39%. The effective rate was 5.47% including the amortization expense of deferred financing costs.

Summary financial information as of September 30, 2012

	<u>Hamilton Essex 81</u>	<u>Hamilton Essex Development</u>	<u>345 Franklin</u>	<u>Hamilton 1025</u>	<u>Hamilton Bay Sales</u>	<u>Hamilton Bay Apts</u>	<u>Hamilton Minuteman Apts</u>	<u>Hamilton on Main Apts</u>	<u>Dexter Park</u>	<u>Total</u>
ASSETS										
Rental Properties	\$ 9,201,729	\$ 2,611,197	\$ 7,962,705	\$ 5,685,935	\$ 1,863,770	\$ 7,045,549	\$ 7,077,941	\$ 21,317,705	\$ 108,880,125	\$ 171,646,656
Cash & Cash Equivalents	3,682	12,525	57,974	66	14,203	98	42,880	159,507	782,730	1,073,665
Rent Receivable	45,283	—	905	7,924	654	2,929	4,791	5,055	50,229	117,770
Real Estate Tax Escrow	49,793	—	39,686	71,850	—	95,568	42,857	109,839	430,978	840,573
Prepaid Expenses & Other Assets	96,118	807	97,491	102,622	152,270	107,997	76,040	292,984	1,328,474	2,254,803
Financing & Leasing Fees	64,805	5,946	10,205	20,902	2,771	27,833	16,942	16,296	414,507	580,208
Total Assets	\$ 9,461,410	\$ 2,630,476	\$ 8,168,966	\$ 5,889,300	\$ 2,033,669	\$ 7,279,975	\$ 7,261,451	\$ 21,901,385	\$ 111,887,043	\$ 176,513,675
LIABILITIES AND PARTNERS' CAPITAL										
Mortgage Notes Payable	\$ 8,379,679	\$ 2,106,087	\$ 6,893,510	\$ 4,949,865	\$ 1,668,000	\$ 4,716,555	\$ 5,450,034	\$ 15,680,318	\$ 88,891,126	\$ 138,735,173
Due to Investment Properties	—	—	—	—	—	—	—	—	—	—
Accounts Payable & Accrued Exp	72,817	5,870	146,324	49,095	20,272	6,929	94,046	248,055	841,053	1,484,461
Advance Rental Pymts & Security Dep	148,662	—	140,048	86,764	23,802	84,376	68,652	267,641	1,837,442	2,657,387
Total Liabilities	8,601,158	2,111,957	7,179,881	5,085,724	1,712,074	4,807,860	5,612,731	16,196,014	91,569,622	142,877,021
Partners' Capital	860,252	518,519	989,085	803,576	321,595	2,472,115	1,648,720	5,705,372	20,317,421	33,636,654
Total Liabilities and Capital	\$ 9,461,410	\$ 2,630,476	\$ 8,168,966	\$ 5,889,300	\$ 2,033,669	\$ 7,279,975	\$ 7,261,451	\$ 21,901,385	\$ 111,887,043	\$ 176,513,675
Partners' Capital - NERA 50%	\$ 430,126	\$ 259,259	\$ 494,542	\$ 401,788	\$ 160,798	\$ 1,236,057	\$ 824,360	\$ 2,852,686		\$ 6,659,616
NERA 40%									\$ 8,126,969	\$ 8,126,969
										\$ 14,786,585

Summary financial information for the nine months ended September 30, 2012

	<u>Hamilton Essex 81</u>	<u>Hamilton Essex Development</u>	<u>345 Franklin</u>	<u>Hamilton 1025</u>	<u>Hamilton Bay Sales</u>	<u>Hamilton Bay Apts</u>	<u>Hamilton Minuteman Apts</u>	<u>Hamilton on Main Apts</u>	<u>Dexter Park</u>	<u>Total</u>
Revenues										
Rental Income	\$ 937,284	\$ 216,137	\$ 873,734	\$ 639,791	\$ 173,054	\$ 659,463	\$ 603,212	\$ 1,953,493	\$ 9,056,079	\$ 15,112,247
Laundry and Sundry Income	10,488	—	1,788	—	—	—	666	13,732	75,239	101,913
	<u>947,772</u>	<u>216,137</u>	<u>875,522</u>	<u>639,791</u>	<u>173,054</u>	<u>659,463</u>	<u>603,878</u>	<u>1,967,225</u>	<u>9,131,318</u>	<u>15,214,160</u>
Expenses										
Administrative	10,430	1,432	23,211	4,079	6,617	29,996	6,755	37,307	169,223	289,048
Depreciation and Amortization	308,642	9,394	336,339	190,555	59,208	224,008	238,621	717,664	4,314,274	6,398,704
Management Fees	40,573	8,645	36,070	25,964	7,268	25,753	24,241	78,862	196,041	443,417
Operating	85,319	—	42,933	636	1,237	1,070	54,385	242,157	764,389	1,192,125
Renting	16,664	—	3,459	5,718	1,450	3,660	3,013	8,845	71,830	114,639
Repairs and Maintenance	94,156	5,475	61,720	235,472	53,379	205,125	45,315	283,251	707,486	1,691,378
Taxes and Insurance	149,722	37,211	75,919	109,871	34,890	121,571	77,022	253,782	1,115,971	1,975,959
	<u>705,506</u>	<u>62,158</u>	<u>579,650</u>	<u>572,294</u>	<u>164,047</u>	<u>611,182</u>	<u>449,351</u>	<u>1,621,867</u>	<u>7,339,215</u>	<u>12,105,270</u>
Income Before Other Income	<u>242,266</u>	<u>153,980</u>	<u>295,872</u>	<u>67,497</u>	<u>9,007</u>	<u>48,281</u>	<u>154,527</u>	<u>345,358</u>	<u>1,792,103</u>	<u>3,108,891</u>
Other Income (Loss)										
Interest Expense	(373,357)	(45,437)	(366,348)	(216,254)	(73,609)	(203,375)	(238,036)	(628,955)	(3,818,020)	(5,963,390)
Interest Income	—	—	36	62	165	—	—	—	—	262
Interest Income from Note	—	—	—	—	4,901	—	—	—	—	4,901
Gain on Sale of Real Estate	—	—	—	—	—	—	—	—	—	—
Other Income (Expenses)	—	—	—	—	—	—	—	—	—	—
	<u>(373,357)</u>	<u>(45,437)</u>	<u>(366,311)</u>	<u>(216,193)</u>	<u>(68,543)</u>	<u>(203,375)</u>	<u>(238,036)</u>	<u>(628,955)</u>	<u>(3,818,020)</u>	<u>(5,958,227)</u>
Net Income (Loss)	<u>\$ (131,091)</u>	<u>\$ 108,543</u>	<u>\$ (70,439)</u>	<u>\$ (148,696)</u>	<u>\$ (59,537)</u>	<u>\$ (155,094)</u>	<u>\$ (83,509)</u>	<u>\$ (283,597)</u>	<u>\$ (2,025,917)</u>	<u>\$ (2,849,337)</u>
Net Income (Loss) - NERA 50%	<u>\$ (65,546)</u>	<u>\$ 54,271</u>	<u>\$ (35,220)</u>	<u>\$ (74,348)</u>	<u>\$ (29,768)</u>	<u>\$ (77,547)</u>	<u>\$ (41,754)</u>	<u>\$ (141,798)</u>		<u>\$ (411,710)</u>
NERA 40%									<u>\$ (810,367)</u>	<u>\$ (810,367)</u>
										<u>\$ (1,222,077)</u>

Summary financial information for the three months ended September 30, 2012

	<u>Hamilton Essex 81</u>	<u>Hamilton Essex Development</u>	<u>345 Franklin</u>	<u>Hamilton 1025</u>	<u>Hamilton Bay Sales</u>	<u>Hamilton Bay Apts</u>	<u>Hamilton Minuteman Apts</u>	<u>Hamilton on Main Apts</u>	<u>Dexter Park</u>	<u>Total</u>
Revenues										
Rental Income	\$ 311,281	\$ 72,046	\$ 295,031	\$ 218,064	\$ 61,862	\$ 223,301	\$ 204,535	\$ 656,122	\$ 2,993,242	\$ 5,035,486
Laundry and Sundry Income	3,415	—	600	—	—	—	175	3,752	31,384	39,327
	<u>314,697</u>	<u>72,046</u>	<u>295,631</u>	<u>218,064</u>	<u>61,862</u>	<u>223,301</u>	<u>204,711</u>	<u>659,875</u>	<u>3,024,626</u>	<u>5,074,812</u>
Expenses										
Administrative	2,824	317	7,845	1,599	2,514	6,285	3,823	11,209	59,789	96,206
Depreciation and Amortization	101,777	2,909	114,199	63,962	19,736	74,920	80,075	240,997	1,443,275	2,141,849
Management Fees	13,547	2,882	11,953	9,079	2,681	8,761	8,225	26,655	66,474	150,256
Operating	32,187	—	13,451	1	310	165	16,664	63,833	217,288	343,898
Renting	14,574	—	3,318	3,389	—	389	1,019	2,265	30,033	54,987
Repairs and Maintenance	39,279	950	17,401	89,279	21,202	71,906	15,818	85,358	277,534	618,728
Taxes and Insurance	48,843	12,025	25,358	36,279	11,329	39,893	26,154	85,473	371,328	656,683
	<u>253,031</u>	<u>19,084</u>	<u>193,525</u>	<u>203,588</u>	<u>57,772</u>	<u>202,319</u>	<u>151,778</u>	<u>515,790</u>	<u>2,465,720</u>	<u>4,062,608</u>
Income Before Other Income	<u>61,665</u>	<u>52,962</u>	<u>102,106</u>	<u>14,476</u>	<u>4,090</u>	<u>20,982</u>	<u>52,933</u>	<u>144,085</u>	<u>558,906</u>	<u>1,012,205</u>
Other Income (Loss)										
Interest Expense	(124,806)	(15,110)	(120,435)	(72,408)	(24,738)	(68,108)	(79,666)	(210,248)	(1,277,390)	(1,992,910)
Interest Income	—	—	12	21	51	—	—	—	—	84
Interest Income from Note	—	—	—	—	1,458	—	—	—	—	1,458
Gain on Sale of Real Estate	—	—	—	—	—	—	—	—	—	—
Other Income (Expenses)	—	—	—	—	—	—	—	—	—	—
	<u>(124,806)</u>	<u>(15,110)</u>	<u>(120,423)</u>	<u>(72,388)</u>	<u>(23,229)</u>	<u>(68,108)</u>	<u>(79,666)</u>	<u>(210,248)</u>	<u>(1,277,390)</u>	<u>(1,991,367)</u>
Net Income (Loss)	<u>\$ (63,141)</u>	<u>\$ 37,852</u>	<u>\$ (18,317)</u>	<u>\$ (57,912)</u>	<u>\$ (19,139)</u>	<u>\$ (47,126)</u>	<u>\$ (26,733)</u>	<u>\$ (66,164)</u>	<u>\$ (718,484)</u>	<u>\$ (979,163)</u>
Net Income (Loss) - NERA 50%	<u>\$ (31,571)</u>	<u>\$ 18,926</u>	<u>\$ (9,158)</u>	<u>\$ (28,956)</u>	<u>\$ (9,569)</u>	<u>\$ (23,563)</u>	<u>\$ (13,366)</u>	<u>\$ (33,082)</u>		<u>\$ (130,339)</u>
NERA 40%									<u>\$ (287,394)</u>	<u>\$ (287,394)</u>
										<u>\$ (417,733)</u>

NOTE 15. DISCONTINUED OPERATIONS

The following tables summarize income from discontinued operations for the property held for sale for the nine months ended September 30, 2013 and 2012.

	September 30, 2013	September 30, 2012
Total Revenues	\$ 193,857	\$ 344,531
Operating and other expenses	172,586	258,776
Depreciation and amortization	2,111	39,671
	<u>174,697</u>	<u>298,447</u>
Income from discontinued operations	\$ 19,160	\$ 46,084

Gain on the Sale of Nashoba in the second quarter of 2013:

Sale price	\$ 4,300,000
Net book value	476,766
Expense of sale	<u>144,395</u>
Gain on the sale of real estate	<u>\$ 3,678,839</u>

NOTE 16. SUBSEQUENT EVENTS

On September 30, 2013, the Partnership received a commitment for a new mortgage on Hamilton Green. The new mortgage is \$38,500,000, interest is fixed at 4.67% for 15 years, interest only for 2 years and the mortgage is amortized over 30 years. The Partnership anticipates closing on this mortgage in the fourth quarter of 2013. This refinancing will require an additional \$1,500,000 in capital from the Partnership. The closing costs associated with this refinancing will be approximately \$405,000.

On October 1, 2013, the Partnership refinanced the property owned by Westgate Apartments LLC. The new mortgage is \$15,700,000; the interest rate is 4.65%, interest only payable in 10 years. The mortgage matures in September 2023. The costs associated with the refinancing were approximately \$190,000.

On October 18, 2013, the Partnership and its joint venture partner made capital contributions to Hamilton Bay Unit Sales of \$660,000 each. The capital was used to pay off the outstanding mortgage.

From October 1, 2013 through November 13, 2013, the Partnership purchased a total of 92 Depositary Receipts. The price was \$43.73 per receipt or \$1,312 per Class A unit. The total cost was \$4,210. The Partnership is required to repurchase approximately 0.73 Class B Units and 0.03 General Partner units at a cost of \$962 and \$44, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**Forward Looking Statements**

Certain information contained herein includes forward looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Liquidation Reform Act of 1995 (the "Act"). Forward looking statements in this report, or which management may make orally or in written form from time to time, reflect management's good faith belief when those statements are made, and are based on information currently available to management. Caution should be exercised in interpreting and relying on such forward looking statements, the realization of which may be impacted by known and unknown risks and uncertainties, events that may occur subsequent to the forward looking statements, and other factors which may be beyond the Partnership's control and which can materially affect the Partnership's actual results, performance or achievements for 2013 and beyond. Should one or more of the risks or uncertainties mentioned below materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. We expressly disclaim any responsibility to update our forward looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on past forward looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

Since the Partnership's long-term goals include the acquisition of additional properties, a portion of the proceeds from the refinancing and sale of properties is reserved for this purpose. If available acquisitions do not meet the Partnership's criteria, the Partnership may purchase additional depositary receipts. The Partnership will consider refinancing existing properties if the Partnership's cash reserves are insufficient to repay existing mortgages or if the Partnership needs additional funds for future acquisitions.

The third quarter continued the revenue increases set in motion last fall. Revenue increases were achieved from renewing as well as new residents. Demand for housing was consistent with last year's leasing season but we have seen a drop off in demand in the first part of the fourth quarter. Though revenue increases on same store properties are being attained, Management has noted that time to lease has increased at the beginning of the fourth quarter. The general production of additional housing inventory throughout eastern Massachusetts may temper revenue growth. Management believes that the pace of revenue increases will slow in 2014 until employment growth and salary growth catch up to the increasing cost of housing in greater Boston. While the urban portfolio will continue to benefit from the student demand for housing, Management anticipates resistance in the suburban market for 2014 resulting in 3-4% revenue growth overall. Consumer sentiment is still weighted toward rental housing but Management anticipates a slack tide for the latter half of 2014. For the quarter, same store rentals achieved a 3.5% increase in revenue and 3.4% for the nine months. A \$1,200,000 increase in same store operating expenses for the first 9 months (11%) would have been only 2.4% if not for the significant snow removal, real estate tax increases and financing fee write-off related to discontinued financing activities. All other facets of manageable operating costs remain stable. Management anticipates that net operating income (income before depreciation, amortization and interest) for 2013 will be higher than 2012.

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Management successfully sold Nashoba Apartments in the second quarter. This \$4,300,000 sale (which netted approximately \$2,100,000 in cash after retiring the debt) was placed in a tax free exchange vehicle. During the quarter, the Partnership won the competitive bid for a 193 unit apartment complex in Andover, Massachusetts known as Windsor Green. The sale was consummated during the third quarter. The purchase was for \$62,500,000 and was acquired through cash from the sale mentioned above, \$20,000,000 of proceeds from the refinancing of the existing properties and a \$40,000,000 acquisition loan. Permanent long term financing of \$38,500,000 is expected to close during the fourth quarter at a rate of 4.67% for a 15 year term. It is expected that the new acquisition will provide the Partnership with an increasing cash flow and provide the Partnership with additional tax shelter.

In addition, the Partnership completed the refinancing of Westgate Apartments, LLC. As planned, an additional \$7,700,000 in new financing was obtained, however the new debt service is expected to be approximately \$730,000 (per year) compared to approximately \$1,010,000 (per year) under the prior loan. In October, the Partnership also retired \$1,300,000 of Joint Venture debt related to the 15 units at Hamilton Bay.

On October 1, 2013, the Partnership refinanced the property owned by Westgate Apartments LLC. The new mortgage is \$15,700,000, the interest rate is 4.65% and the terms are interest only for 10 years. The mortgage matures in September 2023. The mortgage was used to pay off the current mortgage of approximately \$8,000,000 and raised an additional \$7,700,000 in cash. The closing costs associated with this refinancing are approximately \$190,000.

On July 9, 2013, Boylston Downtown, LP refinanced the property located at 62 Boylston Street, Boston, Massachusetts. The new 15 year \$40,000,000 mortgage has an interest rate of 3.97% with interest only for the first 3 years and a 30 year amortization. Approximately \$19,500,000 of the loan proceeds were used to pay off the existing mortgage and the balance was included in the Partnership's cash reserves. The closing costs associated with this refinancing are approximately \$280,000.

The new debt service for Westgate Apartments and 62 Boylston Street, when amortization starts in three years, will be approximately \$3,000,000 per year compared to \$2,000,000 prior to the refinancing. While the debt service has gone up, the Partnership has the capital to retire other more expensive debt, has the ability to capitalize on future acquisitions and has allowed us to timely acquire a Class A property.

On July 15, 2013, Hamilton Green Apartments, LLC, a newly formed subsidiary of the Partnership, purchased Windsor Green at Andover, a 193 unit apartment complex located at 311 and 319 Lowell Street, Andover, Massachusetts. The purchase price was \$62,500,000. From the purchase price, the Partnership has allocated approximately \$1,656,000 to the value of the in-place leases and approximately \$96,000 to the value of the tenant relationships. These amounts will be amortized over 12 and 36 months respectively. To fund this purchase, the Partnership obtained short term financing of approximately \$40,000,000, used the funds of approximately \$2,100,000 from the like kind exchange of the Nashoba Apartments, and the balance from the Partnership's cash reserves. The closing costs associated with this short term financing were approximately \$126,000. The original mortgage matures in November 2013. On September 30, 2013, the Partnership received a commitment for a new mortgage in the amount of \$38,500,000, with interest at 4.67% fixed for 15 years; amortized over 30 years with interest only for two years.

The Nashoba Apartments were sold in May 2013. The sale price was \$4,300,000. The Partnership netted approximately \$2,100,000 in cash after retiring the debt. These funds were transferred to a Qualified Intermediary in order to maintain the Partnership's ability to structure a tax free exchange.

In February 2013, the Partnership paid off the loan on Cypress Street of approximately \$3,679,000 with existing cash and in October the Partnership paid off the mortgage for one of its joint ventures, Hamilton Bay unit sale for approximately \$1,318,000.

Management will be considering additional debt in balance with its future acquisition goals and historically low interest rate environment. When appropriate, Management will continue to repurchase shares per its trading plan. Management continues to weigh investment alternatives including acquiring additional properties against cash liquidity and the current depositary receipt price.

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The Stock Repurchase Program that was initiated in 2007 has purchased 1,241,636 Depositary Receipts through September 30, 2013 or 30% of the outstanding Class A Depositary Receipts. During the third quarter, the Partnership repurchased 12,000 Class A Depositary Receipts, 95 Class B units, and 5 General Partnership Units at a cost of approximately \$498,000, \$118,000 and \$6,000 respectively for a total cost of approximately \$622,000. This purchase of receipts is in line with the Partnership's trading plan.

The Partnership has retained The Hamilton Company ("Hamilton") to manage and administer the Partnership's and Joint Ventures' Properties. Hamilton is a full-service real estate management company, which has legal, construction, maintenance, architectural, accounting and administrative departments. The Partnership's properties represent approximately 36% of the total properties and 42% of the residential properties managed by Hamilton. Substantially all of the other properties managed by Hamilton are owned, wholly or partially, directly or indirectly, by Harold Brown. The Partnership's Second Amended and Restated Contract of Limited Partnership (the "Partnership Agreement") expressly provides that the general partner may employ a management company to manage the properties, and that such management company may be paid a fee of up to 4% of rental receipts for administrative and management services (the "Management Fee"). The Partnership pays Hamilton the full annual Management Fee, in monthly installments.

At November 1, 2013, Harold Brown, his brother Ronald Brown and the President of Hamilton, Carl Valeri, collectively own approximately 40% of the Depositary Receipts representing the Partnership Class A Units (including Depositary Receipts held by trusts for the benefit of such persons' family members). Harold Brown also controls 75% of the Partnership's Class B Units, 75% of the capital stock of NewReal, Inc. ("NewReal"), the Partnership's sole general partner, and all of the outstanding stock of Hamilton. The Class B units of the Partnership, controlled by Harold Brown, are owned by HBC Holdings LLC, an entity of which he is the manager. Ronald Brown also owns 25% of the Partnership's Class B Units and 25% of NewReal's capital stock. In addition, Ronald Brown is the President and director of NewReal and Harold Brown is NewReal's Treasurer and a director.

In addition to the Management Fee, the Partnership Agreement further provides for the employment of outside professionals to provide services to the Partnership and allows NewReal to charge the Partnership for the cost of employing professionals to assist with the administration of the Partnership's properties. Additionally, from time to time, the Partnership pays Hamilton for repairs and maintenance services, legal services, construction services and accounting services. The costs charged by Hamilton for these services are at the same hourly rate charged to all entities managed by Hamilton, and management believes such rates are competitive in the marketplace.

Residential tenants typically sign a one year lease. In 2013, tenant renewals were approximately 62% with an average rental increase of approximately 4.6%, new leases accounted for approximately 28% with rental rate increases of approximately 4.9%. In 2013, leasing commissions decreased approximately \$4,000(5%) from 2012, while tenant concessions increased approximately \$9,000 (38%) from 2012. Tenant improvements were approximately \$1,437,000 in 2013, compared to approximately \$988,000 in 2012, an increase of approximately \$449,000 (45%). In addition, building improvements and other improvements were approximately \$2,190,000.

Hamilton accounted for approximately 5 % of the repair and maintenance expense paid for by the Partnership for the nine months ended September 30, 2013 and 5% for the nine months ended September 30, 2012. Of the funds paid to Hamilton for this purpose, the great majority was to cover the cost of services provided by the Hamilton maintenance department, including plumbing, electrical, carpentry services, and snow removal for those properties close to Hamilton's headquarters. Several of the larger Partnership properties have their own maintenance staff. Those properties that do not have their own maintenance staff and are located more than a reasonable distance from Hamilton's headquarters in Allston, Massachusetts are generally serviced by local, independent companies.

Hamilton's legal department handles most of the Partnership's eviction and collection matters. Additionally, it prepares most long-term commercial lease agreements and represents the Partnership in selected purchase and sale transactions. Overall, Hamilton provided approximately \$162,000 (73%) and \$148,000 (82%) of the legal services paid for by the Partnership for the nine months ended September 30, 2013 and 2012, respectively.

Additionally, as described in Note 3 to the consolidated financial statements, The Hamilton Company receives similar fees from the Investment Properties.

The Partnership requires that three bids be obtained for construction contracts in excess of \$15,000. Hamilton may be one of the three bidders on a particular project and may be awarded the contract if its bid and its ability to successfully complete the project are deemed appropriate. For contracts that are not awarded to Hamilton, Hamilton charges the Partnership a

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construction supervision fee equal to 5% of the contract amount. Hamilton's architectural department also provides services to the Partnership on an as-needed basis. Hamilton provided the Partnership approximately \$68,000 and \$20,000 in construction and architectural services for the nine months ended September 30, 2013 and 2012, respectively.

Prior to 1991, the Partnership employed an outside, unaffiliated company to perform its bookkeeping and accounting functions. Since that time, such services have been provided by Hamilton's accounting staff, which consists of approximately 14 people. During the nine months ended September 30, 2013, Hamilton charged the Partnership \$93,750 (\$125,000 per year) for bookkeeping and accounting services.

For more information on related party transactions, see Note 3 to the Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the consolidated financial statements, in accordance with accounting principles generally accepted in the United States of America, requires the Partnership to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. The Partnership regularly and continually evaluates its estimates, including those related to acquiring, developing and assessing the carrying values of its real estate properties and its investments in and advances to joint ventures. The Partnership bases its estimates on historical experience, current market conditions, and on various other assumptions that are believed to be reasonable under the circumstances. However, because future events and their effects cannot be determined with certainty, the determination of estimates requires the exercise of judgment. The Partnership's critical accounting policies are those which require assumptions to be made about such matters that are highly uncertain. Different estimates could have a material effect on the Partnership's financial results. Judgments and uncertainties affecting the application of these policies and estimates may result in materially different amounts being reported under different conditions and circumstances. See Note 1 to the Consolidated Financial Statements, Principles of Consolidation.

Revenue Recognition: Rental income from residential and commercial properties is recognized over the term of the related lease. For residential tenants, amounts 60 days in arrears are charged against income. The commercial tenants are evaluated on a case by case basis. Certain leases of the commercial properties provide for increasing stepped minimum rents, which are accounted for on a straight-line basis over the term of the lease. Concessions made on residential leases are also accounted for on the straight-line basis.

Discontinued Operations and Rental Property Held for Sale: When assets are identified by management as held for sale, the Partnership discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. If, in management's opinion, the net sales price of the assets which have been identified as held for sale is less than the net book value of the assets, a valuation allowance is established. Properties identified as held for sale and/or sold are presented in discontinued operations for all periods presented.

If circumstances arise that previously were considered unlikely and, as a result, the Partnership decides not to sell a property previously classified as held for sale, the property is reclassified as held and used. A property that is reclassified is measured and recorded individually at the lower of (a) its carrying amount before the property was classified as held for sale, adjusted for any depreciation (amortization) expense that would have been recognized had the property been continuously classified as held and used, or (b) the fair value at the date of the subsequent decision not to sell.

Rental Properties: Rental properties are stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense as incurred; improvements and additions are capitalized. When assets are retired or otherwise disposed of, the cost of the asset and related accumulated depreciation is eliminated from the accounts, and any gain or loss on such disposition is included in income. Fully depreciated assets are removed from the accounts. Rental properties are depreciated by both straight-line and accelerated methods over their estimated useful lives. Upon acquisition of rental property, the Partnership estimates the fair value of acquired tangible assets, consisting of land, building and improvements, and identified intangible assets and liabilities assumed, generally consisting of the fair value of (i) above and below market leases, (ii) in-place leases and (iii) tenant relationships. The Partnership allocated the purchase price to the assets acquired and liabilities assumed based on their fair values. The Partnership records goodwill or a gain on bargain purchase (if any) if the net assets acquired/liabilities assumed exceed the purchase consideration of a transaction. In estimating the fair value of the tangible and intangible assets acquired, the Partnership considers information obtained about each property as a result of its due diligence and marketing and leasing activities, and utilizes various valuation methods, such as estimated cash flow projections utilizing appropriate discount and capitalization rates, estimates of replacement costs net of depreciation, and available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant.

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Intangible assets acquired include amounts for in-place lease values, above and below market leases and tenant relationship values, which are based on management's evaluation of the specific characteristics of each tenant's lease and the Partnership's overall relationship with the respective tenant. Factors to be considered by management in its analysis of in-place lease values include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commissions, legal and other related expenses. Characteristics considered by management in valuing tenant relationships include the nature and extent of the Partnership's existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals. The value of in-place leases are amortized to expense over the remaining initial terms of the respective leases. The value of tenant relationship intangibles are amortized to expense over the anticipated life of the relationships.

In the event that facts and circumstances indicate that the carrying value of a rental property may be impaired, an analysis of the value is prepared. The estimated future undiscounted cash flows are compared to the asset's carrying value to determine if a write-down to fair value is required.

Impairment: On an annual basis management assesses whether there are any indicators that the value of the Partnership's rental properties may be impaired. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the property over the fair value of the property. The Partnership's estimates of aggregate future cash flows expected to be generated by each property are based on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the future cash flows estimated by management in its impairment analyses may not be achieved. The Partnership has not recognized an impairment loss in the nine months of 2013.

Investments in Partnerships: The Partnership accounts for its 40%-50% ownership in the Investment Properties under the equity method of accounting, as it exercises significant influence over, but does not control these entities. These investments are recorded initially at cost, as Investments in Partnerships, and subsequently adjusted for the Partnership's share in earnings, cash contributions and distributions. Under the equity method of accounting, our net equity is reflected on the consolidated balance sheets, and our share of net income or loss from the Partnership is included on the consolidated statements of income. Generally, the Partnership would discontinue applying the equity method when the investment (and any advances) is reduced to zero and would not provide for additional losses unless the Partnership has guaranteed obligations of the venture or is otherwise committed to providing further financial support for the investee. If the venture subsequently generates income, the Partnership only recognizes its share of such income to the extent it exceeds its share of previously unrecognized losses.

With respect to investments in and advances to the Investment Properties, the Partnership looks to the underlying properties to assess performance and the recoverability of carrying amounts for those investments in a manner similar to direct investments in real estate properties. An impairment charge is recorded if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property.

Legal Proceedings: The Partnership is subject to various legal proceedings and claims that arise, from time to time, in the ordinary course of business. These matters are frequently covered by insurance. If it is determined that a loss is likely to occur, the estimated amount of the loss is recorded in the financial statements. Both the amount of the loss and the point at which its occurrence is considered likely can be difficult to determine.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2013 and September 30, 2012

The Partnership and its Subsidiary Partnerships earned income before interest expense, other income and discontinued operations of approximately \$ 2,484,000 during the three months ended September 30, 2013, compared to approximately \$3,117,000 for the three months ended September 30, 2012, a decrease of approximately \$633,000 (20.3%).

The rental activity is summarized as follows:

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	<u>Occupancy Date</u>	
	<u>November 1, 2013</u>	<u>November 1, 2012</u>
Residential		
Units	2,431	2,270
Vacancies	101	68
Vacancy rate	4.2%	3.0%
Commercial		
Total square feet	110,949	110,949
Vacancy	9,653	5,500
Vacancy rate	8.7%	4.9%

	Rental Income (in thousands)			
	Three Months Ended September 30,			
	2013		2012	
	Total Operations	Continuing Operations	Total Operations	Continuing Operations
Total rents	\$ 9,859	\$ 9,859	\$ 8,783	\$ 8,667
Residential percentage	92%	92%	90%	90%
Commercial percentage	8%	8%	10%	10%
Contingent rentals	\$ 144	\$ 144	\$ 167	\$ 167

Three months ended September 30, 2013 compared to three months ended September 30, 2012:

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	Three Months Ended September 30,		Dollar Change	Percent Change
	2013	2012		
Revenues				
Rental income	\$ 9,859,135	\$ 8,666,844	\$ 1,192,291	13.8%
Laundry and sundry income	108,617	92,182	16,435	17.8%
	<u>9,967,752</u>	<u>8,759,026</u>	<u>1,208,726</u>	<u>13.8%</u>
Expenses				
Administrative	451,268	459,714	(8,446)	(1.8)%
Depreciation and amortization	2,824,318	1,554,985	1,269,333	81.6%
Management fee	400,588	355,613	44,975	12.6%
Operating	786,179	720,490	65,689	9.1%
Renting	78,874	48,483	30,391	62.7%
Repairs and maintenance	1,641,608	1,449,939	191,669	13.2%
Taxes and insurance	1,301,388	1,053,196	248,192	23.6%
	<u>7,484,223</u>	<u>5,642,420</u>	<u>1,841,803</u>	<u>32.6%</u>
Income Before Other Income and Discontinued Operations	<u>2,483,529</u>	<u>3,116,606</u>	<u>(633,077)</u>	<u>(20.3)%</u>
Other Income (loss)				
Interest income	230	554	(324)	(58.5)%
Interest expense	(2,142,817)	(1,926,556)	(216,261)	11.2%
Gain on sale of equipment	2,250	—	2,250	N/A
(Loss) from investments in unconsolidated joint ventures	(375,413)	(417,733)	42,320	(10.1)%
	<u>(2,515,750)</u>	<u>(2,343,735)</u>	<u>(172,015)</u>	<u>7.3%</u>
Income From Continuing Operations	<u>(32,221)</u>	<u>772,871</u>	<u>(805,092)</u>	<u>(104.2)%</u>
Discontinued Operations				
Income (loss) from discontinued operations	(654)	1,583	(2,237)	(141.3)%
	<u>(654)</u>	<u>1,583</u>	<u>(2,237)</u>	<u>(144.3)%</u>
Net Income (Loss)	<u>\$ (32,875)</u>	<u>\$ 774,454</u>	<u>\$ (807,329)</u>	<u>(104.2)%</u>

Rental income from continuing operations for the three months ended September 30, 2013 was approximately \$9,859,000, compared to approximately \$8,667,000 for the three months ended September 30, 2012, an increase of approximately \$1,192,000 (13.8%). The Partnership acquired the Hamilton Green Apartments in July 2013 and the rental income from Hamilton Green represents approximately \$891,000 of this increase. In addition, rental rates have increased in 2013 compared to the same period in 2012. The Partnership properties with the most significant increases in rental income include 62 Boylston Street, School Street, 1144 Commonwealth Avenue, Westside Colonial, Westgate Woburn, Hamilton Oaks and Redwood Hills with increases of approximately \$62,000, \$59,000, \$44,000, \$34,000, \$27,000, \$23,000 and \$20,000, respectively. These increases are offset by decreases in rental income at Worcester Road, Dean Street and Hamilton Cypress of approximately \$33,000, \$21,000 and \$12,000 respectively. These decreases are due to increased vacancies at the properties. Included in rental income for the three months ended September 30, 2013 and 2012 is contingent rentals of approximately \$144,000 and \$167,000, respectively. Contingent rentals are collected on commercial properties and include such charges as bill backs of common area maintenance charges, real estate taxes, and utility charges.

Expenses from continuing operations for the three months ended September 30, 2013 were approximately \$7,484,000 compared to approximately \$5,642,000 for the three months ended September 30, 2012, an increase of approximately \$1,842,000 (32.6%). The most significant factors contributing to this increase is an increase in depreciation and amortization expense of approximately \$1,269,000 (81.6%) due to the acquisition of Hamilton Green in July 2013. Other expense increases include taxes and insurance of approximately \$248,000 (23.6%) due to increases in real estate taxes; repairs and maintenance expense of approximately \$192,000 (13.2%) due to repairs to Partnership properties in an effort to maintain occupancy; operating expenses of approximately \$66,000 (9.1%) due to increases in the water and sewer charges; and the management fee of approximately \$45,000 (12.6%) due to the increase in rental income.

These increases are offset by a decrease in administrative expenses of approximately \$8,000 due to a decrease in professional fees. Although the professional fees decreased during the three months ended September 30, 2013 professional

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fees have increased over the nine months in 2013 compared to 2012 due to the expensing of the professional fees in connection with the abandoned refinancing.

Interest expense for the three months ended September 30, 2013 was approximately \$2,143,000 compared to approximately \$1,928,000 for the three months ended September 30, 2012, an increase of approximately \$216,000 (11.2%). This increase is due to a higher level of debt in 2013 due to the acquisition of Hamilton Green .

At September 30, 2013, the Partnership has between a 40% and 50% ownership interests in nine different Investment Properties. See a description of these properties included in the section titled Investment Properties as well as Note 14 to the Consolidated Financial Statements for a detail of the financial information of each Investment Property.

As described in Note 14 to the Consolidated Financial Statements, the Partnership's share of the net loss from the Investment Properties was approximately \$375,000 for the three months ended September 30, 2013, compared to approximately \$418,000 for the three months ended September 30, 2012, a decrease in the loss of approximately \$42,000 (10.1%). This decrease in loss is consistent with the continued strength in the rental real estate market including approximately 5.5% increase in revenue. Included in the loss for the three months ended September 30, 2013 is depreciation and amortization expense of approximately \$928,000. The allocable loss for the three months ended September 30, 2013 associated with the investment in Dexter Park is approximately \$309,000 of which approximately \$579,000 is depreciation and amortization.

Interest income for the three months ended September 30, 2013 was approximately \$230 compared to approximately \$550 for the three months ended September 30, 2012, a decrease of approximately \$320.

The Partnership had a gain of approximately \$ 2,250 on the sale of equipment. This is included in other income.

As a result of the changes discussed above, net loss for the three months ended September 30, 2013 was approximately \$33,000 compared to income of approximately \$774,000 for the three months ended September 30, 2012, a decrease of approximately \$807,000 (104.2%). In the third quarter of 2013, the Partnership had a net loss of approximately \$33,000, which is primarily due to the acquisition of Hamilton Green in July 2013. In the third quarter of 2013, Hamilton Green's total revenue is approximately \$891,000 and total expense is approximately \$1,789,000. Total expenses include depreciation expense of approximately \$835,000 and amortization expense of intangible assets of approximately \$352,000.

Comparison of the nine months ended September 30, 2013 compared to nine months ended September 30, 2012

The Partnership and its subsidiary Partnerships earned income before other income and discontinued operations of approximately \$8,412,000 for the nine months ended September 30, 2013, compared to approximately \$9,396,000 for the nine months ended September 30, 2012, a decrease of approximately \$984,000 (10.5%). The following is a summary of the Partnership's operations for the nine months ended September 30, 2013 and 2012:

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	Nine Months Ended September 30,		Dollar Change	Percent Change
	2013	2012		
Revenues				
Rental income	\$ 27,687,903	\$ 25,902,587	\$ 1,785,316	6.9%
Laundry and sundry income	302,305	281,276	21,029	7.5%
	<u>27,990,208</u>	<u>26,183,863</u>	<u>1,806,345</u>	<u>6.9%</u>
Expenses				
Administrative	1,601,123	1,351,872	249,251	18.4%
Depreciation and amortization	5,758,310	4,592,503	1,165,807	25.4%
Management fee	1,144,462	1,064,402	80,060	7.5%
Operating	3,032,964	2,648,567	384,397	14.5%
Renting	135,540	147,844	(12,304)	(8.3)%
Repairs and maintenance	4,238,821	3,776,725	462,096	12.2%
Taxes and insurance	3,667,180	3,206,065	461,115	14.4%
	<u>19,578,400</u>	<u>16,787,978</u>	<u>2,790,422</u>	<u>16.6%</u>
Income Before Other Income and Discontinued Operations	<u>8,411,808</u>	<u>9,395,885</u>	<u>(984,077)</u>	<u>(10.5)%</u>
Other Income (loss)				
Interest income	945	1,746	(801)	(45.9)%
Interest expense	(5,746,533)	(5,772,970)	26,437	(0.5)%
Gain on the sale of equipment	2,250	—	2,250	N/A
(Loss) from investments in unconsolidated joint ventures	<u>(1,028,602)</u>	<u>(1,222,077)</u>	<u>193,475</u>	<u>(15.8)%</u>
	<u>(6,771,940)</u>	<u>(6,993,301)</u>	<u>221,361</u>	<u>(3.2)%</u>
Income From Continuing Operations	<u>1,639,868</u>	<u>2,402,584</u>	<u>(762,716)</u>	<u>(31.7)%</u>
Discontinued Operations				
Income from discontinued operations	19,160	46,084	(26,924)	(58.4)%
Gain on the sale of real estate	3,678,839	—	3,678,839	N/A
	<u>3,697,999</u>	<u>46,084</u>	<u>3,651,915</u>	<u>7924.5%</u>
Net Income	<u>\$ 5,337,867</u>	<u>\$ 2,448,668</u>	<u>\$ 2,889,199</u>	<u>118.0%</u>

Rental income from continuing operations for the nine months ended September 30, 2013 was approximately \$27,688,000 compared to approximately \$25,903,000 for the nine months ended September 30, 2012, an increase of approximately \$1,785,000 (6.9%). The acquisition of Hamilton Green in July 2013 represents approximately \$891,000 of this increase. Rental income has increased at a number of other properties due to increased demand and increases in rental rates. The following properties experienced rental income increases: 62 Boylston Street, School Street, 1144 Commonwealth Avenue, Westgate Apartments, Redwood Hills, Westside Colonial, Hamilton Oaks, Battlegreen and North Beacon Street with increases of approximately \$227,000, \$152,000, \$149,000, \$105,000, \$67,000, \$64,000, \$60,000, \$44,000 and \$44,000 respectively. These increases are offset by a decrease in rental income of approximately \$121,000 at Cypress Street and approximately \$38,000 at Worcester Road due to vacancies at the property in 2013.

Expenses from continuing operations for the nine months ended September 30, 2013 were approximately \$19,578,000 compared to approximately \$16,788,000 for the nine months ended September 30, 2012, an increase of approximately \$2,790,000 (16.6%). The most significant factor contributing to this increase is an increase in depreciation and amortization of approximately \$1,166,000 (25.4%); an increase in operation expenses of approximately \$384,000 (14.5%); an increase in repairs and maintenance expenses of approximately \$462,000 (12.2%); an increase in taxes and insurance of approximately \$461,000 (14.4%) and an increase in administrative expenses of approximately \$249,000 (18.4%). The increase in administrative expenses is due to the costs associated with the abandoned refinancing. The reasons for the changes in the other accounts are discussed in the section for the results for the three months ended September 30, 2013.

These increases in expenses are offset by a decrease in renting expense of approximately \$12,000 (8.3%) due to decreases in advertising expense.

Interest expenses for the nine months ended September 30, 2013 was approximately \$5,747,000 compared to approximately \$5,773,000 for the nine months ended September 30, 2012, a decrease of approximately \$26,000 (0.5%).

At September 30, 2013, the Partnership has between a 40 - 50% ownership interest in nine Investment Properties. See a description of these properties included in Note 14 to the Consolidated Financial Statements for a detail of the financial information of each Investment Property.

As described in Note 14 to the Consolidated Financial Statements, the Partnership's share of loss from these Investment Properties was approximately \$1,029,000 for the nine months ended September 30, 2013 compared to a loss of

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approximately \$1,222,000 for the nine months ended September 30, 2012, a decrease of approximately \$193,000. Included in the loss for the nine months ended September 30, 2013 is depreciation and amortization of approximately \$2,776,000 compared to approximately \$2,768,000 in 2012..

In May 2013, the Partnership sold the Nashoba Apartments in Acton, Massachusetts. The sale price was \$4,300,000. The net proceeds of approximately \$2,100,000 were transferred to Investment Property Exchange Services, Inc. a Qualified Intermediary. These funds were held by the intermediary in order to maintain the Partnership's ability to structure a tax free exchange in accordance with the Internal Revenue Service's rules under Sec. 1031. The gain on the sale is approximately \$3,679,000 and is included in income from discontinued operations.

Interest income for the nine months ended September 30, 2013 was approximately \$900 compared to approximately \$1,700 for the nine months ended September 30, 2012, a decrease of approximately \$800 (46%).

As discussed previously, the Partnership sold the Nashoba Apartments in May 2013. The gain of approximately \$3,679,000 is included in income from discontinued operations.

As a result of the changes discussed above, net income for the nine months ended September 30, 2013 was approximately \$5,338,000 compared to net income of \$2,449,000 an increase of approximately \$2,889,000. The increase in net income is primarily due to the gain on the sale of Nashoba Apartments.

LIQUIDITY AND CAPITAL RESOURCES

The Partnership's principal source of cash during the nine months ended September 30, 2013 and 2012 was the collection of rents, sale of a property and refinancing of Partnership properties. Most of the cash and cash equivalents of \$5,259,049 at September 30, 2013 and \$6,981,906 at December 31, 2012 were held in interest bearing accounts at creditworthy financial institutions.

This decrease in cash of \$1,722,857 at September 30, 2013 is summarized as follows:

	Nine Months Ended June 30,	
	2013	2012
Cash provided by operating activities	\$ 6,713,207	\$ 8,443,616
Cash (used in) investing activities	(59,822,203)	(868,502)
Cash provided by (used in) financing activities	55,330,269	(2,740,176)
Repurchase of Depositary Receipts, Class B and General Partner Units	(1,021,987)	(610,294)
Distributions paid	(2,922,143)	(2,952,514)
Net (decrease) increase in cash and cash equivalents	<u>\$ (1,722,857)</u>	<u>\$ 1,272,130</u>

The cash provided by operating activities is primarily due to the collection of rents less cash operating expenses. The increase in cash used in investing is due to the acquisition of Hamilton Green in July 2013. The purchase price of Hamilton Green was approximately \$ 62,500,000. The increase in cash provided by financing activities is due to the refinancing of two properties and the short term financing of the new property acquisition. During the nine months ended September 30, 2013, the Partnership purchased 21,709 Depositary Receipts for a cost of \$819,240; 172 Class B Units for a cost of \$192,610 and 9 General Partnership Units for a cost of \$10,137, for a total cost of \$1,021,987.

On February 25, 2013, the Partnership paid off the mortgage of approximately \$3,697,000 on Hamilton Cypress LLC. There was no penalty on the early payoff. The funds used to pay off the mortgage were from the Partnerships cash reserves.

On March 11, 2013, the Partnership refinanced the property located at School Street. The new loan is \$15,000,000 with an interest rate of 3.7% due in 2023. The loan calls for interest only for three years followed by principal and interest payments over the remainder of the loan term. The costs associated with this refinancing were approximately \$159,000.

On July 7, 2013, Boylston Downtown LP, a wholly owned subsidiary of the Partnership, refinanced the property located at 62 Boylston Street, Boston, Massachusetts. The new \$40,000,000 mortgage has an interest rate of 3.97%. The terms of the loan are interest only for the first three years, with a 30 year amortization thereafter until maturity in August 2028. Approximately \$19,500,000 of loan proceeds was used to pay off the existing mortgage. The balance of the funds,

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approximately \$20,000,000, after closing costs, was used in connection with the purchase of Hamilton Green Apartments. The costs associated with this refinancing were approximately \$279,000.

On July 15, 2013, Hamilton Green Apartments, LLC, a newly formed subsidiary of the Partnership, purchased Windsor Green at Andover, a 193 unit apartment complex located at 311 and 319 Lowell Street, Andover, Massachusetts. The purchase price was \$62,500,000. From the purchase price, the Partnership has allocated approximately \$1,656,000 to the value of the in-place leases and approximately \$96,000 to the value of the tenant relationships. These amounts will be amortized over 12 and 36 months respectively. To fund this purchase, the Partnership obtained short term financing of approximately \$40,000,000, used the funds of approximately \$2,100,000 from the like kind exchange of the Nashoba Apartments, and the balance from the Partnership's cash reserves. The closing costs associated with this short term financing were approximately \$126,000. The original mortgage matures in November 2013. On September 30, 2013, the Partnership received a commitment for a new mortgage in the amount of \$38,500,000, with interest at 4.67% fixed for 15 years; amortized over 30 years with interest only for two years.

On October 1, 2013, the Partnership refinanced the property owned by Westgate Apartments LLC. The new mortgage is \$15,700,000; the interest rate is 4.65%, interest only payable in 10 years. The mortgage matures in September 2023. The costs associated with this refinancing are approximately \$ 190,000.

During the nine months ended September 30, 2013, the Partnership and its Subsidiary Partnerships completed improvements to certain of the properties at a total cost of approximately \$3,609,000. These improvements were funded from cash reserves and, to some extent, escrow accounts established in connection with the financing or refinancing of the applicable properties. These sources have been adequate to fully fund improvements. The most significant improvements were made at Westgate Woburn, Hamilton Oaks, 62 Boylston Street, Redwood Hills, Clovelly Apartments, Hamilton Cypress, and 1144 Commonwealth Avenue at a cost of approximately \$979,000, \$330,000, \$279,000, \$270,000, \$267,000, \$213,000, and \$205,000 respectively. The Partnership plans to invest approximately \$200,000 in additional capital improvements for the remainder of 2013.

On October 28, 2009 the Partnership invested approximately \$15,925,000 in a joint venture to acquire a 40% interest in a residential property located in Brookline, Massachusetts. The property, referred to as Dexter Park, is a 409 unit residential complex. The purchase price was \$129,500,000. The total mortgage was \$89,914,000 with an interest rate of 5.57% and it matures in 2019. The mortgage calls for interest only payments for the first two years of the loan and amortized over 30 years thereafter. The balance of this mortgage is approximately \$87,707,000 at September 30, 2013. In order to fund this investment, the Partnership used approximately \$8,757,000 of its cash reserves and borrowed approximately \$7,168,000 with an interest rate of 6% from HBC Holdings, LLC, an entity owned by Harold Brown and his affiliates ("HBC"). The term of the loan was four years with a provision requiring payment in whole or in part upon demand by HBC with six months notice. On August 17, 2010, HBC gave six months written notice to the Partnership requesting a principal pay down of \$2,500,000. During the fourth quarter of 2010, the Partnership paid HBC \$2,500,000 as requested. During 2011, the Partnership elected to make principal payments of \$1,000,000 on August 1, 2011, \$1,000,000 on October 1, 2011, and an additional \$1,000,000 on December 15, 2011 reducing the loan balance to \$1,668,600 at December 31, 2011. In February 2012, the Partnership elected to make an additional principal payment of \$750,000 to HBC Holdings and the balance of \$918,600 was paid in April 2012. The interest paid during the three months ended March 31, 2012 was \$18,960. This investment, Hamilton Park Towers, LLC is referred to as Dexter Park.

During the nine months ended September 30, 2013 and 2012, the Partnership received net distributions from the investment properties in the amount of \$2,305,000 and \$772,000 respectively. Included in these distributions is the amount from Dexter Park of \$690,000 and \$562,000 during the nine months ended September 30, 2013 and 2012, respectively. The Partnership received distributions of approximately \$1,562,500 from 345 Franklin, LLC for the nine months ended September 30, 2013. The majority of these funds were from the property refinancing in June 2013.

In 2013, the Partnership approved distributions of \$7.50 per Unit (\$0.25 per Receipt) payable on March 31, 2013, June 28, 2013 and September 30, 2013.

The Partnership anticipates that cash from operations and interest bearing accounts will be sufficient to fund its current operations; pay distributions, make required debt payments and to finance current improvements to its properties. The Partnership may also sell or refinance properties. The Partnership's net income and cash flow may fluctuate dramatically from year to year as a result of the sale or refinancing of properties, increases or decreases in rental income or expenses, or the loss of significant tenants.

Off-Balance Sheet Arrangements-Joint Venture Indebtedness

As of September 30, 2013, the Partnership had a 40%-50% ownership interest in nine Joint Ventures, all of which have mortgage indebtedness. We do not have control of these Partnerships and therefore we account for them using the equity method of consolidation. At September 30, 2013, the Partnership's proportionate share of the non-recourse debt related to these investments was approximately \$61,057,000. See Note 14 to the Consolidated Financial Statements.

Contractual Obligations

See Notes 5 and 14 to the Consolidated Financial Statements for a description of mortgage notes payable. The Partnerships has no other material contractual obligations to be disclosed.

Factors That May Affect Future Results

Along with risks detailed in Item 1A and from time to time in the Partnership's filings with the Securities and Exchange Commission, some factors that could cause the Partnership's actual results, performance or achievements to differ materially from those expressed or implied by forward looking statements include but are not limited to the following:

- The Partnership depends on the real estate markets where its properties are located, primarily in Eastern Massachusetts, and these markets may be adversely affected by local economic market conditions, which are beyond the Partnership's control.
- The Partnership is subject to the general economic risks affecting the real estate industry, such as dependence on tenants' financial condition, the need to enter into new leases or renew leases on terms favorable to tenants in order to generate rental revenues and our ability to collect rents from our tenants.
- The Partnership is also impacted by changing economic conditions making alternative housing arrangements more or less attractive to the Partnership's tenants, such as the interest rates on single family home mortgages and the availability and purchase price of single family homes in the Greater Boston metropolitan area.
- The Partnership is subject to significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs, which are generally not reduced when circumstances cause a reduction in revenues from a property.
- The Partnership is subject to increases in heating and utility costs that may arise as a result of economic and market conditions and fluctuations in seasonal weather conditions.
- Civil disturbances, earthquakes and other natural disasters may result in uninsured or underinsured losses.
- Actual or threatened terrorist attacks may adversely affect our ability to generate revenues and the value of our properties.
- Financing or refinancing of Partnership properties may not be available to the extent necessary or desirable, or may not be available on favorable terms.
- The Partnership properties face competition from similar properties in the same market. This competition may affect the Partnership's ability to attract and retain tenants and may reduce the rents that can be charged.
- Given the nature of the real estate business, the Partnership is subject to potential environmental liabilities. These include environmental contamination in the soil at the Partnership's or neighboring real estate, whether caused by the Partnership, previous owners of the subject property or neighbors of the subject property, and the presence of hazardous materials in the Partnership's buildings, such as asbestos, lead, mold and radon gas. Management is not aware of any material environmental liabilities at this time.
- Insurance coverage for and relating to commercial properties is increasingly costly and difficult to obtain. In addition, insurance carriers have excluded certain specific items from standard insurance policies, which have resulted in increased risk exposure for the Partnership. These include insurance coverage for acts of terrorism and war, and coverage for mold and other environmental conditions. Coverage for these items is either unavailable or

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prohibitively expensive.

- Market interest rates could adversely affect market prices for Class A Partnership Units and Depositary Receipts as well as performance and cash flow.
- Changes in income tax laws and regulations may affect the income taxable to owners of the Partnership. These changes may affect the after-tax value of future distributions.
- The Partnership may fail to identify, acquire, construct or develop additional properties; may develop or acquire properties that do not produce a desired or expected yield on invested capital; may be unable to sell poorly- performing or otherwise undesirable properties quickly; or may fail to effectively integrate acquisitions of properties or portfolios of properties.
- Risk associated with the use of debt to fund acquisitions and developments.
- Competition for acquisitions may result in increased prices for properties.
- Any weakness identified in the Partnership’s internal controls as part of the evaluation being undertaken could have an adverse effect on the Partnership’s business.
- Ongoing compliance with Sarbanes-Oxley Act of 2002 may require additional personnel or systems changes.

The foregoing factors should not be construed as exhaustive or as an admission regarding the adequacy of disclosures made by the Partnership prior to the date hereof or the effectiveness of said Act. The Partnership expressly disclaims any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates and equity prices. In pursuing its business plan, the primary market risk to which the Partnership is exposed is interest rate risk. Changes in the general level of interest rates prevailing in the financial markets may affect the spread between the Partnership’s yield on invested assets and cost of funds and, in turn, its ability to make distributions or payments to its investors.

As of September 30, 2013, the Partnership, its Subsidiary Partnerships and the Investment Properties collectively have approximately \$253,031,000 in long-term debt, substantially all of which require payment of interest at fixed rates. Accordingly, the fair value of these debt instruments is affected by changes in market interest rates. This long term debt matures through 2028. For information regarding the fair value and maturity dates of these debt obligations, See Note 5 to the Consolidated Financial Statements — “Mortgage Notes Payable,” Note 12 to the Consolidated Financial Statements — “Fair Value Measurements” and Note 14 to the Consolidated Financial Statements — “Investment in Unconsolidated Joint Ventures.”

For additional disclosure about market risk, see “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors That May Affect Future Results”.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. The Partnership’s management, with the participation of the Partnership’s principal executive officer and principal financial officer, has evaluated the effectiveness of the Partnership’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, the Partnership’s principal executive officer and principal financial officer have concluded that, as of the end of such period, the Partnership’s disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Partnership in the reports that it files or submits under the Exchange Act.

Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting during the third quarter of 2013 that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II — OTHER INFORMATION**Item 1. Legal Proceedings**

There are no material legal proceedings, other than ordinary routine litigation incidental to its business, to which the Partnership is a party to or to which any of the Properties is subject.

Item 1A. Risk Factors

There were no material changes to the risk factors disclosed in our annual report on Form 10K for the year ended December 31, 2012.

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

(a) None

(b) None

(c) Issuer Purchase of Equity Securities during the third quarter of 2013:

<u>Period</u>	<u>Average Price Paid</u>	<u>Depository Receipts Purchased as Part of Publicly Announced Plan</u>	<u>Remaining number of Depository Receipts that may be purchased Under the Plan (as Amended)</u>
July 1 - 31, 2013	\$ —	—	270,364
August 1- 31, 2013	\$ 41.50	12,000	258,364
September 1 - 30, 2013	\$ —	—	258,364
Total		<u>12,000</u>	

On August 20, 2007, NewReal, Inc., the General Partner authorized an equity repurchase program (“Repurchase Program”) under which the Partnership was permitted to purchase, over a period of twelve months, up to 300,000 Depository Receipts (each of which is one-tenth of a Class A Unit). On January 15, 2008, the General Partner authorized an increase in the Repurchase Program from 300,000 to 600,000 Depository Receipts. On January 30, 2008 the General Partner authorized an increase the Repurchase Program from 600,000 to 900,000 Depository Receipts. On March 6, 2008, the General Partner authorized the increase in the total number of Depository Receipts that could be repurchased pursuant to the Repurchase Program from 900,000 to 1,500,000. On August 8, 2008, the General Partner re-authorized and renewed the Repurchase Program for an additional 12-month period ended August 19, 2009. On March 22, 2010, the General Partner re-authorized and renewed the Repurchase Program that expired on August 19, 2009. Under the terms of the renewed Repurchase Program, the Partnership may purchase up to 1,500,000 Depository Receipts from the start of the program in 2007 through March 31, 2015. The Repurchase Program requires the Partnership to repurchase a proportionate number of Class B Units and General Partner Units in connection with any repurchases of any Depository Receipts by the Partnership based upon the 80%, 19% and 1% fixed distribution percentages of the holders of the Class A, Class B and General Partner Units under the Partnership’s Second Amended and Restated Contract of Limited Partnership. Repurchases of Depository Receipts or Partnership Units pursuant to the Repurchase Program may be made by the Partnership from time to time in its sole discretion in open market transactions or in privately negotiated transactions. From August 20, 2007 through September 30, 2013, the Partnership has repurchased 1,241,636 Depository Receipts at an average price of \$24.84 per receipt (or \$745.20 per underlying Class A Unit), 2,093 Class B Units and 110 General Partnership Units, both at an average price of \$655.55 per Unit, totaling approximately \$32,408,000 including brokerage fees paid by the Partnership.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See the exhibit index below.

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
10.1	Loan agreement dated July 8, 2013, Boylston Downtown Limited Partnership.
(31.1)	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Ronald Brown, Principal Executive Officer of the Partnership (President and a Director of NewReal, Inc., sole General Partner of the Partnership)
(31.2)	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Harold Brown, Principal Financial Officer of the Partnership (Treasurer and a Director of NewReal, Inc., sole General Partner of the Partnership)
(32.1)	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Ronald Brown, Principal Executive Officer of the Partnership (President and a Director of NewReal, Inc., sole General Partner of the Partnership) and Harold Brown, Principal Financial Officer of the Partnership (Treasurer and a Director of NewReal, Inc., sole General Partner of the Partnership).
(101.1)	The following financial statements from New England Realty Associates Limited Partnership Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 formatted in XBRL: (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Income (unaudited), (iii) Consolidated Statements of Changes in Partners' Capital (unaudited), (iv) Consolidated Statements of Cash Flows (unaudited), and (v) Notes to Consolidated Financial Statements (unaudited).

FIXED RATE TERM LOAN AGREEMENT

Between

BOYLSTON DOWNTOWN LIMITED PARTNERSHIP

as "Borrower"

and

HARTFORD LIFE INSURANCE COMPANY

as "Lender"

Dated as of July 8, 2013

Hartford Loan No. BHM0U02F9

FIXED RATE TERM LOAN AGREEMENT

This **FIXED RATE TERM LOAN AGREEMENT** (this “**Agreement**”) is entered into as of July 8, 2013 by and between **BOYLSTON DOWNTOWN LIMITED PARTNERSHIP**, a Massachusetts limited partnership (“**Borrower**”), and **HARTFORD LIFE INSURANCE COMPANY**, a Connecticut corporation (together with its participants, successors and/or assigns, “**Lender**”).

RECITALS:

WHEREAS, Borrower desires to obtain the Loan (as defined herein) from Lender; and

WHEREAS, Lender is willing to make the Loan to Borrower, subject to and in accordance with the conditions and terms of this Agreement and the other Loan Documents,

NOW, THEREFORE, in consideration of the covenants set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree, represent and warrant as follows:

ARTICLE 1.

CERTAIN DEFINITIONS

Section 1.1. Certain Definitions. As used herein, the following terms have the meanings indicated:

“**Affiliate**” means, as to any specified Person, any other Person that directly or indirectly (through one or more intermediaries) controls, is controlled by or is under common control with the specified Person. “Control” shall be deemed to exist if such other Person owns more than 50% of any class of ownership or voting interests of the specified Person or possesses, directly or indirectly, the power to direct or cause the direction of the management and decision making policies of the specified Person, whether through ownership of voting interests, by contract, or otherwise.

“**Agreement**” shall have the meaning ascribed to such term in the preamble hereof and shall include all amendments, modifications, renewals, restatements, extensions, substitutions and replacements hereof.

“**Anti-Money Laundering Laws**” means the USA Patriot Act of 2001, the Bank Secrecy Act, as amended from time to time, Executive Order 13324 — Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, together with all annexes thereto, as amended from time to time, and

other federal laws and regulations and executive orders administered by the United States Department of the Treasury, Office of Foreign Assets Control (“OFAC”) which prohibit, among other things, the engagement in transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals (such individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanction and embargo programs), and such additional laws and programs administered by OFAC which prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on any of the OFAC lists.

“**Applicable Prepayment Fee**” means a prepayment fee payable by Borrower to Lender in an amount equal to:

- (a) For any prepayment tendered (or deemed tendered) during the Lockout Period, the Lockout Prepayment Fee;
- (b) For any prepayment tendered (or deemed tendered) during the period from and including the first Business Day following the expiration of the Lockout Period through and including July 31, 2023, a prepayment fee equal to Initial Yield Maintenance;
- (c) For any prepayment tendered (or deemed tendered) during the period from and including August 1, 2023 through and including March 31, 2028, a prepayment fee equal to Modified Yield Maintenance; and
- (d) For any prepayment tendered (or deemed tendered) during the period from and including April 1, 2028 through and including the Scheduled Maturity Date, no prepayment fee or premium (including applicable Yield Maintenance) shall be payable in connection with a prepayment.

“**Application**” means the Mortgage Loan Application dated May 16, 2013, submitted by Borrower to Lender, as the same was modified (if at all) by the Commitment (as defined in the Application).

“**Assignment of Leases and Rents**” means the Assignment of Leases and Rents dated as of the Funding Date, executed by Borrower for the benefit of Lender, and conveying to Lender an interest in the Leases and the Rents, as more fully described therein, and all amendments, modifications, renewals, restatements, extensions, substitutions and replacements thereof.

“**Assignment of Management Agreement**” means, collectively, each Assignment of Management Agreement and Subordination of Management Fees dated on or after the Funding Date, now or hereafter executed by Borrower, and consented to by each Property Manager, for the benefit of Lender (including any Assignment of Management Agreement and Subordination of Management Fees executed in connection with an Assumption, or Lender’s approval of a new Management Agreement pursuant to Section 9.9), and conveying to Lender an interest in each Management Agreement as

more fully described therein, and all amendments, modifications, renewals, restatements, extensions, substitutions and replacements thereof.

“**Assumption**” has the meaning ascribed to such term in Section 8.3.

“**Assumption Fee**” has the meaning ascribed to such term in Section 8.3.

“**Assumption Request**” has the meaning ascribed to such term in Section 8.3.

“**Assumption Work Deposit**” has the meaning ascribed to such term in Section 8.3.

“**Authorized Representative**” means, for any Person, an authorized executive officer (which, for purposes of this Agreement, means a president, vice president, secretary, treasurer, chief executive officer or chief operating officer), member, manager or partner of such Person acting in a representative (and not such Person’s individual) capacity, who is duly authorized by all necessary action to bind such Person contractually and whose responsibilities with such Person require that he/she has knowledge relating to the subject matter of the applicable certification or affidavit.

“**Bankruptcy Code**” means Title 11 of the United States Code entitled “Bankruptcy”, as amended from time to time, and any successor statute or statutes and all rules and regulations from time to time promulgated thereunder.

“**Borrower**” shall have the meaning ascribed to such term in the preamble hereof and shall include any Persons who may hereafter become a Borrower in connection with an Assumption.

“**Borrower Party**” or “**Borrower Parties**” means, individually and/or collectively, Borrower, Carveout Indemnitor, any General Partner and their respective Affiliates (including any Property Manager that is an Affiliate).

“**Business Day**” means any day, other than a Saturday, Sunday, legal holiday or any other day on which national banks in Hartford, Connecticut are authorized or required by law to close for general banking business.

“**Carveout Indemnitor**” means New England Realty Associates Limited Partnership, a Massachusetts limited partnership, and any replacement Carveout Indemnitor approved by Lender in its discretion in connection with an Assumption.

“**Carveout Indemnity**” means, collectively, each Carveout Indemnity Agreement, dated on or after the Funding Date, and now or hereafter executed by Carveout Indemnitor to and for the benefit of Lender (including any Carveout Indemnity Agreement executed in connection with an Assumption), and all amendments, modifications, renewals, restatements, extensions, substitutions and replacements thereof and joinders thereto.

“**Casualty**” has the meaning ascribed to such term in Section 3.2(a).

“**Casualty Consultant**” has the meaning ascribed to such term in Section 3.2(e).

“**Closing Statement**” means the closing statement attached as Exhibit B showing total costs relating to the subject transaction and use of the proceeds of the Loan.

“**Collateral**” has the meaning ascribed to such term in the Mortgage.

“**Condemnation**” has the meaning ascribed to such term in Section 3.3(a).

“**Constituent Member**” means a Person that holds a membership or partnership interest in Borrower as of the Funding Date.

“**Contract Rate**” means the non-default per annum rate of interest accruing on the outstanding principal balance of the Note as set forth in Section 2.2(a).

“**Converted Treasury Yield**” means the yield available, or if there is more than one yield available, the average yields of United States Treasury non-callable bonds and notes having a maturity date closest to (before, on, or after) the Scheduled Maturity Date, as reported in the Wall Street Journal or similar publication on the fifth (5th) Business Day preceding the date prepayment will be made, converted to a monthly equivalent yield (the monthly “equivalent yield” being an annualized rate which, when compounded monthly, is equivalent to the selected Treasury rate when compounded semi-annually). The Converted Treasury Yield shall be calculated by Lender and, absent manifest error, shall be deemed conclusive.

“**Debt**” means, for any Person, without duplication: (i) all indebtedness of such Person for borrowed money, for amounts drawn under a letter of credit, or for the deferred purchase price of property for which such Person or its assets is liable, (ii) all unfunded amounts under a loan agreement, letter of credit, or other credit facility for which such Person would be liable, if such amounts were fully advanced thereunder, (iii) all amounts required to be paid by such Person as a guaranteed payment, including guaranteed payments to partners, members or other equity owners, or a preferred or special dividend, including any mandatory redemption of shares or interests, (iv) all indebtedness guaranteed by such Person, directly or indirectly, (v) all obligations under leases that constitute capital leases for which such Person is liable, and (vi) all obligations of such Person under interest rate swaps, caps, floors, collars and other interest hedge agreements, in each case whether such Person is liable contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which obligations such Person otherwise assures a creditor against loss.

“**Debt Service**” means the monthly payments of interest, principal (if any) and any other scheduled payments due in connection with the Loan for the period of time in question, but excluding deposits or payments into escrows or reserves required pursuant to the terms of the Loan Documents.

“**Debt Service Coverage Ratio**” means a quotient, expressed as a percentage, of (i) projected Net Operating Income for the twelve (12) consecutive month period commencing as of the specified date of determination (or if no date for determination is

specified, then as of the date of determination by Lender), divided by (ii) Pro Forma Debt Service which is to become due and payable for the same period. The Net Operating Income and Pro Forma Debt Service shall be determined by Lender in the exercise of its reasonable judgment and Lender's determination of the Debt Service Coverage Ratio, absent manifest error, shall be deemed conclusive.

"Default Rate" means the lower of (i) the maximum rate of interest allowed by applicable law for commercial loans of this type, and (ii) four percent (4%) per annum in excess of the Contract Rate.

"Demand Period" means a period of fifteen (15) days, commencing on the date a written demand is issued by Lender and expiring at Lender's close of business on the fifteenth (15th) day following the date of said demand.

"Environmental Indemnity Agreement" means, collectively, each Environmental Indemnity Agreement dated on or after the Funding Date, now or hereafter executed by Borrower and Carveout Indemnitor for the benefit of Lender, and pertaining to environmental matters affecting the Property (including any Environmental Indemnity Agreement executed in connection with an Assumption), and all amendments, modifications, renewals, restatements, extensions, substitutions and replacements thereof and joinders thereto.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Escrow Agent" means the Title Company, in its capacity as the Person responsible for the consummation of the transaction contemplated by this Agreement pursuant to the Escrow Instructions.

"Escrow Instructions" mean Lender's written escrow instruction to Escrow Agent relating to the consummation of the transaction contemplated by this Agreement.

"Event of Default" has the meaning ascribed to such term in Article 10.

"Family Member" means a spouse, child or grandchild of Harold Brown (i.e. the Treasurer of General Partner as of the date of this Agreement) or any trust established for the benefit of any one or more of the foregoing.

"Funding Date" shall be considered the date that the proceeds of the Loan are wired or delivered to the Escrow Agent, regardless of the date that the Escrow Agent releases such funds to Borrower.

"GAAP" means generally accepted accounting principles in the United States of America in effect as of the date of determination, in all cases, consistently applied from year to year.

"General Partner" means, 62 Boylston Street, Inc., and any other Person who may at any time in the future, with Lender's approval (such approval not to be

unreasonably withheld if no Event of Default exists), become a general partner of Borrower.

“**Governmental Authority**” means any court, board, agency, commission, office or other authority of any nature whatsoever for any governmental unit (federal, state, county, district, municipal, city or otherwise) whether now or hereafter in existence, claiming jurisdiction over the Collateral or any part thereof, or any rights or remedies available to Lender under the Loan Documents, at law or in equity.

“**Guaranty**” means, collectively, the instruments of guaranty, if any, now or hereafter in effect in favor of or for benefit of Lender, including the Carveout Indemnity dated as of the Funding Date, executed by Carveout Indemnitator, and all amendments, modifications, renewals, restatements, extensions, substitutions and replacements thereof.

“**Impound Period**” means the time period, if any, commencing on the first Payment Date following the date on which Lender shall notify Borrower in accordance with the terms hereof, that the Debt Service Coverage Ratio is then less than 125% (with such Debt Service Coverage Ratio being determined based on, *inter alia*, the projected Net Operating Income for the twelve (12) consecutive months following the date of Lender’s determination of such ratio and the Pro Forma Debt Service which is to become due and payable for the same period of time) and continuing through the date on which Lender shall notify Borrower in accordance with the terms hereof that the Debt Service Coverage Ratio then equals or exceeds 125% (with such Debt Service Coverage Ratio being determined based on, *inter alia*, the projected Net Operating Income for the twelve (12) consecutive months following the date of Lender’s determination of such ratio and the Pro Forma Debt Service which is to become due and payable for the same period of time).

“**Impounds**” has the meaning ascribed to such term in Section 4.1(a).

“**Improvements**” has the meaning ascribed to such term in the Mortgage.

“**Indemnified Parties**” means, collectively: (i) Lender, (ii) any Servicer or any subservicer, consultant, or contractor engaged by Lender or Servicer which may now or hereafter be involved with the servicing of the Loan, (iii) any Person in whose name the encumbrance created by the Mortgage may now or hereafter be recorded, (iv) any Person who may now or hereafter hold a full or partial interest, including any participation interest, in the Loan (or in the Property as a result of the acquisition thereof by Lender or any nominee or subsidiary of Lender in connection with a foreclosure or deed-in-lieu of foreclosure), (v) any receiver or fiduciary appointed in a foreclosure or other enforcement action under the Loan Documents, and (vi) the respective directors, officers, employees, shareholders, members, partners, employees, agents, consultants, contractors, Affiliates, successors and assigns of any and all of the foregoing.

“**Initial Yield Maintenance**” means a yield maintenance prepayment premium equal to the greater of:

(A) in connection with a deemed or permitted partial prepayment, one percent (1%) of the portion of the outstanding principal balance of the Note being prepaid, and in connection with a deemed or permitted prepayment in full, one percent (1%) of the outstanding principal balance of the Note as of the date prepayment or deemed prepayment is tendered to Lender (prior to application of the principal being prepaid); and

(B) an amount determined by:

(i) Calculating the sum of the present values of all unpaid principal and interest payments required under the Loan Documents from and including the date of prepayment through and including the Scheduled Maturity Date, including the present value of the outstanding principal balance of the Note as of such Scheduled Maturity Date (prior to the application of the principal being prepaid), utilizing a discount rate equal to the sum of (A) the Converted Treasury Yield plus (B) fifty (50) basis points, divided by the frequency of the interest payments made during a calendar year; and

(ii) Subtracting from such sum the outstanding principal balance of the Note (prior to application of the principal being prepaid) as of the date prepayment will be made; and

(iii) Multiplying such remainder by the quotient of (A) the principal being prepaid, *divided by* (B) the outstanding principal balance of the Note as of the date of prepayment (prior to application of the principal being prepaid).

“**Insurance**” has the meaning ascribed to such term in Section 3.1(a).

“**Insurance Premiums**” has the meaning ascribed to such term in Section 3.1(b).

“**Lease**” or “**Leases**” have the meanings ascribed to such terms in the Mortgage.

“**Legal Requirements**” means all federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions of Governmental Authorities affecting the Collateral or any part thereof, or the construction, use, alteration or operation thereof, or any part thereof, whether now or hereafter enacted and in force, and all permits, licenses and authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Borrower, at any time in force affecting the Collateral or any part thereof, including any which may (i) require repairs, modifications or alterations in or to the Property or any part thereof or (ii) in any way limit the use and enjoyment of the Collateral.

“**Lien**” means (i) any deed of trust, mortgage, assignment, encumbrance, pledge, security agreement, financing statement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes; (ii) any lis pendens, notice of pendency, stop order, stop notice, notice of intention to file mechanic’s or material supplier’s lien, mechanic’s or material supplier’s lien (excluding, however, any notice filed pursuant to applicable state law solely to preserve future lien rights); (iii) any other interest in or to,

or claim against, the Collateral, securing an obligation owed to, or evidencing a claim by, any Person other than the owner of the Property, whether such interest or claim is based on common law, statute or contract; or (iv) any reservation, exception, encroachment, easement, right of way, memorandum, declaration, covenant, condition, restriction, or other title exception, encumbrance, or matter of record affecting the Property (excluding, however, any notices or memoranda of leases relating to the leasing of space within the Property permitted in accordance with the terms of the Loan Documents, the Permitted Encumbrances, or any other matter approved in writing by Lender in its discretion).

“**Loan**” means the loan in the aggregate principal amount of Forty Million and NO/100 Dollars (\$40,000,000.00) to be funded by Lender to Borrower under and subject to this Agreement, to be evidenced by the Note and to be secured by the Loan Documents.

“**Loan Documents**” means, collectively: (i) this Agreement, (ii) the Note, (iii) the Mortgage, (iv) the Assignment of Leases and Rents, (v) the Carveout Indemnity, (vi) the Environmental Indemnity Agreement, (vii) Uniform Commercial Code financing statements, (viii) such assignments of management agreements, leasing agreements, contracts and other rights as may be requested by Lender, (ix) all other documents now or hereafter executed by Borrower, Carveout Indemnitor or any other Person to evidence or secure the payment or the performance of the Loan or any other indebtedness or obligation arising with respect to or related to the Loan or the Collateral or otherwise executed in connection with the documents described in the foregoing items (i) through (viii), including the Assignment of Management Agreement, and including all documents hereafter executed in connection with any Assumption, (x) the Application (provided that any inconsistency between the terms of the Application and the terms of any of the other Loan Documents shall be controlled by the terms of the Loan Documents), and (xi) all amendments, modifications, renewals, restatements, extensions, substitutions and replacements of or joinders to any of the foregoing items.

“**Loan to Cost Ratio**” means, as of the specified date of determination (or if no date for determination is specified, then as of the date of determination by Lender), the ratio of (i) the outstanding balance of the Loan, compared to (ii) the aggregate of the purchase price and other reasonable and customary closing costs, as approved by Lender in its discretion, paid or assumed by any proposed purchaser to acquire the Property, all as otherwise determined by Lender in the exercise of its reasonable judgment, and Lender’s determination of such ratio, absent manifest error, shall be deemed conclusive.

“**Loan to Value Ratio**” means, as of the specified date of determination (or if no date for determination is specified, then as of the date of determination by Lender), the ratio of (i) the outstanding balance of the Loan, compared to (ii) the aggregate of the then “as is” value of the Property, all as determined by Lender in the exercise of its reasonable judgment, and Lender’s determination of such ratio, absent manifest error, shall be deemed conclusive.

“**Lockout Period**” means the period commencing on the Funding Date and ending on July 31, 2015.

“**Lockout Prepayment Fee**” has the meaning ascribed to such term in Section 2.4(f).

“**Losses**” shall mean any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs, expenses, fines, penalties, charges, fees, judgments, awards, and/or amounts paid in settlement of whatever kind or nature (including but not limited to legal fees and other costs of defense).

“**Major Casualty**” means (i) any Casualty to the Property or the other Collateral for which the total cost to repair or restore, as determined in the reasonable estimation of Lender after prior consultation with Borrower, will exceed an amount equal to \$250,000.00, or (ii) any Casualty that occurs during the existence of an Event of Default.

“**Major Condemnation**” means (i) any Condemnation to the Property or the other Collateral for which the total cost to repair or restore (or if restoration or repair is not practical given the nature of the Condemnation, the total reduction in value of the Property after giving effect to the Condemnation), as determined in the reasonable estimation of Lender after prior consultation with Borrower, will exceed an amount equal to \$250,000.00, or (ii) any Condemnation (A) that occurs during the existence of an Event of Default, or (B) for which the associated claims are settled during the existence of an Event of Default.

“**Major Lease**” means any Lease other than a residential lease.

“**Management Agreement**” means that certain Real Estate Management Agreement dated April 11, 2001 between Borrower and Property Manager and approved by Lender as of the Funding Date, and any other property management agreement, leasing agreement and/or asset management agreement hereafter approved by Lender in connection with an Assumption or pursuant to Section 9.9, and any and all amendments, modifications, renewals, extensions, replacements or supplements thereto permitted in accordance with the terms of the Loan Documents.

“**Material Agreement**” means any contract or agreement entered into by Borrower or Property Manager which cannot be terminated within thirty (30) days without cause or payment of a termination fee and would be binding on Lender or the Property upon Lender foreclosing its Lien on the Property (or otherwise accepting a deed-in-lieu of foreclosure).

“**Maturity Date**” means the earlier to occur of (i) the Scheduled Maturity Date and (ii) any earlier date on which the Loan is required to be paid in full, by acceleration or otherwise, under this Agreement or any of the other Loan Documents.

“**Modified Yield Maintenance**” means a yield maintenance prepayment premium equal to the greater of:

(A) in connection with a deemed or permitted partial prepayment, one percent (1%) of the portion of the outstanding principal balance of the Note being prepaid, and in

connection with a deemed or permitted prepayment in full, one percent (1%) of the outstanding principal balance of the Note as of the date prepayment or deemed prepayment is tendered to Lender (prior to application of the principal being prepaid); and

(B) an amount determined by:

(i) Calculating the sum of the present values of all unpaid principal and interest payments required under the Loan Documents from and including the date of prepayment through and including the Scheduled Maturity Date, including the present value of the outstanding principal balance of the Note as of such Scheduled Maturity Date (prior to the application of the principal being prepaid), utilizing a discount rate equal to the sum of (A) the Converted Treasury Yield plus (B) one hundred basis points, divided by the frequency of the interest payments made during a calendar year; and

(ii) Subtracting from such sum the outstanding principal balance of the Note (prior to application of the principal being prepaid) as of the date prepayment will be made; and

(iii) Multiplying such remainder by the quotient of (A) the principal being prepaid, *divided by* (B) the outstanding principal balance of the Note as of the date of prepayment (prior to application of the principal being prepaid).

“**Mortgage**” means the Mortgage, Security Agreement and Fixture Filing dated as of the Funding Date, executed by Borrower in favor of Lender, securing Borrower’s obligations under the Note and encumbering, among other things, the Property, and all amendments, modifications, renewals, restatements, extensions, substitutions and replacements thereof.

“**Net Operating Income**” means, for any period, the amount by which Operating Revenues exceed Operating Expenses for such period.

“**Net Proceeds**” has the meaning ascribed to such term in Section 3.2(b).

“**Net Proceeds Deficiency**” has the meaning ascribed to such term in Section 3.2(g).

“**Note**” means the Promissory Note dated as of the Funding Date, in the stated principal amount of \$40,000,000.00, executed by Borrower and payable to the order of Lender, and any additional promissory notes hereafter executed by Borrower to amend, replace, restate, split or consolidate such Promissory Note, and all amendments, modifications, renewals, restatements, extensions, substitutions and replacements of any of the foregoing.

“**Obligations**” means, collectively: (i) the Loan, (ii) all other principal and all interest, fees, expenses, charges, reimbursements, and other amounts arising with respect to or related to the Loan due in connection with under or secured by the Loan Documents, (iii) all principal, interest and other amounts which may hereafter be loaned

by Lender to or for the benefit of Borrower or Carveout Indemnitor, when evidenced by a promissory note or other instrument which, by its terms, is governed or secured by any of the Loan Documents, and (iv) all other indebtedness, obligations, covenants, and liabilities now or hereafter existing of any kind of Borrower or Carveout Indemnitor to Lender under any of the Loan Documents (including, in the cases of clauses (i) and (iii) above, interest accruing after the Maturity Date or interest which, but for the filing of a petition in bankruptcy with respect to Borrower or Carveout Indemnitor, would have accrued on any Obligation, whether or not a claim is allowed or allowable for such interest in the related bankruptcy proceeding).

“**OFAC Prohibited Person**” means a country, territory or Person (i) listed on, included within or associated with any of the countries, territories or Persons referred to on The Office of Foreign Assets Control’s List of Specially Designated Nationals and Blocked Persons or any other prohibited person lists maintained by any Governmental Authority, or otherwise included within or associated with any of the countries, territories or Persons referred to in or prohibited by OFAC or any other Anti-Money Laundering Laws, or (ii) which pays, donates, transfers, distributes, or otherwise assigns any property, money, goods, services, or other benefits from the Property directly or indirectly, to any countries, territories or Persons on or associated with any country, territory or Person on such list or included in such laws.

“**Operating Expenses**” means, without duplication, all reasonable and necessary expenses of operating the Property in the ordinary course of business which are computed in accordance with GAAP and which are directly associated with and fairly allocable to the Property for the applicable period, including Taxes, insurance premiums, maintenance and utility costs, a reserve for replacements and/or repairs, management or leasing fees and costs payable under the Management Agreement (which fees and costs under the Management Agreement shall not exceed prevailing market rates), recurring accounting, legal, and other professional fees, fees relating to environmental audits and income and expense audits and other expenses incurred by Lender and reimbursed by Borrower under this Agreement and the other Loan Documents, wages, salaries, and personnel expenses properly allocated to the Property, and any other category of recurring property expense that is customary for a property of the type and size as the Property and is reasonably approved by Lender; but excluding Debt Service, capital expenditures, any of the foregoing expenses which are paid from deposits to cash reserves previously included as Operating Expenses, any payment or expense for which Borrower was or is to be paid or reimbursed from proceeds of the Loan or for which Borrower was or is to be reimbursed from proceeds under insurance or by any third party, any non-cash charges such as depreciation and amortization, and federal, state or local income taxes, or legal and other professional fees unrelated to the operation of the Property, in each case subject to reasonable adjustment by Lender in accordance with its then current audit policies and procedures.

“**Operating Revenues**” means, without duplication, all cash receipts and other income of Borrower attributable to the ownership and operation of the Property or otherwise arising in respect of the Property after the Funding Date, computed in accordance with GAAP and which are properly allocable to the Property for the

applicable period, including receipts from Leases and parking agreements, license and concession fees and charges and other miscellaneous operating revenues, proceeds from rental or business interruption insurance, and withdrawals from cash reserves (except to the extent any expense paid therewith are excluded from Operating Expenses); but excluding any interest income from any source, security deposits and earnest money deposits until they are forfeited by the depositor, income from Tenants in bankruptcy, advance rentals until they are earned, capital contributions to Borrower and proceeds from a sale, casualty, condemnation or other disposition of any portion of the Property, and other proceeds from non-recurring or extraordinary events, in each case subject to reasonable adjustment by Lender in accordance with its then current audit policies and procedures.

“**Payment Date**” means the first (1st) calendar day of each calendar month, commencing on September 1, 2013, and continuing on the first (1st) calendar day of each calendar month thereafter; provided that if the first (1st) calendar day of any month is not a Business Day, then the “Payment Date” for such month shall be the first Business Day immediately following the first (1st) calendar day of such month; provided further that a change in the Payment Date in accordance with the immediately preceding proviso shall not change the period for which interest is calculated in accordance with Section 2.2(b).

“**Permitted Encumbrances**” has the meaning ascribed to such term in the Mortgage.

“**Person**” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, trustee, estate, limited liability company, limited liability partnership, unincorporated organization, real estate investment trust, or any other form of entity

“**Personal Property**” has the meaning ascribed to such term in the Mortgage.

“**Policy**” or “**Policies**” has the meaning ascribed to such term in Section 3.1(b).

“**Potential Default**” means the occurrence of any event or condition that, with the giving of notice, the passage of time, or both, would constitute an Event of Default.

“**Prepayment Notice**” means the written notice to be given by Borrower to Lender at least thirty (30) days but not more than sixty (60) days prior to any prepayment of the Loan permitted under Section 2.4.

“**Pro Forma Debt Service**” means the scheduled monthly payments of Debt Service due for the period of time in question, adjusted (i) for all periods during which Borrower is only required to make interest-only payments pursuant to Section 2.3(a)(ii), to include amortization payments based on the outstanding principal balance of the Loan and the Contract Rate in effect on the date of determination (unless otherwise noted) and a 30-year amortization schedule commencing as of the Funding Date, and (ii) to assume that regular payments of principal and interest shall continue to be paid during the entire period of time in question without giving effect to the Scheduled Maturity Date.

“**Property**” has the meaning ascribed to such term in the Mortgage, which includes the property commonly known as 62 On the Park, a 269-unit multifamily project with retail space and all related Improvements now or hereafter located on the real property having a street address at 62 Boylston Street, Boston, Massachusetts, as more particularly described on Exhibit A.

“**Property Manager**” means The Hamilton Company as the initial property manager under the Management Agreement approved by Lender as of the Funding Date, and any property manager, leasing agent, and/or asset manager hereafter approved by Lender in connection with an Assumption, or pursuant to Section 9.9, and any other replacement or successor permitted under the terms of the Loan Documents.

“**Qualified Insurer**” has the meaning ascribed to such term in Section 3.1(b).

“**Rent Roll**” has the meaning ascribed to such term in Section 5.1.

“**Rents**” has the meaning ascribed to such term in the Mortgage.

“**Restoration**” has the meaning ascribed to such term in Section 3.2(a).

“**Restoration Documents**” has the meaning ascribed to such term in Section 3.2(e).

“**Restoration Retainage**” has the meaning ascribed to such term in Section 3.2(f).

“**Scheduled Maturity Date**” means August 1, 2028.

“**Servicer**” has the meaning ascribed to such term in Section 12.9.

“**Single Purpose Entity**” means an entity that complies with the requirements set forth in Section 9.11.

“**State**” means the Commonwealth of Massachusetts.

“**Taxes**” means all real estate taxes and assessments, franchise taxes and charges, personal property taxes, and other governmental charges relating to the Collateral (whether or not any such charge or imposition may become a Lien upon the Collateral).

“**Tenants**” has the meaning ascribed to such term in the Mortgage.

“**Title Company**” means Chicago Title Insurance Company.

“**Title Policy**” means the ALTA (or equivalent) mortgagee title insurance policy issued by the Title Company which (i) has an effective date as of the Funding Date and is in the full amount of the Loan, (ii) contains no exceptions (printed or otherwise) other than those approved by Lender (in the exercise of its judgment), (iii) includes all reasonable and customary endorsements required by Lender, and (iv) otherwise complies

with Lender's title requirements and is otherwise in substance and form acceptable to Lender (in the exercise of its reasonable judgment).

“**Transfer**” means any direct or indirect, voluntary or involuntary sale, transfer, conveyance, grant, mortgage, pledge, assignment, encumbrance, alienation, grant, or divestiture of title, or any creation, imposition, or recording of any other Lien, or any other comparable action relating to the legal and/or beneficial ownership of, title to or interests in the Property, Borrower, and/or General Partner; provided, however, that “Transfer” shall not include (a) the leasing of space within the Property permitted in accordance with the terms of the Loan Documents, (b) any Assumption permitted in accordance with the provisions of Section 8.3 hereof, (c) any liens that are being contested in accordance with the applicable provisions of this Agreement, and (d) any easements, grants, privileges, licenses, certificates, permits, entitlements, and franchises entered into in accordance with the terms of Section 3.5 of the Mortgage.

“**UCC**” means the Uniform Commercial Code as in effect from time to time in the State; provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection or priority of the security interest in any item or portion of the Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State, “UCC” shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection or priority. Wherever this Agreement refers to terms as defined in the UCC, if such term is defined in more than one Article of the UCC, the definition in Article 9 of the UCC shall control.

“**Yield Maintenance**” means any Initial Yield Maintenance and/or Modified Yield Maintenance.

Section 1.2. General Construction.

(a) Unless otherwise noted or the context shall indicate otherwise: (i) all “*Article*” and “*Section*” references shall be to Articles or Sections of this Agreement, (ii) all uses of the word “*including*” shall mean “including, without limitation”, (iii) the words “*hereof*,” “*herein*” and “*hereunder*” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, (iv) all references to “*day*” or “*days*” shall mean calendar days, (v) all meanings attributed to defined terms herein shall be equally applicable to both the singular and plural forms of the terms so defined, and (vi) all references to a “*Loan Document*” shall mean such document as it is constituted as of the Funding Date, as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

(b) The use of the phrases “*upon the occurrence of an Event of Default*,” “*Event of Default exists*,” “*Event of Default has occurred*,” “*Event of Default shall have occurred and remain uncured*” or similar phrases in this Agreement or the other Loan Documents are intended to mean that an Event of Default will only cease to exist following acceptance by Lender (acceptance or rejection to be in Lender's discretion

unless acceptance of a cure and reinstatement is mandatory under the applicable law of the state or states in which any applicable Property is located) of a cure of such Event of Default (with any such acceptance of a cure of an Event of Default to be evidenced by a written reinstatement confirmation issued by Lender), and use of any of the foregoing phrases does not mean that Borrower, Carveout Indemnitor or any other Person has the right to any grace periods or cure rights in addition to those specified in Article 10 following the occurrence of an Event of Default or that Lender is obligated under any circumstance to accept any cure offered by Borrower, Carveout Indemnitor or any other Person following the occurrence of an Event of Default (unless acceptance of a cure or reinstatement is mandatory under the applicable law of the state or states in which any applicable Property is located).

Section 1.3. Lender's Discretion. When used in this Agreement and the other Loan Documents, unless otherwise specifically qualified by a reasonableness standard, the phrase (a) "*satisfactory to Lender*" (or comparable phrases) shall mean "in form and substance satisfactory to Lender in all respects as determined by Lender in the exercise of its sole and absolute discretion," (b) "*with Lender's consent*" or "*with Lender's approval*" (or comparable phrases) shall mean such consent or approval may be granted or withheld in Lender's sole and absolute discretion, and (c) "*acceptable to Lender*," "*in Lender's discretion*" or "*in Lender's judgment*" (or comparable phrases) shall mean acceptable to Lender, at Lender's discretion and/or determined by Lender, in each instance in Lender's sole and absolute judgment or discretion. Lender agrees that if Lender has expressly agreed not to unreasonably withhold its consent or approval on a particular issue, then use of the phrase "*not to be unreasonably withheld*" or comparable phrases in this Agreement or the other Loan Documents shall mean "*not to be unreasonably withheld, conditioned or delayed if no Event of Default exists; provided if an Event of Default exists, such consent or approval to be issued or withheld in Lender's judgment*"; provided, however, that if Lender shall fail or refuse to give consent or approval, conditions any such consent or approval or delays in responding to a request for consent or approval and Borrower believes that in doing so Lender is acting unreasonably notwithstanding Lender's agreement to not unreasonably withhold its consent or approval on that particular issue, then Borrower's sole remedy shall be to bring an action seeking injunction or specific performance.

Section 1.4. Borrower's Knowledge. For purposes of the Loan Documents, the phrases "*to Borrower's knowledge*," "*to Carveout Indemnitor's knowledge*," "*to Grantor's knowledge*," "*to Assignor's knowledge*," "*to Indemnitor's knowledge*" or comparable phrases (including "*to the best of*" a Person's knowledge) shall mean with respect to Borrower and Carveout Indemnitor, the current knowledge of Harold Brown, who is an Authorized Representative of one or more Borrower Parties and is charged with responsibilities relating to the acquisition, ownership, management and operation of the Property, after reasonable and prudent inquiry consistent with his/her management responsibilities, including inquiry of the Property Manager, but without any personal liability of any such individual to Lender.

ARTICLE 2.

LOAN TERMS

Section 2.1. The Loan.

(a) **Funding.** The Loan evidenced by the Note shall be funded and repaid in accordance with this Agreement, and any amount borrowed and repaid under this Agreement may not be re-borrowed. The proceeds of the Loan shall be used for the purposes set forth on the Closing Statement attached hereto as Exhibit B.

(b) **Funding Conditions for Loan.** The Loan shall be made upon Lender's receipt, review, approval and/or confirmation of each of the following:

- (i) Lender shall have received the Loan Documents originally executed and delivered by Borrower and Carveout Indemnitator;
- (ii) Each of the items specified in Section 5 of the Application and/or on the preliminary closing agenda circulated by Lender's legal counsel (as the same may be amended from time to time prior to the Funding Date), each to be delivered at Borrower's cost and expense within the time periods specified in Section 5 of the Application, and each in form and content reasonably satisfactory to Lender;
- (iii) The Closing Statement, showing total costs relating to closing of the Loan and all uses of the proceeds of the Loan;
- (iv) Payment of Lender's costs and expenses in documenting and closing the Loan, including fees and expenses of Lender's inspecting engineers, appraiser, consultants, and outside legal counsel;
- (v) Such other reasonable documents, items or information as Lender or its counsel may require; and
- (vi) Evidence of compliance with the other terms and conditions specified in this Agreement or any other Loan Document.

Section 2.2. Interest Rate; Late Charge.

(a) **Interest Rate.** Except during the existence of an Event of Default, the outstanding principal balance of the Loan shall bear interest at the rate of three and ninety-seven hundredths percent (3.97%) per annum. During the existence of any Event of Default, the Loan shall automatically bear interest at the Default Rate.

(b) **Computation of Interest.** Interest shall be computed for the calendar month immediately preceding the applicable Payment Date or the Maturity Date on the basis of a fraction, the denominator of which is three hundred sixty (360) and the numerator of which is thirty (30) (except for any partial month, in which case the numerator shall be the actual number of days which have then elapsed during the period

in question). Each determination by Lender of the amount of interest due and payable on each Payment Date shall be conclusive and binding for all purposes, absent manifest error.

(c) **Interest Rate.** If Lender does not receive any installment of Debt Service or Impounds (if any Impounds are required) by 2:00 p.m. (Hartford, Connecticut time) on the fifth (5th) calendar day of the month in which such installment is due (excluding the full amount of the Obligations due on the Maturity Date, for which no late charge or grace period shall apply), Borrower shall pay to Lender, within the Demand Period, a one-time late charge on such overdue amount (for the additional expense, time and effort in collecting and handling such overdue payment, as liquidated damages and not as a penalty) equal to the lesser of (i) the maximum amount permitted by applicable law, and (ii) five percent (5%) of such delinquent amount. Any such late charge shall be in addition to, and not in lieu of, interest at the Default Rate and any other rights, powers and remedies available to Lender and shall be in addition to any attorneys' fees and expenses incurred by Lender in connection with such overdue payment. If Lender does not receive the full amount of the Obligations due on the Maturity Date by 2:00 p.m. (Hartford, Connecticut time) on the Maturity Date, then in addition to any other rights, powers and remedies available to Lender, Lender shall be entitled to receive interest thereon, calculated at the Default Rate, up to (but excluding) the effective date of such payment.

Section 2.3. Terms of Payment; Maturity Date.

(a) **Payment of Loan.** The Loan shall be payable as follows:

(i) On the Funding Date, Borrower shall pay to Lender the amount of interest that will accrue on the Loan from (and including) the Funding Date to and including the last day of the calendar month in which the Funding Date occurs; and

(ii) Commencing on the first Payment Date and continuing to and including the Payment Date occurring in August, 2016, Borrower shall pay to Lender level monthly payments of interest only in the amount of One Hundred Thirty-Two Thousand Three Hundred Thirty-Three and 33/100 Dollars (\$132,333.33), each such payment representing interest calculated in arrears, for the calendar month immediately preceding the applicable Payment Date in accordance with Section 2.2(b).

(iii) Commencing on the Payment Date occurring in September, 2016 and continuing to and including the Payment Date immediately preceding the Maturity Date, Borrower shall pay to Lender level monthly payments of principal and interest in the amount of One Hundred Ninety Thousand Two Hundred Seventy-Four and 95/100 Dollars (\$190,274.95), each, representing interest, calculated in arrears, for the calendar month immediately preceding the applicable Payment Date in accordance with Section 2.2(b), and principal in monthly installments in accordance with an assumed 30-year amortization schedule.

(b) **Maturity Date.** On the Maturity Date, Borrower shall pay to Lender all principal outstanding under the Note or otherwise in respect of the Loan, accrued and unpaid interest, and all other Obligations due under the Loan Documents.

(c) **Application of Payments.** Except during the existence of any Event of Default, all payments received by Lender under the Loan Documents shall be applied: first, to any fees and expenses due to Lender under the Loan Documents, including any Applicable Prepayment Fee; second, to any Default Rate interest and/or late charges; third, to Impounds (if any are required pursuant to the terms of the Loan Documents); fourth to accrued and unpaid interest under the Note; fifth, to the principal sum of the Note, and sixth, to any other amounts due under the Loan Documents. During the existence of an Event of Default, payments received by Lender may be applied to the Obligations in the order or amounts determined by Lender in its discretion.

(d) **Making of Payments.** Except as otherwise specifically provided herein, all payments and prepayments under this Agreement and the Note shall be made to Lender not later than 2:00 p.m. (Hartford, Connecticut time) on the date when due and shall be made in lawful money of the United States of America by wire transfer in federal or other immediately available funds to its account at such bank(s) as Lender may from time to time designate. Any funds received by Lender after such time shall, for all purposes hereof, be deemed to have been paid on the next succeeding Business Day. All payments made by Borrower hereunder, or by Borrower under the other Loan Documents, shall be made irrespective of, and without any deduction for, any defenses, set-offs or counterclaims. Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, the payment may be made on the next succeeding Business Day.

Section 2.4. Prepayment.

(a) Except as expressly hereinafter set forth in this Section 2.4 or as otherwise provided in Sections 3.2(i), 3.3, 9.5 or 12.3, no full or partial prepayments of the principal balance of the Note shall be allowed.

(b) At any time following the last day of the Lockout Period, and upon issuance of a Prepayment Notice, Borrower shall have the right to prepay the outstanding principal balance of the Note in full (but not in part, except as expressly permitted in Sections 3.2(i), 3.3, or 12.3) on any Business Day by paying the sum of (i) in the case of a permitted partial prepayment, the amount of such partial prepayment, otherwise the entire remaining outstanding principal balance of the Note, *plus* (ii) all unpaid interest accrued on the prepayment amount, *plus* (iii) all other Obligations associated with such full or partial prepayment, *plus* (iv) a prepayment fee equal to the Applicable Prepayment Fee (provided that in the case of a permitted partial prepayment, as expressly permitted in, and subject to the terms of, Sections 3.2(i), 3.3, and 12.3, no Applicable Prepayment Fee shall be due in connection with such partial prepayment).

(c) Each Prepayment Notice shall specify the intended date of prepayment, which date must be a Business Day. After delivery of a Prepayment Notice, the amounts

set forth in Section 2.4(b) shall be due and payable in full on the date specified in the Prepayment Notice unless Borrower delivers a written revocation notice to Lender by no later than 5 p.m. (Hartford, Connecticut time) on the Business Day immediately preceding the scheduled prepayment date, and failure to pay the same in full on such date without proper revocation shall, at Lender's option, constitute an Event of Default. If the amounts necessary to prepay the Loan in accordance with the terms and provisions hereof are received by Lender after 2:00 p.m. (Hartford, Connecticut time), such prepayment shall be deemed to have been made on the next occurring Business Day and Lender shall be entitled to (i) recalculate the Applicable Prepayment Fee associated with such prepayment, and (ii) receive interest on the outstanding principal balance to be prepaid, calculated at the Contract Rate or the Default Rate, as applicable, up to (but excluding) the effective date of such prepayment.

(d) Notwithstanding anything to the contrary set forth in this Agreement or any other Loan Document, at any time between April 1, 2028 and the Scheduled Maturity Date upon issuance of a Prepayment Notice, Borrower shall have the right to prepay the outstanding principal balance of the Loan in full (but not in part, except as expressly permitted in Sections 3.2(i), 3.3 or 12.3), without premium or additional fees or expenses (including any Applicable Prepayment Fee), by paying the entire remaining outstanding principal balance of the Loan, all accrued and unpaid interest hereunder, and all other Obligations (provided that Borrower shall not be entitled to the benefit of the above-described open prepayment period when calculating the Applicable Prepayment Fee for any prepayment that is tendered at any time prior to said open prepayment period).

(e) Borrower acknowledges that it possesses no right to prepay the Loan, except as expressly provided in this Section 2.4 or as otherwise provided in Sections 3.2(i), 3.3, 9.5 or 12.3. Borrower further acknowledges and agrees that, except as so expressly provided, if the Loan is prepaid prior to April 1, 2028, for any reason (including acceleration of the Scheduled Maturity Date by reason of an Event of Default), any subsequent tender of payment of the Loan made by Borrower or by any Person on behalf of Borrower or otherwise, including any tender of payment at any time prior to or at foreclosure sale or proceedings or during any redemption period following foreclosure, or during any federal or state bankruptcy or insolvency proceedings, shall constitute an evasion of the restrictions on prepayment set forth herein, and shall be deemed a voluntary prepayment prior to the Scheduled Maturity Date requiring payment of the Applicable Prepayment Fee, and Lender shall not be required to accept such prepayment if it does not include payment of the Applicable Prepayment Fee.

(f) If any actual or deemed prepayment is tendered or deemed tendered during the Lockout Period (other than a prepayment tendered or deemed tendered pursuant to Sections 3.2(i), 3.3, 9.5 or 12.3), Borrower shall be obligated to pay Lender, and the Obligations shall include, a prepayment fee (the "**Lockout Prepayment Fee**") calculated by Lender in its discretion (which may or may not equal the Yield Maintenance otherwise due in connection with any such prepayment but for the operation of the Lockout Period), and Lender shall not be required to accept such payment or credit any deemed payment if it does not include payment of the Lockout Prepayment Fee as calculated by Lender.

(g) Lender's acceptance of a prepayment without the Applicable Prepayment Fee shall not constitute or be deemed to constitute a waiver by Lender of its right to require payment of the Applicable Prepayment Fee in accordance with the terms hereof or a waiver of any rights and remedies Lender may have under the Loan Documents, at law or in equity on account of Borrower's failure to timely pay the Applicable Prepayment Fee as and when required hereunder.

(h) To the extent permitted by applicable law, Lender may include in its bid at any foreclosure sale, as part of the Obligations, the amount of the Applicable Prepayment Fee calculated as if prepayment of the Loan occurs on the date of such foreclosure sale. To the extent the amount of the Obligations must be determined as of a date certain pursuant to any insolvency proceeding or a judicial foreclosure, the Loan will be deemed prepaid as of either the bar date or the date judgment enters (as the case may be) and the Applicable Prepayment Fee due and payable hereunder (if any) will be calculated as if prepayment of the Loan occurred on such bar date or date of said judgment.

(i) Borrower and Lender have negotiated the Loan upon the understanding that if the Loan is paid or prepaid prior to April 1, 2028 for any reason, except as expressly provided in this Section 2.4 or as otherwise provided in Sections 3.2(i), 3.3, 9.5 or 12.3, Lender shall receive the Applicable Prepayment Fee as compensation for: (i) the cost of reinvesting the prepayment proceeds and the loss of the contracted rate of return on the Loan; and (ii) the privilege of early payment of the Loan, which Borrower has expressly bargained for and which privilege Lender would not have granted to Borrower without Borrower's obligation to pay the Applicable Prepayment Fee. Borrower agrees that the Applicable Prepayment Fee provided for herein is reasonable and that Lender shall not be obligated, as a condition subsequent to its receipt of the Applicable Prepayment Fee, to actually reinvest all or any part of the amount prepaid in any United States Treasury instruments or obligations or otherwise.

ARTICLE 3.

INSURANCE; CONDEMNATION AND RESTORATION

Section 3.1. Insurance.

(a) **Insurance Coverage.** As of the Funding Date, Borrower shall obtain and at all times during the term of the Loan, maintain or cause to be maintained, insurance for Borrower, Lender, the Property and the other Collateral (collectively, the "**Insurance**") providing at a minimum the following:

(i) Insurance with respect to the Improvements and Personal Property against any peril currently included within the classification "*All Risk*" or "*Special Perils*," in each case (1) in an amount equal to 100% of the "*Full Replacement Cost*," which for purposes of this Agreement shall mean actual replacement value (exclusive of costs of land, excavations, foundations, underground utilities and footings) with losses adjusted on a replacement cost basis; (2) containing an agreed amount endorsement with respect to the Improvements and Personal Property waiving all co-insurance provisions;

(3) providing for no deductible in excess of \$25,000.00 and no self-retention or self-insurance (unless disclosed to and approved by Lender in its discretion); (4) with an “*Ordinance or Law Coverage*” or “*Enforcement*” endorsement (including contingent operation of building laws, demolition costs and increased cost of construction); and (5) with no exclusion for “*wind*” damage. The Full Replacement Cost shall be evaluated from time to time at the request of Lender (but not more frequently than once in any twelve (12) calendar months, unless an Event of Default exists, in which case the Full Replacement Cost may be evaluated from time to time as Lender in its discretion may deem necessary) by an appraiser or contractor designated and paid by Borrower and approved by Lender, such approval not to be unreasonably withheld (unless an Event of Default exists, in which case the appraiser or contractor shall be designated by Lender and paid by Borrower), and copies of all such valuations to be delivered to Lender and Borrower concurrently. No omission on the part of Lender to request any such ascertainment of the Full Replacement Cost shall relieve Borrower of any of its obligations under this Section 3.1(a)(i);

(ii) Commercial general liability insurance against all claims for bodily injury or property damage occurring upon, in or about the Property, such insurance (1) to be on the so-called “occurrence” form with a general aggregate limit of not less than \$2,000,000.00 and a per occurrence limit of not less than \$1,000,000.00 (including medical expenses of at least \$5,000 per person); (2) providing for no deductible in excess of \$25,000.00 and no self-retention or self-insurance (unless disclosed to and approved by Lender in its discretion); (3) to be continued at not less than the aforesaid limit until required to be increased by Lender in writing by reason of changed economic conditions making such protection inadequate (in the reasonable estimation of Lender); and (4) to cover at least the following hazards: (A) premises and operations (including Fire Damage Legal Liability); (B) products and completed operations on an “if any” basis; (C) independent contractors; (D) blanket contractual liability for advertising and all written and oral contracts to the extent of tort liability; and (E) contractual liability covering the indemnities contained in the Loan Documents to the extent the same is available;

(iii) Business interruption/loss of rents insurance (1) with loss payable to Lender; (2) covering “*All Risks*” or “*Special Perils*” as required to be covered by the insurance provided for in Section 3.1(a)(i) and (iv); (3) in an amount equal to 100% of the projected gross income from the Property (on an actual loss sustained basis) for a period of not less than twelve (12) months following the date of loss (the amount of such coverage shall be determined prior to the Funding Date and subsequently at least once each year thereafter based on the greater of: (x) Borrower’s reasonable estimate of the gross income from the Property for the succeeding twelve (12) month period, and (y) the highest gross income received during the term of the Note for any consecutive twelve (12) month period prior to the date the amount of such insurance is being determined); (4) with a deductible of not greater than an amount equal to 48 hours loss; and (5) containing an “Extended Period of Indemnity” endorsement which provides that after the physical loss to the Improvements has been repaired, the continued loss of income will be insured until the earlier of (y) such income returning to the same level it was at prior to the loss or (z) the expiration of one hundred eighty (180) days from the date that normal operations are resumed at the Property (notwithstanding that the policy may expire prior

to the end of such period). All insurance proceeds payable to Lender pursuant to this Section 3.1(a)(iii) shall be held by Lender and shall be applied to the Obligations from time to time due and payable under the Note and this Agreement; provided, however, that so long as no Event of Default occurs, Lender shall disburse to Borrower on a monthly basis (consistent with the annual operating budget delivered to Lender pursuant to Section 7.1(e)) funds representing business interruption proceeds (to the extent actually received by Lender) for payment of Operating Expenses and/or Debt Service upon receipt by Lender of a written request for disbursement, summarizing the Operating Expenses and/or Debt Service to be paid with the subject disbursement; provided, further, that nothing herein contained shall be deemed to relieve Borrower of its obligation to pay the Obligations on the respective dates of payment provided for in the Note and this Agreement except to the extent such amounts are actually paid to and retained by Lender out of the proceeds of such business interruption/loss of rents insurance;

(iv) At all times during which structural construction, repairs or alterations are being made with respect to the Property: (1) owner's and contractor's protective liability insurance covering claims not covered by or under the terms or provisions of the commercial general liability insurance policy referenced in Section 3.1(a)(ii); and (2) the insurance provided for in Sections 3.1(a)(i) and (iii), written in a so-called "builder's risk completed value form" (A) on a non-reporting basis, (B) against "All Risks" or "Special Perils" as required pursuant to Section 3.1(a)(i), (C) including permission to occupy the Property, and (D) with an agreed amount endorsement waiving co-insurance provisions;

(v) To the extent required by applicable Legal Requirements, "Workers' Compensation", subject to the statutory limits of the State, and employer's liability insurance with a limit of at least \$1,000,000.00 per accident and per disease per employee, and \$1,000,000.00 for disease aggregate in respect of any work or operations on or about the Property, or in connection with the Property or its operation (if applicable);

(vi) Comprehensive boiler and machinery insurance in customary and reasonable amounts, either as stand-alone coverage or as part of the coverage specified in Section 3.1(a)(i);

(vii) If any portion of the Property is at any time located in an area identified by the Secretary of Housing and Urban Development or any successor thereto as an area having special flood hazards pursuant to the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as each may be amended, or any successor or comparable law (the "**Flood Insurance Acts**"), flood hazard insurance in an amount equal to the lesser of (1) 100% of the "Full Replacement Cost," determined in accordance with the provisions of Section 3.1(a)(i), and (2) the maximum limit of coverage available for the Property under the Flood Insurance Acts;

(viii) Umbrella liability insurance in an aggregate amount of not less than \$25,000,000.00 per occurrence, and with deductibles (including any self-insurance

or retention) and on terms consistent with the commercial general liability insurance policy required under Section 3.1(a)(ii);

(ix) Insurance against loss or damage incurred as a result of an act of terrorism or similar acts of sabotage if said coverage is excluded from the “*All Risk*” or “*Special Perils*” coverage under Section 3.1(a)(i) and/or the business interruption coverage under Section 3.1(iii), in amounts no less than “*Full Replacement Cost*” of the Improvements and Personal Property and with a deductible of no more than \$25,000.00 with respect to property damage (and no self-retention or self-insurance (unless disclosed to and approved by Lender in its discretion)), and otherwise in form and substance acceptable to Lender in its reasonable discretion;

(x) “Dram Shop” or other liquor liability coverage if alcoholic beverages are sold for consumption at the Property, such coverage to be maintained by Borrower or the applicable Tenant, in reasonable and customary amounts and with reasonable and customary deductibles;

(xi) Commercial general liability insurance for “mold” and related damage, with limits and deductibles approved by Lender (in the exercise of its reasonable judgment);

(xii) Garage keepers’ liability coverage/”Innkeepers” legal liability coverage, in reasonable and customary amounts and with reasonable and customary deductibles; and

(xiii) Such other insurance and in such amounts as Lender from time to time may reasonably require against such other insurable hazards which at the time are commonly insured against for property similar to the Property located in or around the region in which the Property is located.

(b) **Policies.** All insurance provided for in Section 3.1(a) shall be obtained under valid and enforceable policies (collectively, the “**Policies**” and individually, a “**Policy**”), in such forms and, from time to time after the Funding Date, in such amounts as may be satisfactory to Lender (in the exercise of its reasonable judgment), issued by financially sound and responsible insurance companies authorized and admitted to do business in the State, having a general policy rating of “*A-*” or better and a financial class of “*X*” or better, each as determined by AM Best Company, Inc., and otherwise acceptable to Lender in the exercise of its reasonable judgment (each such insurer satisfying the foregoing is referred to below as a “**Qualified Insurer**”). Prior to the Funding Date and not less than ten (10) days prior to the expiration dates of the Policies in force as of the Funding Date and each renewal Policy, Borrower shall deliver to Lender evidence reasonably acceptable to Lender that Policies complying with the requirements of this Section 3.1 have been issued or renewed (with a renewal term of at least 12 months) and are in force as of the Funding Date or the respective expiration date with all premiums due under such Policies (the “**Insurance Premiums**”) paid in full.

(c) **Blanket Policies.** Borrower shall not obtain (i) any liability or casualty Policy covering the Property that also covers other properties unless, in each case, such blanket Policy is approved in advance by Lender (provided no Event of Default exists, such approval not to be unreasonably withheld, or if an Event of Default exists, such approval to be issued or withheld in Lender's judgment; and provided further that Lender's re-approval of the coverage types and amounts in any blanket Policy following the Funding Date will not be required so long as such coverage types and amounts in any replacement or renewal blanket Policy are similar in all material respects to the coverage types and amounts in the blanket Policy approved by Lender on the Funding Date), Lender's interest is included therein as provided in this Agreement and such Policy is issued by a Qualified Insurer, or (ii) without Lender's prior written consent (provided no Event of Default exists, to be issued or withheld in Lender's reasonable judgment, or if an Event of Default exists, to be issued or withheld in Lender's judgment), separate insurance concurrent in form or contributing in the event of loss with that required in Section 3.1(a). If Borrower obtains a blanket Policy, Borrower shall notify Lender of the same, shall cause evidence of insurance with respect to each blanket Policy to be delivered to Lender as required in Section 3.1(b), and shall make available to Lender at Lender's request (limited to once per 12-month period) copies of each Policy. Any aggregate or per occurrence limits under any such blanket Policy shall be subject to Lender's approval (provided no Event of Default exists, such approval not to be unreasonably withheld, or if an Event of Default exists, such approval to be issued or withheld in Lender's judgment), and at Lender's request Borrower must provide information to Lender relating to other locations covered under any such blanket Policy that may reasonably be considered loss contributors under any such aggregate limits. Aggregate limits and deductibles under any blanket Policy for catastrophic losses caused by events such as earthquake, flood or windstorm are subject to Lender's approval (provided no Event of Default exists, such approval not to be unreasonably withheld, or if an Event of Default exists, such approval to be issued or withheld in Lender's judgment).

(d) **Named Parties.** All general liability Policies (including any "mold" Policy) shall name Borrower as the named insured or additional insured (including in the case of coverage provided under insurance maintained by a Tenant) and Lender as an additional insured, as their respective interests may appear, and in the case of Policies relating to property damage, boiler and machinery, builder's risk, business interruption, and flood insurance, shall contain a so-called "*New York standard non-contributing mortgagee*" clause (or equivalent) in favor of Lender providing that any loss covered by such Policy shall be payable to Lender.

(e) **Policy Endorsements.** All Policies shall contain clauses or endorsements to the effect that:

(i) No act or negligence of Borrower, of anyone acting for Borrower, or of any Tenant, and no failure to comply with the provisions of any Policy that might otherwise result in a forfeiture of the insurance or any part thereof, shall in any way affect the validity or enforceability of the insurance insofar as Lender is concerned;

(ii) No Policy may be materially changed (other than to increase the coverage provided thereby) without at least thirty (30) days prior written notice to Lender and any other party named therein as an insured or additional insured;

(iii) The issuers thereof shall give written notice to Lender if the Policy has been non-renewed or will be cancelled by the issuer at least thirty (30) days prior to expiration or cancellation, and at least ten (10) days prior notice if cancellation is caused by non-payment of premium; and

(iv) Lender shall not be liable for any Insurance Premiums or assessments thereon, except that Lender may, but shall have no obligation to, pay any Insurance Premiums to continue any Policy in full force and effect in the event Borrower fails to do so (any such amounts so paid by Lender shall be paid by Borrower to Lender within the Demand Period, and until paid shall constitute part of the Obligations, shall be secured by the Loan Documents and shall bear interest at the Default Rate accruing from the expiration of the Demand Period until Lender receives payment in full of such amount).

(f) **Insurance Compliance Certificate.** Borrower shall furnish to Lender, concurrently with the submission of evidence of insurance as required pursuant to Section 3.1(b), a statement, certified by an Authorized Representative of Borrower, in the following form: *“The attached Acord certificates confirm (i) the amount of Insurance maintained in connection with the Property, which amounts at a minimum satisfy the requirements of Section 3.1(a) of the Fixed Rate Term Loan Agreement between Boylston Downtown Limited Partnership and Hartford Life Insurance Company dated July 8, 2013; (ii) the risks covered by such Insurance, which at a minimum satisfy the requirements of Section 3.1(a); and (iii) the issuers of such coverages, each of which is a Qualified Insurer. All insurance shown on the attached Acord certificates is in force with all associated Insurance Premiums paid in full, and Borrower has not issued any cancellation or modification notices in connection with such coverages.”*

(g) **Lender Self-Help.** If at any time Lender is not in receipt of written evidence that all Insurance required hereunder is in full force and effect, Lender shall have the right, upon two (2) Business Days prior notice to Borrower, to take such action as Lender deems necessary to protect its interest in the Property, including obtaining such Insurance as Lender, in its discretion, deems appropriate, and all expenses incurred by Lender in connection with such action or in obtaining and maintaining such Insurance shall be paid by Borrower to Lender before the expiration of the Demand Period, and until paid shall constitute part of the Obligations, shall be secured by the Loan Documents and shall bear interest at the Default Rate from the expiration of the Demand Period until Lender receives payment in full of such amount. Lender procuring coverage pursuant to this Section 3.1(g) shall not be deemed to cure or remedy Borrower’s failure to maintain insurance in accordance with this Section 3.1.

(h) **Vesting in Lender.** In the event of a foreclosure or other transfer of title to the Property to Lender or a third party purchaser at foreclosure in extinguishment in whole or in part of the Obligations, and to the extent permitted under the Policies, all

right, title and interest of Borrower in and to the Policies then in force concerning the Property and all proceeds payable pursuant to the Policies shall thereupon vest exclusively in Lender or the purchaser at such foreclosure.

(i) **Subrogation.** All Insurance (as applicable) and all renewals thereof shall contain, in form and substance reasonably acceptable to Lender, a standard “*waiver of rights of recovery to others prior to loss*” (sometimes referred to as a “*Waiver of Subrogation*”) endorsement.

Section 3.2. Use and Application of Insurance Proceeds.

(a) **Restoration.** If any portion of the Property (or any material portion of the other Collateral) shall be damaged or destroyed, in whole or in part, by fire or other casualty (a “**Casualty**”), Borrower shall give prompt written notice of such damage to Lender. If Net Proceeds are made available to Borrower for Restoration as provided in Sections 3.2(c) and 3.2(d), Borrower shall, in accordance with the terms of this Section 3.2, promptly commence and diligently prosecute to completion the repair and restoration of the Collateral as nearly as possible to the condition the Collateral was in immediately prior to such Casualty (such repair and restoration, collectively, a “**Restoration**”) and shall pay all costs of such Restoration (even if Net Proceeds are not sufficient to pay in the full the cost of Restoration). Regardless of whether Net Proceeds are made available to Borrower, Borrower shall, promptly following the occurrence of a Casualty and diligently thereafter, undertake all actions necessary to keep the Property safe, secure and free from reasonably foreseeable hazards and otherwise in material compliance with applicable Legal Requirements. Notwithstanding any Casualty, Borrower shall continue to pay the Obligations at the time and in the manner provided for in this Agreement.

(b) **Adjustments by Lender.** Upon any Major Casualty covered by any Insurance, then (i) if an Event of Default exists, Lender is hereby authorized, at its option (exercisable in its discretion), to settle and adjust any claim without the consent of Borrower; or (ii) if no Event of Default exists, Lender shall allow Borrower up to one hundred twenty (120) days following the occurrence of the Major Casualty to settle and adjust such claim with the prior written consent of Lender (such consent not to be unreasonably withheld); provided, however, that if Borrower has failed to settle and adjust any claim associated with a Major Casualty within one hundred twenty (120) days after the occurrence of the Major Casualty, Lender is hereby authorized, at its option (exercisable in its discretion), to settle and adjust any claim without the consent of Borrower; provided, further, that in any case Lender shall, and is hereby authorized to, collect and hold (without interest) any and all insurance proceeds associated with a Major Casualty subject to the terms of this Section 3.2.

If a Casualty does not constitute a Major Casualty, then Borrower shall, without the requirement of Lender’s consent, diligently pursue to settlement all claims associated therewith, shall hold all proceeds associated with such non-Major Casualty in trust to be applied toward the costs associated with the restoration of the Property, and shall promptly commence and diligently pursue to completion the Restoration. Borrower shall

provide Lender with reasonable written updates, at reasonable intervals, in connection with all settlement and restoration efforts associated with non-Major Casualties.

The reasonable third party expenses incurred by Lender in the adjustment and collection of insurance proceeds associated with a Major Casualty shall be reimbursed by Borrower to Lender within the Demand Period and until paid shall constitute part of the Obligations, shall be secured by the Loan Documents and shall bear interest at the Default Rate from expiration of the Demand Period until payment in full is received by Lender, or, to the extent sufficient insurance proceeds are available, said expenses shall be deducted from said proceeds by Lender prior to any other application thereof.

Each Qualified Insurer is hereby authorized and directed by Borrower to make payment for all losses associated with a Major Casualty to Lender alone, and not to Lender and Borrower or any other Person jointly. Lender shall remit to Borrower, promptly following Lender's receipt, all insurance proceeds associated with a non-Major Casualty. Borrower agrees to promptly execute and deliver to Lender all documents and promptly make all deliveries reasonably requested by Lender in order to permit Lender to adjust any claim associated with a Major Casualty and to authorize and direct any insurer to pay insurance proceeds associated with a Major Casualty to Lender alone and not jointly to Lender and Borrower or any other Person. "Net Proceeds" means the net amount of all insurance proceeds received by Lender under the Policies described in Section 3.1(a) as a result of a Major Casualty, after deduction of Lender's reasonable third party costs and expenses (including reasonable attorneys' fees), if any, in collecting same.

(c) **Conditions to Disbursements for Restoration.** All Net Proceeds held by Lender shall be made available to Borrower for Restoration upon satisfaction of each of the following conditions (satisfaction to be determined by Lender in the exercise of its reasonable judgment):

(i) As of the date of each distribution of Net Proceeds, no Potential Default then exists and no Event of Default shall have occurred and be continuing;

(ii) Within ninety (90) days following the occurrence of the Major Casualty, Borrower shall prepare, or shall cause to be prepared, all required Restoration Documents and applications for the issuance of all permits required for the Restoration, with copies thereof delivered to Lender;

(iii) Lender and the Casualty Consultant shall have approved the Restoration Documents in accordance with Section 3.2(e);

(iv) As of the date of each distribution of Net Proceeds, Lender shall be satisfied, in the exercise of its reasonable judgment, that based upon a report issued by the Casualty Consultant and such other factors as Lender reasonably deems relevant, the costs of Restoration and ongoing Operating Expenses (including Debt Service) will be covered out of (A) undisbursed Net Proceeds (including the proceeds of the coverage referred to in Section 3.1(a)(iii)), (B) Rents that are and shall continue to be generated by

the Property despite the Casualty, and/or (C) other funds of Borrower deposited with Lender pursuant to Section 3.2(g);

(v) Prior to the initial disbursement of Net Proceeds, Lender shall be satisfied that, within six (6) months following completion of the Restoration, the Net Operating Income will be restored to a level sufficient to generate a Debt Service Coverage Ratio of at least 125%;

(vi) Prior to the initial disbursement of Net Proceeds, Lender shall be satisfied that the Restoration will be completed on or before the earliest to occur of (A) twelve (12) months prior to the Scheduled Maturity Date, (B) twelve (12) months after the occurrence of the Major Casualty, or (C) such time as may be required under all Legal Requirements or Major Leases in order to repair and restore the Collateral to the condition it was in immediately prior to such Major Casualty;

(vii) Prior to the initial disbursement of Net Proceeds, Borrower shall execute and deliver to Lender a completion guaranty in form and substance reasonably satisfactory to Lender and its counsel, pursuant to which Borrower shall guaranty to Lender the lien-free completion of the Restoration by Borrower in accordance with the provisions of this Section 3.2;

(viii) Prior to the initial disbursement of Net Proceeds, Lender shall be satisfied that the Property and the use thereof after the Restoration will be in compliance (in all material respects) with and permitted under all Legal Requirements;

(ix) Intentionally Omitted;

(x) Promptly following the issuance of all required permits and the decision of Lender to make Net Proceeds available for Restoration in accordance with this Section 3.2(c), Borrower shall commence the Restoration;

(xi) As of the date of each distribution of Net Proceeds, Lender shall be satisfied that Borrower is diligently pursuing the Restoration to satisfactory completion; and

(xii) As of the date of each distribution of Net Proceeds, Borrower must be in compliance with the conditions specified in Sections 3.2(d), (e) and (g) below.

(d) **Disbursement Procedures.** The Net Proceeds shall be held by Lender (in a non-interest bearing account) and, unless disbursed to Borrower in accordance with the provisions of this Section 3.2, shall constitute additional security for the Obligations. Subject to satisfaction of the conditions of this Section 3.2, the Net Proceeds designated for Restoration costs shall be disbursed by Lender to, or as directed by, Borrower from time to time during the course of the Restoration, but not more than once per 30-day period, upon receipt of (i) a disbursement request from Borrower in form and content reasonably required by Lender, (ii) an inspection report from the Casualty Consultant acceptable to Lender (in the exercise of its reasonable judgment), (iii) evidence reasonably satisfactory to Lender that all materials installed and work and labor

performed in connection with the related Restoration item have been paid for in full (except to the extent that they are to be paid for out of the requested disbursement), including a certification from Borrower that there exist no notices of pendency, stop orders, stop notices, mechanic's or material supplier's liens or notices of intention to file same, or any other liens or encumbrances of any nature whatsoever on the Property or any other Collateral which have not either been fully bonded to the reasonable satisfaction of Lender and discharged of record or, in the alternative, fully insured to the reasonable satisfaction of Lender by the Title Company, and (iv) title insurance "date downs" and endorsements to the Title Policy without exception as to mechanics' or material supplier's liens, intervening choate or inchoate liens, judgments, survey matters, or other material matters of record. Net Proceeds received by Lender and held for application to Operating Expenses shall be disbursed to Borrower in accordance with Section 3.1(a)(iii). All Net Proceeds disbursed to Borrower for Restoration shall be held in trust by Borrower and used for the sole purpose of completion of the Restoration in accordance with the provisions of this Section 3.2, and all Net Proceeds disbursed to Borrower for the payment of Operating Expenses shall be held in trust by Borrower and used solely for the payment of the applicable Operating Expense; provided, however, that any excess Net Proceeds or excess Net Proceeds Deficiency released to Borrower pursuant to Section 3.2(h) shall not be subject to the foregoing trust and use requirements and may be used by Borrower without restriction.

(e) **Restoration Documents.** All plans and specifications and construction agreements (collectively, "**Restoration Documents**") necessary for the Restoration shall be subject to prior review and approval by Lender (such approval not to be unreasonably withheld) and by a qualified independent consulting engineer selected by Lender (the "**Casualty Consultant**"). In the event Lender does not notify Borrower of the approval or disapproval by Lender and the Casualty Consultant of the Restoration Documents within ten (10) Business Days after receipt of a complete set thereof by Lender and the Casualty Consultant, then Lender and the Casualty Consultant shall be deemed to have approved the Restoration Documents. Subject to all necessary approvals and consents (the consent of Borrower being deemed issued), Lender shall have the use of the Restoration Documents and all permits, licenses and approvals required or obtained in connection with the Restoration. The identity of the general contractor and other significant contractors engaged in the Restoration shall be subject to prior review and approval by Lender and the Casualty Consultant (each such approval not to be unreasonably withheld). All reasonable third party costs and expenses incurred by Lender in connection with making the Net Proceeds available for the Restoration or for the payment of Operating Expenses (including Debt Service), including reasonable third party attorneys' fees and disbursements and the Casualty Consultant's reasonable fees (which in no event shall exceed then prevailing market rates), shall be deducted from the Net Proceeds or if the Net Proceeds are not sufficient, paid by Borrower to Lender within the Demand Period and until paid shall constitute part of the Obligations, shall be secured by the Loan Documents and shall bear interest at the Default Rate from the expiration of the Demand Period until payment in full is received by Lender.

(f) **Amount of Disbursements.** In no event shall Lender be obligated to make disbursements of the Net Proceeds in excess of an amount equal to the costs

actually incurred from time to time for work in place as part of the Restoration (including Lender's reasonable third party costs and expenses), as certified by the Casualty Consultant, minus the Restoration Retainage. "**Restoration Retainage**" means an amount equal to the greater of (i) ten percent (10%) of the costs actually incurred for work in place as part of the Restoration, as certified by the Casualty Consultant, and (ii) the amount actually held back by Borrower from contractors, subcontractors and material suppliers engaged in the Restoration. The Restoration Retainage shall not be released until the Casualty Consultant certifies to Lender that the Restoration has been substantially completed in accordance with the provisions of this Section 3.2 and that all approvals necessary for the re-occupancy and use of the Property have been obtained from all appropriate Governmental Authorities, and Lender receives evidence reasonably satisfactory to Lender that the costs of the Restoration have been paid in full or will be paid in full out of the Restoration Retainage, provided, however, that Lender will release the portion of the Restoration Retainage being held with respect to any contractor, subcontractor or material supplier engaged in the Restoration as of the date upon which either (i) the Casualty Consultant certifies to Lender that the contractor, subcontractor or material supplier has satisfactorily completed all work and has supplied all materials in accordance with the provisions of that contractor's, subcontractor's or material supplier's contract, or (ii) the applicable contractor, subcontractor or material supplier delivers to Lender lien waivers and evidence of payment in full of all sums due to the contractor, subcontractor or material supplier as may be reasonably requested by Lender or by the Title Company.

(g) **Restoration Deficiency.** If at any time the Net Proceeds or the undisbursed balance thereof, together with Rents that will continue to be generated by the Property despite the Major Casualty, shall not, in the reasonable opinion of Lender in consultation with the Casualty Consultant, be sufficient to pay in full the balance of the costs estimated by the Casualty Consultant to be incurred in connection with the completion of the Restoration and ongoing Operating Expenses (including Debt Service), Borrower shall deposit the deficiency (the "**Net Proceeds Deficiency**") with Lender before any further disbursement of the Net Proceeds shall be made (but in all events Borrower shall make such deposit within sixty (60) days following demand). The Net Proceeds Deficiency deposited with Lender shall be held by Lender and shall be disbursed for costs actually incurred in connection with the Restoration and/or for ongoing Operating Expenses (including Debt Service) on the same conditions applicable to the disbursement of the Net Proceeds, and until so disbursed shall constitute additional security for the Obligations.

(h) **Release of Remaining Proceeds.** Provided (i) no Potential Default then exists and no Event of Default shall have occurred and is continuing, (ii) Lender shall re-confirm that within six (6) months following completion of the Restoration the Net Operating Income will be restored to a level sufficient to generate a Debt Service Coverage Ratio of at least 1.25% (as determined by Lender in the exercise of its reasonable judgment), (iii) the Casualty Consultant certifies to Lender that the Restoration has been substantially completed in accordance with the provisions of Section 3.2, and (iv) Lender receives evidence reasonably satisfactory to Lender that all costs incurred in connection with the Restoration have been paid in full (except to the

extent said costs shall be paid out of the final disbursement), Lender shall promptly remit to Borrower the excess, if any, of the Net Proceeds and the remaining balance, if any, of the Net Proceeds Deficiency deposited with Lender.

(i) **Application of Remaining Proceeds.** If Lender makes a determination (in the exercise of its reasonable judgment) pursuant to this Section 3.2 that one or more of the conditions to disbursement of Net Proceeds set forth in Section 3.2(c) or Section 3.2(h) has not or will not be satisfied, then all Net Proceeds then held by Lender shall be retained and applied by Lender toward the payment of the Obligations, whether or not then due and payable in such order, priority and proportions as Lender in its reasonable discretion shall deem proper. Provided no Event of Default has occurred and is continuing as of the date Lender applies the Net Proceeds to the Obligations, no Applicable Prepayment Fee shall be payable in connection with any such prepayment. If an Event of Default exists while Lender is holding Net Proceeds, Lender may at its option apply the Net Proceeds toward the payment of the Obligations, whether or not then due and payable in such order, priority and proportions as Lender in its discretion shall deem proper (including toward payment of any Applicable Prepayment Fee applicable to such prepayment).

If Lender applies Net Proceeds to the Obligations, then:

(1) the lien of the Loan Documents shall be reduced only by the amount of Net Proceeds actually applied by Lender in reduction of the Obligations, but if (A) the Net Proceeds do not discharge the Obligations in full, and (B) Lender determines, in the exercise of its reasonable judgment, that the Net Operating Income (if any) to be generated by the Property notwithstanding such Major Casualty will not produce a Debt Service Coverage Ratio (reflecting the application of Net Proceeds to the Obligations) of at least 125%, then Lender may elect to accelerate repayment of, or Borrower may elect to prepay, the entire remaining outstanding balance of the Obligations. Any such prepayment must be made in either case within one hundred twenty (120) days following notice of such election from the electing party to the other party (or such longer period as may be reasonably necessary for Borrower to secure replacement financing as long as Borrower is diligently pursuing said refinancing in good faith), and provided no Event of Default exists at any time from the date Lender so elects acceleration or Borrower so elects prepayment through (and including) payment in full of the Obligations, no Applicable Prepayment Fee shall be due thereon. If an Event of Default occurs at any time from the date Lender so elects acceleration or Borrower so elects prepayment through (and including) payment in full of the Obligations, then the Obligations shall include the Applicable Prepayment Fee; and

(2) Borrower shall have no obligation to perform (or continue the performance of) the Restoration, other than its obligations described in the penultimate sentence of Section 3.2(a).

If a Casualty is caused by an event not covered by insurance required pursuant to Section 3.1(a) but Borrower nevertheless maintains insurance coverage for damages covered by such events, then (i) if Borrower elects not to restore the Property or Borrower elects to

restore the Property but fails to complete such Restoration within eighteen (18) months following the date of such Casualty, and (ii) Lender determines, in the exercise of its reasonable judgment, that the Net Operating Income (if any) to be generated by the Property notwithstanding such Casualty will not produce a Debt Service Coverage Ratio of at least 125%, then Lender may elect to accelerate repayment of, or Borrower may elect to prepay, the entire remaining outstanding balance of the Obligations. Any such prepayment must be made in either case within one hundred twenty (120) days following notice of such election from the electing party to the other party (or such longer period as may be reasonably necessary for Borrower to secure replacement financing as long as Borrower is diligently pursuing said refinancing in good faith), and provided no Event of Default exists at any time from the date Lender so elects acceleration or Borrower so elects prepayment through (and including) payment in full of the Obligations, no Applicable Prepayment Fee shall be due thereon. If an Event of Default occurs at any time from the date Lender so elects acceleration or Borrower so elects prepayment through (and including) payment in full of the Obligations, then the Obligations shall include the Applicable Prepayment Fee.

Section 3.3. Condemnation Awards.

(a) Borrower shall promptly notify Lender of the receipt by Borrower of notice of the institution of any proceeding for the taking of the Property or any portion thereof by condemnation, eminent domain or otherwise (a “**Condemnation**”). Lender may participate in any such proceeding relating to a Major Condemnation and Borrower shall deliver to Lender all instruments necessary or required by Lender to permit such participation. Without Lender’s prior written consent (provided no Event of Default exists, such consent not to be unreasonably withheld, or if an Event of Default exists, such consent will be issued or withheld in Lender’s judgment), Borrower shall not (i) agree to any compensation or award associated with a Major Condemnation, and (ii) take any action or fail to take any action which would cause the compensation associated with a Major Condemnation to be determined.

(b) All awards and compensation associated with a Major Condemnation are hereby assigned to and shall be paid to Lender for application to the Obligations (except as expressly provided below), and provided no Event of Default has occurred and is continuing as of the date Lender applies such Condemnation proceeds to the Obligations, no Applicable Prepayment Fee shall be payable in connection with any such prepayment (if an Event of Default exists as of the date of such application, the Obligations shall include the Applicable Prepayment Fee). Borrower authorizes Lender to collect and receive such awards and compensation associated with a Major Condemnation, to give proper receipts and acquittances therefor, and to apply the same toward the payment of the Obligations in such order, priority and proportions as Lender in its reasonable discretion shall deem proper), notwithstanding that the Obligations may not then be due and payable; provided, however, that if:

(i) the Condemnation constitutes a Major Condemnation, then subject to (A) Lender’s confirmation, in the exercise of its reasonable judgment, that based on then current zoning and land use requirements to the extent applicable to the Property, the

Property can be restored to substantially the same condition it was in prior to such Condemnation, and (B) Borrower's satisfaction of the conditions applicable to the release of Net Proceeds as set forth in Section 3.2, Lender shall release the proceeds of such Major Condemnation to Borrower for restoration of the Property; or

(ii) the Condemnation does not constitute a Major Condemnation, then so long as no Event of Default exists (if an Event of Default then exists, Lender shall be entitled to collect all proceeds associated with such non-Major Condemnation and apply same to the Obligations, including to the Applicable Prepayment Fee), Borrower shall hold all proceeds associated with such non-Major Condemnation in trust to be applied toward the costs associated with the restoration of the Property, and shall promptly commence and diligently pursue to completion all restoration and repair work reasonably necessary to return the Property, to the extent reasonably practicable, to the condition it was in immediately prior to the non-Major Condemnation. Borrower shall provide Lender with reasonable written updates, at reasonable intervals, in connection with all restoration efforts associated with non-Major Condemnations.

(c) Borrower, upon request by Lender, shall execute all instruments reasonably requested by Lender to confirm the assignment of the awards and compensation associated with a Major Condemnation to Lender, free and clear of all Liens, charges (except as expressly set forth above) or encumbrances. If Lender applies Condemnation proceeds to the Obligations, then:

(i) the lien of the Loan Documents shall be reduced only by the amount of such proceeds actually applied by Lender in reduction of the Obligations, but if (A) such proceeds do not discharge the Obligations in full, and (B) Lender determines, in the exercise of its reasonable judgment, that the Net Operating Income (if any) to be generated by the Property notwithstanding such Major Condemnation will not produce a Debt Service Coverage Ratio (reflecting the application of the proceeds associated with such Major Condemnation to the Obligations) of at least 125%, then Lender may elect to accelerate repayment, or Borrower may elect to repay, the entire remaining outstanding balance of the Obligations. Any such prepayment must be made in either case within one hundred twenty (120) days following notice of such election from the electing party to the other party (or such longer period as may be reasonably necessary for Borrower to secure replacement financing as long as Borrower is diligently pursuing said refinancing in good faith), and provided no Event of Default exists at any time from the date Lender so elects acceleration or Borrower so elects prepayment through (and including) payment in full of the Obligations, no Applicable Prepayment Fee be due thereon. If an Event of Default occurs at any time from the date Lender so elects acceleration or Borrower so elects prepayment through (and including) payment in full of the Obligations, then the Obligations shall include the Applicable Prepayment Fee; and

(ii) Borrower shall have no obligation to restore the damage caused by such Condemnation (other than its obligations described in the Section 3.4(d).

(d) Regardless of whether Condemnation proceeds are made available to Borrower, Borrower shall, promptly following a Condemnation and diligently thereafter,

undertake all actions necessary to keep the Property safe, secure and free from reasonably foreseeable hazards and otherwise in material compliance with applicable Legal Requirements and notwithstanding any Condemnation, Borrower shall continue to pay the Obligations at the time and in the manner provided for its payment in this Agreement.

ARTICLE 4.

IMPOUNDS

Section 4.1. Impounds.

(a) At all times during any Impound Period and as a condition to any permitted assumption or transfer of the Loan pursuant to Section 8.3, in order to assure compliance with Borrower's obligations pursuant to Section 9.1 of this Agreement, but not in lieu of such obligations, Borrower shall deposit with Lender, monthly on each Payment Date (commencing on the first Payment Date following Lender's written notice of the commencement of an Impound Period), one-twelfth (1/12th) of the annual charges for Taxes (collectively, "**Impounds**"). Notwithstanding anything to the contrary set forth in the preceding sentence, each deposit (including, without limitation, any deposit made at the commencement of any Impound Period) shall be in an amount determined by Lender that will be sufficient (when combined with other monthly installments) to make full payment of all Impounds thirty (30) days prior to the date any delinquency or penalty becomes due with respect to such Impounds. Deposits shall be made on the basis of Lender's reasonable estimate from time to time of the amount of Impounds for the current year (after giving effect to any recalculation or reassessment or, at Lender's election, on the basis of the Impounds for the prior year, with adjustments when the Impounds are fixed for the then current year). All funds so deposited shall not be construed as trust funds, may be held by Lender, without interest, and may be commingled with Lender's general funds. Borrower hereby grants to Lender a security interest in all Impounds so deposited with Lender for the purpose of securing the Obligations. Upon the occurrence of an Event of Default, all Impounds deposited with Lender may be applied in payment of the Impounds for which such funds have been deposited, or to the payment of the Obligations, as Lender may elect, but no such application shall be deemed to have been made by operation of law or otherwise until actually made by Lender. Borrower shall furnish Lender with bills for the Impounds at least thirty (30) days prior to the date on which such Impounds first become payable. If at any time Lender determines that the amount on deposit with Lender, together with the monthly installments to be deposited by Borrower before the Impounds are payable, are insufficient to pay the Impounds, Borrower shall deposit any deficiency with Lender within the Demand Period. Provided no Event of Default has occurred, Lender shall pay the Impounds when the amount on deposit with Lender is sufficient to pay such Impounds and Lender has received a bill for such Impounds.

(b) Borrower acknowledges that Lender may, at any time Impounds are not being collected by Lender pursuant to Section 4.1(a) and at Borrower's sole cost and expense, engage the services of a tax service company to verify the status of taxes and assessments on the Property. Lender shall be entitled to rely upon (regardless of whether

or not Lender engages a tax service company) any certificate, advice or bill from any authority (or any official thereof) to which such payments are payable, and Lender shall have no duty to inquire as to the validity or accuracy of any such certificate, advice or bill or to make any protest in connection therewith.

(c) Nothing contained in this Section 4.1 shall be deemed to affect any right, power, privilege or remedy of Lender under any provision of this Agreement, the Mortgage, any other Loan Document or any statute or rule of law, to pay any amount required to be paid pursuant to Section 9.1, to add the amount so paid to the Obligations and to require Borrower to reimburse Lender for such amount, together with interest thereon at the Default Rate from the expiration of the Demand Period until payment in full is received by Lender. In the event of any transfer of Borrower's right, title and interest in or to all or any part of the Property (without implying any consent of Lender to any such transfer except as expressly set forth in this Agreement), Lender shall be entitled to treat such transfer as also effecting an assignment to the transferee of all right, title and interest of Borrower in and to any and all such deposits relating to the transferred portion of the Property. After any assignment by Lender of its interest in the Loan, any such deposits on hand shall, in Lender's discretion, be turned over to the assignee or returned to Borrower, and all further responsibility of Lender with respect to such deposits shall terminate.

ARTICLE 5.

LEASING MATTERS

Section 5.1. Representations and Warranties. As of the Funding Date, Borrower represents and warrants to Lender that: (a) the rent roll delivered to Lender and attached hereto as Schedule 5.1 (the "**Rent Roll**") is true, complete and correct in all material respects, and all Leases are valid and in full force and effect; (b) all of the Leases (including amendments) are in writing, and there are no oral agreements with respect thereto; (c) the copies of the Leases delivered to Lender are true, complete and correct and include any and all amendments; (d) to Borrower's knowledge, neither Borrower as "landlord" nor any Tenant is in default under any of the Leases; (e) Borrower has no knowledge of any notice of termination or "landlord" default issued by any Tenant with respect to any Lease, and Borrower has provided to Lender copies of all "tenant" default notices issued by or on behalf of Borrower in respect of uncured tenant defaults; (f) Borrower has not assigned or pledged any of the Leases, the Rents or any interests therein except to Lender; (g) except as set forth in the Rent Roll, no Tenant or other party has an option to purchase all or any portion of the Property; (h) except as set forth on the Rent Roll, no Tenant has the right to terminate its Lease prior to expiration of the stated term of such Lease; (i) no Tenant has prepaid more than one month's Rent in advance (except for bona fide security deposits as shown on the Rent Roll); and (j) other than amounts applied or returned in accordance with the Leases, the amount of all

security deposits held by Borrower is the entire amount required to be deposited with Borrower pursuant to the Leases, and said deposits are held, to the extent required by applicable Legal Requirements, in separate and/or interest-bearing accounts. Within ten (10) days after Lender's request, Borrower shall furnish to Lender a statement of all tenant security deposits held by Borrower and copies of all Leases not previously delivered to Lender, certified by an Authorized Representative of Borrower as being true, complete and correct.

Section 5.2. Lender's Lease Approval Rights.

(a) Any Lease entered into by or on behalf of Borrower following the Funding Date that does not constitute a Major Lease, and any amendment, modification, replacement, extension or renewal of a Lease that does not constitute a Major Lease, shall not require Lender's prior written approval provided (i) such Lease is on a standard lease form approved by Lender (such approval not to be unreasonably withheld) without "material modification" to such form (meaning any material increase in the economic obligations of the "lessor" or "landlord" under the Lease, any material diminution of the economic obligations of the "lessee" or "tenant" under the Lease, or any material diminution in the rights or protections afforded the "lessor" or "landlord" under the Lease), and (ii) any such amendment, modification, replacement, extension or renewal does not cause the subject Lease, after such action, to fall within any category of a "Major Lease."

(b) Lender's prior written approval (not to be unreasonably withheld) will be required prior to Borrower (or any Person on behalf of Borrower) entering into or issuing, after the Funding Date:

(i) any Major Lease;

(ii) any amendment, modification, replacement, extension or renewal of a Major Lease (other than amendments, modifications, replacements, extensions and/or renewals expressly contemplated by the terms of such Major Lease);

(iii) any consent to an assignment or subletting associated with a Major Lease (to the extent Borrower as "landlord" has any such consent rights under such Major Lease); or

(iv) any termination of any Major Lease, other than a termination as the result of the exercise of a scheduled termination right that is expressly contemplated by the terms of such Major Lease.

Lender may condition its consent to any Major Lease termination or surrender on the deposit of any termination or surrender proceeds with Lender for distribution for costs associated with re-letting the subject space.

(c) In connection with any request for approval relating to a leasing matter, provided no Event of Default exists, Lender shall notify Borrower whether Lender has granted such approval within ten (10) Business Days following Lender's receipt of all

information reasonably requested by Lender to review any such leasing approval request. If Lender does not so notify Borrower within ten (10) Business Days following Lender's receipt of all such information and if no Event of Default exists, Lender's approval of such leasing matter shall be deemed granted.

Section 5.3. Covenants. Borrower shall (i) perform, observe, and comply with each of the covenants and agreements which Borrower is required to perform, observe or comply with under the Leases; (ii) use its commercially reasonable efforts to enforce the obligations to be performed by the Tenants under the Leases; (iii) promptly furnish to Lender any notice of default or termination received by Borrower from any Tenant, and any notice of default or termination given by Borrower to any Tenant; (iv) not collect any Rents for more than thirty (30) days in advance of the time when the same shall become due, except for bona fide security deposits not in excess of an amount equal to one (1) month's Rent; (v) not enter into any ground lease or master lease of any part of the Property; (vi) not further assign or encumber any Lease; (vii) hold in trust all payments and other monetary consideration received by or for the benefit of Borrower in connection with any surrender or termination of any Lease and shall immediately deposit or cause to be deposited with Lender all such payments and other monetary consideration; and (viii) not enter into any new Lease or enter into or accept any extension, modification, termination or renewal of any existing Lease in violation of Section 5.1 or Section 5.2, and any action in violation of clause (v), (vi), (vii), or (viii) of this Section 5.3 shall be void (as to Borrower) at the election of Lender.

Section 5.4. Tenant Estoppels. Following the Funding Date, and within thirty (30) days following Lender's reasonable request, Borrower shall obtain and furnish to Lender written estoppels in form and substance satisfactory to Lender, executed by the Tenants under any Major Lease and confirming the term, rent or daily rate, and other provisions and matters relating to the applicable Lease (provided that unless an Event of Default has occurred, Lender shall make a request under this Section 5.4 not more than once per twelve (12) month period).

Section 5.5. Conflict with Assignment of Leases and Rents. Any inconsistency between the terms of this Article 5 and the terms of the Assignment of Leases and Rents shall be controlled by the terms of the Assignment of Leases and Rents.

ARTICLE 6.

REPRESENTATIONS AND WARRANTIES

As of the Funding Date, Borrower represents and warrants to Lender that:

Section 6.1. Organization and Power. Borrower and each other Borrower Party (other than Affiliates) is duly organized, validly existing and in good standing under the laws of the state of its formation or existence, and is in compliance with all Legal Requirements applicable to doing business in the State. Neither Borrower nor

General Partner is a “foreign person” within the meaning of § 1445(f)(3) of the Internal Revenue Code.

Section 6.2. Validity of Loan Documents. The execution, delivery and performance by Borrower and each other Borrower Party (as applicable) of the Loan Documents (i) are duly authorized and do not require the consent or approval of any other party or Governmental Authority which has not been obtained (and copies of which have been provided to Lender); and (ii) will not violate any Legal Requirement or result in the imposition of any Lien upon the assets of any such party, except as contemplated by the Loan Documents. The Loan Documents constitute the legal, valid and binding obligations of Borrower, Carveout Indemnitor and each other Borrower Party (as applicable), enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, or similar laws generally affecting the enforcement of creditors’ rights.

Section 6.3. Liabilities; Litigation.

(a) The general financial and operating information relating to Borrower, Carveout Indemnitor and/or the Property, submitted to Lender by or on behalf of Borrower or Carveout Indemnitor concurrently with or prior to the date of the Application, is true, complete and correct in all material respects with no significant change since the date of submission.

(b) None of Borrower, Carveout Indemnitor or any other Borrower Party is contemplating either the filing of a petition by it under state or federal bankruptcy or insolvency laws or the liquidation of all or a major portion of its assets or property, and Borrower has no knowledge of any Person contemplating the filing of any such petition against Borrower, Carveout Indemnitor or any other Borrower Party.

(c) There is no action, suit, proceeding or investigation at law or in equity by or before any court, governmental instrumentality or other agency now pending or threatened against Borrower or the Property, or to Borrower’s knowledge, any other Borrower Party, which, if determined adversely, would materially impair or affect (i) the businesses, operations, properties, assets, or financial condition of Borrower or any other Borrower Party, (ii) the Net Operating Income or the value of the Collateral, (iii) Borrower’s or any other Borrower Party’s ability to perform and carry out their respective obligations under the Loan Documents or to carry on their respective businesses substantially as now conducted, or (iv) the validity or enforceability of any of the Loan Documents.

Section 6.4. Taxes and Assessments. The Property is assessed for real estate tax purposes as one or more wholly independent tax lot or lots, separate from any adjoining land or improvements not constituting a part of such lot or lots, and no other land or improvements is assessed and taxed together with the Property or any portion thereof. There are no pending or, to Borrower’s knowledge proposed special or other assessments for public improvements or otherwise affecting the Property, nor are there

any contemplated improvements to the Property that may result in such special or other assessments.

Section 6.5. Other Agreements; Defaults. None of Borrower, Carveout Indemnitor or any other Borrower Party is a party to any agreement or instrument or subject to any court order, injunction, permit, or restriction which might adversely affect the Property or the business, operations, or condition (financial or otherwise) of Borrower, Carveout Indemnitor or any other Borrower Party. None of Borrower, Carveout Indemnitor or any other Borrower Party is in violation of any agreement which violation would have an adverse effect on the Property, Borrower, Carveout Indemnitor or any other Borrower Party or the business, properties, or assets, operations or condition (financial or otherwise) of Borrower, Carveout Indemnitor or any other Borrower Party.

Section 6.6. Status of Property.

(a) Borrower has all requisite licenses, permits, franchises, qualifications, certificates of occupancy or other governmental authorizations to own, lease and operate the Property and carry on its business. The use being made of the Property is in conformity with the certificate of occupancy and/or applicable permits or governmental authorizations and any other restrictions, covenants or conditions affecting the Property.

(b) The Property is in compliance with all applicable Legal Requirements (including building, parking, subdivision, land use, health, fire, safety and zoning ordinances and codes).

(c) The Property is free of material structural defects or any casualty damage, and all building systems contained therein are in good working order, subject to ordinary wear and tear.

(d) The Property does not constitute, in whole or in part, a legally non-conforming use under any Legal Requirements.

(e) No Condemnation has been commenced or, to Borrower's knowledge, is contemplated with respect to all or any portion of the Property or for the relocation of roadways providing access to the Property.

(f) The Property has adequate rights of access to public ways, and all roads necessary for the full utilization of the Property for its current purpose have been completed and dedicated and are open to public use and accepted by applicable Governmental Authorities.

(g) Except to the extent that the Property is adequately served by private systems and facilities located on the Property (and disclosed on the survey delivered to Lender on the Funding Date), the Property is served by adequate water, sewer, sanitary sewer and storm drain facilities, all public utilities necessary or convenient to the full use and enjoyment of the Property are located in the public right-of-way abutting the Property, and all such utilities are connected so as to serve the Property without passing

over other property, except to the extent such other property is subject to a perpetual easement for such utility benefiting the Property.

(h) None of the Permitted Encumbrances, individually or in the aggregate, materially interferes with the benefits of the security intended to be provided by the Loan Documents, materially and adversely affects the value of the Property, impairs the use or the operation of the Property or impairs Borrower's ability to pay its obligations in a timely manner.

Section 6.7. Location of Borrower. The principal place of business and chief executive offices of Borrower are located at the addresses stated in Section 12.1.

Section 6.8. ERISA. Borrower has not established any pension plan for employees that would cause Borrower to be subject to ERISA.

Section 6.9. Purposes of Loan. The Loan is solely for the business purpose of Borrower, and is not for personal, family, household, or agricultural purposes. No part of proceeds of the Loan will be used for purchasing or acquiring any "margin stock" within the meaning of Regulations T, U or X of the Board of Governors of the Federal Reserve System.

Section 6.10. Tax Filings. Borrower and Carveout Indemnitee have each filed (or have obtained effective extensions for filing) all federal, state and local tax returns required to be filed and have paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments payable by Borrower and Carveout Indemnitee, respectively.

Section 6.11. Solvency. The fair saleable value of Borrower's assets exceeds and will, immediately following the funding of the Loan, exceed Borrower's total liabilities, including subordinated, unliquidated, disputed and contingent liabilities. The fair saleable value of Borrower's assets is and will, immediately following the funding of the Loan, be greater than Borrower's probable liabilities, including the maximum amount of its contingent liabilities on its Debts as such Debts become absolute and matured. Borrower's assets do not and, immediately following the funding of the Loan will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. Borrower does not intend to, and does not believe that it will, incur Debts and liabilities (including contingent liabilities and other commitments) beyond its ability to pay such Debts as they mature (taking into account the timing and amounts of cash to be received by Borrower and the amounts to be payable on or in respect of obligations of Borrower).

Section 6.12. Full and Accurate Disclosure. No statement of fact made by or on behalf of Borrower, Carveout Indemnitee or any other Borrower Party in this Agreement or in any of the other Loan Documents contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained herein or therein not misleading. There is no fact presently known to Borrower which has not been disclosed to Lender that adversely affects, or as far as Borrower can

reasonably predict, might adversely affect, the Property or the business, operations or condition (financial or otherwise) of Borrower, Carveout Indemnitor or any other Borrower Party.

Section 6.13. Single Purpose Entity. Borrower is and has at all times since its formation been a Single Purpose Entity.

Section 6.14. Terrorism and Anti-Money Laundering.

(a) As of the Funding Date, neither Borrower, Carveout Indemnitor nor any other Borrower Party, nor any Person having a beneficial interest in Borrower, nor any Person for whom Borrower is acting as agent or nominee in connection with this transaction, is an OFAC Prohibited Person. As of the Funding Date and until the Obligations are fully and finally paid and discharged, Borrower and the other Borrower Parties are and shall remain in compliance with Anti-Money Laundering Laws and all applicable OFAC-related laws, rules and regulations.

(b) To comply with the Anti-Money Laundering Laws, all payments by Borrower to Lender or from Lender to Borrower will only be made in Borrower's name and to and from a bank account of a bank based or incorporated in or formed under the laws of the United States or a bank that is not a "foreign shell bank" within the meaning of the U.S. Bank Secrecy Act (31 U.S.C. § 5311 *et seq.*), as amended, and the regulations promulgated thereunder by the U.S. Department of the Treasury, as such regulations may be amended from time to time.

(c) Borrower agrees to provide to Lender, at any time and from time to time during the term of the Loan, such information as Lender reasonably determines to be necessary or appropriate to allow Lender to comply with Anti-Money Laundering Laws of any applicable jurisdiction, or to respond to requests for information concerning the identity of Borrower, any other Borrower Party or any Person having a beneficial interest in Borrower, from any Governmental Authority, self-regulatory organization or financial institution in connection with its anti-money laundering compliance procedures, or to update such information.

(d) The representations and warranties set forth in this Section 6.14 shall be deemed repeated and reaffirmed by Borrower as of each Payment Date and as of each date on which Borrower receives any funds from Lender. Borrower agrees to promptly notify Lender in writing should Borrower become aware of any change in the information set forth in this Section 6.14.

Section 6.15. Financing Transaction. The Loan is (or shall be) evidenced by debt instruments that are intended to be accounted for as "debt" on the balance sheet of Borrower, and Borrower shall account for the Loan as "debt" in all financial statements prepared by or on behalf of Borrower.

Section 6.16. Personal Property. Except for the Personal Property listed on Schedule 6.16 attached hereto, no material tangible Personal Property is located within or outside the Property or used or proposed to be used in the Property. Borrower has good

title to all Personal Property free and clear of all Liens, except as disclosed on Schedule 6.16.

Section 6.17. Additional Real Property. Except for the Land (as defined in the Mortgage) and Improvements and any contiguous public streets and sidewalks, neither Borrower nor Property Manager uses or occupies any other material real property in connection with the operation, occupancy and management of the Property.

Section 6.18. Material Agreements. Except as set forth in the Management Agreement, neither Borrower nor Property Manager has any right or claim to, or obligation to pay, any fees, commissions, royalties, compensation or other remuneration in connection with or arising out of the use, occupancy, management, leasing, and operation of the Property. Except as set forth in Schedule 6.18, there are no Material Agreements affecting the Property.

Section 6.19. Organizational Chart. The organizational chart attached hereto as Schedule 6.19 is an accurate representation of the organizational structure of Borrower as of the Funding Date and, with respect to any Person shown thereon, accurately identifies the name and ownership percentage interest held by such Person in the Borrower or other Persons shown on such organizational chart.

Section 6.20. Reliance. Borrower recognizes and acknowledges that in accepting the Loan Documents, Lender is expressly and primarily relying on the truth and accuracy of the warranties and representations set forth in the Loan Documents without any obligation to investigate the Property and notwithstanding any investigation of the Property by Lender; that such reliance existed on the part of Lender prior to the date hereof; that the warranties and representations are a material inducement to Lender in accepting the Loan Documents; and that Lender would not be willing to make the Loan and accept the Loan Documents in the absence of the warranties and representations set forth therein.

ARTICLE 7.

FINANCIAL REPORTING; AUDITS

Section 7.1. Financial Statements. While any of the Obligations remain outstanding, Borrower shall furnish to Lender, or in the case of the reporting under Section 7.1(d) below, Borrower shall cause Carveout Indemnitor to furnish to Lender, each of the following within the specified time period, each in hardcopy and electronic form, and each to be in format reasonably required by Lender:

- (a) Intentionally omitted;
- (b) Within thirty (30) days after the end of each calendar quarter (including the last calendar quarter of each year), quarterly financial statements for the Property, including a balance sheet and a statement of revenues and expenses (including capital expenses) and a rent roll dated as of the last day of the immediately preceding quarter, certified by an Authorized Representative of Borrower as true, accurate and complete;

- (c) Within ninety (90) days following the end of each calendar year, (i) annual accountant prepared, review based financial statements, including balance sheets, for the Property and Borrower, certified by an Authorized Representative of Borrower as true, accurate and complete, and (ii) a capital expenditure summary for the preceding calendar year, certified by an Authorized Representative of Borrower as true, accurate and complete;
- (d) Within ninety (90) days following the end of each calendar year, annual accountant prepared, review based financial statements, including a balance sheet, for Carveout Indemnitor, certified by Carveout Indemnitor as true, accurate and complete;
- (e) By December 15th of each year, final annual operating and capital expenditure budgets for the ensuing year for the Property;
- (f) Promptly following receipt or issuance by or on behalf of Borrower, copies of all material notices (meaning written notices of violation of Legal Requirements or material notices to or from any Tenants, but excluding routine correspondence) issued or received in connection with the ownership and operation of the Property;
- (g) Concurrently with the submission of evidence of insurance as required pursuant to Section 3.1(b), the insurance certification described in Section 3.1(f);
- (h) Concurrently with the delivery of the annual financial statement required pursuant to Section 7.1(c), a certification, executed by an Authorized Representative of Borrower, confirming that as of the date of such certificate, either there does or does not exist any event or condition that constitutes an Event of Default, and if any such Event of Default exists, the nature thereof; and
- (i) Promptly following Lender's request, such other reasonable financial information relating to the Property, Borrower, and/or Carveout Indemnitor as Lender may request in writing from time to time.

Section 7.2. Accounting Principles. All financial statements shall be prepared in accordance with GAAP or tax basis accounting, in either case consistently applied. If the financial statements are prepared on an accrual basis, such statements shall be accompanied by a reconciliation to cash basis accounting principles.

ARTICLE 8.

RESTRICTION ON TRANSFERS AND ENCUMBRANCES

Section 8.1. Due on Sale and Encumbrance; Transfers of Interests. Borrower covenants and agrees with Lender that without the prior written consent of Lender and except as expressly provided below:

- (a) Neither Borrower nor any Person having a direct or indirect ownership or beneficial interest in Borrower shall consummate, enter into, or suffer, assume, or permit

or allow to occur, any Transfer, in any manner or way, whether voluntarily or involuntarily;

(b) No new members or managers shall be admitted to or created in Borrower (nor shall any existing member or manager withdraw from Borrower); and

(c) No change in the day-to-day control and management of Borrower, General Partner, or the Property shall be implemented.

Lender shall not be required to demonstrate any actual impairment of its security or any increased risk of default in order to declare the Obligations to be immediately due and payable upon a Transfer in violation of this Agreement. This provision shall apply to every Transfer in violation of this Agreement regardless of whether such Transfer was voluntary or not, or whether or not Lender has previously consented to any Transfer.

Section 8.2. Permitted Transfers. Notwithstanding the restrictions in Section 8.1, transfers of direct or indirect interests (meaning interests held by members, partners and/or interest holders of any Person that in turn holds a direct ownership interest in Borrower or General Partner) in Borrower and/or General Partner will be permitted without Lender's prior consent, provided in each instance (a) no Event of Default exists as of the transfer date; (b) following any such transfer, (i) New England Realty Associates Limited Partnership, a Massachusetts limited partnership, or any Family Members continue to own at least 51% of the direct and indirect interests in Borrower, and (ii) either Harold Brown (i.e. the Treasurer of the General Partner as of the date of this Agreement) or The Hamilton Company, a Massachusetts corporation holds direct management and decision making control over Borrower and the Property; (c) The Hamilton Company continues to act as the manager of the Property in accordance with the terms of the Management Agreement and (d) Lender receives written notice of any such permitted transfer within thirty (30) days following the date of transfer (provided that written notice under this clause (d) shall not be required in the event of a transfer of publicly traded interests in New England Realty Associates Limited Partnership in the event such transfer otherwise qualifies as a permitted transfer under this Section 8.2).

Section 8.3. Loan Assumption; Sale. Notwithstanding anything to the contrary set forth in this Agreement, Lender shall consent to a one-time transfer of title to the Property and assumption of the duties and obligations of Borrower and Carveout Indemnitor under the Loan Documents (the "**Assumption**"), subject to satisfaction of each and every one of the following conditions:

(a) At least thirty (30) days prior to such Assumption, Borrower shall provide to Lender: (i) written notice (an "**Assumption Request**") of the proposed Assumption, (ii) a work deposit in the amount of \$25,000.00 (the "**Assumption Work Deposit**"), (iii) the name(s), address(es) and organizational documents of the proposed purchaser and of the principals, affiliates and parent or other majority owners, as applicable, of the proposed purchaser, (iv) detailed and complete financial statements of the proposed purchaser and of the principals, affiliates and parent or other majority owners, as applicable, of the proposed purchaser, (v) information with respect to the business and

business experience of the proposed purchaser and its principals, affiliates and parent or other majority owners, as applicable, and their experience in the ownership and operation of properties similar to the Property and other commercial real estate, (vi) information on the proposed property management company and leasing agent and a copy of the proposed property management agreement and leasing agreement, (vii) the terms and conditions of the proposed sale and a copy of the executed purchase and sale agreement, (viii) a description of the ownership structure of the proposed purchaser and each of its principals, affiliates and parent or other majority owners, as applicable, (ix) the purchaser's pro-forma operating and management plan for the Property, and (x) promptly following Lender's request, such other information as Lender may reasonably request to permit it to determine the creditworthiness and management abilities of the proposed purchaser and its principals, affiliates and parent or other majority owners, as applicable;

(b) Lender must approve, in the exercise of its discretion, the identity, creditworthiness, management abilities and all other attributes of the proposed purchaser and the proposed replacement Carveout Indemnitor(s), and their respective principals, affiliates and parent or other majority owners, as applicable;

(c) No Event of Default shall have occurred and be continuing and no Potential Default shall exist, either as of the date of the Assumption Request or thereafter through the date of the Assumption;

(d) The Property, as of the date of the Assumption and thereafter, must be managed by a management company and leased by a leasing agent, both approved by Lender (in the exercise of its reasonable judgment) under a management agreement and leasing agreement satisfactory to Lender (in the exercise of its reasonable judgment) and otherwise satisfying the requirements of Section 9.9;

(e) At the closing of any approved Assumption, the proposed purchaser shall assume the duties and obligations of Borrower under the Loan Documents (subject to the limitations on liability set forth in Article 13) and re-make all representations and warranties contained in the Loan Documents as of the date of the Assumption, all pursuant to assumption documents in form and substance satisfactory to Lender (in the exercise of its reasonable judgment). Additionally, at the time of the approved Assumption, the proposed purchaser shall provide to Lender (i) an environmental indemnity agreement from said purchaser and from a financially responsible Person acceptable to Lender (in its discretion) in form and substance reasonably satisfactory to Lender (which form may be different from the form executed by Borrower as a result of Lender updating its standard form of environmental indemnity agreement or as a result of specific environmental conditions at the Property) and (ii) a recourse carveout indemnity in substantially the same form as the Carveout Indemnity, also from a financially responsible Person acceptable to Lender (in its discretion). Borrower and the proposed purchaser and such other Persons as Lender shall require shall also deliver and, if applicable, execute (i) evidence of authority and entity existence, (ii) Uniform Commercial Code, judgment and bankruptcy searches, (iii) Uniform Commercial Code financing statements, (iv) an endorsement to the Title Policy updating the effective date to the date of the transfer (or, if not available in the jurisdiction where the any portion of

the Property is located, a new title policy replacing the Title Policy), showing the purchaser as the owner of the Property, showing no additional title exceptions, except as shall be approved by Lender (in its discretion) and otherwise in form and substance reasonably acceptable to Lender, (v) opinions of counsel reasonably acceptable to Lender on such matters as Lender shall reasonably require, (vi) evidence of insurance as required by Section 3.1, and (vii) such other documents as Lender shall reasonably require as a condition to or otherwise in connection with the Assumption;

(f) At the closing of any approved Assumption, the proposed purchaser shall, in accordance with the terms and conditions of Sections 4.1, deposit with Lender sufficient funds to pay when due all Impounds in accordance with the terms of Section 4.1. To the extent the Loan Documents require any other reserves or deposits the same shall be established by the proposed purchaser prior to the date of closing of the approved Assumption. The foregoing requirement for deposits and reserves shall be enforced notwithstanding that any of the foregoing may have been waived by Lender with respect to Borrower either in this Agreement, or in any side letter or agreement executed by Lender;

(g) At the closing of any approved Assumption, Borrower shall pay to Lender a fee in the amount of one percent (1%) of the then outstanding balance of the Loan in immediately available funds (the “**Assumption Fee**”). The obligation to pay the Assumption Fee is consideration to induce Lender to allow the proposed Assumption and to release Borrower and Carveout Indemnitor from liability for all duties, obligations and indemnities first accruing from and after the date of the Assumption; provided that in no event shall Borrower or any Carveout Indemnitor be released from any liability accruing prior to the date of the Assumption, including acts or omissions leading to environmental contamination, whether known or unknown as of the closing of the Assumption;

(h) The proposed Assumption shall not cause a violation of any Legal Requirements governing the Property, the Loan, Borrower, Carveout Indemnitor, the proposed purchaser, any proposed replacement indemnitor or any of their respective principals;

(i) Lender shall have confirmed, in the exercise of its reasonable judgment, that as of the date of the proposed Assumption, the Property generates a Loan to Value Ratio of not more than sixty percent (60%) or a Loan to Cost Ratio of not more than sixty percent (60%), whichever is less;

(j) Lender shall have confirmed, in the exercise of its reasonable judgment, that as of the date of the proposed Assumption, the Property generates a Debt Service Coverage Ratio of at least 1.50 to 1.00.

(k) On the earlier of ten (10) days following demand by Lender or the closing of the approved Assumption, Borrower shall pay all of Lender’s reasonable costs and expenses incurred in connection with the proposed Assumption whether or not the Assumption actually occurs, including attorneys’ fees, recording and filing charges, title company charges and the cost of the endorsement to the Title Policy. The Assumption

Work Deposit shall be applied to reimburse Lender for its costs and expenses (with any excess after full payment of all of Lender's costs and expenses being applied to the Assumption Fee or returned to Borrower), but the Assumption Work Deposit shall not be deemed to be a cap or limitation on Borrower's obligation to reimburse Lender for all costs and expenses incurred by Lender under this Section 8.3, regardless of whether such amounts exceed the Assumption Work Deposit and/or Lender, in the exercise of its judgment, does not approve the proposed purchaser, any proposed replacement indemnitor or any other aspect of the proposed Assumption; and

(l) Lender shall have no obligation to review or process Borrower's request for approval of a proposed Assumption until such time as Lender has received all of the items, including the Assumption Work Deposit, required to be delivered to Lender pursuant to this Section 8.3.

ARTICLE 9.

COVENANTS

Section 9.1. Taxes; Title Matters.

(a) Subject to the terms of Section 4.1, Borrower shall pay before any fine, penalty, interest or cost may be added thereto, and shall not enter into any agreement to defer, any Taxes; provided, however, that Borrower may contest the amount or validity or application in whole or in part of any of the Taxes so long as (i) Borrower provides written notice to Lender that Borrower intends to contest such amount, validity or application, (ii) such contest shall suspend the collection of the Taxes from Borrower and from the Property or Borrower shall have paid all of the Taxes under protest, (iii) Borrower shall have deposited with Lender adequate reserves for the payment of the Taxes, together with all interest and penalties thereon, unless Borrower has paid all of the Taxes under protest, taking into consideration the amount of any Impounds available for payment of Taxes, (iii) Borrower is diligently contesting the same by appropriate legal proceedings in good faith and at its own expense, and (iv) neither the Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, cancelled or lost. Borrower shall not suffer or permit the joint assessment of the Property with any other real or personal property not encumbered by the Mortgage.

(b) Borrower shall observe and comply with all Permitted Encumbrances applicable to Borrower or the Property and shall not, without the prior written consent of Lender, modify, amend, or supplement any of the Permitted Encumbrances.

(c) Without the prior written consent of Lender, Borrower shall not file or subject any part of the Property to any plan or declaration of condominium, co-operative, common interest ownership community, or other form of multiple ownership and governance.

Section 9.2. Alterations and Renovations. Borrower shall obtain Lender's prior written consent (such consent not to be unreasonably withheld if no Event of

Default exists) to any alterations or renovations to any of the Improvements; provided, however, that Lender's consent shall not be required in connection with any alterations or renovations that (i) are contemplated in connection with any Restoration in accordance with the provisions of this Agreement, and (ii) will not have a material adverse effect on the financial condition of Borrower, the value of the Property or the Net Operating Income, provided further that such alterations permitted under subsection (ii) do not adversely affect any structural component of any Improvements, any utility or HVAC system contained in any Improvements, or the exterior of any building constituting a part of any Improvements, and the aggregate cost thereof does not exceed Two Hundred Fifty Thousand Dollars (\$250,000.00).

Section 9.3. Operation; Maintenance; Compliance.

(a) Borrower shall not cause or permit any waste of any material portion of the Property.

(b) Borrower shall observe and comply with all Legal Requirements applicable to Borrower and the ownership, use and operation of the Property and shall promptly commence a reasonable and good faith cure of any alleged violation of any Legal Requirements; provided that Borrower may contest the validity or applicability of any such alleged violation of any Legal Requirement so long as: (i) Borrower provides written notice to Lender that Borrower intends to contest such validity or applicability, (ii) neither the Property nor any part thereof or interest therein shall be subject to any Lien, charge, fine or other liability or shall be in danger of being sold, forfeited, terminated, cancelled or lost, (iii) Borrower shall have furnished Lender with such security as may be reasonably requested by Lender from time to time to pay or discharge any Lien, charge, fine or other liability or the costs of any cure or corrective measure in the event of a determination in such contest adverse to Borrower, (iii) Borrower is diligently contesting the same at all times by appropriate legal proceedings in good faith and at its own expense, and (iv) the use, operation or Net Operating Income of the Property is not materially and adversely affected during such contest.

(c) Borrower shall maintain the Property in good condition and promptly repair any damage or casualty (subject to the terms of this Agreement).

(d) Borrower shall not, without the prior written consent of Lender, initiate, consent to, or support any zoning reclassification of the Property or seek any variance under any existing zoning ordinance or use or permit the use of any portion of the Property in any manner that could result in such use becoming a non-conforming use under any zoning ordinance or any other applicable Legal Requirement.

(e) All Operating Revenues shall be applied to Operating Expenses, Debt Service and reasonable and necessary capital expenditures or costs, and then, provided no Event of Default exists, to general operating purposes of Borrower, including distributions to Borrower's members.

Section 9.4. Inspections; Appraisals.

(a) Upon at least two (2) Business Days' prior written notice (except during the existence of an Event of Default, when no prior notice shall be required), Borrower, General Partner and the Property Manager (if any) shall provide Lender and its agents, representatives and contractors with access to the Property from time to time (subject to the rights of Tenants) for the purposes of inspecting the Property and conducting engineering and environmental assessments and other investigations of the Property (provided that either an Event of Default must exist or Lender must have a reasonable belief that Borrower is not in material compliance with its warranties, covenants and agreements relating to compliance with Legal Requirements (including Environmental Laws, as defined in the Environmental Indemnity Agreement) prior to the commencement of any intrusive post-Funding Date engineering or environmental assessment or investigation) and shall permit Lender and its agents, representatives and contractors to examine and copy the books and records relating to the Property and to discuss the business, operations, properties and financial and other condition of Borrower with officers and employees of Borrower, General Partner and the Property Manager (if any) and with Borrower's accountants. The costs relating to such activities shall be paid by Lender unless (i) Lender has a reasonable basis for suspecting that Borrower is not in material compliance with its warranties, covenants and agreements relating to compliance with Legal Requirements (including Environmental Laws) and its warranties, covenants and agreements relating to the physical condition of the Property, (ii) the examination of such books and records reveals that financial information submitted to Lender by Borrower, General Partner, Property Manager or anyone on behalf of Borrower or General Partner is materially inaccurate, or (iii) an Event of Default exists (or is discovered as a result of any such inspection or review), in which case the reasonable third party fees and expenses relating to such activities shall be paid by Borrower within the Demand Period.

(b) Upon at least two (2) Business Days' prior written notice (except during the existence of an Event of Default, when no prior notice shall be required), Borrower, General Partner and the Property Manager (if any) shall provide Lender and its agents, representatives and appraisers with access to the Property from time to time (subject to the rights of Tenants) for the purposes of conducting appraisals. Borrower, General Partner and the Property Manager (if any) shall cooperate with Lender's request for reasonable information necessary to complete a new or updated appraisal of the Property and Borrower shall pay or reimburse Lender for all costs associated with new or updated appraisals of the Property, provided that so long as no Event of Default has occurred, Borrower shall only be obligated to reimburse Lender for one (1) new or updated appraisal after the Funding Date (Borrower's reimbursement obligations being unlimited following the occurrence of an Event of Default).

Section 9.5. Taxes on Security. Borrower shall pay all taxes, charges, filing, registration and recording fees, excises and levies payable with respect to the Note or the Liens created or secured by the Loan Documents, other than income, franchise and doing business taxes imposed on Lender. If there shall be enacted any law (a) deducting the Loan from the value of the Collateral for the purpose of taxation, (b) imposing upon Lender the payment of the whole or any part of the taxes, assessments, charges, fees, or liens herein required to be paid by Borrower, or (c) changing existing laws relating to the

taxation of mortgages, deeds of trust, security deeds, or debts secured by real property or the interest of the mortgagee or secured party in the property covered thereby, or changing the manner of assessing or collecting any such taxes, Borrower shall promptly pay to Lender, within thirty (30) days following demand, all taxes, assessments, liens, costs and charges for which Lender is or may be liable as a result thereof; provided, however, that if any such payment would be prohibited by law or would render the Loan usurious, then instead of collecting such payment, Lender may declare all amounts owing under the Loan Documents to be immediately due and payable (provided that Borrower shall have no obligation to make payment of any Applicable Prepayment Fee otherwise applicable to prepayment tendered as a result of Lender's exercise of its rights under this Section 9.5).

Section 9.6. Compliance with Loan Documents; Further Assurances.

(a) Borrower shall, and shall cause Carveout Indemnitor and other Borrower Parties (as applicable) to, observe, perform and satisfy in a timely manner all the terms, provisions, covenants, conditions, duties and obligations required to be observed, performed or satisfied by them, and shall pay when due all costs, fees and expenses required to be paid by them, under and pursuant to this Agreement, the Note and the other Loan Documents.

(b) Borrower shall promptly (i) cure, or cause to be cured, any defects in the execution and delivery of the Loan Documents, and (ii) execute and deliver, or cause to be executed and delivered, all such other documents, agreements and instruments as Lender may reasonably request to further evidence and more fully describe the collateral for the Obligations, to correct any omissions or errors in the Loan Documents, to perfect, protect or preserve any Liens created under any of the Loan Documents, or to make any recordings, file any notices, or obtain any consents, as may be necessary or appropriate in connection therewith.

(c) Borrower shall not (i) change the location of its chief executive office or its chief place of business from that specified in Section 12.1, (ii) change its name, (iii) change its state of formation or otherwise re-domesticate from its existing state of formation, or (iv) change the location where it maintains its records with respect to the Property, unless in each instance Borrower shall have given Lender at least thirty (30) days prior written notice of any such change and shall have delivered to Lender all UCC financing statements and amendments thereto as Lender shall request and taken all other actions deemed necessary by Lender to continue its perfected first priority lien status in the Collateral.

Section 9.7. Estoppel Certificates. Borrower, within twenty (20) days after request, shall furnish to Lender a written statement, duly acknowledged by an Authorized Representative of Borrower, setting forth the amount due on the Loan, the terms of repayment of the Loan, the date to which interest has been paid, whether any offsets or defenses exist against the Loan and, if any are alleged to exist, the nature thereof in detail, and such other reasonable matters as Lender may request.

Section 9.8. Notice of Certain Events. Borrower shall, within three (3) Business Days after gaining knowledge, notify Lender of (i) any Potential Default or Event of Default, together with a detailed statement of the steps being taken to cure such Potential Default or Event of Default (Lender having no obligation to accept any such cure of an Event of Default); (ii) any notice of any material default received by Borrower under other obligations relating to the Property or otherwise material to Borrower's business; and (iii) any threatened or pending legal, judicial or regulatory proceedings, including any dispute between Borrower and any Governmental Authority, affecting Borrower, Carveout Indemnitor, or the Property.

Section 9.9. Property Management and Leasing.

(a) On the Funding Date, the management and leasing of the Property shall be conducted under the terms and conditions of the Management Agreement which has been approved by Lender prior to the Funding Date. Borrower acknowledges that Lender has examined and relied on the experience of the Property Manager with respect to properties such as the Property in agreeing to make the Loan, and that Lender will continue to rely on the management and leasing of the Property pursuant to the terms thereof as a means of maintaining the value of the Property as security for repayment of the Obligations.

(b) Borrower shall (i) diligently perform and observe all of the terms, covenants and conditions of the Management Agreement on the part of Borrower to be performed and observed and do all things necessary to preserve and to keep unimpaired its rights thereunder, and (ii) within three (3) Business Days following receipt, notify Lender of the giving of any notice by Property Manager to Borrower of any default by Borrower in the performance or observance of any of the terms, covenants or conditions of the Management Agreement on the part of Borrower to be performed and observed and deliver to Lender a true copy of each such notice.

(c) Without the prior written consent of Lender (such consent not to be unreasonably withheld if no Event of Default exists), Borrower shall not (i) consent to the assignment by Property Manager of its rights, duties or obligations under the Management Agreement, (ii) terminate, cancel or surrender the Management Agreement, (iii) modify, change, supplement, alter or amend the Management Agreement, in any material respect, either orally or in writing, or (iv) enter into any new or replacement management or leasing agreement or appoint any new or replacement property manager or leasing agent.

(d) Any change in ownership or control of the Property Manager shall be cause for Lender to re-approve the Property Manager and the related Management Agreement (such approval not to be unreasonably withheld if no Event of Default exists).

(e) Borrower hereby assigns to Lender all the rights, privileges and prerogatives of Borrower in and under the Management Agreement (including the right to modify, change, supplement, alter or amend in any material respect, or terminate, cancel, or surrender, the Management Agreement, and any modification, change, supplement,

alteration, amendment termination, cancellation, or surrender of the Management Agreement without the prior consent of Lender shall be void and of no force and effect).

(f) If an Event of Default occurs and the Property is then being managed by Borrower and/or the leasing activities are then being conducted by Borrower, then Lender may require, without limiting any other right or remedy available to Lender at law or under any Loan Document, upon five (5) days prior written notice to Borrower, that Borrower select a Property Manager, as the case may be, which is not an Affiliate of Borrower to conduct the management and/or leasing of the Property. If (i) an Event of Default occurs, (ii) a default by the Property Manager under its Management Agreement occurs beyond any applicable notice, grace or cure periods, or (iii) a bankruptcy or insolvency proceeding naming the Property Manager as the subject debtor occurs; then Lender may require, without limiting any other right or remedy available to Lender at law or under any Loan Document, upon five (5) days prior written notice to Borrower, that Borrower select a replacement Property Manager which is not an Affiliate of Borrower, to conduct the management and/or leasing of the Property. If a new or replacement Property Manager is so required by Lender, Borrower shall immediately seek to appoint a Property Manager approved by Lender (such approval not to be unreasonably withheld if no Event of Default exists), which shall (i) be a reputable management or leasing company having at least ten (10) years' experience in the management or leasing of properties substantially similar to the Property and in the jurisdiction in which the Property is located, (ii) not be paid management or leasing fees in excess of market fees, and (iii) enter into a property management or leasing agreement in form and content approved by Lender (such approval not to be unreasonably withheld if no Event of Default exists).

(g) Concurrently with Borrower's execution of the Management Agreement, Borrower shall (i) deliver to Lender a full and complete copy of such executed Management Agreement, (ii) cause to be executed and delivered to Lender an assignment of management and subordination of management or leasing fees by Borrower and such proposed property manager in substantially the form as the Assignment of Management Agreement executed on the Funding Date (provided that such form shall be subject to change as a result of Lender's updating its standard forms of such agreement an Assignment of Management Agreement), and (iii) deliver to Lender evidence reasonably acceptable to Lender that Borrower has satisfied all conditions precedent to the effectiveness of such Management Agreement.

(h) Any inconsistency between the terms of this Section 9.9 with respect to a Management Agreement or Property Manager and the terms of the Assignment of Management Agreement with respect to such Management Agreement or Property Manager shall be controlled by the terms of such Assignment of Management Agreement.

Section 9.10. Material Agreements; Agreements with Affiliates.

(a) Borrower shall not enter into or become obligated under, or permit Property Manager to enter into or become obligated under, any Material Agreement

pertaining to the Property, without the prior written consent of Lender, which consent shall not be unreasonably withheld if no Event of Default exists.

(b) Borrower shall not enter into any consulting, advisory, asset management, property management, leasing, or sub-leasing or other agreements relating to the Property with any Affiliate of Borrower or Carveout Indemnitor that cannot be terminated, upon the occurrence of an Event of Default, without payment of any termination fee.

Section 9.11. Special Purpose Entity/Separateness.

(a) Borrower hereby represents, warrants and covenants as of the Funding Date and until such time as all Obligations are fully and finally paid, Borrower (which for purposes of this Section 9.11 means the original Borrower until the Property is transferred and the Obligations assumed in connection with an Assumption and following any such Assumption, the successor Borrower) does not currently and/or shall not:

(i) change or permit to be changed its organizational documents, if such change would materially and adversely impact the covenants set forth in this Agreement or otherwise violate any prohibited transfer or due on sale provisions set forth in the Loan Documents;

(ii) fail to qualify to do business and remain in good standing under the laws of the state in which it was formed and the State, or fail to observe all material corporate formalities;

(iii) engage in any line of business or other activity other than (1) acquiring, owning, operating, leasing, managing and disposing of the Property (and activities incidental thereto), (2) entering into mortgage loans secured by a Lien upon the Property and the other Collateral, and (3) any and all lawful activities incidental, necessary and appropriate thereto;

(iv) acquire or own any assets other than (1) the Property, and (2) such incidental personal property as may be necessary for the operation of the Property or the conduct of its business as contemplated herein;

(v) merge into or consolidate with any Person, or dissolve, terminate, liquidate in whole or in part, or change its legal structure;

(vi) transfer or otherwise dispose of all or substantially all of its assets, or engage in any transfer of assets outside the ordinary course of its business;

(vii) form, acquire, hold or own any subsidiary, or make any investment in any Person (including the acquisition of obligations or securities of its Affiliates or acquisition of evidence of indebtedness issued by any other Person (other than cash and investment-grade securities));

(viii) commingle its assets with the assets of any other Person;

(ix) incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than (1) the Loan; (2) trade and operational indebtedness incurred in the ordinary course of business with trade creditors, provided such indebtedness is (A) unsecured, (B) not evidenced by a note, (C) on commercially reasonable terms and conditions, and (D) paid on or prior to the date when due; and/or (3) financing leases and purchase money indebtedness incurred in the ordinary course of business relating to personal property on commercially reasonable terms and conditions, provided further that at no times shall the aggregate outstanding balance of any debt specified in clauses (2) and (3) above exceed \$250,000.00;

(x) fail to maintain its records, books of account, bank accounts, financial statements, accounting records and other entity documents separate and apart from those of any other Person or have its assets listed on the financial statement of any other entity; provided, however, that Borrower's financial position, assets, liabilities, net worth and operating results may be included in the consolidated financial statements of an Affiliate so long as Borrower's assets are listed on Borrower's own separate balance sheet and that any such consolidated financial statements contain a footnote indicating that Borrower is a separate legal entity, that Borrower's assets and credit are not available to satisfy the debts and other obligations of such Affiliate, and that Borrower maintains separate books and records;

(xi) enter into any contract or agreement with any other Borrower Party except upon terms and conditions that are intrinsically fair, commercially reasonable and substantially similar to those that would be available on an arm's-length basis with unaffiliated third parties;

(xii) maintain its assets in such a manner that it will be costly or difficult to segregate, ascertain or identify its individual assets from those of any other Person;

(xiii) assume or guaranty or otherwise become obligated for the debts of any other Person, hold itself out to be responsible for the debts of any other Person, or otherwise pledge its assets for the benefit of any other Person (other than to Lender to secure the Loan) or hold out its credit as being available to satisfy the obligations of any other Person;

(xiv) make any loans or advances to any Person;

(xv) fail to file its own tax returns (unless Borrower is a tax-disregarded entity not required to file tax returns under applicable law) or file a consolidated federal income tax return with any Person (unless prohibited or required, as the case may be, by applicable Legal Requirements);

(xvi) fail either to hold itself out to the public as a legal entity separate and distinct from any other Person (including identifying itself as a division or part of any other Person), or to conduct its business solely in its own name (including the failure to

use separate stationery, invoices and checks bearing its own name) or fail to correct any known misunderstanding regarding its separate identity;

(xvii) fail to maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations (including the failure to remain solvent or pay its own expenses and liabilities (including salaries of its own employees) only from its own funds); provided that the foregoing shall not obligate any of Borrower's members, managers or any other direct or indirect equity holders to make any capital contributions to Borrower except as may be required by applicable law;

(xviii) without the unanimous written consent of all of its partners, managers, members, or shareholders: (1) file or consent to the filing of any petition, either voluntary or involuntary, to take advantage of any creditors rights laws, (2) seek or consent to the appointment of a receiver, liquidator or any similar official, (3) make an assignment for the benefit of creditors, (4) otherwise seek relief under any laws relating to the relief from debts or the protection of debtors generally, or (5) take any action in furtherance of any of the foregoing; or

(xix) fail to fairly and reasonably allocate expenses that are shared with an Affiliate (including for shared office space and for services performed by an employee of an Affiliate) among the Persons sharing such expenses.

(b) The limited liability company agreement, partnership agreement, bylaws, trust agreement or other comparable organizational document of Borrower shall at all times contain and incorporate as binding obligations and limitations each of the covenants and provisions set forth in Section 9.11(a). Borrower shall not permit any Constituent Party to amend, modify or otherwise change such limited liability company agreement, partnership agreement, bylaws, trust agreement or other comparable organizational document of Borrower in any manner that (i) violates the covenants and provisions set forth in Section 9.11(a), or (ii) amends, modifies or otherwise changes any provision thereof that by its terms cannot be amended, modified or otherwise changed at any time when the Obligations are outstanding or by its terms cannot be modified without Lender's consent.

Section 9.12. ERISA.

(a) Borrower shall not engage in any transaction that would cause any obligation, or action taken or to be taken, hereunder (or the exercise by Lender of any of its rights under the Note, this Agreement or the other Loan Documents) to be a non-exempt (under a statutory or administrative class exemption) prohibited transaction under ERISA.

(b) Borrower shall deliver to Lender such certifications or other evidence from time to time throughout the term of the Loan, as requested by Lender, that (i) Borrower is not an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, or a "governmental plan" within the meaning of

Section 3(32) of ERISA; (ii) Borrower is not subject to any state statute regulating investments of, or fiduciary obligations with respect to, governmental plans; and (iii) one or more of the following circumstances is true:

(A) Equity interests in Borrower are publicly offered securities, within the meaning of 29 C.F.R. §2510.3-101(b)(2);

(B) Less than twenty-five percent (25%) of each outstanding class of equity interests in Borrower is held by “benefit plan investors” within the meaning of 29 C.F.R. §2510.3-101(f)(2); or

(C) Borrower qualifies as an “operating company” or a “real estate operating company” within the meaning of 29 C.F.R. §2510.3-101(c) or (e).

ARTICLE 10.

EVENTS OF DEFAULT

Section 10.1. Defaults. The Obligations shall, at the option of Lender, become immediately due and payable, interest under the Note shall begin to accrue at the Default Rate, and Lender shall be entitled to pursue all available rights and remedies, upon the occurrence of any one or more of the following events (individually an “**Event of Default**” and collectively, “**Events of Default**”); provided that the following acts, omissions or conditions shall not be deemed to constitute an “Event of Default” (and thereby cause interest to accrue at the Default Rate and/or entitle Lender to pursue all available rights and remedies) until any and all specified grace or cure periods have expired:

(i) If any monthly installment of Debt Service and/or Impounds (if any) is not received by Lender on or before 2 p.m. (Hartford, Connecticut time) on the fifth (5th) day of the month in which such installment is due;

(ii) If the Obligations are not paid in full on the Maturity Date;

(iii) If any other amounts reserved under this Agreement (including payments required under Article 11) are not received by Lender prior to the expiration of the applicable Demand Period;

(iv) If Borrower (A) fails to comply with its duties and obligations under Section 3.1(a), or (B) fails to comply in any material respect with its duties and obligations under Section 3.1(b) through (i) or Section 3.2;

(v) If Borrower (A) fails to comply with duties and obligations under Section 5.2, or (B) fails to comply in any material respect with its duties and obligations under Section 5.3;

(vi) If Borrower fails to provide, or fails to compel any Borrower Party to provide, any material aspect of the financial reporting required pursuant to Section 7.1,

and such failure continues for thirty (30) days following written notice from Lender of such failure;

(vii) If any fact, circumstance or event (other than those specifically addressed elsewhere in this Article 10) shall occur that is specifically characterized under any provision of any other Loan Document as an “Event of Default” under such Loan Document;

(viii) If any Federal or state tax lien (other than a Lien affecting the Collateral) is filed against Borrower, General Partner or Carveout Indemnitor and the same is not discharged of record within sixty (60) days after the same is filed, unless (1) such tax lien is being diligently contested by Borrower, General Partner or Carveout Indemnitor in good faith, (2) Borrower, General Partner or Carveout Indemnitor, as the case may be, shall have deposited with Lender cash reserves (or other appropriate security acceptable to Lender in its discretion) which, in the opinion of Lender, will be sufficient to satisfy and discharge the tax lien and all interest and penalties thereon, and (3) Lender is (and thereafter continues at all times to be) satisfied that such tax lien does not have a materially adverse effect on the business, assets or financial or other condition of Borrower, General Partner or Carveout Indemnitor, as the case may be, or on the Collateral, the Mortgage or the Lien thereof;

(ix) If the Collateral becomes subject to any lis pendens, notice of pendency, stop order, stop notice, notice of intention to file mechanic’s or material supplier’s lien, mechanic’s or material supplier’s lien (excluding, however, any notice filed pursuant to applicable state law solely to preserve future lien rights) or any other Lien of any kind not voluntarily or affirmatively created, granted, imposed or otherwise agreed or consented to by Borrower (other than Permitted Encumbrances), and the same is not discharged of record within sixty (60) days after the same is filed or recorded (irrespective of whether the same is superior or subordinate in Lien or other priority to the Lien of the Mortgage and irrespective of whether the same constitutes a perfected or inchoate Lien or encumbrance on the Collateral or is only a matter of record or notice), unless within such sixty-day period (1) Borrower shall have commenced (and thereafter continues until completion) to diligently contest such Lien by appropriate legal proceedings in good faith and at its own expense, (2) Borrower shall have deposited with Lender cash reserves (or other appropriate security acceptable to Lender in its discretion) as requested by Lender, or as may thereafter be requested by Lender, which, in the opinion of Lender, will be sufficient to satisfy and discharge such Lien and all interest and penalties thereon, (3) Borrower provides Lender with an endorsement to the Title Policy affirmatively insuring over and against such Lien, and (4) Lender is (and thereafter continues at all times to be) satisfied that such Lien does not have a materially adverse effect on the business, assets or financial or other condition of Borrower or on the Collateral, the Mortgage or the Lien thereof;

(x) If a Transfer (other than those specifically addressed above in this Article 10) occurs in violation of the covenants set forth in Section 8.1;

(xi) If a material violation of any of the warranties, covenants and agreements set forth in Section 9.11 occurs;

(xii) If any representation or warranty of or on behalf of Borrower or of any other Borrower Party, made in this Agreement, the Carveout Indemnity or in any of the other Loan Documents, or in any certificate, report, financial statement or other instrument furnished in connection with this Agreement or the Carveout Indemnity, shall prove false or misleading in any material respect as of the date made or furnished;

(xiii) If Borrower, General Partner or Carveout Indemnitor make an assignment for the benefit of creditors;

(xiv) If a court of competent jurisdiction enters a decree or order appointing a receiver, liquidator, assignee, trustee, custodian, examiner, magistrate, arbitrator, sequestrator (or similar official) of Borrower, General Partner or Carveout Indemnitor, or of any substantial part of their respective properties or assets, or if such court decrees or orders the winding up or liquidation of the affairs of Borrower, General Partner or Carveout Indemnitor, and any such decree or order is not dismissed, discharged or vacated of record within sixty (60) days after the same has been entered; provided that if any Borrower Party consents to, acquiesces or joins in an application for such appointment, decree or order, such event shall constitute an Event of Default immediately upon entry of such order or decree;

(xv) If Borrower, General Partner or Carveout Indemnitor voluntarily files a petition for relief or an answer or consent seeking relief under the Bankruptcy Code, or under any other Federal or state bankruptcy, insolvency or other similar law, rule or regulation;

(xvi) If an involuntary case or other proceeding is commenced against Borrower, General Partner, Carveout Indemnitor or the Property which seeks liquidation, reorganization or other relief with respect to debts or other liabilities under any bankruptcy, insolvency or other similar law now or hereafter in effect, and such involuntary case or other proceeding shall remain undismissed or unstayed for a period of sixty (60) days; provided that if any Borrower Party files, solicits, consents to, acquiesces or joins in an application for such involuntary case or other proceeding, such event shall constitute an Event of Default immediately upon the filing any such case or other proceeding;

(xvii) If Borrower, General Partner or Carveout Indemnitor whether by operation of law or otherwise, dissolves, is wound up or its existence is otherwise terminated or dissolved;

(xviii) If Borrower fails to remit payment in full of the Loan and other Obligations (1) pursuant to Section 2.4 (b) on the date identified in the Prepayment Notice following the issuance of any Prepayment Notice, unless the Prepayment Notice is revoked in accordance with Section 2.4(b), or (2) within the time period specified in

Sections 3.2 or 3.3 if Borrower makes an election to, or is required by Lender to, prepay the Obligations following a Major Casualty or Major Condemnation;

(xix) If Borrower ceases to operate the Property in a manner consistent with the uses of the Property effective as of the Funding Date or terminates such business for any reason whatsoever (other than temporary cessation in connection with any renovations to the Property or completion of a Restoration);

(xx) If Borrower or Carveout Indemnitor (as the case may be) fails to comply with its duties and obligations under (1) the Environmental Indemnity Agreement and such failure continues for thirty (30) days after written notice from Lender (provided, however, that if a shorter cure period is required by Lender (in the exercise of its discretion) because of a potential impairment to human safety or a potential material impairment to the value of the Property, then Borrower and Carveout Indemnitor shall have such shorter cure period as set forth in Lender's written notice); (2) the Carveout Indemnity and such failure continues for fifteen (15) days after written notice from Lender; (3) the Assignment of Leases and Rents and such failure continues for fifteen (15) days after written notice from Lender; or (4) the Assignment of Management Agreement and such failure continues for fifteen (15) days after written notice from Lender; provided, however, that so long as (A) any such failure does not involve the failure to make payment of a liquidated sum of money (which must be paid within any applicable Demand Period), (B) an extension of the applicable cure period will not, in the reasonable estimation of Lender, cause a material impairment to the value, use, utility, or operation of the Property or the other Collateral, (C) an extension of the applicable cure period will not, in the reasonable estimation of Lender, expose Lender to any fines or penalties (whether civil or criminal), (D) any such failure cannot reasonably be cured within the applicable cure period, and (E) Borrower or Carveout Indemnitor (as the case may be) shall have commenced a reasonable cure for such Potential Default within the applicable cure period and thereafter diligently and expeditiously proceeds to cure the same, then the applicable cure period shall be extended for so long as it shall be reasonably necessary for Borrower or Carveout Indemnitor (as the case may be), in the exercise of due diligence, to cure such Potential Default (Borrower and Carveout Indemnitor agreeing that they shall bear the burden of proof before any court, arbitrator or other trier of fact in connection with establishing the reasonableness of any cure or extended cure period and/or that Lender is acting in a commercially unreasonable manner if Lender makes a determination adverse to Borrower or Carveout Indemnitor under subsections (B) or (C) of this subparagraph (xx)); provided further, that in no event shall the cure period available under this subparagraph (xx) exceed ninety (90) days in the aggregate; or

(xxi) If Borrower, General Partner, Carveout Indemnitor or any other Borrower Party shall fail to comply with any of their respective covenants, agreements, warranties, duties or obligations under this Agreement or any other Loan Document that is not otherwise specifically addressed in this Article 10 and such failure continues for thirty (30) days after written notice from Lender; provided, however, that so long as (A) any such failure does not involve the failure to make payment of a liquidated sum of money (which must be paid within any applicable Demand Period), (B) an extension of

the thirty (30) day cure period will not, in the reasonable estimation of Lender, cause a material impairment to the value, use, utility, or operation of the Property or the other Collateral, (C) an extension of the thirty (30) day cure period will not, in the reasonable estimation of Lender, expose Lender to any fines or penalties (whether civil or criminal), (D) any such failure cannot reasonably be cured within the thirty (30) day cure period, and (E) Borrower or Carveout Indemnitor (as the case may be) shall have commenced a reasonable cure for such Potential Default within the thirty (30) day cure period and thereafter diligently and expeditiously proceeds to cure the same, then the thirty (30) day cure period shall be extended for so long as it shall be reasonably necessary for Borrower or Carveout Indemnitor (as the case may be), in the exercise of due diligence, to cure such Potential Default (Borrower and Carveout Indemnitor agreeing that they shall bear the burden of proof before any court, arbitrator or other trier of fact in connection with establishing the reasonableness of any cure or extended cure period and/or that Lender is acting in a commercially unreasonable manner if Lender makes a determination adverse to Borrower or Carveout Indemnitor under subsections (B) or (C) of this subparagraph (xxi)); provided, further, that in no event shall the cure period available under this subparagraph (xxi) exceed ninety (90) days in the aggregate.

Section 10.2 Remedies.

(a) Upon the occurrence of any Event of Default, interest shall automatically begin to accrue at the Default Rate, and at the option of Lender (except in connection with any of the Events of Default described in Section 10.1(xiii) through (xvi), when acceleration is automatic), all Obligations shall become immediately due and payable, and Lender may exercise all rights and remedies under the Loan Documents and at law or in equity, all without written notice and without presentment, demand, protest, notice of protest or dishonor, notice of intent to accelerate the maturity thereof, notice of acceleration of the maturity thereof, or any other notice of default of any kind, all of which are hereby expressly waived by Borrower for itself and all other Borrower Parties.

(b) Upon the occurrence of any of the events specified in Section 10.1(xiii) through (xvi), interest shall automatically begin to accrue at the Default Rate, all Obligations shall automatically become immediately due and payable, and Lender may exercise all rights and remedies under the Loan Documents and at law or in equity, all without written notice and without presentment, demand, protest, notice of protest or dishonor, notice of intent to accelerate the maturity thereof, notice of acceleration of the maturity thereof, or any other notice of default of any kind, all of which are hereby expressly waived by Borrower for itself and all other Borrower Parties.

Section 10.3 Lender's Right to Perform the Obligations.

(a) If Borrower shall fail, refuse or neglect to make any payment or perform any act required by the Loan Documents and such failure constitutes an Event of Default, then without notice to or demand upon Borrower, Carveout Indemnitor, any other Borrower Party or any other Person, and without waiving or releasing any other right, remedy or recourse Lender may have because of such Event of Default, Lender may (but shall not be obligated to) make such payment or perform such act for the account of and

at the expense of Borrower, and shall have the right to enter upon the Property for such purpose and to take all such action thereon and with respect to the Property as it may deem necessary or appropriate.

(b) If Lender shall elect to pay any sum due with reference to the Property, Lender may do so in reliance on any bill, statement or assessment procured from the appropriate Governmental Authority or other issuer thereof without inquiring into the accuracy or validity thereof. Similarly, in making any payments to protect the security intended to be created by the Loan Documents, Lender shall not be bound to inquire into the validity of any apparent or threatened adverse title claim, Lien, encumbrance, claim or charge before making an advance for the purpose of preventing or removing the same.

(c) Borrower shall indemnify, defend and hold Lender and the other Indemnified Parties harmless from and against any and all losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or disbursements of any kind or nature whatsoever, including reasonable attorneys' fees, incurred or accruing by reason of any acts performed by Lender pursuant to the provisions of this Section 10.3, including those arising from the joint, concurrent, or comparative negligence of Lender, except as a result of Lender's gross negligence or willful misconduct. All sums paid by Lender pursuant to this Section 10.3, and all other sums expended by Lender to which it shall be entitled to be indemnified, shall be paid by Borrower to Lender prior to expiration of the Demand Period. Any costs and expenses due and payable to Lender pursuant to this Section 10.3 shall bear interest at the Default Rate from the expiration of the Demand Period until payment in full is received by Lender, and if Borrower fails to reimburse Lender within the Demand Period, then Lender may, in its discretion, either (i) without additional notice to Borrower, add such amounts to the principal balance of the Obligations to accrue interest at the Contract Rate and be secured by the Loan Documents, or (ii) deem the failure by Borrower to make timely reimbursement as an Event of Default and continue to accrue interest at the Default Rate in connection with such unpaid amounts until repayment in full.

ARTICLE 11.

INDEMNITY; EXPENSES

Section 11.1. Indemnity.

(a) Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless Lender and the other Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against Lender or any other Indemnified Party and directly or indirectly arising out of or in any way relating to any one or more of the following: (i) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Property or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (ii) any use, nonuse or condition in, on or about the Property or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (iii) any construction, reconstruction, restoration, or alteration of the Property or the performance of any labor or services or the

furnishing of any materials or other property in respect of the Property; (iv) any failure of the Property to be in compliance with any Legal Requirements; (v) any and all claims and demands whatsoever which may be asserted against Lender by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained in any Lease; (vi) the payment of any commission, charge or brokerage or leasing fee to anyone which may be payable in connection with the Loan, any Lease or the Collateral; (vii) any investigative, administrative, mediation, arbitration, or judicial proceeding, whether or not Lender or any of the other Indemnified Parties are designated a party thereto, commenced or threatened at any time (including after the repayment of the Loan) in any way related to the Loan or the Collateral; (viii) the occurrence or continuation of any Event of Default; or (ix) any proceeding instituted by any Person claiming a Lien, including, in all cases, any Loss arising from the joint, concurrent, or comparative negligence of an Indemnified Party; provided, however, that nothing herein shall be construed to obligate Borrower to indemnify, defend and hold harmless any Indemnified Party from and against any Losses to the extent imposed on or incurred by or asserted against such Indemnified Party solely by reason of such Indemnified Party's willful misconduct as finally determined by a court of competent jurisdiction.

(b) If any action shall be brought against any Indemnified Party based upon any of the matters for which such Indemnified Party is indemnified hereunder, such Indemnified Party shall notify Borrower in writing thereof and Borrower shall promptly assume the defense thereof, including, without limitation, the employment of counsel reasonably acceptable to such Indemnified Party and the negotiation of any settlement; provided, however, that any failure of such Indemnified Party to notify Borrower of such matter shall not impair or reduce the obligations of Borrower hereunder. Such Indemnified Party shall have the right, at the expense of such Indemnified Party, to participate in the defense of any such action and to employ separate counsel in any such action; provided, that if (i) such action involves the possible imposition of criminal liability on such Indemnified Party, (ii) the assumption or control by Borrower of the defense of such action, in the reasonable discretion of such Indemnified Party, involves a conflict of interest between Borrower and such Indemnified Party with respect to such action, (iii) such Indemnified Party shall have reasonably concluded that there are any legal defenses available to it that are different from or additional to those available to the Borrower, or (iv) Borrower or the attorneys engaged by Borrower have, in the reasonable determination of such Indemnified Party, taken action or failed to take action which has prejudiced the defense of such Indemnified Party or have failed to pursue with reasonable diligence such defense or the negotiation or settlement of such defense, then the reasonable and actual costs and expenses of such separate counsel shall be borne by Borrower (which costs and expenses shall be included in the Losses). In the event Borrower shall fail to discharge or undertake to defend such Indemnified Party against any claim, loss or liability for which such Indemnified Party is indemnified hereunder, such Indemnified Party may, at its sole option and election, defend or settle such claim, loss or liability. The amount of Losses incurred by such Indemnified Party shall be conclusively established by such settlement and such amount shall include both the settlement consideration and the costs and expenses, including reasonable attorney's fees and disbursements, incurred by such Indemnified Party in effecting such settlement.

(c) Borrower shall not, without the prior written consent of such Indemnified Party: (i) settle or compromise any action, suit, proceeding or claim or consent to the entry of any judgment that does not include as an unconditional term thereof the delivery by the claimant or plaintiff to such Indemnified Party of a full and complete written release of such Indemnified Party (in form, scope and substance satisfactory to such Indemnified Party in its discretion) from all liability in respect of such action, suit, proceeding or claim and a dismissal with prejudice of such action, suit, proceeding or claim; or (ii) settle or compromise any action, suit, proceeding or claim in any manner that may adversely affect such Indemnified Party or obligate such Indemnified Party to pay any sum or perform any obligation as determined by such Indemnified Party in its discretion.

(d) All Losses shall be immediately reimbursable to the Indemnified Parties when and as incurred and, in the event of any litigation, claim or other proceeding, without any requirement of waiting for the ultimate outcome of such litigation, claim or other proceeding, and Borrower shall pay to the Indemnified Parties any and all Losses within the Demand Period. In addition to any other remedy available for the failure of Borrower to periodically pay such Losses, such Losses, if not paid within the applicable Demand Period, shall bear interest at the Default Rate and such costs and interest shall be additional Obligations secured by the Mortgage and the other Loan Documents.

Section 11.2. Payment and Reimbursement of Expenses.

(a) Prior to the expiration of any Demand Period and subject to any limitations contained in Section 9.4, Borrower shall pay to Lender or, at Lender's option, shall reimburse Lender, for all reasonable costs and expenses (including reasonable attorneys' fees and disbursements and fees and expenses of appraisers and environmental professionals) incurred by Lender in connection with (i) Lender's efforts to confirm and/or ensure Borrower's ongoing performance of and compliance with Borrower's agreements and covenants contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Funding Date, including confirming compliance with environmental and insurance requirements; (ii) Lender's ongoing performance of and compliance with all agreements and covenants contained in this Agreement and the other Loan Documents on its part to be performed or complied with after the Funding Date; (iii) the negotiation, preparation, execution, delivery and administration of any consents, amendments, waivers or other modifications to this Agreement and the other Loan Documents and any other documents or matters (including leasing matters) requested by Borrower; (iv) the filing and recording fees and expenses, title insurance and reasonable fees and expenses of attorneys for providing to Lender all required legal opinions, and other similar expenses incurred, in creating and perfecting the Liens and security interest in favor of Lender pursuant to this Agreement and the other Loan Documents; (v) enforcing or preserving any rights, in response to third party claims or the prosecuting or defending of any action or proceeding or other litigation, in each case against, under or affecting Borrower, this Agreement, the other Loan Documents, the Property, or any other security given for the Obligations; and (vi) enforcing any obligations of or collecting any payments due from Borrower or Carveout Indemnitor under this Agreement, the other Loan Documents or with respect to the

Property or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a “work-out” or of any insolvency or bankruptcy proceedings.

(b) Any costs and expenses due and payable to Lender pursuant to this Section 11.2 shall bear interest at the Default Rate from the expiration of the applicable Demand Period until Lender receives payment in full. If Borrower fails to pay or reimburse Lender prior to the expiration of the applicable Demand Period, then Lender may, in its discretion, deem the failure of Borrower to make timely payment or reimbursement to be an Event of Default and such amounts shall be additional Obligations secured by the Mortgage and the other Loan Documents.

ARTICLE 12.

MISCELLANEOUS

Section 12.1. Notices. Any notice required or permitted to be given under this Agreement shall be in writing and either shall be sent by overnight air courier service, or personally delivered to a representative of the receiving party. All such communications shall be mailed or delivered, addressed to the party for whom it is intended at its address set forth below.

If to Borrower: Boylston Downtown Limited Partnership
39 Brighton Avenue
Allston, Massachusetts 02134
Attention: Carl Valeri
Telephone: (617) 783-0039
E-mail: cvaleri@thehamiltoncompany.com

with a copy
concurrently to: Saul Ewing LLP
131 Dartmouth Street, Suite 501
Boston, Massachusetts 02116
Attention: Sally Michael, Esq.
Telephone: (617) 912-0920
Email: smichael@saul.com

If to Lender: Hartford Life Insurance Company
c/o Hartford Investment Management Company
One Hartford Plaza
Hartford, Connecticut 06155
Attn: Steve Kalmin
Vice President - Real Estate Asset Management
Telephone: (860) 297-6479
E-mail: steve.kalmin@himco.com

with a copy to
concurrently to:

Robert W. McKay, Esq.
c/o Hartford Investment Management Company
One Hartford Plaza
Hartford, Connecticut 06155
Telephone: (860) 297-6465
E-mail: robert.mckay@himco.com

Any communication so addressed and mailed shall be deemed to be given on the earliest of (1) when actually delivered or (2) on the first Business Day after deposit with an overnight air courier service, if such deposit is timely and appropriate in accordance with the requirements of such courier service for next business day delivery, in either case to the address of the intended addressee (except as otherwise provided in the Mortgage), and any communication so delivered in person shall be deemed to be given when received for by, or actually received by Lender or Borrower, as the case may be. Either party may designate a change of address within the United States of America by written notice to the other by giving at least ten (10) days prior written notice of such change of address.

Section 12.2. Amendments and Waivers. No purported amendment or waiver of any provision of the Loan Documents shall be effective unless in writing and signed by the party against whom enforcement is sought.

Section 12.3. Limitation on Interest. Under no circumstances shall the aggregate amount paid or agreed to be paid as interest under the Loan Documents exceed the highest lawful rate permitted under applicable usury law of the State, and the payment obligations of Borrower under the Loan Documents are hereby limited accordingly. If under any circumstances, whether by reason of advancement or acceleration of the unpaid principal balance of the Loan or otherwise, the aggregate amounts paid on the Loan shall include amounts which by law are deemed interest and which would exceed such highest lawful rate, Borrower hereby stipulates that payment and collection of such excess amounts shall have been and will be deemed to have been the result of a mistake on the part of both Borrower and Lender, and Lender shall, at its option, either return such excess to Borrower or credit such excess against the principal balance of the Obligations then outstanding (without application of any Applicable Prepayment Fee), in which event any and all penalties of any kind under applicable law as a result of such excess interest shall be inapplicable.

Section 12.4. Invalid Provisions. If any provision of any Loan Document is held to be illegal, invalid or unenforceable, then (i) such provision shall automatically be deemed fully severable; (ii) the Loan Documents shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part thereof; (iii) the remaining provisions of the Loan Documents shall remain in full effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance therefrom; and (iv) in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as a part of such Loan Document a provision as similar in terms

to such illegal, invalid or unenforceable provision as may be possible so that said substitute provision is legal, valid and enforceable.

Section 12.5. Approvals; Third Parties; Conditions. All approval rights retained or exercised by Lender with respect to Leases, contracts, plans, studies and other matters shall not be deemed or construed as a determination that Lender has passed on the adequacy thereof for any other purpose and may not be relied upon by Borrower or any other Person. This Agreement is for the sole and exclusive use of Borrower and Lender and may not be enforced, nor relied upon, by any Person other than Borrower and Lender. All conditions of the obligations of Lender hereunder, including Lender's discretionary right to make protective advances pursuant to Sections 10.3 or 11.2, are imposed solely and exclusively for the benefit of Lender, its successors and assigns, and no other Person shall have standing to require satisfaction of such conditions or be entitled to assume that Lender will refuse to make advances (if any) in the absence of strict compliance with any or all of such conditions, and no other Person shall, under any circumstances, be deemed to be a beneficiary of such conditions, any and all of which may be freely waived in whole or in part by Lender at any time in Lender's discretion.

Section 12.6. Lender Not in Control; No Partnership. None of the covenants or other provisions contained in this Agreement shall, or shall be deemed to, give Lender the right or power to exercise control over the affairs or management of Borrower, the power of Lender being limited to the rights to exercise the remedies referred to in the Loan Documents, at law or in equity. The relationship between Borrower and Lender is, and at all times shall remain, solely that of debtor and creditor. No covenant or provision of the Loan Documents is intended, nor shall it be deemed or construed, to create a partnership, joint venture, agency or common interest in profits or income between Lender and Borrower or to create any equity in the Property in Lender. Lender neither undertakes nor assumes any responsibility or duty to Borrower or to any other Person with respect to the Property or the Loan, except as expressly provided in the Loan Documents, and notwithstanding any other provision of the Loan Documents: (i) Lender is not, and shall not be construed as, a partner, joint venturer, alter ego, manager, controlling person or other business associate or participant of any kind of Borrower or its stockholders, members, or partners (as the case may be) and Lender does not intend to ever assume such status; (ii) Lender shall in no event be liable for any Debts, expenses or losses incurred or sustained by Borrower; and (iii) Lender shall not be deemed responsible for or a participant in any acts, omissions or decisions of Borrower or its stockholders, members, or partners (as the case may be). Lender and Borrower each disclaim any intention to create any partnership, joint venture, agency or common interest in profits or income between Lender and Borrower, or to create equity in the Property in Lender, or any sharing of liabilities, losses, costs or expenses.

Section 12.7. Time of the Essence. Time is of the essence with respect to the performance of Borrower's, Carveout Indemnitor's or any other Borrower Party's obligations under the Loan Documents.

Section 12.8. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Lender, Borrower and the respective successors and assigns of

Lender and Borrower, provided that neither Borrower nor any other Borrower Party shall, without the prior written consent of Lender (which may be granted or withheld in Lender's discretion) or except as expressly permitted pursuant to the provisions of Article 8, assign any rights, duties or obligations hereunder or under any other Loan Document.

Section 12.9. Servicing, Transfers, Assignments and Participations.

(a) At the option of Lender, the Loan may be serviced by a servicer (the "**Servicer**") selected by Lender from time to time and Lender may delegate all or any portion of its responsibilities under this Agreement and the other Loan Documents to the Servicer pursuant to a servicing agreement between Lender and Servicer. Servicer shall be entitled to reimbursement of costs and expenses as and to the same extent (but without duplication) as Lender is entitled thereto under the applicable provisions of this Agreement and the other Loan Documents, provided that Borrower shall not be obligated to pay any servicing fee payable to the Servicer by Lender. Upon notice thereof from Lender, Servicer shall have the right to exercise all rights of Lender and enforce all obligations of Borrower pursuant to the provisions of this Agreement, the Note and the other Loan Documents. Provided Borrower shall have been given notice of Servicer's address by Lender, Borrower shall deliver to Servicer duplicate originals of all notices and other instruments which Borrower may or shall be required to deliver to Lender pursuant to this Agreement, the Note and the other Loan Documents (and no delivery of such notices or other instruments by Borrower shall be of any force or effect unless delivered to Lender and Servicer as provided above).

(b) Lender may at any time sell, transfer or assign the Note, this Agreement, the Mortgage, and the other Loan Documents, and any or all servicing rights with respect thereto or grant participations therein or issue mortgage pass-through certificates, provided that if Lender grants participations therein Lender shall remain as the "lead" lender and primary contact for all required consents and approvals under the Loan Documents. Lender may forward to any present, future or prospective purchaser, assignee, servicer, participant or investor (each, a "**Transferee**"), all documents and information which Lender now has or may hereafter acquire relating to Borrower, Carveout Indemnitor or the Property, whether furnished by Borrower, Property Manager, Carveout Indemnitor or any other Person, as Lender determines necessary or desirable; provided that Lender receives a reasonable undertaking from the applicable Transferee to maintain the confidential nature (if any) of such information. Borrower shall cooperate, and shall cause Carveout Indemnitor to cooperate, with Lender in connection with any transfer made pursuant to this Section 12.9, including the delivery of an estoppel certificate and such other documents as may be reasonably requested by Lender. Borrower shall also furnish, and hereby consents to Lender furnishing to such Transferee, any and all current or updated information concerning the financial condition of Borrower, Carveout Indemnitor and any and all information concerning the Property as may be requested by Lender or any Transferee; provided that Lender receives a reasonable undertaking from the applicable Transferee to maintain the confidential nature (if any) of such information. No exercise by Lender of any transfer rights pursuant hereto shall operate to release or diminish the duties, obligations or liabilities of Borrower and Carveout Indemnitor under this Agreement or the other Loan Documents.

(c) Without in any way limiting Lender's other rights hereunder, Lender shall have the right, in its discretion at any time after the Funding Date, to require Borrower to split the Loan into one or more loans secured by the Property (individually, a "**Split Loan**" and collectively, the "**Split Loans**"), provided that (i) the aggregate principal amount of all notes evidencing the Split Loans shall equal the outstanding principal balance of the Loan immediately prior to the creation of such split notes, (ii) the aggregate debt service payments on the Split Loans shall on the date created equal the debt service payment which was due under the Loan immediately prior to the creation of such Split Loans, and (iii) the other terms and provisions of the documents evidencing and/or securing the Split Loans shall be substantially similar in form and substance to the Loan Documents. Borrower, at no cost or expense to it, shall cooperate with all reasonable requests of Lender in order to establish the Split Loans and shall execute and deliver such documents as shall be reasonably required by Lender in connection therewith, all in form and substance reasonably satisfactory to Lender, including modified and severed notes, mortgages and other security documents in such denominations as Lender shall determine in its discretion, release documents and any and all documents necessary to assign the Split Loans.

Section 12.10. Replacement Documents. Upon receipt of an affidavit of an officer of Lender as to the loss, theft, destruction or mutilation of the Note or any other document(s) which is not of public record and, in the case of any such destruction or mutilation, upon surrender and cancellation of the Note or other document(s), Borrower shall issue, in lieu thereof, a replacement Note or other document(s) in the same principal amount thereof and otherwise of like tenor.

Section 12.11. Renewal, Extension or Rearrangement. All provisions of the Loan Documents shall apply with equal effect to each and all promissory notes and amendments thereof hereinafter executed which in whole or in part represent a renewal, extension, increase or rearrangement of the Loan.

Section 12.12. Waivers. No course of dealing on the part of Lender, its officers, employees, attorneys, consultants or agents, nor any failure or delay by Lender with respect to exercising any right, power, privilege or remedy of Lender under any of the Loan Documents, shall operate as a waiver thereof.

Section 12.13. Cumulative Rights. All rights and remedies of Lender under the Loan Documents, at law or in equity shall be cumulative, and the exercise or partial exercise of any such right or remedy shall not preclude the exercise of any other right or remedy.

Section 12.14. Exhibits and Schedules. The exhibits and schedules attached to this Agreement are incorporated herein and shall be considered a part of this Agreement for the purposes stated herein.

Section 12.15. Titles of Articles, Sections and Subsections. All titles or headings to articles, sections, subsections or other divisions of this Agreement and the other Loan Documents or the exhibits hereto and thereto, are only for the convenience of

the parties and shall not be construed to have any effect or meaning with respect to the other content of such articles, sections, subsections or other divisions, such other content being controlling as to the agreement between the parties hereto.

Section 12.16. Promotional Material. Borrower authorizes Lender to issue press releases, advertisements and other promotional materials in connection with Lender's own promotional and marketing activities, and describing the Loan in general terms or in detail and Lender's participation in the Loan. All references to Lender contained in any press release, advertisement or promotional material issued by Borrower or any other Borrower Party must be approved in writing by Lender in advance of issuance.

Section 12.17. Survival. All of the indemnities made in this Agreement, the Environmental Indemnity Agreement or any other Loan Document shall survive the repayment in full of the Obligations and the release of the Liens evidencing or securing the Loan, and shall survive the transfer (by sale, foreclosure, conveyance in lieu of foreclosure or otherwise) of any or all right, title and interest in and to all or any portion of the Collateral to any party.

Section 12.18. Governing Law. The Loan Documents are being executed and delivered, and are intended to be performed, in the State and the laws of the State and of the United States of America shall govern the rights and duties of the parties hereto and the validity, construction, enforcement and interpretation of the Loan Documents, except to the extent otherwise specified in any of the Loan Documents.

Section 12.19. Entire Agreement. This Agreement and the other Loan Documents embody the entire agreement and understanding between Lender and Borrower and supersede all prior agreements and understandings between such parties relating to the subject matter hereof and thereof. Accordingly, the Loan Documents may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

Section 12.20. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which shall constitute one document.

Section 12.21. Obligations of Borrower, Joint and Several. If more than one Person has executed this Agreement or any other Loan Document as "Borrower", "Grantor" or "Assignor", the obligations of all such Persons hereunder or thereunder shall be joint and several.

Section 12.22. WAIVER OF PUNITIVE OR CONSEQUENTIAL DAMAGES. NEITHER LENDER NOR BORROWER SHALL BE RESPONSIBLE OR LIABLE TO THE OTHERS OR TO ANY OTHER PERSON FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF THE LOAN OR THE TRANSACTION CONTEMPLATED HEREBY, INCLUDING ANY BREACH OR OTHER DEFAULT BY ANY PARTY HERETO.

Section 12.23. WAIVER OF COUNTERCLAIMS. BORROWER HEREBY WAIVES THE RIGHT TO ASSERT A COUNTERCLAIM, OTHER THAN A MANDATORY OR COMPULSORY COUNTERCLAIM, IN ANY ACTION OR PROCEEDING BROUGHT AGAINST IT BY LENDER ARISING OUT OF OR IN ANY WAY CONNECTED WITH ANY OF THE LOAN DOCUMENTS, OR THE OBLIGATIONS.

Section 12.24. WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY LAW, BORROWER AND LENDER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON THE TRANSACTION CONTEMPLATED BY THIS AGREEMENT OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTION OF ANY PARTY OR ANY EXERCISE BY ANY PARTY OF THEIR RESPECTIVE RIGHTS UNDER THE LOAN DOCUMENTS OR IN ANY WAY RELATING TO THE LOAN OR THE COLLATERAL (INCLUDING ANY ACTION TO RESCIND OR CANCEL THIS AGREEMENT, AND ANY CLAIM OR DEFENSE ASSERTING THAT THIS AGREEMENT WAS FRAUDULENTLY INDUCED OR IS OTHERWISE VOID OR VOIDABLE). THIS WAIVER IS A MATERIAL INDUCEMENT FOR LENDER TO ENTER THIS AGREEMENT.

ARTICLE 13.

LIMITATIONS ON LIABILITY

Section 13.1. Limitation on Liability.

(a) Subject to the qualifications and exceptions set forth below, Lender shall not enforce the liability and obligations of Borrower to perform and observe its duties and obligations contained in the Note, this Agreement, the Mortgage or the other Loan Documents by any action or proceeding wherein a money judgment shall be sought against Borrower or any other Borrower Party, provided that Lender may bring a foreclosure action, an action for specific performance or any other appropriate action or proceeding to enable Lender to enforce and realize upon its interest under the Note, this Agreement, the Mortgage and the other Loan Documents, or in the Collateral given to Lender pursuant to the Loan Documents; provided, further, that, subject to the qualifications and exceptions set forth below, any judgment in any such action or proceeding shall be enforceable against Borrower only to the extent of Borrower's interest in the Collateral, and Lender, by accepting the Note, this Agreement, the Mortgage and the other Loan Documents, agrees that subject to the qualifications and exceptions set forth below, it shall not sue for, seek or demand any monetary judgment or deficiency judgment against Borrower, any other Borrower Party or any officer, director, manager or partner/member of Borrower in any such action or proceeding under, by reason of or in connection with the Note, this Agreement, the Mortgage or the other Loan Documents. References in this Section 13.1 to the phrase "qualifications and exceptions

set forth below” shall be deemed to include, without limitation, the qualifications and exceptions set forth below that permit Lender to satisfy certain procedural requirements necessary to fully realize the security granted by the Mortgage or the Loan Documents, or to commence or pursue any other appropriate action or proceeding in order for Lender to exercise its remedies (i) against the Collateral, (ii) under Section 13.1(b)(ii) hereof and/or (iii) under the Carveout Indemnity.

(b) Notwithstanding anything to the contrary set forth in this Agreement or the other Loan Documents:

(i) the provisions of Section 13.1(a) shall not:

(1) Constitute a waiver, release or impairment of any obligation evidenced or secured by any of the Loan Documents;

(2) Impair the right of Lender to name Borrower, General Partner and/or Carveout Indemnitor as a party defendant in any action or suit for foreclosure and sale under the Mortgage;

(3) Affect the validity or enforceability of the Carveout Indemnity, affect the liability, duties and obligations of Carveout Indemnitor under the Carveout Indemnity, or affect any of the rights and remedies of Lender under the Carveout Indemnity;

(4) Impair the right of Lender to obtain the appointment of a receiver, impair the validity or enforceability of the Assignment of Leases and Rents, limit the liability, duties and obligations of Borrower under the Assignment of Leases and Rents, or limit any of the rights and remedies of Lender under the Assignment of Leases and Rents;

(5) Affect the validity or enforceability of the Environmental Indemnity Agreement, limit the liability, duties and obligations of Borrower and Carveout Indemnitor under the Environmental Indemnity Agreement, or limit the rights and remedies of Lender under the Environmental Indemnity Agreement; or

(6) Constitute a prohibition against Lender to seek a deficiency judgment against Borrower, General Partner and/or Carveout Indemnitor solely in order to satisfy procedural requirements necessary to fully realize the security granted by the Mortgage or under any other Loan Documents, or to commence or pursue any other action in order to exercise its remedies (x) against the Collateral, (y) under Section 13.1(b)(ii) hereof and/or (z) under the Carveout Indemnity; and

(ii) Borrower, jointly and severally with Carveout Indemnitor pursuant to the Carveout Indemnity, hereby agrees to indemnify and reimburse Lender, within the Demand Period (and nothing set forth in this Section 13.1 shall constitute a waiver of the right of Lender to enforce the liability and obligation of Borrower, by money judgment or otherwise), to the extent of any and all liabilities, costs, losses (including any reduction in value of the Property or any other Collateral or the loss of Lender’s security interest

therein), damages, expenses (including reasonable attorneys' fees and disbursements, and court costs, if any), or claims suffered or incurred by Lender by reason of or in connection with any of the following:

- (1) Any fraud committed by any Borrower Party in connection with the Loan;
- (2) Any material misrepresentation contained in any of the Loan Documents or any report furnished pursuant to any of the Loan Documents by or at the direction of any Borrower Party;
- (3) The failure by Borrower to maintain insurance in accordance with Section 3.1;
- (4) The failure of any Borrower Party to apply Operating Revenues received by any Borrower Party to pay Debt Service, Impounds (if then required), Operating Expenses (including expenses incurred in fulfilling the obligations of Borrower as "landlord" under any Lease) and reasonable and necessary capital expenditures or costs during the 12-month period immediately preceding the occurrence of the Event of Default triggering Lender's exercise of remedies; provided, however, that neither Borrower nor Carveout Indemnitor shall have liability under this subparagraph (4) to the extent Operating Revenues generated during the 12-month period immediately preceding the occurrence of the Event of Default triggering Lender's exercise of remedies were not sufficient to pay in full all Debt Service, Impounds (if then required), Operating Expenses (including expenses incurred in fulfilling the obligations of Borrower as "landlord" under any Lease) and reasonable and necessary capital expenditures or costs, and all Operating Revenues so received by any Borrower Party were applied to pay such amounts to the full extent of Operating Revenues so received; provided further that the foregoing shall not limit or affect liability under subparagraph (3) above relating to failure to maintain insurance in accordance with Section 3.1;
- (5) The misappropriation of any Net Proceeds or Condemnation awards by any Borrower Party;
- (6) The failure of any Borrower Party to (x) properly apply any and all security deposits held by any Borrower Party, (y) properly return same to Tenants when due, or (z) deliver security deposits to Lender, any receiver or any Person purchasing the Property or any part thereof at a foreclosure sale or upon the taking of possession of the Property or any part thereof by Lender, such receiver or such other Person, provided that neither Borrower nor Carveout Indemnitor shall have liability under this subparagraph (6) if (i) the required activity under (z) above is limited or prohibited by applicable Legal Requirements or (ii) security deposits were applied in accordance with the terms and conditions of the applicable Lease prior the occurrence of the Event of Default giving rise to such foreclosure, appointment of a receiver or action in lieu thereof;

(7) Borrower entering into any easement (including, without limitation, a utility easement) necessary for the use of the Collateral as a multifamily project with retail space (consistent with the Borrower's use of the Property as of the Funding Date), absent Lender consent;

(8) Intentional removal or destruction of property (without the concurrent replacement thereof with property of at least equivalent value and utility) constituting any material portion of the Collateral, or any other intentional and material waste of any portion of the Collateral, by any Borrower Party;

(9) Any Borrower Party contesting or in any way interfering with, directly or indirectly, any foreclosure action, Uniform Commercial Code sale and/or deed in lieu of foreclosure transaction commenced by Lender or with any other enforcement of Lender's rights, power or remedies under any of the Loan Documents (whether by making any motion, bringing any counterclaim (other than mandatory or compulsory counterclaims), claiming any defense, seeking any injunction or other restraint, commencing any action or otherwise) in connection with Lender's rights arising from an Event of Default; provided, however, that if any Borrower Party raises a defense or commences any action (other than the occurrence of any of the events described in subparagraphs (10) and (11) below) and either (i) Lender elects not to challenge any such defense or action, or (ii) any such defense or action survives a motion for summary judgment or comparable procedural challenge by Lender, then neither Borrower nor Carveout Indemnitor shall have liability under this subparagraph (9);

(10) Borrower, General Partner or Carveout Indemnitor (i) filing a voluntary petition under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law, or (ii) making an assignment for the benefit of creditors; or

(11) Any Borrower Party (i) filing, or joining in the filing of, an involuntary petition against Borrower, General Partner or Carveout Indemnitor under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law, or (ii) soliciting or causing to be solicited petitioning creditors for any involuntary petition against Borrower, General Partner or Carveout Indemnitor, or (iii) filing an answer consenting to or otherwise acquiescing in or joining in any involuntary petition filed against Borrower, General Partner or Carveout Indemnitor by any other Person under the Bankruptcy Code or any other Federal or state bankruptcy or insolvency law, or (iv) voting adversely to Lender's interest in any proceeding under the Bankruptcy Code or any other state or Federal bankruptcy or insolvency law which involves Borrower, General Partner, Carveout Indemnitor or any portion of the Collateral, or (v) consenting to or acquiescing or joining in an application for the appointment of a custodian, receiver, trustee or examiner for Borrower, General Partner or Carveout Indemnitor or any portion of the Collateral (unless such action is at the written request of Lender).

Notwithstanding the foregoing, if Borrower and any other necessary Borrower Parties consent, pursuant to a stipulation in form reasonably required by Lender (to be executed by Borrower and any other necessary Borrower Parties and delivered to Lender within five (5) Business Days following Lender's request), to the appointment of a

receiver for the Property (the identity of such receiver to be designated by Lender and approved by Borrower, such approval not to be unreasonably withheld), and neither Borrower nor any other Borrower Party seeks or participates in the removal of said receiver (absent a material violation by said receiver of the order appointing the receiver, in which case a substitute receiver designated by Lender and approved by Borrower, such approval not to be unreasonably withheld, will be appointed), then neither Borrower nor Carveout Indemnitor shall have liability under this subsection (b)(ii) solely as a result of any reduction in value of the Property or any other Collateral during the period that Lender is pursuing its rights and remedies as a result of an Event of Default.

(c) Notwithstanding anything to the contrary set forth in this Agreement or any of the other Loan Documents:

(i) Lender shall not be deemed to have waived any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code to file a claim for the full amount of the Obligations or to require that all Collateral shall continue to secure all of the Obligations owing to Lender in accordance with the Loan Documents; and (ii) the Obligations shall be fully recourse to Borrower and Carveout Indemnitor (jointly and severally) in the event any prohibited Transfer occurs in violation of Section 8.1.

[Remainder of this page intentionally blank; Signature page to follow]

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto and is effective as of the day and year first above written.

BORROWER:

BOYLSTON DOWNTOWN LIMITED PARTNERSHIP, a
Massachusetts limited partnership

By: 62 Boylston Street, Inc., its general partner

By: _____
Ronald Brown, President

LENDER:

HARTFORD LIFE INSURANCE COMPANY,
a Connecticut corporation

By: Hartford Investment Management Company, a Delaware
corporation,
Its Agent and Attorney-in-Fact

By: _____
Name:
Title:

[Signature Page to Loan Agreement]

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

A certain parcel of land with the buildings thereon, situated and now numbered 62 on Boylston Street, in Boston, Suffolk County, Massachusetts, bounded and described as follows:

- WESTERLY: by Tremont Street, one hundred ninety-two (192) feet and two-thirds ($2/3$) of an inch more or less;
- NORTHWESTERLY: by the junction of Tremont and Boylston Street, ten and $50/100$ (10.50) feet;
- NORTHERLY: by Boylston Street, seventy (70) feet, more or less;
- EASTERLY: by Tamworth Street (formerly Lowell Place), two hundred four (204) feet and eleven and five-eighths ($11 \frac{5}{8}$) inches, more or less; and
- SOUTHERLY: by LaGrange Street, eighty one (81) feet and two and three-eighths ($2 \frac{3}{8}$) inches, more or less.
-

EXHIBIT B
CLOSING STATEMENT
[SEE ATTACHED]

SCHEDULE 5.1

RENT ROLL

[SEE ATTACHED]

SCHEDULE 6.16

PERSONAL PROPERTY

NONE

SCHEDULE 6.18

LIST OF MATERIAL AGREEMENTS

NONE

New England Realty Associates Limited Partnership

CERTIFICATION

I, Ronald Brown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of New England Realty Associates Limited Partnership;
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 am 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 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.

/s/ RONALD BROWN

Principal Executive Officer
(President and Director of the Partnership's General Partner,
NewReal, Inc.)

Date: November 14, 2013

New England Realty Associates Limited Partnership

CERTIFICATIONS

I, Harold Brown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of New England Realty Associates Limited Partnership;
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 am 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 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.

/s/ HAROLD BROWN

Principal Financial Officer
(Treasurer and Director of the Partnership's General Partner,
NewReal, Inc.)

Date: November 14, 2013

**CERTIFICATION 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 Quarterly Report on Form 10-Q of New England Realty Associates Limited Partnership for the nine months ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ronald Brown, as President and Director of the Partnership's General Partner, NewReal, Inc., and Harold Brown, the President and a Director of the Partnership's General Partner, NewReal, Inc., each hereby certifies, pursuant to 18.U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ RONALD BROWN

Ronald Brown
Principal Executive Officer
(President and Director of the Partnership's General Partner,
NewReal, Inc.)

Date: November 14, 2013

/s/ Harold Brown

Harold Brown
Principal Financial Officer
(Treasurer and Director of the Partnership's General Partner,
NewReal, Inc.)

Date: November 14, 2013

This certification accompanies each Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Partnership for purposes of §18 of the Security Exchange Act of 1934, as amended.

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

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nen-20130930_cal.xml

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nen-20130930_pre.xml

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