

```
*****
* IMPORTANT: Please note the information in the submission header MUST match the information *
* on the cover page of your filing. The SEC accepts or suspends filings based upon the *
* information in the submission header. Please carefully check all tags and values, *
* as well as the content of your EDGAR proof. *
*
* REGISTRANT TRANSMISSION AUTHORIZATION *
*
* [ ] I have reviewed the submission header and find it to be correct. *
* [ ] I have reviewed the submission file and find it to be correct and complete. *
* [ ] I have reviewed the electronic HTML proof and find all content including graphics and *
* links to be correct. *
* [ ] I authorize Merrill Corporation to transmit this filing to the SEC. *
* [ ] I have reviewed the Series & Class (Contracts) Identifiers and find them to be correct *
* and complete (if applicable). *
* [ ] I have reviewed the document descriptions (on the page following the Submission Header *
* in the PDF proof) and find it to be correct and complete. *
*
* Printed Name: _____ Date: _____ Time: _____ *
*
* Signature: _____ *
*
*****
```

<SUBMISSION>  
<TYPE> 10-K  
<TEST>  
<DOCUMENT-COUNT> 15 (14 Edgar Docs, 1 Graphic Docs)  
<FILER>  
<CIK> 0000746514  
<CCC> XXXXXXXXX  
</FILER>  
<ACCELERATED-STATUS> Accelerated Filer  
<SMALL-REPORTING-CO> Yes  
<SROS> AMEX  
<PERIOD> 12/31/2013  
<SHELL-COMPANY> No  
<VOLUNTARY-FILER> No  
<WKSI> No  
<NOTIFY-INTERNET> boscust@merrillcorp.com  
<SUBMISSION-CONTACT>  
<NAME> EDGAR Advantage Service Team  
<PHONE> (800) 688 - 1933  
</SUBMISSION-CONTACT>

<DOCUMENT>

<TYPE> 10-K

<DESCRIPTION> 10-K

<FILENAME> a2219046z10-k.htm

<TEXT>

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

---

---

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

---

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 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 MKT**  
(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 checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K

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

At June 30, 2013, the aggregate market value of the registrant's securities held by non-affiliates of the registrant was \$83,054,794 based on the closing price of the registrant's traded securities on the NYSE MKT Exchange on such date. For this computation, the Registrant has excluded the market value of all Depositary Receipts reported as beneficially owned by executive officers and directors of the General Partner of the Registrant; such exclusion shall not be deemed to constitute an admission that any such person is an affiliate of the Registrant. (Need to check with attorney regarding change to accelerated filer.)

Effective January 3, 2012, the Partnership authorized a 3-for-1 forward split of its Depositary Receipts listed on the NYSE MKT 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.

As of March 1, 2014, there were 103,396 of the registrant's Class A units (3,101,874 Depositary Receipts) of limited partnership issued and outstanding and 24,557 Class B units issued and outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE:** None.

---

---

---

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP**

**TABLE OF CONTENTS**

	<u>PAGE</u>
<b><u>PART I</u></b>	
<u>Item 1. Business</u>	<u>3</u>
<u>Item 1A. Risk Factors</u>	<u>7</u>
<u>Item 1B. Unresolved Staff Comments</u>	<u>12</u>
<u>Item 2. Properties</u>	<u>12</u>
<u>Item 3. Legal Proceedings</u>	<u>20</u>
<u>Item 4. Mine Safety Disclosure</u>	<u>20</u>
<b><u>PART II</u></b>	
<u>Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>20</u>
<u>Item 6. Selected Financial Data</u>	<u>23</u>
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>37</u>
<u>Item 8. Consolidated Financial Statements and Supplementary Data</u>	<u>38</u>
<u>Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>38</u>
<u>Item 9A. Controls and Procedures</u>	<u>38</u>
<u>Item 9B. Other Information</u>	<u>38</u>
<b><u>PART III</u></b>	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	<u>39</u>
<u>Item 11. Executive Compensation</u>	<u>43</u>
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>44</u>
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	<u>46</u>
<u>Item 14. Principal Accounting Fees and Services</u>	<u>47</u>
<b><u>PART IV</u></b>	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	<u>48</u>
<b><u>SIGNATURES</u></b>	<b><u>S-1</u></b>
<u>Exhibit Index</u>	<u>S-2</u>

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP**

**PART I**

**ITEM 1. BUSINESS**

**General**

New England Realty Associates Limited Partnership ("NERA" or the "Partnership"), a Massachusetts Limited Partnership, was formed on August 12, 1977 as the successor to five real estate limited partnerships (collectively, the "Colonial Partnerships"), which filed for protection under Chapter XII of the Federal Bankruptcy Act in September 1974. The bankruptcy proceedings were terminated in late 1984. In July 2004, the General Partner extended the termination date of the Partnership until 2057, as allowed in the Partnership Agreement.

The authorized capital of the Partnership is represented by three classes of partnership units ("Units"). There are two categories of limited partnership interests ("Class A Units" and "Class B Units") and one category of general partnership interests (the "General Partnership Units"). The Class A Units were initially issued to creditors and limited partners of the Colonial Partnerships and have been registered under Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Each Class A Unit is exchangeable for 30 publicly traded depositary receipts ("Receipts"), which are currently listed on the NYSE Amex Exchange and are registered under Section 12(b) of the Exchange Act. The Class B Units were issued to the original general partners of the Partnership. The General Partnership Units are held by the current general partner of the Partnership, NewReal, Inc. (the "General Partner"). The Class A Units represent an 80% ownership interest, the Class B Units represent a 19% ownership interest, and the General Partnership Units represent a 1% ownership interest.

The Partnership is engaged in the business of acquiring, developing, holding for investment, operating and selling real estate. The Partnership, directly or through 24 subsidiary limited partnerships or limited liability companies, owns and operates various residential apartment buildings, condominium units and commercial properties located in Massachusetts and New Hampshire. As used herein, the Partnership's subsidiary limited partnerships and limited liabilities companies are each referred to as a "Subsidiary Partnership" and are collectively referred to as the "Subsidiary Partnerships."

The Partnership owns between a 99.67% and 100% interest in each of the Subsidiary Partnerships, except in nine limited liability companies (the "Investment Properties" or "Joint Ventures") in which the Partnership has between a 40% and 50% ownership interest. The majority shareholder of the General Partner indirectly owns between 43.2% and 57%, the President of Hamilton owns between 2.5% and 4.5%, and five other management employees of Hamilton own collectively between 0% and 2.3%, respectively. The Partnership's interest in the Investment Properties is accounted for on the equity method in the Consolidated Financial Statements. See Note 1 to the Consolidated Financial Statements—"Principles of Consolidation." See Note 14 to the Consolidated Financial Statements—"Investment in Unconsolidated Joint Ventures" for a description of the properties and their operations. Of those Subsidiary Partnerships not wholly owned by the Partnership, except for the Investment Properties, the remaining ownership interest is held by an unaffiliated third party. In each such case, the third party has entered into an agreement with the Partnership, pursuant to which any benefit derived from its ownership interest in the applicable Subsidiary Partnerships will be returned to the Partnership.

The long-term goals of the Partnership are to manage, rent and improve its properties and to acquire additional properties with income and capital appreciation potential as suitable opportunities arise. When appropriate, the Partnership may sell or refinance selected properties. Proceeds from any such sales or refinancing will be used to reduce debt, reinvested in acquisitions of other properties,

## Table of Contents

distributed to the partners, repurchase equity interests, or used for operating expenses or reserves, as determined by the General Partner.

### **Operations of the Partnership**

The Partnership is managed by the General Partner, NewReal, Inc., a Massachusetts corporation wholly owned by Harold Brown and Ronald Brown. The General Partner has engaged The Hamilton Company, Inc. (the "Hamilton Company" or "Hamilton") to perform general management functions for the Partnership's properties in exchange for management fees. The Hamilton Company is wholly owned by Harold Brown and employs Ronald Brown and Harold Brown. The Partnership, Subsidiary Partnerships, and the Investment Properties currently contract with the management company for 53 individuals at the Properties and 14 individuals at the Joint Ventures who are primarily involved in the supervision and maintenance of specific properties. The General Partner has no employees.

As of February 1, 2014, the Partnership and its Subsidiary Partnerships owned 2,412 residential apartment units in 20 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, the Condominium Units and the Investment Properties are located primarily in the metropolitan Boston area of Massachusetts.

As of February 1, 2014, the Subsidiary Partnerships also owned a commercial shopping center in Framingham, Massachusetts, one commercial building in Newton and one in Brookline, Massachusetts and commercial space in mixed-use buildings in Boston, Brockton and Newton, Massachusetts. These properties are referred to collectively as the "Commercial Properties." See Note 2 to the Consolidated Financial Statements, included as a part of this Form 10-K.

Additionally, as of February 1, 2014, the Partnership owned a 40-50% interest in nine residential and mixed use complexes, the Investment Properties, with a total of 798 residential units, one commercial unit, and a parking lot. See Note 14 to the Consolidated Financial Statements for additional information on these investments.

The Apartment Complexes, Investment Properties, Condominium Units and Commercial Properties are referred to collectively as the "Properties."

Harold Brown and, in certain cases, Ronald Brown, and officers and employees of the Hamilton Company own or have owned interests in certain of the Properties, Subsidiary Partnerships and Joint Ventures. See "Item 13. Certain Relationships, Related Transactions and Director Independence."

The leasing of real estate in the metropolitan Boston area of Massachusetts is highly competitive. The Apartment Complexes, Condominium Units and the Investment Properties must compete for tenants with other residential apartments and condominium units in the areas in which they are located. The Commercial Properties must compete for commercial tenants with other shopping malls and office buildings in the areas in which they are located. Thus, the level of competition at each Property depends on how many other similarly situated properties are in its vicinity. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors that May Affect Future Results."

The Second Amended and Restated Contract of Limited Partnership of the Partnership (the "Partnership Agreement") authorizes the General Partner to acquire real estate and real estate related investments from or in participation with either or both of Harold Brown and Ronald Brown, or their affiliates, upon the satisfaction of certain terms and conditions, including the approval of the Partnership's Advisory Committee and limitations on the price paid by the Partnership for such investments. The Partnership Agreement also permits the Partnership's limited partners and the General Partner to make loans to the Partnership, subject to certain limitations on the rate of interest

## Table of Contents

that may be charged to the Partnership. Except for the foregoing, the Partnership does not have any policies prohibiting any limited partner, General Partner or any other person from having any direct or indirect pecuniary interest in any investment to be acquired or disposed of by the Partnership or in any transaction to which the Partnership is a party or has an interest in or from engaging, for their own account, in business activities of the types conducted or to be conducted by the Partnership. The General Partner is not limited in the number or amount of mortgages which may be placed on any Property, nor is there a policy limiting the percentage of Partnership assets which may be invested in any specific Property.

## **Industry Segments**

The Partnership operates in only one industry segment—real estate. The Partnership does not have any foreign operations, and its business is not seasonal. See the Consolidated Financial Statements attached hereto and incorporated by reference herein for financial information relating to our industry segment.

## **Unit Distributions**

Effective January 3, 2012, the Partnership authorized a 3-for-1 forward split of its Depositary Receipts listed on the NYSE MKT 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 ( $\frac{1}{30}$ ) 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.

In February 2014, the Partnership approved a quarterly distribution of \$7.50 per Unit (\$0.25 per Receipt), payable on March 31, 2014. In 2013 the Partnership paid four quarterly distributions of an aggregate \$30.00 per Unit (\$1.00 per Receipt) for a total payment of \$3,893,662 in 2013. In 2012, the Partnership paid four quarterly distributions of an aggregate of \$30.00 per Unit (\$1.00 per Receipt) for a total payment of \$3,932,410 in 2012.

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-thirtieth 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 Restate 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 December 31, 2013, the Partnership has repurchased 1,242,891 Depositary Receipts at an average price of \$24.86 per receipt (or \$745.80 per underlying Class A Unit), 2,103 Class B Units and 111 General Partnership Units, both at an average

Table of Contents

price of \$658.89 per Unit, totaling approximately \$32,481,000 including brokerage fees paid by the Partnership.

**Property Transactions**

On May 18, 2011, the Partnership sold Avon Street Apartments, a 66 unit residential apartment complex located at 130 Avon Street, Malden, Massachusetts. The sales price was \$8,750,000, which resulted in a financial statement gain of approximately \$7,700,000. The net proceeds of the sale, of approximately \$5,444,000 were held by a qualified intermediary in order for the Partnership to structure a tax free exchange in accordance with Section 1031 of the IRS code. This tax free exchange was completed with the purchase of Battle Green Apartments as described below.

On June 1, 2011, the Partnership purchased the Battle Green Apartments, a 48 unit residential apartment complex located at 34-42 Worthen Road, Lexington, Massachusetts. The purchase price was \$10,000,000. The Partnership used cash, the proceeds from the sale of Avon Street and borrowed \$3,998,573 from Harold Brown, Treasurer of the General Partner to make this purchase. This loan had an interest rate of 6% and was secured by the Partnership's ownership interest in Battle Green Apartments, LLC. The term of the loan is four years with a provision requiring payment in whole or in part upon demand within six months of notice or prepay without penalty. On July 27, 2011, the Partnership financed the Battle Green Apartments with a new \$5,000,000 mortgage at 4.95% which matures in August 2026. Principal payments will be made using a 30 year amortization schedule. Deferred financing costs associated with this mortgage totaled approximately \$100,000 and accordingly the effective interest rate is 5.07%. After paying off the existing loan of \$3,998,573, approximately \$1,000,000 was received by the Partnership. The interest paid on this loan to Harold Brown was \$38,123 in 2011.

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 matured in November 2013. On December 20, 2013, the Partnership refinanced the property owned by Hamilton Green Apartments LLP. The new mortgage is \$38,500,000; the interest rate is 4.67%; interest only for 2 years and is amortized on a 30 year schedule for the balance of the term. . The proceeds of the new mortgage as well as the Partnership's cash reserves of approximately \$1,846,000 were used to pay off the prior mortgage of \$40,000,000 and cover the cost of this refinancing. The costs associated with the refinancing were approximately \$346,000.

During 2013, the Partnership and its Subsidiary Partnerships completed improvements to certain of the Properties at a total cost of approximately \$4,500,000. These improvements were funded from cash reserves and, to some extent, escrow accounts established in connection with the financing or

## Table of Contents

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, Redwood Hills, 62 Boylston Street, 1144 Commonwealth, Cypress Street and Clovelly Apartments at a cost of approximately \$1,250,000, \$372,000, \$343,000, \$321,000, \$298,000, \$297,000 and \$291,000 respectively. The Partnership plans to invest approximately \$3,300,000 in capital improvements in 2014.

## **Advisory Committee**

The Advisory Committee members are Gregory Dube, Robert Nahigian, and Edward Sarkesian. These Advisory Committee members are not affiliated with the General Partner. The Advisory Committee meets with the General Partner to review the progress of the Partnership, assist the General Partner with policy formation, review the appropriateness, timing and amount of proposed distributions, approve or reject proposed acquisitions and investments with affiliates, and advise the General Partner on various other Partnership affairs. Per the Partnership Agreement, the Advisory Committee has no binding power except that it must approve certain investments and acquisitions or sales by the Partnership from or with affiliates of the Partnership.

## **Available Information**

The Partnership's website is [www.thehamiltoncompany.com](http://www.thehamiltoncompany.com). On its website, the Partnership makes available, free of charge, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended. These forms are made available as soon as reasonably practical after the Partnership electronically files or furnishes such materials to the Securities and Exchange Commission. Any shareholder may obtain copies of these documents, free of charge, by sending a request in writing to: Director of Investor Relations, New England Realty Associates Limited Partnership, 39 Brighton Avenue, Allston, MA 02134.

## **ITEM 1A. RISK FACTORS**

We are subject to certain risks and uncertainties as described below. These risks and uncertainties may not be the only ones we face; there may be additional risks that we do not presently know of or that we currently consider immaterial. All of these risks could adversely affect our business, financial condition, results of operations and cash flows. Our ability to pay distributions on, and the market price of, our equity securities may be adversely affected if any of such risks are realized. All investors should consider the following risk factors before deciding to purchase or sell securities of the Partnership.

***We are subject to risks inherent in the ownership of real estate.*** We own and manage multifamily apartment complexes and commercial properties that are subject to varying degrees of risk generally incident to the ownership of real estate. Our financial condition, the value of our properties and our ability to make distributions to our shareholders will be dependent upon our ability to operate our properties in a manner sufficient to generate income in excess of operating expenses and debt service charges, which may be affected by the following risks, some of which are discussed in more detail below:

- changes in the economic climate in the markets in which we own and manage properties, including interest rates, the overall level of economic activity, the availability of consumer credit and mortgage financing, unemployment rates and other factors;
- a lessening of demand for the multifamily and commercial units that we own;
- competition from other available multifamily residential and commercial units and changes in market rental rates;
- increases in property and liability insurance costs;

---

Table of Contents

- changes in real estate taxes and other operating expenses (e.g., cleaning, utilities, repair and maintenance costs, insurance and administrative costs, security, landscaping, pest control, staffing, snow removal and other general costs);
- changes in laws and regulations affecting properties (including tax, environmental, zoning and building codes, and housing laws and regulations);
- weather and other conditions that might adversely affect operating expenses;
- expenditures that cannot be anticipated, such as utility rate and usage increases, unanticipated repairs and real estate tax valuation reassessments or mileage rate increases;
- our inability to control operating expenses or achieve increases in revenues;
- the results of litigation filed or to be filed against us;
- risks related to our joint ventures;
- risks of personal injury claims and property damage related to mold claims because of diminished insurance coverage;
- catastrophic property damage losses that are not covered by our insurance;
- risks associated with property acquisitions such as environmental liabilities, among others;
- changes in market conditions that may limit or prevent us from acquiring or selling properties;
- the perception of tenants and prospective tenants as to the attractiveness, convenience and safety of our properties or the neighborhoods in which they are located; and
- the Partnership does not carry directors and officers insurance.

***We are dependent on rental income from our multifamily apartment complexes and commercial properties.*** If we are unable to attract and retain tenants or if our tenants are unable to pay their rental obligations, our financial condition and funds available for distribution to our shareholders will be adversely affected.

***Our multifamily apartment complexes and commercial properties are subject to competition.*** Our properties and joint venture investments are located in developed areas that include other properties. The properties also compete with other rental alternatives, such as condominiums, single and multifamily rental homes, owner occupied single and multifamily homes, and commercial properties in attracting tenants. This competition may affect our ability to attract and retain residents and to increase or maintain rental rates.

***The properties we own are concentrated in Eastern Massachusetts and Southern New Hampshire.*** Our performance, therefore, is linked to economic conditions and the market for available rental housing and commercial space in these states. A decline in the market for apartment housing and/or commercial properties may adversely affect our financial condition, results of operations and ability to make distributions to our shareholders.

***Our insurance may not be adequate to cover certain risks.*** There are certain types of risks, generally of a catastrophic nature, such as earthquakes, floods, windstorms, act of war and terrorist attacks that may be uninsurable, or are not economically insurable, or are not fully covered by insurance. Moreover, certain risks, such as mold and environmental exposures, generally are not covered by our insurance. Should an uninsured loss or a loss in excess of insured limits occur, we could lose our equity in the affected property as well as the anticipated future cash flow from that property. Any such loss could have a material adverse effect on our business, financial condition and results of operations.

---

Table of Contents

***Debt financing could adversely affect our performance.*** The vast majority of our assets are encumbered by project specific, non-recourse, non-cross-collateralized mortgage debt. There is a risk that these properties will not have sufficient cash flow from operations for payments of required principal and interest. We may not be able to refinance these loans at an amount equal to the loan balance and the terms of any refinancing may not be as favorable as the terms of existing indebtedness. If we are unable to make required payments on indebtedness that is secured by a mortgage, the Partnership will either invest additional money in the property or the property securing the mortgage may be foreclosed with a consequent loss of income and value to us.

***We are obligated to comply with financial covenants in our indebtedness that could restrict our range of operating activities:*** The mortgages on our properties contain customary negative covenants, including limitations on our ability, without prior consent of the lender and other items. Failure to comply with these covenants could cause a default under the agreements and, in certain circumstances; our lenders may be entitled to accelerate our debt obligations. Defaults under our debt agreements could materially and adversely affect our financial condition and results of operations.

***Real estate investments are generally illiquid, and we may not be able to sell our properties when it is economically or strategically advantageous to do so.*** Real estate investments generally cannot be sold quickly, and our ability to sell properties may be affected by market conditions. We may not be able to diversify or vary our portfolio promptly in accordance with our strategies or in response to economic or other conditions.

***Our access to public debt markets is limited.*** Substantially all of our debt financings are secured by mortgages on our properties because of our limited access to public debt markets.

***Litigation may result in unfavorable outcomes.*** Like many real estate operators, we may be involved in lawsuits involving premises liability claims, housing discrimination claims and alleged violations of landlord-tenant laws, which may give rise to class action litigation or governmental investigations. Any material litigation not covered by insurance, such as a class action, could result in substantial costs being incurred. The Partnership does not carry directors and officer's liability insurance.

***Our financial results may be adversely impacted if we are unable to sell properties and employ the proceeds in accordance with our strategic plan.*** Our ability to pay down debt, reduce our interest costs, repurchase Depositary Receipts and acquire properties is dependent upon our ability to sell the properties we have selected for disposition at the prices and within the deadlines we have established for each respective property.

***The costs of complying with laws and regulations could adversely affect our cash flow and ability to make distributions to our shareholders.*** Our properties must comply with Title III of the Americans with Disabilities Act (the "ADA") to the extent that they are "public accommodations" or "commercial facilities" as defined in the ADA. The ADA does not consider apartment complexes to be public accommodations or commercial facilities, except for portions of such properties that are open to the public. In addition, the Fair Housing Amendments Act of 1988 (the "FHAA") requires apartment complexes first occupied after March 13, 1990, to be accessible to the handicapped. Other laws also require apartment communities to be handicap accessible. Noncompliance with these laws could result in the imposition of fines or an award of damages to private litigants. We may be subject to lawsuits alleging violations of handicap design laws in connection with certain of our developments. If compliance with these laws involves substantial expenditures or must be made on an accelerated basis, our ability to make distributions to our shareholders could be adversely affected.

## Table of Contents

Under various federal, state and local laws, an owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on, under or in the property. This liability may be imposed without regard to whether the owner or operator knew of, or was responsible for, the presence of the substances. Other law imposes on owners and operators certain requirements regarding conditions and activities that may affect human health or the environment. Failure to comply with applicable requirements could complicate our ability to lease or sell an affected property and could subject us to monetary penalties, costs required to achieve compliance and potential liability to third parties. We are not aware of any material noncompliance, liability or claim relating to hazardous or toxic substances or other environmental matters in connection with any of our properties. Nonetheless, it is possible that material environmental contamination or conditions exist, or could arise in the future, in the apartment communities or on the land upon which they are located.

***We are subject to the risks associated with investments through joint ventures.*** Nine of our properties are owned by joint ventures in which we do not have a controlling interest. We may enter into joint ventures, including joint ventures that we do not control, in the future. Any joint venture investment involves risks such as the possibility that the co-venturer may seek relief under federal or state insolvency laws, or have economic or business interests or goals that are inconsistent with our business interests or goals. While the bankruptcy or insolvency of our co-venturer generally should not disrupt the operations of the joint venture, we could be forced to purchase the co-venturer's interest in the joint venture or the interest could be sold to a third party. We also may guarantee the indebtedness of our joint ventures. If we do not have control over a joint venture, the value of our investment may be affected adversely by a third party that may have different goals and capabilities than ours.

***We are subject to risks associated with development, acquisition and expansion of multifamily apartment complexes and commercial properties.*** Development projects and acquisitions and expansions of apartment complexes are subject to a number of risks, including:

- availability of acceptable financing;
- competition with other entities for investment opportunities;
- failure by our properties to achieve anticipated operating results;
- construction costs of a property exceeding original estimates;
- delays in construction; and
- expenditure of funds on, and the devotion of management time to, transactions that may not come to fruition.

***We are subject to control by our directors and officers.*** The directors and executive officers of the General Partner and members of their families and related entities owned approximately 33.94% of our depositary receipts as of December 31, 2013. Additionally, management decisions rest with our General Partner without limited partner approval.

***Competition for skilled personnel could increase our labor costs.*** We and our management company compete with various other companies in attracting and retaining qualified and skilled personnel who are responsible for the day-to-day operations of our properties. Competitive pressures may require that we enhance our pay and benefits package to compete effectively for such personnel. We may not be able to offset such added costs by increasing the rates we charge our tenants. If there is an increase in these costs or if we fail to attract and retain qualified and skilled personnel, our business and operating results could be harmed.

***We depend on our key personnel.*** Our success depends to a significant degree upon the continued contribution of key members of the management company, who may be difficult to replace. The loss of services of these executives could have a material adverse effect on us. There can be no assurance that

Table of Contents

the services of such personnel will continue to be available to us. We do not hold key-man life insurance on any of our key personnel.

***Changes in market conditions could adversely affect the market price of our Depositary Receipts.*** As with other publicly traded equity securities, the value of our depositary receipts depends on various market conditions, which may change from time to time. Among the market conditions that may affect the value of our depositary receipts are the following:

- the extent of investor interest in us;
- the general reputation of real estate companies and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate companies;
- our financial performance; and
- general stock and bond market conditions.

The market value of our depositary is based primarily upon the market's perception of our growth potential and our current and potential future earnings and cash distributions. Consequently, our depositary receipts may trade at prices that are higher or lower than our net asset value per depositary receipt.

***We face possible risks associated with the physical effects of climate change.*** We cannot predict with the certainty whether climate change is occurring and, if so at what rate. However, the physical effects of climate change could have a material effect on our properties, operations, and business. To the extent climate change causes changes in weather patterns, our markets could experience increases in storm intensity and rising sea levels. Over time, these conditions could result in declining demand for our buildings or the inability of us to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy and increasing the cost of snow removal at our properties. Proposed federal legislation to address climate change could increase utility and other costs of operating our properties which, if not offset by rising rental income, would reduce our net income. There can be no assurance that climate change will not have a material adverse effect on our properties, operations or business.

***Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer*** In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our tenants and business partners, including personally identifiable information of our tenants and employees, in our data centers and on our networks. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, disrupt our operations, and damage our reputation, which could adversely affect our business.

***Risk of changes in the tax law applicable to real estate partnerships.*** Since the Internal Revenue Service, the United States Treasury Department and Congress frequently review federal income legislation, we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any such legislative action may prospectively or retroactively modify our tax treatment and therefore, may adversely affect taxation to us, and/or our partners.

Table of Contents

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

The Partnership and its Subsidiary Partnerships own the Apartment Complexes, the Condominium Units, the Commercial Properties and a 40-50% interest in nine Investment Properties.

See also "Item 13. Certain Relationships and Related Transactions and Director Independence" for information concerning affiliated transactions.

**Apartment Complexes**

The table below lists the location of the 2,412 Apartment Units, the number and type of units in each complex, the range of rents and vacancies as of February 1, 2014, the principal amount outstanding under any mortgages as of December 31, 2013, the fixed interest rates applicable to such mortgages, and the maturity dates of such mortgages.

<u>Apartment Complex</u>	<u>Number and Type of Units</u>	<u>Rent Range</u>	<u>Vacancies</u>	<u>Mortgage Balance and Interest Rate As of December 31, 2013</u>	<u>Maturity Date of Mortgage</u>
Battle Green LLC 34-42 Worthen Road Lexington, MA	48 units 0 three-bedroom 24 two-bedroom 24 one-bedroom 0 studios	N/A \$1,960-2,200 \$1,515-1,755 N/A	0	\$ 4,813,616 4.95%	2026
Boylston Downtown L.P. 62 Boylston Street Boston, MA	269 units 0 three-bedroom 0 two-bedroom 53 one-bedroom 216 studios	N/A N/A \$1,750-2,600 \$1,240-1,950	1	\$ 40,000,000 3.97%	2028
Brookside Associates, LLC 5-7-10-12 Totman Road Woburn, MA	44 units 0 three-bedroom 34 two-bedroom 10 one-bedroom 0 studios	N/A \$1,210-1,400 \$1,125-1,210 N/A	0	\$ 2,684,432 5.81%	2020
Clovelly Apartments L.P. 160-170 Concord Street Nashua, NH	103 units 0 three-bedroom 53 two-bedroom 50 one-bedroom 0 studios	N/A \$925-1,310 \$825-965 N/A	0	\$ 4,160,000 5.62%	2023
Commonwealth 1137 L.P. 1131-1137 Commonwealth Ave. Allston, MA	35 units 29 three-bedroom 4 two-bedroom 1 one-bedroom 1 studio	\$1,900-2,650 \$1,800-1,900 \$875 \$1,100	1	\$ 3,750,000 5.65%	2023
Commonwealth 1144 L.P. 1144-1160 Commonwealth Ave. Allston, MA	261 units 0 three-bedroom 11 two bedroom 109 one-bedroom 141 studios	N/A \$1,075-1,650 \$900-1,625 \$925-1,300	2	\$ 14,780,000 5.61%	2023

Table of Contents

<u>Apartment Complex</u>	<u>Number and Type of Units</u>	<u>Rent Range</u>	<u>Vacancies</u>	<u>Mortgage Balance and Interest Rate As of December 31, 2013</u>	<u>Maturity Date of Mortgage</u>
Courtyard at Westgate, LLC 105-107 Westgate Drive Burlington, MA	20 units 0 three-bedroom 12 two bedroom 8 one-bedroom 0 studios	N/A \$1,575-1,975 \$1,200-1,400 N/A	0	\$ 2,000,000 5.25%	2015
Dean Street Associates, LLC 38-48 Dean Street Norwood, MA	69 units 0 three-bedroom 66 two-bedroom 3 one-bedroom 0 studios	N/A \$1,275-1,375 \$1,175 N/A	2	\$ 5,113,360 5.13%	2014
Executive Apartments L.P. 545-561 Worcester Road Framingham, MA	72 units 1 three-bedroom 47 two-bedroom 24 one-bedroom 0 studios	\$1,400 \$1,075-1,300 \$825-1,150 N/A	0	\$ 2,415,000 5.59%	2023
Hamilton Green Apartments LLC 311-319 Lowell Street Andover, MA	193 units 10 three-bedroom 168 two-bedroom 15 one-bedroom	\$1,095-3,243 \$902-3,350 \$1,167-1,975	13	\$ 38,500,000 4.67%	2029
Hamilton Oaks Associates, LLC 30-50 Oak Street Extension 40-60 Reservoir Street Brockton, MA	268 units 0 three-bedroom 96 two-bedroom 159 one-bedroom 13 studios	N/A \$1,225-1,375 \$915-1,075 \$815-865	7	\$ 11,925,000 5.59%	2023
Highland Street Apartments L.P. 38-40 Highland Street Lowell, MA	36 units 0 three-bedroom 24 two-bedroom 10 one-bedroom 2 studios	N/A \$950-1,030 \$850-920 \$825-865	0	\$ 1,050,000 5.59%	2023
Linhart L.P. 4-34 Lincoln Street Newton, MA	9 units 0 three-bedroom 0 two-bedroom 5 one-bedroom 4 studios	N/A N/A \$1,200-1,300 \$1,000	0	\$ 1,929,123(1) 4.25%	2014
North Beacon 140 L.P. 140-154 North Beacon Street Brighton, MA	65 units 10 three-bedroom 54 two-bedroom 1 one-bedroom 0 studios	\$2,225-2,450 \$1,550-2,075 \$800 N/A	0	\$ 6,937,000 5.59%	2023
Olde English Apartments L.P. 703-718 Chelmsford Street Lowell, MA	84 units 0 three-bedroom 47 two-bedroom 30 one-bedroom 7 studios	N/A \$1,025-1,250 \$900-1,175 \$850-925	0	\$ 3,080,000 5.63%	2023

Table of Contents

<u>Apartment Complex</u>	<u>Number and Type of Units</u>	<u>Rent Range</u>	<u>Vacancies</u>	<u>Mortgage Balance and Interest Rate As of December 31, 2013</u>	<u>Maturity Date of Mortgage</u>
Redwood Hills L.P. 376-384 Sunderland Road Worcester, MA	180 units 0 three-bedroom 89 two-bedroom 91 one-bedroom 0 studios	N/A \$1,050-1,275 \$875-995 N/A	4	\$ 6,743,000 5.59%	2023
River Drive L.P. 3-17 River Drive Danvers, MA	72 units 0 three-bedroom 60 two-bedroom 5 one-bedroom 7 studios	N/A \$1,050-1,250 \$950-1,025 \$865-940	1	\$ 3,465,000 5.62%	2023
School Street 9, LLC 9 School Street Framingham, MA	184 units 0 three-bedroom 96 two-bedroom 88 one-bedroom 0 studios	N/A \$1,175-1,495 \$980-1,250 N/A	1	\$ 15,000,000 3.76%	2023
WCB Associates, LLC 10-70 Westland Street 985-997 Pleasant Street Brockton, MA	180 units 1 three-bedroom 94 two-bedroom 85 one-bedroom 0 studios	\$1,200 \$1,010-1,200 \$809-975 N/A	2	\$ 7,000,000 5.66%	2023
Westgate Apartments, LLC 2-20 Westgate Drive Woburn, MA	220 units 0 three-bedroom 110 two-bedroom 110 one-bedroom 0 studios	N/A \$1,240-1,525 \$885-1,335 N/A	5	\$ 15,700,000 4.65%	2023

(1) The loan for Linhart LP was paid off in February 2014. See Note 18—Subsequent Events.

Current free rent concessions would result in an average reduction in unit rents of less than \$2.60 per month per unit. Free rent expense amortized in 2013 was approximately \$70,000 compared to approximately \$48,000 in 2012.

On June 1, 2011, the Partnership purchased the Battle Green Apartments, a 48 unit residential apartment complex located at 34-42 Worthen Road, Lexington, Massachusetts. The purchase price was \$10,000,000. . The Partnership used cash reserves, the proceeds from the sale of Avon Street and borrowed \$3,998,573 from Harold Brown, Treasurer of the General Partner to make this purchase. This loan had an interest rate of 6% and was secured by the Partnership's ownership interest in Battle Green Apartments, LLC. On July 27, 2011, the Partnership financed the Battle Green Apartments with a new \$5,000,000 mortgage at 4.95% which matures in August 2026. Proceeds for the financing were used to pay off the loan from Harold Brown and the balance was deposited in the Partnerships operating account. Principal payments will be made using a 30 year amortization schedule. See Note 2 to the Consolidated Financial statements for additional information.

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

Table of Contents

the Nashoba Apartments, and the balance from the Partnership's cash reserves. The closing costs associated with this short term financing were approximately \$38,000. The original mortgage matured in November 2013. On December 20, 2013, the Partnership refinanced the 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 is amortized on a 30 year schedule for the balance of the term. This refinancing will require an additional \$1,846,000 in capital from the Partnership. The closing costs associated with this refinancing were approximately \$346,000.

See Note 5 to the Consolidated Financial Statements, included as part of this Form 10-K, for information relating to the mortgages payable of the Partnership and its Subsidiary Partnerships.

**Condominium Units**

The Partnership owns and leases to residential tenants 19 Condominium Units in the metropolitan Boston area of Massachusetts.

The table below lists the location of the 19 Condominium Units, the type of units, the range of rents received by the Partnership for such units, and the number of vacancies as of February 1, 2014.

<u>Condominiums</u>	<u>Number and Type of Units Owned by Partnership</u>	<u>Rent Range</u>	<u>Vacancies</u>	<u>Mortgage Balance and Interest Rate As of December 31, 2013</u>	<u>Maturity Date of Mortgage</u>
Riverside Apartments	19 units		0	—	—
8–20 Riverside Street	0 three-bedroom	N/A			
Watertown, MA	12 two-bedroom	\$1,300–1,550			
	5 one-bedroom	\$1,400–1,450			
	2 studios	\$1,125–1,200			

**Commercial Properties**

**BOYLSTON DOWNTOWN LP.** In 1995, this Subsidiary Partnership acquired the Boylston Downtown property in Boston, Massachusetts ("Boylston"). This mixed-use property includes 17,218 square feet of rentable commercial space. As of February 1, 2014, the commercial space had a 0% vacancy rate, and the average rent per square foot was \$24.33. For mortgage balance, interest rate and maturity date information see "Apartment Complexes," above.

**HAMILTON OAKS ASSOCIATES, LLC.** The Hamilton Oaks Apartment complex, acquired by the Partnership in December 1999 through Hamilton Oaks Associates, LLC, includes 6,075 square feet of rentable commercial space, occupied by a daycare center. As of February 1, 2014, the commercial space was fully occupied, and the average rent per square foot was \$13.00. The Partnership also rents roof space for a cellular phone antenna at an average rent of approximately \$36,794 per year through November 2015. For mortgage balance, interest rate and maturity date information see "Apartment Complexes," above.

**LINHART LP.** In 1995, the Partnership acquired the Linhart property in Newton, Massachusetts ("Linhart"). This mixed-use property includes 21,548 square feet of rentable commercial space. As of February 1, 2014, the commercial space was fully occupied, and the average rent per square foot was \$24.32. For mortgage balance, interest rate and maturity date information see "Apartment Complexes," above. The loan was paid off in February 2014. (See Note 18—Subsequent Events)

**NORTH BEACON 140 LP.** In 1995, this Subsidiary Partnership acquired the North Beacon property in Boston, Massachusetts ("North Beacon"). This mixed-use property includes 1,050 square feet of rentable commercial space. The property was fully rented as of February 1, 2014, and the average rent per square foot as of that date was \$33.25. For mortgage balance, interest rate and maturity date information see "Apartment Complexes," above.

Table of Contents

**STAPLES PLAZA.** In 1999, the Partnership acquired the Staples Plaza shopping center in Framingham, Massachusetts ("Staples Plaza"). The shopping center consists of 38,695 square feet of rentable commercial space. As of December 31, 2013, the mortgage had an outstanding balance \$6,000,000 with interest rate of 5.97%, matures in 2018. As of February 1, 2014, Staples Plaza was fully occupied, and the average net rent per square foot was \$24.42. For mortgage balance, interest rate and maturity date information see "Apartment Complexes," above.

**HAMILTON LINEWT ASSOCIATES, LLC.** In 2007, the Partnership acquired a retail block in Newton, Massachusetts. The property consists of 5,850 square feet of rentable commercial space. The property was fully rented at an average rent of \$35.63 per square foot. The Partnership obtained a mortgage in January 2008 of \$1,700,000 on this property. The mortgage balance at December 31, 2013 is \$1,474,947 the interest rate is 3.25% and matures in January 2018. The loan was paid off in February 2014. (See Note 18—Subsequent Events)

**HAMILTON CYPRESS LLC.** In 2008, the Partnership acquired a medical office building in Brookline, Massachusetts. The property consists of 17,607 square feet of rentable commercial space. As of February 2, 2014, the property was 94% occupied at an average rent of \$35.57 per square foot. The Partnership assumed a mortgage of approximately \$4,011,000. This mortgage was paid off on February 25, 2013.

The following information is provided for commercial leases:

<u>Through December 30,</u>	<u>Annual base rent for expiring leases</u>	<u>Total square feet for expiring leases</u>	<u>Total number of leases expiring</u>	<u>Percentage of annual base rent for expiring leases</u>
2014	\$ 364,575	18,610	11	13%
2015	264,567	8,471	8	9%
2016	610,382	27,796	5	21%
2017	510,074	14,134	7	17%
2018	298,551	8,707	6	10%
2019	611,721	21,586	4	21%
2020	64,657	1,106	1	2%
2021	64,800	1,800	1	2%
2022	0	0	0	0%
2023	157,443	4,771	1	5%
<b>Totals</b>	<b>\$ 2,946,770</b>	<b>106,981</b>	<b>44</b>	<b>100%</b>

Commercial rental income is accounted for using the straight line method. Fifty one percent of our commercial leases contain rent escalations which range from \$0.50 – \$2.00 per square foot per year.

**Investment Properties**

See Note 14 to the Financial Statements and Exhibit 99.1 for additional information regarding the Investment Properties.

Table of Contents

The Partnership has a 50% ownership interest in the properties summarized below:

<u>Investment Properties</u>	<u>Number and Type of Units</u>	<u>Range</u>	<u>Vacancies</u>	<u>Mortgage Balance and Interest Rate As of December 31, 2013</u>	<u>Maturity Date of Mortgage</u>
345 Franklin, LLC 345 Franklin Street Cambridge, MA	40 Units 0 three-bedroom 39 two-bedroom 1 one-bedroom 0 studios	N/A \$2,300–2,900 \$2,100 N/A	2	\$ 10,000,000 3.87 %	2028
Hamilton on Main Apartments, LLC 223 Main Street Watertown, MA	148 Units 0 three-bedroom 93 two-bedroom 31 one-bedroom 24 studios	N/A \$1,350–1,900 \$1,250–1,750 \$1,110–1,300	5	\$ 15,317,643 5.18 %	2015
Hamilton Minuteman, LLC 1 April Lane Lexington, MA	42 Units 0 three-bedroom 40 two-bedroom 2 one-bedroom 0 studios	N/A \$1,525–1,975 \$1,550–1,575 N/A	0	\$ 5,362,109 5.67 %	2017
Hamilton Essex 81 LLC Residential 81–83 Essex Street Boston, Massachusetts	49 Units 0 three-bedroom 11 two-bedroom 38 one-bedroom 0 studios	N/A \$1,465–2,400 \$1,415–1,700 N/A	1	\$ 8,234,548 5.79 %	2016
Hamilton Essex Development LLC Commercial 81–83 Essex Street Boston, Massachusetts	Parking Lot			\$ 2,041,146 2.74 %	2015
Hamilton 1025, LLC Units to be retained 1025 Hancock Street Quincy, Massachusetts	48 Units 0 three-bedroom 32 two-bedroom 16 one-bedroom 0 studios	N/A \$1,500–1,700 \$1,300–1,450 N/A	0	\$ 4,869,583 5.67 %	2016
Hamilton Bay, LLC(A) Units held for sale 165–185 Quincy Shore Drive Quincy, Massachusetts	15 Units 0 three-bedroom 0 two-bedroom 15 one-bedroom 0 studios	N/A N/A \$1,350–1,550 N/A	2		
Hamilton Bay Apartments, LLC 165–185 Quincy Shore Drive Quincy, Massachusetts	48 Units 0 three-bedroom 24 two-bedroom 24 one-bedroom	N/A \$1,400–1,900 \$1,375–1,550	0	\$ 4,639,848 5.57 %	2017

The Partnership has a 40% ownership interest in the property summarized below:

Hamilton Park Towers, LLC 175–185 Freeman Street, Brookline, Massachusetts	409 Units 71 three-bedroom 227 two-bedroom 111 one-bedroom 0 studios	\$2,950–4,500 \$2,075–3,500 \$1,775–2,450	2	\$ 87,410,638 5.57 %	2019
---	--	---	---	-------------------------	------

Current free rent concessions would result in an average reduction in unit rents of less than \$3.35 per month per unit. Free rent amortized in 2013 was approximately \$32,000 compared to \$10,000 in 2012.

(A) Represents unsold units at February 1, 2014.

Table of Contents

**345 FRANKLIN, LLC.** 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. The Partnership paid off the prior mortgage of approximately \$6,776,000 with the proceeds of the new mortgage. After the refinancing, the property made a distribution of \$1,610,000 to the Partnership. As a result of the distribution, the carrying value of the investment fell below zero. The Partnership will continue to account for this investment using the equity method of accounting. Although the Partnership has no legal obligation, the Partnership intends to fund its share of any future operating deficits if needed. This investment is referred to as 345 Franklin, LLC.

**HAMILTON ON MAIN, 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 (approximately \$50,000 per unit). 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 is \$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 December 31, 2013, the remaining balance on the mortgage is approximately \$15,318,000.

**HAMILTON MINUTEMAN, 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 December 31, 2013 the remaining balance on this mortgage is approximately \$5,362,000. This investment is referred to as Hamilton Minuteman, LLC.

**HAMILTON ESSEX 81, 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 on Hamilton Essex 81, LLC is approximately \$8,235,000 amortizing over 30 years at 5.79% due in August 2016. The mortgage on Essex Development, LLC, or the parking lot is approximately \$2,041,000 with a variable interest rate of 2.25% over the daily Libor rate (0.17% at December 31, 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

Table of Contents

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 payments of \$4,443 per month. The costs associated with the extension were 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.

**HAMILTON 1025, 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. At December 31, 2013, the mortgage balance is approximately \$4,870,000. This investment is referred to as Hamilton 1025, LLC.

**HAMILTON BAY, LLC.** 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 condominium 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 December 31, 2013, the balance of the mortgage is approximately \$4,640,000. 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. On October 18, 2013, the Partnership and its joint venture partner each made capital contributions to the entity of \$660,000. The capital was used to pay off the outstanding mortgage. As of February 1, 2014, 15 of the 20 units are still owned by the Partnership. This investment is referred to as Hamilton Bay, LLC.

**HAMILTON PARK TOWERS, LLC** 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 \$87,411,000 at December 31, 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 year ended December 31, 2012 was \$18,960. 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"

Table of Contents

leases over a 12 month period which began in November 2009. This investment, Hamilton Park Towers, LLC is referred to as Dexter Park.

**ITEM 3. LEGAL PROCEEDINGS**

The Partnership, the Subsidiary Partnerships, and the Investment Properties and their properties are not presently subject to any material litigation, and, to management's knowledge, there is not any material litigation presently threatened against them. The properties are occasionally subject to ordinary routine legal and administrative proceedings incident to the ownership of residential and commercial real estate. Some of the legal and other expenses related to these proceedings are covered by insurance and none of these costs and expenses are expected to have a material adverse effect on the Consolidated Financial Statements of the Partnership.

**ITEM 4. MINE SAFETY DISCLOSURE**

Not applicable.

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Each Class A Unit is exchangeable, through Computershare Trust Company ("Computershare") (formerly Equiserve LP), the Partnership's Depository Agent, for 30 Depository Receipts ("Receipts"). The Receipts are listed and publicly traded on the NYSE MKT Exchange under the symbol "NEN." There has never been an established trading market for the Class B Units or General Partnership Units.

In 2013, the high and low bid quotations for the Receipts were \$46.99 and \$29.00 respectively. The table below sets forth the high and low bids for each quarter of 2013 and 2012 and the distributions paid on the Partnership's Depository Receipts:

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

All references to Depository Receipts in the report are reflective of the 3-for-1 forward split.

	2013				2012			
	Low Bid	High Bid	Close	Distributions	Low Bid	High Bid	Close	Distributions
First Quarter	\$ 29.00	\$ 39.10	\$ 38.75	\$ 0.25	\$ 23.02	\$ 28.96	\$ 27.50	\$ 0.25
Second Quarter	\$ 37.00	\$ 43.72	\$ 40.30	\$ 0.25	\$ 25.00	\$ 28.48	\$ 27.25	\$ 0.25
Third Quarter	\$ 40.15	\$ 46.97	\$ 46.00	\$ 0.25	\$ 25.98	\$ 29.98	\$ 28.97	\$ 0.25
Fourth Quarter	\$ 43.00	\$ 46.99	\$ 44.44	\$ 0.25	\$ 28.06	\$ 30.84	\$ 29.70	\$ 0.25

**Distribution to Limited & General Partners were:**

	2013	2012
Class A—Limited Partners (80%)	\$ 3,114,930	\$ 3,145,928
Class B—Limited Partners (19%)	739,796	747,158
Class C—General Partner (1%)	38,936	39,324
Total	<u>\$ 3,893,662</u>	<u>\$ 3,932,410</u>

## Table of Contents

On March 17, 2014, the closing price on the NYSE MKT Exchange for a Depositary Receipt was \$45.27. There were 2,982,572 Depositary Receipts outstanding and 3,963 Units (representing 118,890 receipts) held by approximately 2,025 record holders.

Any portion of the Partnership's cash, which the General Partner deems not necessary for cash reserves, is distributed to the Partners, and distributions are made on a quarterly basis. The Partnership has made annual distributions to its Partners since 1978. In 2013, the Partnership made distributions of \$30.00 per Unit (\$1.00 per Receipt) and in 2012, the Partnership made distributions of \$30.00 per Unit, (\$1.00 per Receipt). The total value of the distribution in 2013 was \$3,893,662 and \$3,932,410 in 2012. In February 2014, the Partnership declared a quarterly distribution of \$7.50 per Unit (\$0.25 per Receipt) payable on March 31, 2014.

See "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for certain information relating to the number of holders of each class of Units.

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 Restate 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 December 31, 2013, the Partnership has repurchased 1,242,891 Depositary Receipts at an average price of \$24.86 per receipt (or \$745.80 per underlying Class A Unit), 2,103 Class B Units and 111 General Partnership Units, both at an average price of \$658.89 per Unit, totaling approximately \$32,480,942 including brokerage fees paid by the Partnership.

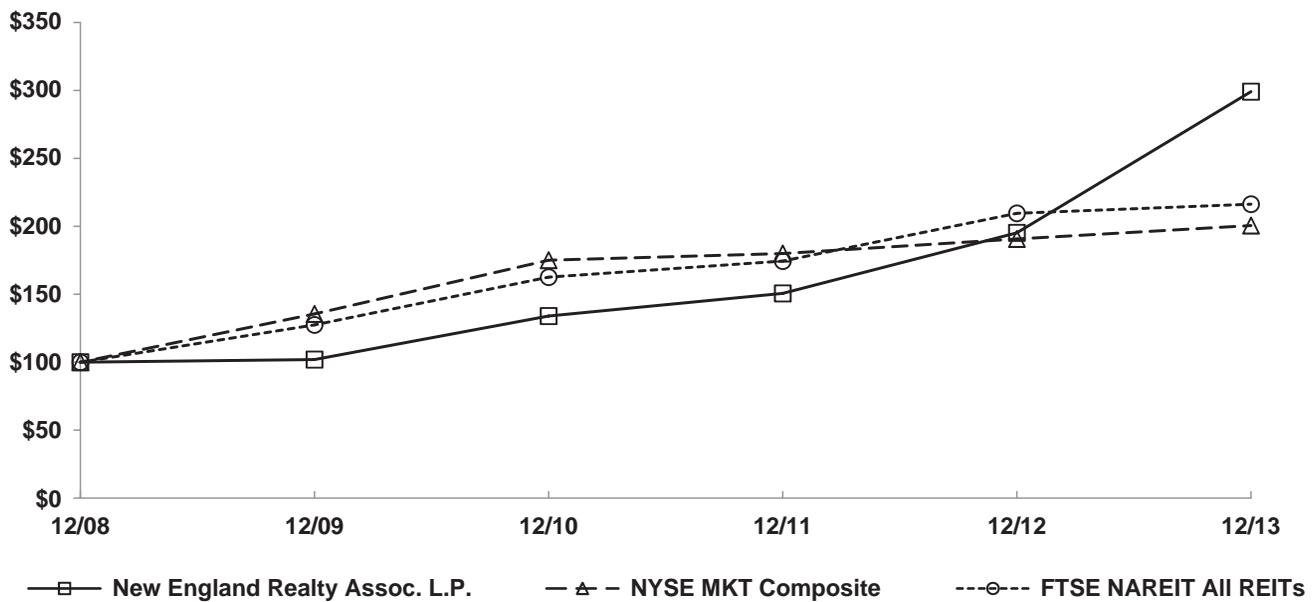
Table of Contents

(c) Issuer Purchase of Equity Securities during the fourth 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>
October 1 - 31, 2013	—	—	258,364
November 1 - 30, 2013	\$ 43.73	92	258,272
December 1 - 31, 2013	\$ 45.51	1,163	257,109
Total		1,255	

See Note 8 to the Consolidated Financial Statements for information concerning this repurchase program.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***  
**Among New England Realty Assoc. L.P., the NYSE MKT Composite Index,**  
**and the FTSE NAREIT All REITs Index**



\*\$100 invested on 12/31/08 in stock or index, including reinvestment of dividends.  
 Fiscal year ending December 31.

The Partnership does not have any securities authorized for issuance under any equity compensation plans that are subject to disclosure under Item 201(d) of Regulation S-K.

Table of Contents

**ITEM 6. SELECTED FINANCIAL DATA**

**SELECTED FINANCIAL DATA**

	Year Ended December 31,				
	2013	2012	2011	2010	2009
<b>INCOME STATEMENT INFORMATION(a)</b>					
Revenues	\$ 38,364,552	\$ 35,169,170	\$ 33,584,787	\$ 31,805,472	\$ 31,917,922
Expenses	27,233,135	22,389,427	22,339,029	21,591,507	21,237,662
Income before other income and discontinued operations	11,131,417	12,779,743	11,245,758	10,213,965	10,680,260
Other (Loss)	(9,173,918)	(9,179,293)	(9,767,889)	(11,810,920)	(9,325,841)
Income (loss) before discontinued operations	1,957,499	3,600,450	1,477,869	(1,596,955)	1,354,420
Discontinued operations	3,697,886	33,348	7,720,459	237,723	258,118
Net (Loss) Income	\$ 5,655,385	\$ 3,633,798	\$ 9,291,281	\$ (1,359,232)	\$ 1,612,538
Income (loss) before discontinued operations per Unit	\$ 15.07	\$ 27.44	\$ 11.24	\$ (12.12)	\$ 10.19
Discontinued operations per Unit	28.48	0.25	59.42	1.80	1.94
Net income (loss) per Unit	\$ 43.55	\$ 27.69	\$ 70.66	\$ (10.32)	\$ 12.13
Distributions to Partners per Unit	\$ 30.00	\$ 30.00	\$ 28.00	\$ 28.00	\$ 28.00
Net income (loss) per Depositary Receipt	\$ 1.45	\$ 0.92	\$ 2.36	\$ (0.34)	\$ 0.40
Distributions to Partners per Depositary Receipt	\$ 1.00	\$ 1.00	\$ 0.93	\$ 0.93	\$ 0.93
<b>BALANCE SHEET INFORMATION</b>					
Real Estate, gross	221,454,286	158,624,893	159,123,799	150,818,648	150,411,555
Real Estate, net	152,904,661	94,973,600	98,924,534	92,744,257	95,971,937
Total Assets	185,345,157	121,538,490	125,376,764	121,276,735	129,089,736
Total Debt Outstanding	198,520,478	138,055,522	140,830,212	142,349,260	144,809,354
Partners' Capital	(21,848,563)	(22,515,678)	(21,310,852)	(26,920,567)	(21,332,824)

The Partnership may purchase and/or sell properties at any time.

Table of Contents

The table below reflects the totals of property available for rental at each December 31,

	<b>Year Ended December 31,</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Residential</b>					
Units	2,431	2,270	2,270	2,288	2,288
Vacancies	39	39	32	79	63
Vacancy rate	1.6%	1.7%	1.4%	3.5%	2.8%
<b>Commercial</b>					
Total square feet	108,043	108,043	108,043	108,043	108,043
Vacancy (in square feet)	1,062	5,500	0	0	2,384
Vacancy rate	1.0%	5.1%	0%	0%	2.2%

See Items 1A and 7 for factors that may affect future operations. The above tables may not be indicative of future results.

(a) Certain reclassifications have been made to prior period amounts in order to conform to current period presentation.

**ITEM 7. 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 2014 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.

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.

## Table of Contents

- 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 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.

## Table of Contents

- 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.

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 investment 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 Partnership's occupancy level of approximately 98% at the end of the fourth quarter of 2013 was as high as the previous year's fourth quarter, and this occupancy level is expected to continue through the first quarter of 2014. Revenue gains in the fourth quarter are also expected to roll into the first and second quarters of 2014. While overall revenue growth of 9.1% was achieved for the year, only 3.7% revenue growth occurred for "Same Store" sales revenues, with the balance coming from an acquisition. A further analysis of the revenue growth demonstrates that greater revenue, growth has been achieved in the urban portfolio while the suburban portfolio has experienced higher tenant retention and is more price sensitive than the urban portfolio. Management expects another year of stronger demand in the urban portfolio resulting in higher than average revenue growth than the suburban portfolio. Increases in "Same Store" operating expenses of over 10%, outpaced revenue gains resulting in a decrease in "Same Store" NOI (income before other income, discontinued operations, depreciation and amortization) of 2.3%. When including new acquisitions, overall Partnership NOI grew by 3.8%. A 15.6% increase in administration, an 11% increase in real estate taxes, a 6% increase in utilities and a 205.0% increase in snow removal expense account for over 70% of the 10% increase in "Same Store" operating expenses. The increase in administration is due to the related financing costs in connection with the abandoned refinancing. Excluding the one-time administrative charge and adjusting weather related expense to those of an average winter, Management believes that operating expenses would have increased in the range of 5% to 6%. For 2014, Management believes that the increases in real estate tax will abate however, extreme weather and storms in the first quarter of 2014 will again impact operations negatively for 2014. Despite these anticipated increases, Management believes overall NOI and Net Cash flow after debt service will grow for 2014.

The Partnership completed its refinancing campaign for 2013 raising approximately \$28,000,000 in additional cash. The purchase and refinancing of Hamilton Green consumed approximately \$21,846,000 of cash. The Partnership also paid off four mortgages, two in 2013 and two in February 2014 with approximately \$8,000,000 of cash reserves. The Partnership is now in the process of negotiating the refinancing of three loans which mature in 2014 and 2015. It is anticipated that \$2,000,000 of additional funds will be raised and that the new interest rates will be lower than the current rates and no principal amortization will be imposed. This will result in an improved cash flow despite the increase in debt on these three loans. Management has also used \$1,094,609 of cash reserves during 2013 to repurchase 28,724 Depositary Receipts. Management will continue to repurchase shares per its trading plan. As always, Management continues to weigh investment alternatives of stock repurchase, new property acquisitions and dispositions when considering its cash balances and performance of the portfolio.

The Stock Repurchase Program that was initiated in 2007 has purchased 1,249,126 Depositary Receipts through March 17, 2014 representing 30% of the outstanding class A Depositary Receipts. 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

## Table of Contents

company, which has legal, construction, maintenance, architectural, accounting and administrative departments. The Partnership's properties represent approximately 32% of the total properties and 45% 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 March 1, 2014, 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. 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. The 75% of the issued and outstanding Class B units of the Partnership, controlled by Harold Brown, are owned by HBC Holdings LLC, an entity of which he is the manager.

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 sign a one year lease. In 2013, tenant renewals were approximately 66% with an average rental increase of approximately 3.7%, new leases accounted for approximately 34% with rental rate increases of approximately 5.2%. In 2013, leasing commissions were approximately \$109,000 compared to approximately \$95,000 in 2012, an increase of approximately \$14,000 (14.8%) from 2012. Tenant concessions were approximately \$70,000 in 2013 compared to approximately \$48,000 in 2012, an increase of approximately \$22,000 (45.8%). Tenant improvements were approximately \$2,205,000 in 2013, compared to approximately \$1,159,000 in 2012, an increase of approximately \$1,046,000 (90.2%).

Hamilton accounted for approximately 5.1% of the repair and maintenance expense paid for by the Partnership in the year ended December 31, 2013 and 5.7% in the year ended December 31, 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 76.3% and 83.0% of the legal services paid for by the Partnership during the years ended December 31, 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.

## Table of Contents

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 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. In 2013, Hamilton provided the Partnership approximately \$627,000 in construction and architectural services, compared to \$43,000 for the year ended December 31, 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 Hamilton's accounting staff, which consists of approximately 14 people. In 2013, Hamilton charged the Partnership \$125,000 per year (\$31,250 per quarter) 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.

## Table of Contents

*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.

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 for the years ended December 31, 2013, 2012, and 2011.

*Investments in Joint Ventures:* 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

Table of Contents

Joint Ventures, 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**

**Years Ended December 31, 2013 and December 31, 2012**

The Partnership and its Subsidiary Partnerships earned income before interest expense, loss from investments in unconsolidated joint ventures and other income and loss of approximately \$11,131,000 during the year ended December 31, 2013, compared to approximately \$12,780,000 for the year ended December 31, 2012, a decrease of approximately \$1,649,000 (12.9%).

The rental activity is summarized as follows:

	<b>Occupancy Date</b>	
	<b>February 1, 2014</b>	<b>February 1, 2013</b>
<b>Residential</b>		
Units	2,431	2,270
Vacancies	39	39
Vacancy rate	1.6 %	1.7 %
<b>Commercial</b>		
Total square feet	108,043	108,043
Vacancy	1,062	5,500
Vacancy rate	1.0 %	5.1 %

	<b>Rental Income (in thousands)</b>			
	<b>Year Ended December 31,</b>			
	<b>2013</b>		<b>2012</b>	
	<b>Total Operations</b>	<b>Continuing Operations</b>	<b>Total Operations</b>	<b>Continuing Operations</b>
Total rents	\$ 38,156	\$ 37,962	\$ 35,244	\$ 34,784
Residential percentage	92 %	92 %	90 %	90 %
Commercial percentage	8 %	8 %	10 %	10 %
Contingent rentals	\$ 670	\$ 670	\$ 661	\$ 661

Table of Contents

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012:

	<u>Year Ended December 31,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2013</u>	<u>2012</u>		
<b>Revenues</b>				
Rental income	\$ 37,961,599	\$ 34,784,130	\$ 3,177,469	9.1 %
Laundry and sundry income	402,953	385,040	17,913	4.7 %
	<u>38,364,552</u>	<u>35,169,170</u>	<u>3,195,382</u>	<u>9.1 %</u>
<b>Expenses</b>				
Administrative	2,116,527	1,813,150	303,377	16.7 %
Depreciation and amortization	8,377,902	6,012,755	2,365,147	39.3 %
Management fee	1,570,158	1,428,052	142,106	10.0 %
Operating	4,201,928	3,580,690	621,238	17.3 %
Renting	202,787	180,574	22,213	12.3 %
Repairs and maintenance	5,815,264	5,075,037	740,227	14.6 %
Taxes and insurance	4,948,569	4,299,169	649,400	15.1 %
	<u>27,233,135</u>	<u>22,389,427</u>	<u>4,843,708</u>	<u>21.6 %</u>
Income Before Other Income and Discontinued Operations	<u>11,131,417</u>	<u>12,779,743</u>	<u>(1,648,326)</u>	<u>(12.9)%</u>
<b>Other Income (Expense)</b>				
Interest income	1,118	2,216	(1,098)	(49.5)%
Interest expense	(8,013,109)	(7,695,232)	(317,877)	4.1 %
(Loss) from investments in unconsolidated joint ventures	(1,166,877)	(1,487,484)	320,607	(21.6)%
Other income	4,950	1,207	3,743	310.1 %
	<u>(9,173,918)</u>	<u>(9,179,293)</u>	<u>1,632</u>	<u>(0.0)%</u>
Income From Continuing Operations	<u>1,957,499</u>	<u>3,600,450</u>	<u>(1,646,694)</u>	<u>(45.7)%</u>
<b>Discontinued Operations</b>				
Income from discontinued operations	19,047	33,348	(14,301)	(42.9)%
Gain on the sale of real estate	3,678,839	—	3,678,839	—
	<u>3,697,886</u>	<u>33,348</u>	<u>3,664,538</u>	<u>10988.8 %</u>
Net Income	<u>\$ 5,655,385</u>	<u>\$ 3,633,798</u>	<u>\$ 2,017,844</u>	<u>55.5 %</u>

Rental income from continuing operations for the year ended December 31, 2013 was approximately \$37,962,000, compared to approximately \$34,784,000 for the year ended December 31, 2012, an increase of approximately \$3,177,000 (9.1%). The factors which can be attributed to this increase are as follows: the acquisition of the Hamilton Green Apartments in July 2013 resulted in an increase in rental income of approximately \$1,877,000 and rental rates increased approximately 4.0% in 2013. The Partnership Properties with the most significant increases in rental income include 62 Boylston Street, School Street, 1144 Commonwealth Avenue, Westgate Woburn, Redwood Hills, Westside Colonial and Hamilton Oaks with increases of approximately \$300,000, \$193,000, \$180,000, \$154,000, \$94,000, \$93,000 and \$92,000, respectively. Included in rental income is contingent rentals collected on commercial properties. Contingent rentals include such charges as bill backs of common area maintenance charges, real estate taxes, and utility charges.

Operating expenses from continuing operations for the year ended December 31, 2013 were approximately \$27,233,000 compared to approximately \$22,389,000 for the year ended December 31, 2012, an increase of approximately \$4,844,000 (21.6%). The most significant factors contributing to this

## Table of Contents

increase were an increase in repairs and maintenance expenses of approximately \$740,000 (14.6%) due to ongoing repairs to properties in an effort to maintain occupancy; an increase in operating expenses of approximately \$621,000 (17.3%) due to significant snow removal and heating costs due to a very harsh winter; an increase in taxes and insurance of approximately \$649,000 (15.1%) due to an increase in real estate taxes; an increase in depreciation and amortization expenses of approximately \$2,365,000 (39.3%) due to approximately \$1,535,000 of depreciation and approximately \$774,000 of amortization of in-place leases from the acquisition of Hamilton Green as well as capital improvements to Partnership properties; and an increase in administrative expenses of approximately \$303,000 (16.7%) due to the expensing of the professional fees in connection with the abandoned refinancing. The total operating expenses increased by \$4,844,000, of which approximately \$3,083,000 is attributable to the acquisition of Hamilton Green.

Interest expense for the year ended December 31, 2013 was approximately \$8,013,000 compared to approximately \$7,695,000 for the year ended December 31, 2012, an increase of approximately \$318,000 (4.1%). This increase is due to the refinancing of four properties in 2013 and the acquisition of Hamilton Green which resulted in a higher level of debt in 2013 compared to 2012.

At December 31, 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 \$1,167,000 for the year ended December 31, 2013, compared to approximately \$1,487,000 for the year ended December 31, 2012, a decrease in the loss of approximately \$321,000 (21.6%). This decrease in loss is consistent with the continued strength in the rental real estate market including approximately 5.4% increase in revenue. Included in the loss for the year ended December 31, 2013 is depreciation and amortization expense of approximately \$3,692,000. The allocable loss for the year ended December 31, 2013 associated with the October 2009 investment in Dexter Park is approximately \$844,000 of which approximately \$2,311,000 is depreciation and amortization.

Interest income for the year ended December 31, 2013 was approximately \$1,100 compared to approximately \$2,200 for the year ended December 31, 2012, a decrease of approximately \$1,100. This decrease is due to a drop in interest rates.

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 and is included in income from discontinued operations. The proceeds were subsequently used in the acquisition of the Hamilton Green Apartments.

As a result of the changes discussed above, net income for the year ended December 31, 2013 was approximately \$5,655,000 compared to income of approximately \$3,634,000 for the year ended December 31, 2012, an increase of approximately \$2,018,000 (55.5%). The increase in net income is primarily due to the gain on the sale of Nashoba Apartments.

## **RESULTS OF OPERATIONS**

### **Years Ended December 31, 2012 and December 31, 2011**

The Partnership and its Subsidiary Partnerships earned income before interest expense, loss from investments in unconsolidated joint ventures and other income and loss of approximately \$12,780,000

Table of Contents

during the year ended December 31, 2012, compared to approximately \$11,246,000 for the year ended December 31, 2011, an increase of approximately \$1,534,000.

The rental activity is summarized as follows:

	<b>Occupancy Date</b>	
	<b>February 1, 2013</b>	<b>February 1, 2012</b>
<b>Residential</b>		
Units	2,270	2,270
Vacancies	39	32
Vacancy rate	1.7%	1.4%
<b>Commercial</b>		
Total square feet	108,043	108,043
Vacancy	5,500	0
Vacancy rate	5.1%	0%

	<b>Rental Income (in thousands)</b>			
	<b>Year Ended December 31,</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Total Operations</b>	<b>Continuing Operations</b>	<b>Total Operations</b>	<b>Continuing Operations</b>
Total rents	\$ 35,244	\$ 34,784	\$ 33,958	\$ 33,160
Residential percentage	90%	90%	90%	90%
Commercial percentage	10%	10%	10%	10%
Contingent rentals	\$ 661	\$ 661	\$ 633	\$ 633

Table of Contents

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011:

	<u>Year Ended December 31,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2012</u>	<u>2011</u>		
<b>Revenues</b>				
Rental income	\$ 34,784,130	\$ 33,160,450	\$ 1,623,680	4.9%
Laundry and sundry income	385,040	424,337	(39,297)	(9.3)%
	<u>35,169,170</u>	<u>33,584,787</u>	<u>1,584,383</u>	<u>4.7%</u>
<b>Expenses</b>				
Administrative	1,813,150	1,695,198	117,952	7.0%
Depreciation and amortization	6,012,755	5,839,312	173,443	3.0%
Management fee	1,428,052	1,385,917	42,135	3.0%
Operating	3,580,690	4,014,770	(434,080)	(10.8)%
Renting	180,574	361,236	(180,662)	(50.0)%
Repairs and maintenance	5,075,037	4,957,167	117,870	2.4%
Taxes and insurance	4,299,169	4,085,429	213,740	5.2%
	<u>22,389,427</u>	<u>22,339,029</u>	<u>50,398</u>	<u>0.2%</u>
Income Before Other Income and Discontinued Operations	<u>12,779,743</u>	<u>11,245,758</u>	<u>1,533,985</u>	<u>13.6%</u>
<b>Other Income (Expense)</b>				
Interest income	2,216	3,861	(1,645)	(42.6)%
Interest expense	(7,695,232)	(7,857,950)	162,718	(2.1)%
(Loss) from investments in unconsolidated joint ventures	(1,487,484)	(1,913,800)	426,316	(22.3)%
Other income	1,207	—	1,207	N/A
	<u>(9,179,293)</u>	<u>(9,767,889)</u>	<u>588,596</u>	<u>(6.0)%</u>
<b>Income From Continuing Operations</b>				
Discontinued Operations	3,600,450	1,477,869	2,122,581	143.6%
Income from discontinued operations	33,348	92,953	(59,605)	(64.1)%
Gain on the sale of real estate	—	7,720,459	(7,720,459)	(100.0)%
	<u>33,348</u>	<u>7,813,412</u>	<u>(7,780,064)</u>	<u>(99.6)%</u>
<b>Net Income</b>	<u>\$ 3,633,798</u>	<u>\$ 9,291,281</u>	<u>\$ (5,657,483)</u>	<u>(60.9)%</u>

Rental income from continuing operations for the year ended December 31, 2012 was approximately \$34,784,000, compared to approximately \$33,160,000 for the year ended December 31, 2011, an increase of approximately \$1,624,000 (4.9%). There are a number of factors which can be attributed to this increase as follows: the acquisition of the Battle Green Apartments in June 2011 resulted in an increase in rental income of approximately \$430,000; and rental rate increases of approximately 4.2% in 2012. The Partnership Properties with the most significant increases in rental income include 62 Boylston Street, Westgate Woburn, 1144 Commonwealth Avenue and School Street with increases of approximately \$293,000, \$178,000, \$115,000, and \$105,000, respectively. Included in rental income is contingent rentals collected on commercial properties. Contingent rentals include such charges as bill backs of common area maintenance charges, real estate taxes, and utility charges.

Operating expenses from continuing operations for the year ended December 31, 2012 were approximately \$22,389,000 compared to approximately \$22,339,000 for the year ended December 31, 2011, an increase of approximately \$50,000 (0.2%). The most significant factors contributing to this increase were an increase in taxes and insurance of approximately \$214,000 (5.2%) due to increases in

## Table of Contents

both insurance premiums and real estate taxes; an increase in depreciation and amortization expenses of approximately \$173,000 (3.0%) due to the capital improvements to Partnership properties; an increase in repairs and maintenance expenses of approximately \$118,000 (2.4%) due to repairs at the properties to maintain occupancy and an increase in administrative expenses of approximately \$118,000 (7.0%) due primarily to increases in employee benefits and administrative service fees paid.

These increases are offset by a decrease in operating expenses of approximately \$434,000 (10.8%) due to a milder winter in 2012 resulting in lower snow removal and utility costs and a decrease in renting expenses of approximately \$181,000 (50.0%) due to a decrease in rental commissions and related rental expenses as a result of the increased demand for apartments and the lower vacancy levels.

Interest expense for the year ended December 31, 2012 was approximately \$7,695,000 compared to approximately \$7,858,000 for the year ended December 31, 2011, a decrease of approximately \$163,000 (2.1%). This decrease is due to a lower level of debt in 2012 compared to 2011.

At December 31, 2012, 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 \$1,487,000 for the year ended December 31, 2012, compared to approximately \$1,914,000 for the year ended December 31, 2011, a decrease in the loss of approximately \$426,000 (22.3%). This decrease in loss is consistent with the continued strength in the rental real estate market including approximately 5% increase in revenue. Included in the loss for the year ended December 31, 2012 is depreciation and amortization expense of approximately \$3,681,000. The allocable loss for the year ended December 31, 2012 associated with the October 2009 investment in Dexter Park is approximately \$981,000 of which approximately \$2,294,000 is depreciation and amortization.

Interest income for the year ended December 31, 2012 was approximately \$2,200 compared to approximately \$3,900 for the year ended December 31, 2011, a decrease of approximately \$1,700. This decrease is due to a drop in interest rates.

In June 2011, the Partnership sold the Avon Street Apartments located in Malden, Massachusetts. The net income from Avon Street for 2011 was approximately \$82,000 and the gain on the sale of Avon Street was approximately \$7,720,000. This is included in income from discontinued operations.

As a result of the changes discussed above, net income for the year ended December 31, 2012 was approximately \$3,634,000 compared to income of approximately \$9,291,000 for the year ended December 31, 2011, a decrease in income of approximately \$5,657,000.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Partnership's principal source of cash during 2013 and 2012 was the collection of rents and proceeds on the sale and refinancing of real estate. The majority of cash and cash equivalents of \$14,013,380 at December 31, 2013 and \$6,981,906 at December 31, 2012 were held in interest bearing accounts at creditworthy financial institutions.

Table of Contents

This increase in cash of \$7,031,474 at December 31, 2013 is summarized as follows:

	Year Ended December 31,	
	2013	2012
Cash provided by operating activities	\$ 13,439,139	\$ 11,951,863
Cash (used in) investing activities	(22,912,720)	(1,053,399)
Cash (used in) provided by financing activities	21,493,326	(3,128,091)
Repurchase of Depository Receipts, Class B and General Partner Units	(1,094,609)	(906,214)
Distributions paid	(3,893,662)	(3,932,410)
Net increase in cash and cash equivalents	<u>\$ 7,031,474</u>	<u>\$ 2,931,748</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 activities is due to the acquisition of Hamilton Green Apartments in July 2013 of approximately \$23,000,000 as well as significant improvements to Partnership properties of approximately \$4,500,000. These are offset by the sale of Nashoba Apartments in May 2013. The increase in cash provided by financing activities is due to the refinancing of the mortgages on four of the Partnership properties and net distributions from investments in unconsolidated joint ventures of approximately \$2,000,000 in 2013. In 2013, the Partnership purchased a total of 22,964 Class A Depository Receipts, 182 Class B Units and 10 General Partnership Units for a total cost of \$1,094,609.

In 2012, the Partnership purchased 24,967 Class A Depository Receipts, 198 Class B Units and 10 General Partnership Units for a total cost of \$906,214.

During 2013, the Partnership and its Subsidiary Partnerships completed improvements to certain of the Properties at a total cost of approximately \$4,500,000. 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, Redwood Hills, 62 Boylston Street, 1144 Commonwealth, Cypress Street and Clovelly Apartments at a cost of approximately \$1,250,000, \$372,000, \$343,000, \$321,000, \$298,000, \$297,000 and \$291,000 respectively. The Partnership plans to invest approximately \$3,300,000 in capital improvements in 2014.

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 \$88,612,000 at December 31, 2012. 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 year ended December 31, 2012 was \$18,960. This investment, Hamilton Park Towers, LLC is referred to as Dexter Park.

## Table of Contents

During 2013, the Partnership refinanced four properties. After paying off the existing mortgages, the net cash received from these refinancing was approximately \$28,200,000. In 2013, the Partnership paid off the mortgage of approximately \$3,967,000 on Hamilton Cypress, LLC.

On July 15, 2013, the Partnership, purchased Windsor Green at Andover, a 193 unit apartment complex located in Andover, Massachusetts. The purchase price was \$62,500,000. 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 sale of the Nashoba Apartments, and the balance from the Partnership's cash reserves. The original mortgage matured in November 2013. On December 20, 2013, the Partnership refinanced the 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. This refinancing required additional capital of approximately \$1,846,000 from the Partnership.

During the year ended December 31, 2013, the Partnership received distributions of approximately \$2,976,000 from the investment properties of which \$954,000 was from Dexter Park.

In 2013 the Partnership paid four quarterly distributions of \$7.50 per Unit (\$0.25 per receipt) for a total payment of \$3,893,662 in 2013. In 2012, the Partnership paid four quarterly distributions of an aggregate of \$7.50 per Unit (\$0.25 per receipt) for a total payment of \$3,932,410 in 2012. In 2014, the Partnership approved a quarterly distribution of \$7.50 per Unit (\$0.25 per Receipt) payable on March 31, 2014.

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 December 31, 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 December 31, 2013, our proportionate share of the non-recourse debt related to these investments was approximately \$60,197,000. 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 e no other material contractual obligations to be disclosed.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

A 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 December 31, 2013, the Partnership, its Subsidiary Partnerships and the Investment Properties collectively have approximately \$336,396,000 in long-term debt, substantially all of which pay interest at fixed rates. Accordingly, the fair value of these debt instruments is affected by changes in market interest rates. These mortgages mature through 2029. For information regarding the fair value and maturity dates of these debt obligations, see Item 2. Properties and Note 5 to the Consolidated

## Table of Contents

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." See note 18—Subsequent Events for additional information about the refinancing anticipated in 2013.

For additional disclosure about market risk, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors That May Affect Future Results".

## **ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The financial statements of the Partnership appear on pages F-1 through F-38 of this Form 10-K and are indexed herein under Item 15(a)(1).

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

*Disclosure Controls and Procedures.* We have evaluated the design and operation of our disclosure controls and procedures to determine whether they are effective in ensuring that the disclosure of required information is timely made in accordance with the Securities Exchange Act of 1934 ("Exchange Act") and the rules and forms of the Securities and Exchange Commission. This evaluation was made under the supervision and with the participation of management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of our General Partner as of the end of the period covered by this annual report on Form 10-K. The CEO and CFO have concluded, based on their reviews, that our disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e), are effective to ensure that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

*Management's Report on Internal Control over Financial Reporting.* We are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15-15(f) under the Exchange Act. We assessed the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control—Integrated Framework (1992)". Based on that assessment and those criteria, our management, with the participation of the CEO and CFO of the General Partner concluded that our internal control over financial reporting is effective as of December 31, 2013.

We believe that because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

## **ITEM 9B. OTHER INFORMATION**

Not applicable

Table of Contents

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND COPORATE GOVERNANCE**

Our General Partner, New Real, Inc. is a Massachusetts corporation wholly owned by Harold Brown and Ronald Brown, who are brothers. Harold Brown and Ronald Brown were individual general partners of the Partnership until May 1984, when NewReal, Inc. replaced them as the sole General Partner of the Partnership. The General Partner is responsible for making all decisions and taking all action deemed by it necessary or appropriate to conduct the business of the Partnership.

The General Partner engages The Hamilton Company, Inc. to manage the properties of the Partnership and its Subsidiary Partnerships. The Hamilton Company, Inc. is wholly owned by Harold Brown. See "Item 11. Executive Compensation" for information concerning fees paid by the Partnership to The Hamilton Company during 2013.

Because the General Partner has engaged The Hamilton Company as the manager for the Properties, the General Partner has no employees.

The directors of the General Partner are Ronald Brown, Harold Brown, Guilliaem Aertsen and David Aloise. The directors of the General Partner hold office until their successors are duly elected and qualified.

Ronald Brown and Harold Brown hold all of the executive officer positions of the General Partner. The executive officers of the General Partner serve at the pleasure of the Board of Directors.

On June 14, 2001, the Board of Directors of the General Partner created an Audit Committee, in accordance with Section 3(a)(58)(A) of the Exchange Act, consisting of three members, and approved the charter of the Audit Committee. As of July 1, 2013, the Audit Committee consisted of Guilliaem Aertsen and David Aloise. The Board of Directors of the General Partner has determined that Guilliaem Aertsen is an audit committee financial expert, as that term is defined in Item 407 of Securities and Exchange Commission Regulation S-K.

Table of Contents

The following table sets forth the name and age of each director and officer of the General Partner and each such person's principal occupation and affiliation during the preceding five years.

<u>Name and Position</u>	<u>Age</u>	<u>Other Position</u>
Ronald Brown, President and Director (since 1984)	78	Co-General Partner since the Partnerships formation in 1977. Associate, Hamilton Realty Company (since 1967); President, Treasurer, Clerk and Director of R. Brown Partners Inc. (since 1985), a real estate management company; Member, Greater Boston Real Estate Board (since 1981); Director, Brookline Chamber of Commerce (since 1978); Trustee of Reservations (since 1988); Director, Brookline Music School (1997-2004); President, Brookline Chamber of Commerce (1990-1992); Director, Coolidge Corner Theater Foundation (1990-1993); President, Brookline Property Owner's Association (1981-1990); Trustee, Brookline Hospital (1982-1989); Director, Brookline Symphony Orchestra (1996-2002); Director and Treasurer, Brookline Greenspace Alliance (since 1999). Mr. Brown is a graduate of Northeastern University earning a B.A. degree in Mechanical Engineering and an M.S. degree in Engineering Management. Based on Mr. Brown's ownership interest in the Partnership, ownership interest in the Partnership's General Partner, years of experience in the real estate industry and as a long standing member of the Board of Directors of the General Partner, the Board of Directors concluded that Mr. Brown has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors.
Harold Brown, Treasurer and Director (since 1984)	89	Co-General Partner since the Partnerships formation in 1977. Sole proprietor, The Hamilton Company, Inc., manager and developer of residential and commercial real estate (since 1954); Trustee, Treasurer and Director of Wedgestone Realty Investors Trust (1982-1985); Chairman of the Board and principal stockholder of the Wedgestone Advisory Corporation (1980-1985); Director of AFC Financial Corp. (1983-1985); Director, Coolidge Bank and Trust (1980-1983). Mr. Brown is a graduate of the Massachusetts Institute of Technology. Based on Mr. Brown's ownership interest in the Partnership, ownership interest in the Partnership's General Partner, years of experience in the real estate industry and as a long standing member of the Board of Directors of the General Partner, the Board of Directors concluded that Mr. Brown has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors.

Table of Contents

<u>Name and Position</u>	<u>Age</u>	<u>Other Position</u>
Guilliaem Aertsen, IV, Director (since 2002)	66	Director and Chairman of the Partnership's Audit Committee. Chief Executive Officer, Aertsen Ventures LLC (since 1999) a private venture capital firm focused on early stage companies engaged in technology, real estate and distressed financial assets; Director and CFO of CineCast LLC (since 1999); Member of Premier Capital LLC (since 2000); Chairman of the Board of Directors of the Massachusetts Housing Investment Corporation (since 1997) a partnership of corporate investors, housing sponsors and public agencies engaged in the financing of affordable housing and community development projects in Massachusetts and New England; Chairman of the Board of Trustees of the Old South Church (1992-2002); Executive Vice President and member of the senior management group of BankBoston Corporation (1996-1998); Executive and management assignments including corporate lending, real estate, capital markets, venture capital and asset management Bank Boston Corporation (1973-1998). Mr. Aertsen is a graduate of Harvard University. Based on Mr. Aertsen's familiarity with the Partnership as a member of the Board of Directors and as Chairman of the Audit Committee, his experience as a director with several other companies and his banking, management and financial expertise, the Board of Directors concluded that Mr. Aertsen has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors.
David Aloise, Director (since 2007)	59	Director and member of the Partnership's Audit Committee. Founder and principal of Aloise & Associates, LLC (since 2000) a consulting firm that provides advisory, training and credit risk management services; BankBoston Corporation (1979-2000) Director of Commercial Loan Workout, Managing Director Small Business Banking, Vice President Restructured Real Estate, Vice President C & I Loan Workout; Board of Trustees New England Banking Institute; Advisory Board Member Wells Fargo Retail Finance, LLC; Senior Advisor to Eaton Vance Bank Loan Mutual Fund Group; Member of the Turnaround Management Association. Mr. Aloise is a graduate of Boston College and the National Commercial Lending Graduate School, University of Oklahoma. Based on Mr. Aloise's experience in banking, credit markets, small business management and business turnarounds, the Board of Directors concluded that Mr. Aloise has the requisite experience, qualifications, attributes and skills necessary to serve as a member of the Board of Directors.

**COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES EXCHANGE ACT OF 1934**

Section 16(a) of the Securities Exchange Act of 1934 requires the Partnership's directors, executive officers, and persons who own more than 10% of a registered class of the Partnership's equity securities to file with the Securities and Exchange Commission reports of ownership changes and changes in ownership of the Partnership. Officers, directors and greater-than-10% shareholders are required by SEC regulations to furnish the Partnership with copies of all Section 16(a) forms they file.

## Table of Contents

Based solely upon a review of Forms 3 and 4 furnished to the company under Rule 16a-3(e) of the Securities Exchange Act during its most recent fiscal year, Forms 5 furnished to the company with respect to its most recent fiscal year and any written representations received by the company from persons required to file such forms, the following persons—either officers, directors or beneficial owners of more than ten percent of any class of equity of the company registered pursuant to Section 12 of the Securities Exchange Act—failed to file on a timely basis reports required by Section 16(a) of the Securities Exchange Act during the most recent fiscal year:

## **CODE OF ETHICS**

The Partnership, its General Partner and Hamilton, the Partnership's management company, have adopted a Code of Business Conduct and Ethics, which constitutes a "Code of Ethics" as defined by the SEC and applies to executive officers as well as to all other employees. A copy of the Code of Business Conduct and Ethics is available in the "NERA" section of the management company's website at [www.thehamiltoncompany.com](http://www.thehamiltoncompany.com). To the extent required by the rules of the SEC, the Partnership and its related entities will disclose amendments to and waivers from the Code of Business Conduct and Ethics in the same place on the aforementioned website.

## **REPORT OF THE AUDIT COMMITTEE**

The Audit Committee of NewReal Inc. (NewReal), which is the General Partner of New England Realty Associates Limited Partnership ("NERA" or the "Partnership"), is currently comprised of Guillaem Aertsen, IV, and David Aloise, , each of whom is an independent director of NewReal. The Audit Committee operates under a written charter.

The Partnership's management, which consists of NERA's General Partner, is responsible for the preparation of the Partnership's financial statements and for maintaining an adequate system of internal controls and processes for that purpose. Miller Wachman LLP ("Miller Wachman") acts as the Partnership's independent auditor and is responsible for conducting an independent audit of the Partnership's annual financial statements, in accordance with generally accepted auditing standards, and issuing a report on the results of their audit. The Audit Committee is responsible for providing independent, objective oversight of both of these processes.

The Audit Committee has reviewed and discussed the audited financial statements for the year ended December 31, 2013 with management of the Partnership and with representatives of Miller Wachman. As a result of these discussions, the Audit Committee believes that NERA maintains an effective system of accounting controls that allow it to prepare financial statements that fairly present the Partnership's financial position and results of its operations. Discussions with Miller Wachman also included the matters required by Statement on Auditing Standard No. 16 (Communications with Audit Committee).

In addition, the Audit Committee reviewed the independence of Miller Wachman. We received written disclosures and a letter from Miller Wachman regarding its independence as required by Independent Standards Board Standards No. 1 and discussed this information with Miller Wachman.

Based on the foregoing, the Audit Committee has recommended that the audited financial statements of the Partnership for the year ended December 31, 2013 be included in the Partnership's annual report on form 10-K to be filed with the Securities and Exchange Commission.

Guillaem Aertsen, IV  
David Aloise

Table of Contents

**ITEM 11. EXECUTIVE COMPENSATION**

The Partnership does not have "Executive Compensation." As more fully described below, the Partnership employs a management company to which it pays management fees and administrative fees.

The Partnership is not required to and did not pay any compensation to its officers or the officers and directors of the General Partner in 2013. As more fully described below, the Partnership employs a management company which is solely responsible for performing all management and policy making functions for the Partnership. The only compensation paid by the Partnership to any person or entity is in the form of management fees and administrative fees paid to the General Partner, or any management entity employed by the General Partner, in accordance with the Partnership Agreement.

Specifically, the Partnership Agreement provides that the General Partner, or any management entity employed by the General Partner, is entitled to a management fee equal to 4% (2% at Dexter Park and 3% at Linewt) of the rental and other operating income from the Partnership Properties and a mortgage servicing fee equal to 0.5% of the unpaid principal balance of any debt instruments received, held and serviced by the Partnership (the "Management Fee"). The Partnership Agreement also authorizes the General Partner to charge to the Partnership its cost for employing professionals to assist with the administration of the Partnership Properties (the "Administrative Fees"). The Administrative Fee is not charged against the Management Fee. In addition, upon the sale or disposition of any Partnership Properties, the General Partner, or any management entity which is the effective cause of such sale, is entitled to a commission equal to 3% of the gross sale price (the "Commission"), provided that should any other broker be entitled to a commission in connection with the sale, the commission shall be the difference between 3% of the gross sale price and the amount to be paid to such broker.

The General Partner has engaged The Hamilton Company ("Hamilton") to operate and manage the Partnership, and in accordance with the Partnership Agreement, the Management Fee, the Administrative Fees and the Commission are paid to Hamilton. See "Item 10. Directors and Executive Officers of the Registrant." The total Management Fee paid to Hamilton during 2013 was approximately \$1,578,000. The management services provided by Hamilton include but are not limited to: collecting rents and other income; approving, ordering and supervising all repairs and other decorations; terminating leases, evicting tenants, purchasing supplies and equipment, financing and refinancing properties, settling insurance claims, maintaining administrative offices and employing personnel. In addition, the Partnership engages the president of Hamilton as a consultant to provide asset management services to the Partnership, for which the Partnership paid \$75,000 in 2013. The Partnership does not have a written agreement with this individual.

In 2013, the Partnership and its Subsidiary Partnerships paid administrative fees to Hamilton of approximately \$907,000 inclusive of construction supervision and architectural fees of approximately \$78,000, rental commissions of \$172,000, repairs and maintenance service fees of approximately \$294,000, legal fees of approximately \$214,000 and \$125,000 for accounting services. The administrative fees included \$24,000 that was paid by the Partnership to Ronald Brown for construction supervision services.

Additionally, the Hamilton Company received approximately \$765,000 from the 40-50% owned Investment Properties of which approximately \$614,000 was the management fee, approximately \$9,000 was for construction supervision and architectural fees, approximately \$61,000 was for maintenance services, \$61,000 for legal services, rental commissions of approximately \$17,000 and \$3,000 for construction costs. The Advisory Committee held 6 meetings during 2013, and a total of \$30,500 was paid for attendance and participation in such meetings. Additionally, the Audit Committee held 4 meetings in 2013 and a total of \$9,000 was paid for attendance and participation in such meetings.

Table of Contents

**Compensation Committee Interlocks and Insider Participation**

The Board of Directors of our General Partner does not have a compensation committee. No member of the Board of Directors of the General Partner was at any time in 2013 or at any other time an officer or employee of the General Partner, and no member had any relationship with the Partnership requiring disclosure as a related-person transaction under Item 404 of Regulation S-K. No officer of the General Partner has served on the board of directors or compensation committee of any other entity that has or has had one or more executive officers who served as a member of the Board of Directors of the General Partner at any time in 2013.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

As of March 1, 2014, except as listed below, the General Partner was not aware of any beneficial owner of more than 5% of the outstanding Class A Units or the Depositary Receipts, other than Computershare, which, under the Deposit Agreement, as Depositary, is the record holder of the Class A Units exchanged for Depositary Receipts. As of March 1, 2014, pursuant to the Deposit Agreement, Computershare was serving as the record holder of the Class A Units with respect to which 2,982,984 Depositary Receipts had been issued to approximately 1830 holders. As of March 1, 2014, there were issued and outstanding 3,963 Class A Units (not including the Depositary Receipts) held by 193 unit holders, 24,603 Class B Units and 1,295—General Partnership Units held by the persons listed below. During 2013, 396 Class A Units were exchanged for 11,880 Depositary Receipts.

**The following table sets forth certain information regarding each class of Partnership Units beneficially** owned as of December 31, 2013 by (i) each person known by the Partnership to beneficially own more than 5% of any class of Partnership Units, (ii) each director and officer of the General Partner and (iii) all directors and officers of the General Partner as a group. For purposes of this table, all Depositary Receipts are included as if they were converted back into Class A Units. The inclusion in the table below of any Units deemed beneficially owned does not constitute an admission that the

Table of Contents

named persons are direct or indirect beneficial owners of such Units. Unless otherwise indicated, each person listed below has sole voting and investment power with respect to the Units listed.

	Class A		Class B		General Partnership	
	Number of Units Beneficially Owned	% Of Outstanding Units Beneficially Owned	Number of Units Beneficially Owned	% Of Outstanding Units Beneficially Owned	Number of Units Beneficially Owned	% Of Outstanding Units Beneficially Owned
<b>Directors and Officers</b>						
Harold Brown c/o New England Realty Associates Limited Partnership 39 Brighton Avenue Allston, MA 02134	(1)(2)	(1)(2)	18,452(3)	75%(3)	(4)	100%(4)
Harold Brown 2013 Revocable Trust c/o Saul Ewing LLP 131 Dartmouth Street Boston, MA 02116	(2)	(2)				
HBC Holdings, LLC 39 Brighton Avenue Allston, MA 02134	(1)	(1)	(3)	(3)	0	0
Ronald Brown c/o New England Realty Associates Limited Partnership 39 Brighton Avenue Allston, MA 02134	2,895(5)	2.79%(5)	6,151	25%	(4)	100%(4)
Guilliaem Aertsen 160 Boylston Street #2149 Chestnut Hill, MA 02467	0	0	0	0	0	0
David Aloise 241 Cottage Park Road Winthrop, MA 02152	0	0	0	0	0	0
NewReal, Inc. 39 Brighton Avenue Allston, MA 02134	333	0.32%	0	0	1,295	100%
All directors and officers as a group	26,823(6)	25.89%3(6)	24,603(7)	100%(7)	(4)	100%(4)
<b>5% Owners that are not Directors and Officers</b>						
Carl Valeri 50 Udine Street Arlington, MA 02476	6,478(8)	6.25%(8)	0	0	0	0
Harold Brown 2009 Irrevocable Trust 39 Brighton Avenue Alston, MA 02134	8,333(9)	8.04%(9)				

- (1) As of December 31, 2013, 507,849 Depositary Receipts are held of record by the HBC Holdings, LLC (HBC). Harold Brown is the sole manager of HBC with sole voting and dispositive control over the Depositary Receipts. Accordingly, Mr. Brown may be deemed to beneficially own the Depositary Receipts held by HBC. Because a Depositary Receipt represents beneficial ownership of one-thirtieth of a Class A Unit, Harold Brown may be deemed to beneficially own approximately 16,928 Class A Units (approximately 16.34% of the outstanding Class A Units).
- (2) As of December 31, 2013, Harold Brown directly owns 200,000 Depositary Receipts beneficially owned by his spouse. Because a Depositary Receipt represents beneficial ownership of one-thirtieth of a Class A Unit, Harold Brown may be deemed to directly beneficially own approximately 6,667 Class A Units (approximately 6.44% of the outstanding Class A Units).

## Table of Contents

- (3) Consists of Class B Units held by HBC Holdings, LLC. See Note (1) above. Harold Brown, as Manager, has voting and investment power over the Class B Units held by the LLC, subject to the provisions of the LLC, and thus may be deemed to beneficially own the 18,452 Class B Units held by the LLC.
- (4) Since Harold Brown and Ronald Brown are the controlling stockholders, executive officers and directors of NewReal, Inc., they may be deemed to beneficially own all 1,295 of the General Partnership Units held of record by NewReal, Inc.
- (5) Consists of 86,860 Depositary Receipts held of record jointly by Ronald Brown and his wife. Because a Depositary Receipt represents beneficial ownership of one-thirtieth of a Class A Unit, Ronald Brown may be deemed to beneficially own approximately 2,895 Class A Units.
- (6) Consists of the Class A Units described in Notes (1), (2) and (4) above, plus New Real, Inc. and Ronald Brown, as indicated in the table.
- (7) Includes the Class B Units described in Note (2) above.
- (8) Consists of 194,346 Depositary Receipts held by Carl Valeri and his immediate family members. Because a Depositary Receipt represents beneficial ownership of one thirtieth of a Class A Unit, Carl Valeri may be deemed to beneficially own approximately 6,478 Class A Units.
- (9) Consists of 250,000 Depositary Receipts held by the Harold Brown 2009 Irrevocable Trust. Harold Brown is not a beneficiary of the Trust and he does not have a pecuniary interest. Because a Depositary Receipt represents beneficial ownership of one thirtieth of a Class A Unit, the Trust may be deemed to beneficially own approximately 8,333 Class A Units

On November 13, 2000, the Partnership adopted a Policy for Establishment of Rule 10b5-1 Trading Plans. Pursuant to this Policy, the Partnership authorized its officers, directors and certain employees, shareholders and affiliates who are deemed "insiders" of the Partnership to adopt individual plans for trading the Partnership's securities ("Trading Plans"), and established certain procedural requirements relating to the establishment, modification and termination of such Trading Plans. On May 14, 2001, the Partnership approved a Trading Plan of Harold Brown, providing for the purchase of up to 60,000 Depositary Receipts of the Partnership as such become available during the period from May 14, 2001 through May 13, 2002. Mr. Brown amended and restated this Trading Plan on November 19, 2001 to increase the number of Depositary Receipts which were to be purchased pursuant thereto from 60,000 to 150,000, expanding the date through which purchases could be made to September 30, 2002, and to provide that purchases under his Trading Plan were to be made only if the price per Depositary Receipt was \$15.00 or less. On November 7, 2007, Mr. Brown amended and restated the Trading Plan expanding the date through which Depositary Receipts may be purchased through September 30, 2009 for up to 150,000 Depositary Receipts at prices up to \$33.33 each. On November 4, 2009, Mr. Brown amended and restated the Trading Plan expanding the date through which Depositary Receipts may be purchase through September 30, 2012 for up to 150,000 Depositary Receipts at price up to \$28.33 each. On November 14, 2012, Mr. Brown amended and restated the Trading Plan extending the date through which Depositary Receipts may be purchased through September 30, 2016 for up to 600,000 Depositary Receipts at prices up to \$45.00.

The Partnership does not have any securities authorized for issuance pursuant to any equity compensation plans.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Harold Brown and Ronald Brown are brothers.

There are no other family relationships among any of our directors. Messrs. Aertsen and Aloise representing a majority of our directors are determined to be independent under the rules of the NYSE Amex Exchange and the SEC. The board holds regularly scheduled meetings.

The Partnership invested approximately \$34,049,000 in nine limited liability companies formed to acquire Investment Properties. The Partnership has a 40%-50% ownership interest in each of these

Table of Contents

limited liability companies accounted for on the equity method of consolidation. The majority stockholder of the General Partner owns between 43.2% and 57% and the President and five employees of the management company own between 0% and 6.8% in each of the Investment Properties. See Note 14 of the consolidated financial statements for a description of the Investment Properties.

See also "Item 2. Properties," "Item 10. Directors and Executive Officers of the Registrant" and "Item 11. Executive Compensation" for information regarding the fees paid to The Hamilton Company, an affiliate of the General Partner.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

Miller Wachman LLP served as the Partnership's independent accountants for the fiscal year ended December 31, 2013 and has reported on the 2013 Consolidated Financial Statements. Aggregate fees rendered to Miller Wachman LLP for the years ended December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
<b>Audit Fees</b>		
Recurring annual audits and quarterly reviews	\$ 239,000	\$ 238,000
<b>Subtotal</b>	<u>239,000</u>	<u>238,000</u>
Other Audit Related Fees	<u>—</u>	<u>—</u>
<b>Tax Fees</b>		
Recurring tax compliance for the Partnership, 24 subsidiary Partnerships and 20 General Partnerships	84,000	80,000
Tax Planning and research	<u>—</u>	<u>—</u>
<b>Subtotal</b>	<u>84,000</u>	<u>80,000</u>
Other Fees	<u>—</u>	<u>—</u>
<b>Total Fees</b>	<u>\$ 323,000</u>	<u>\$ 318,000</u>

The Audit Committee's charter provides that it has the sole authority to review in advance and grant any pre-approvals of (i) all auditing services to be provided by the independent auditor, (ii) all significant non-audit services to be provided by the independent auditors as permitted by Section 10A of the Securities Exchange Act of 1934, and (iii) all fees and the terms of engagement with respect to such services. All audit and non-audit services performed by Miller Wachman during fiscal 2013 and 2012 were pre-approved pursuant to the procedures outlined above.

Table of Contents

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) 1. Financial Statements:

The following Financial Statements are included in this Form 10-K:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at December 31, 2013 and 2012

Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011

Consolidated Statements of Changes in Partners' Capital for the years ended December 31, 2013, 2012 and 2011

Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011

Notes to Consolidated Financial Statements

2. Consolidated Financial Statement Schedules:

Financial statement schedules are omitted because they are not applicable or not required, or because the required information is included in the financial statements or notes thereto.

(b) Exhibits:

The exhibits filed as part of this Annual Report on Form 10-K are listed in the Exhibit Index included herewith.

Table of Contents

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Partners  
New England Realty Associates Limited Partnership:

We have audited the accompanying consolidated balance sheets of New England Realty Associates Limited Partnership (the "Partnership") as of December 31, 2013 and 2012 and the related consolidated statements of income, changes in partners capital and cash flows for each of the years in the three-year period ended December 31, 2013. The Partnership's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Partnership is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of New England Realty Associates Limited Partnership at December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ MILLER WACHMAN LLP

Boston, Massachusetts  
March 18, 2014

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2013	2012
<b>ASSETS</b>		
Rental Properties	\$ 152,904,661	\$ 94,973,600
Property Held for Sale	—	462,250
Cash and Cash Equivalents	14,013,380	6,981,906
Rents Receivable	496,149	475,083
Real Estate Tax Escrows	375,560	449,652
Prepaid Expenses and Other Assets	3,895,189	3,073,890
Investments in Unconsolidated Joint Ventures	12,025,142	13,986,173
Financing and Leasing Fees	1,635,076	1,135,936
<b>Total Assets</b>	<b>\$ 185,345,157</b>	<b>\$ 121,538,490</b>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
Mortgage Notes Payable	\$ 198,520,478	\$ 138,055,522
Distribution and Loss in Excess of Investment in Unconsolidated Joint Venture	1,252,346	—
Accounts Payable and Accrued Expenses	3,178,495	2,361,942
Advance Rental Payments and Security Deposits	4,242,401	3,636,704
<b>Total Liabilities</b>	<b>207,193,720</b>	<b>144,054,168</b>
Commitments and Contingent Liabilities (Notes 3 and 9)	—	—
Partners' Capital 129,487 and 130,444 units outstanding in 2013 and 2012 respectively	(21,848,563)	(22,515,678)
<b>Total Liabilities and Partners' Capital</b>	<b>\$ 185,345,157</b>	<b>\$ 121,538,490</b>

See notes to consolidated financial statements

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

	<u>Year Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Revenues</b>			
Rental income	\$ 37,961,599	\$ 34,784,130	\$ 33,160,450
Laundry and sundry income	402,953	385,040	424,337
	<u>38,364,552</u>	<u>35,169,170</u>	<u>33,584,787</u>
<b>Expenses</b>			
Administrative	2,116,527	1,813,150	1,695,198
Depreciation and amortization	8,377,902	6,012,755	5,839,312
Management fee	1,570,158	1,428,052	1,385,917
Operating	4,201,928	3,580,690	4,014,770
Renting	202,787	180,574	361,236
Repairs and maintenance	5,815,264	5,075,037	4,957,167
Taxes and insurance	4,948,569	4,299,169	4,085,429
	<u>27,233,135</u>	<u>22,389,427</u>	<u>22,339,029</u>
Income Before Other Income and Discontinued Operations	<u>11,131,417</u>	<u>12,779,743</u>	<u>11,245,758</u>
<b>Other Income (Expense)</b>			
Interest income	1,118	2,216	3,861
Interest expense	(8,013,109)	(7,695,232)	(7,857,950)
(Loss) from investments in unconsolidated joint ventures	(1,166,877)	(1,487,484)	(1,913,800)
Other income	4,950	1,207	—
	<u>(9,173,918)</u>	<u>(9,179,293)</u>	<u>(9,767,889)</u>
Income From Continuing Operations	<u>1,957,499</u>	<u>3,600,450</u>	<u>1,477,869</u>
<b>Discontinued Operations</b>			
Income from discontinued operations	19,047	33,348	92,953
Gain on the sale of real estate	3,678,839	—	7,720,459
	<u>3,697,886</u>	<u>33,348</u>	<u>7,813,412</u>
Net Income	<u>\$ 5,655,385</u>	<u>\$ 3,633,798</u>	<u>\$ 9,291,281</u>
<b>Income per Unit</b>			
Income before discontinued operations	\$ 15.07	\$ 27.44	\$ 11.24
Income from discontinued operations	28.48	0.25	59.42
Net Income per Unit	<u>\$ 43.55</u>	<u>\$ 27.69</u>	<u>\$ 70.66</u>
Weighted Average Number of Units Outstanding	<u>129,868</u>	<u>131,230</u>	<u>131,484</u>

See notes to consolidated financial statements.

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL**

	Units						Partners's Capital			
	Limited		General	Subtotal	Treasury		Limited		General	Total
	Class A	Class B	Partnership		Units	Total	Class A	Class B	Partnership	
Balance January 1, 2011	144,180	34,243	1,802	180,225	48,741	131,484	\$ (21,539,906)	\$ (5,111,627)	\$ (269,033)	\$ (26,920,566)
Distribution to Partners	—	—	—	—	—	—	(2,945,253)	(699,498)	(36,815)	(3,681,566)
Net Income	—	—	—	—	—	—	7,433,025	1,765,343	92,913	9,291,281
Balance December 31, 2011	144,180	34,243	1,802	180,225	48,741	131,484	\$ (17,052,134)	\$ (4,045,782)	\$ (212,935)	\$ (21,310,851)
Distribution to Partners	—	—	—	—	—	—	(3,145,928)	(747,158)	(39,324)	(3,932,410)
Stock Buyback	—	—	—	—	1,040	(1,040)	(726,058)	(171,148)	(9,008)	(906,214)
Net Income	—	—	—	—	—	—	2,907,038	690,422	36,338	3,633,798
Balance December 31, 2012	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	—	—	—	—	—	—	(3,114,930)	(739,796)	(38,936)	(3,893,662)
Stock Buyback	—	—	—	—	957	(957)	(877,623)	(206,137)	(10,849)	(1,094,609)
Net Income	—	—	—	—	—	—	4,524,308	1,074,523	56,554	5,655,385
Balance December 31, 2013	144,180	34,243	1,802	180,225	50,738	129,487	\$ (17,485,327)	\$ (4,145,076)	\$ (218,160)	\$ (21,848,563)

See notes to consolidated financial statements.

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,		
	2013	2012	2011
<b>Cash Flows from Operating Activities</b>			
Net income	\$ 5,655,385	\$ 3,633,798	\$ 9,291,281
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	8,377,902	6,012,755	5,839,312
Loss from investments in joint ventures	1,166,877	1,487,484	1,913,800
Gain on the sale of equipment	(3,500)	—	—
Depreciation and amortization—discontinued operations	2,111	79,969	101,566
Gain on the sale of rental property	(3,678,839)	—	(7,720,459)
Change in operating assets and liabilities			
(Increase) Decrease in rents receivable	(21,064)	(40,831)	188,692
Increase (Decrease) in accounts payable and accrued expense	816,553	108,246	(186,445)
(Increase) Decrease in real estate tax escrow	74,093	(48,327)	(99,472)
(Increase) Decrease in prepaid expenses and other assets	443,925	685,773	(432,957)
Increase in advance rental payments and security deposits	605,696	32,996	195,807
<b>Total Adjustments</b>	<b>7,783,754</b>	<b>8,318,065</b>	<b>(200,156)</b>
<b>Net cash provided by operating activities</b>	<b>13,439,139</b>	<b>11,951,863</b>	<b>9,091,125</b>
<b>Cash Flows From Investing Activities</b>			
Proceed from unconsolidated joint ventures	1,288,077	1,366,383	1,408,950
Distribution in excess of investment in unconsolidated joint ventures	1,687,750	—	—
Investment in unconsolidated joint ventures	(929,327)	(59,383)	(26,450)
Improvement of rental properties	(4,499,924)	(2,360,399)	(2,618,794)
Proceeds from the sale of equipment	3,500	—	—
Purchase of rental properties	(22,601,774)	—	(10,041,784)
Net proceeds from the sale of rental property	2,138,978	—	8,297,928
<b>Net cash (used in) investing activities</b>	<b>(22,912,720)</b>	<b>(1,053,399)</b>	<b>(2,980,150)</b>
<b>Cash Flows from Financing Activities</b>			
Payment of financing costs	(971,630)	(353,400)	(105,564)
Proceeds of mortgage notes payable	28,268,115	—	5,000,000
Proceeds of note payable	—	—	3,998,573
Principal payments of mortgage notes payable	(5,803,159)	(1,106,091)	(3,519,047)
Principal payments of note payable	—	(1,668,600)	(6,998,573)
Stock buyback	(1,094,609)	(906,214)	—
Distributions to partners	(3,893,662)	(3,932,410)	(3,681,566)
<b>Net cash provided by (used in) financing activities</b>	<b>16,505,055</b>	<b>(7,966,715)</b>	<b>(5,306,177)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>7,031,474</b>	<b>2,931,749</b>	<b>804,798</b>
Cash and Cash Equivalents, at beginning of period	6,981,906	4,050,157	3,245,361
<b>Cash and Cash Equivalents, at end of period</b>	<b>\$ 14,013,380</b>	<b>\$ 6,981,906</b>	<b>\$ 4,050,159</b>

See notes to consolidated financial statements

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 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 108,043 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. (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. 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. In 2013, the carrying value of an investment fell below zero. We intend to fund our share of the investments' future operating deficits should the need arise. However, we have no legal obligation to pay for any of the liabilities of such investments nor do we have any legal obligation to fund operating deficits. (See Note 14: Investment in Unconsolidated Joint Ventures.)

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 equity'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

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

on behalf of an investor with a disproportionately small voting interest. The primary beneficiary is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the variable interest entity's performance; and(2) the obligation to absorb losses and rights to receive the returns from VIE that would be significant to the VIE

*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, 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. Rental concessions 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.

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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.

*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).

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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, 2012, or 2011 other than net income as reported.

*Income (Loss) 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 Per Unit:* Net income 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 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, 2012, or 2011. The Partnership makes its temporary cash investments with high-credit quality financial institutions. At December 31, 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 December 31, 2013 and 2012, respectively approximately \$15,275,000 and \$8,000,000 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 \$41,285, \$52,084 and \$88,585 in 2013, 2012 and 2011, 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

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(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 years ended December 31, 2013, 2012 and 2011 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. All refinancing qualify as extinguishment 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 December 31, 2013, the Partnership and its Subsidiary Partnerships owned 2,412 residential apartment units in 20 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 December 31, 2013, the Partnership and 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 December 31, 2013 with a total of 798 units, accounted for using the equity method of consolidation. See Note 14 for summary information on these investments.

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 2. RENTAL PROPERTIES (Continued)**

Rental properties consist of the following:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>Useful Life</u>
Land, improvements and parking lots	\$ 43,919,728	\$ 27,743,726	15–40 years
Buildings and improvements	152,130,635	118,739,283	15–40 years
Kitchen cabinets	5,956,078	3,544,868	5–10 years
Carpets	5,820,516	3,218,975	5–10 years
Air conditioning	707,928	746,043	5–10 years
Laundry equipment	404,775	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	5,038,530	1,529,904	5–7 years
Motor vehicles	86,657	101,657	5 years
Fences	24,670	22,445	5–15 years
Furniture and fixtures	5,564,621	1,031,348	5–7 years
Smoke alarms	216,223	193,298	5–7 years
Total fixed assets	<u>221,454,286</u>	<u>158,624,893</u>	
Less: Accumulated depreciation	<u>(68,549,625)</u>	<u>(63,651,293)</u>	
	<u>\$ 152,904,661</u>	<u>\$ 94,973,600</u>	

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 2. RENTAL PROPERTIES (Continued)**

Real estate and accumulated depreciation as of December 31, 2013 is:

	Encumbrances (First Mortgages)	Initial Cost to Partnerships(1)		Cost Capitalized Subsequent to Acquisition(2)	Gross Amount at Which Carried at Close of Period			Accumulated Depreciation(3)	Date Acquired
		Land	Buildings Improvements		Land	Buildings Improvements	Totals		
Boylston Downtown L.P. Residential Apartments Boston, Massachusetts	\$ 40,000,000	\$ 2,112,000	\$ 8,593,111	\$ 7,329,225	\$ 2,112,000	\$ 15,922,336	\$ 18,034,336	\$ 9,643,251	July 1995
Brookside Associates LLC Residential Apartments Woburn, Massachusetts	\$ 2,684,432	\$ 684,000	\$ 3,116,000	\$ 489,922	\$ 684,000	\$ 3,605,922	\$ 4,289,922	\$ 1,755,296	Oct. 2000
Courtyard @ Westgate Residential Units Burlington, Massachusetts	\$ 2,000,000	\$ 44,965	\$ 4,478,687	\$ 249,954	\$ 44,965	\$ 4,728,641	\$ 4,773,606	\$ 1,643,418	Sep. 2004
Clovelly Apartments L.P. Residential Apartments Nashua, New Hampshire	\$ 4,160,000	\$ 177,610	\$ 1,478,359	\$ 1,503,424	\$ 177,610	\$ 2,981,783	\$ 3,159,393	\$ 2,067,556	Sept. 1977
Commonwealth 1137 L.P. Residential Apartments Boston, Massachusetts	\$ 3,750,000	\$ 342,000	\$ 1,367,669	\$ 983,064	\$ 342,000	\$ 2,350,733	\$ 2,692,733	\$ 1,346,509	July 1995
Commonwealth 1144 L.P. Residential Apartments Boston, Massachusetts	\$ 14,780,000	\$ 1,410,000	\$ 5,664,816	\$ 1,764,516	\$ 1,410,000	\$ 7,429,332	\$ 8,839,332	\$ 4,550,902	July 1995
Condominium Units—Riverside Residential Units Massachusetts	\$ —	\$ 23,346	\$ 190,807	\$ 19,564	\$ 23,346	\$ 210,371	\$ 233,717	\$ 204,818	Sept. 1977
Executive Apartments L.P. Residential Apartments Framingham, Massachusetts	\$ 2,415,000	\$ 91,400	\$ 740,360	\$ 700,459	\$ 91,400	\$ 1,440,819	\$ 1,532,219	\$ 1,093,190	Sept. 1977
Hamilton Battle Green LLC Residential Apartments Lexington, Massachusetts	\$ 4,813,616	\$ 1,341,737	\$ 8,457,497	\$ 80,805	\$ 1,341,737	\$ 8,538,302	\$ 9,880,039	\$ 1,009,136	Jun. 2011
Hamilton Cypress LLC Commercial—1031Exchange Brookline, Massachusetts	\$ —	\$ 2,362,596	\$ 4,613,985	\$ 348,345	\$ 2,362,596	\$ 4,962,330	\$ 7,324,926	\$ 876,537	Oct. 2008
Hamilton Green Apartments Residential Apartments Andover, Massachusetts	\$ 38,500,000	\$ 16,054,336	\$ 44,794,438	\$ 125,362	\$ 16,054,336	\$ 44,919,800	\$ 60,974,136	\$ 1,534,867	Jul. 2013
Hamilton Linewt LLC Commercial—1031Exchange Newton, Massachusetts	\$ 1,474,947	\$ 884,042	\$ 2,652,127	\$ 50,608	\$ 884,042	\$ 2,702,735	\$ 3,586,777	\$ 422,799	Nov. 2007
Hamilton Oaks Associates LLC Residential Apartments Brockton, Massachusetts	\$ 11,925,000	\$ 2,175,000	\$ 12,325,000	\$ 1,898,324	\$ 2,175,000	\$ 14,223,324	\$ 16,398,324	\$ 7,684,626	Dec. 1999
Highland Street Apartments, L.P. Residential Apartments Lowell, Massachusetts	\$ 1,050,000	\$ 156,000	\$ 634,085	\$ 387,455	\$ 156,000	\$ 1,021,540	\$ 1,177,540	\$ 592,810	Dec. 1996
Linhart L.P. Residential/Commercial Newton, Massachusetts	\$ 1,929,123	\$ 385,000	\$ 1,540,000	\$ 1,239,887	\$ 385,000	\$ 2,779,887	\$ 3,164,887	\$ 1,845,936	Jan. 1995

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 2. RENTAL PROPERTIES (Continued)**

	Encumbrances (First Mortgages)	Initial Cost to Partnerships(1)		Cost Capitalized Subsequent to Acquisition(2)	Gross Amount at Which Carried at Close of Period			Accumulated Depreciation(3)	Date Acquired
		Land	Buildings Improvements		Land	Buildings Improvements	Totals		
Nashoba									
Apartments L.P. Residential Apartments Acton, Massachusetts	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	Sold May13 Sept. 1977
NERA Dean									
St. Associates LLC Residential Apartments Norwood, Massachusetts	\$ 5,113,360	\$ 1,512,000	\$ 5,701,480	\$ 561,752	\$ 1,512,000	\$ 6,263,232	\$ 7,775,232	\$ 2,685,523	Jun. 2002
North Beacon 140 L.P.									
Residential Units Boston, Massachusetts	\$ 6,937,000	\$ 936,000	\$ 3,762,013	\$ 1,588,914	\$ 936,000	\$ 5,350,927	\$ 6,286,927	\$ 3,295,988	July 1995
Olde English									
Apartments L.P. Residential Apartments Lowell, Massachusetts	\$ 3,080,000	\$ 46,181	\$ 878,323	\$ 1,252,182	\$ 46,181	\$ 2,130,505	\$ 2,176,686	\$ 1,374,075	Sept. 1977
River Drive L.P.									
Residential Apartments Danvers, Massachusetts	\$ 3,465,000	\$ 72,525	\$ 587,777	\$ 729,271	\$ 72,525	\$ 1,317,048	\$ 1,389,573	\$ 926,978	Sept. 1977
Redwood Hills L.P.									
Residential Units Worcester, Massachusetts	\$ 6,743,000	\$ 1,200,000	\$ 4,810,604	\$ 2,285,268	\$ 1,200,000	\$ 7,095,872	\$ 8,295,872	\$ 4,190,382	July 1995
School St Assoc LLC									
Residential Apartments Framingham, Massachusetts	\$ 15,000,000	\$ 4,686,728	\$ 18,746,911	\$ (1,997,252)	\$ 4,686,728	\$ 16,749,659	\$ 21,436,387	\$ 6,647,588	Apr. 2003
Staples Plaza Strip									
Mall Framingham, Massachusetts	\$ 6,000,000	\$ 3,280,000	\$ 4,920,000	\$ 46,847	\$ 3,280,000	\$ 4,966,847	\$ 8,246,847	\$ 2,403,966	May 1999
WCB Associates LLC									
Residential Apartments Brockton, Massachusetts	\$ 7,000,000	\$ 1,335,000	\$ 7,565,501	\$ 1,017,996	\$ 1,335,000	\$ 8,583,497	\$ 9,918,497	\$ 4,756,907	Dec. 1999
Westgate									
Apartments LLC Residential Apartments Woburn, Massachusetts	\$ 15,700,000	\$ 461,300	\$ 2,424,636	\$ 7,024,635	\$ 417,107	\$ 9,449,271	\$ 9,866,378	\$ 5,996,569	Sept. 1977
	<u>\$ 198,520,478</u>	<u>\$ 41,773,766</u>	<u>\$ 150,044,186</u>	<u>\$ 29,680,527</u>	<u>\$ 41,729,573</u>	<u>\$ 179,724,713</u>	<u>\$ 221,454,286</u>	<u>\$ 68,549,627</u>	

- (1) The initial cost to the Partnerships represents both the balance of mortgages assumed in September 1977, including subsequent adjustments to such amounts, and subsequent acquisitions at cost.
- (2) Net of retirements, which are not significant.
- (3) In 2013, rental properties were depreciated over the following estimated useful lives:

<u>Assets</u>	<u>Life</u>
Buildings and Improvements	10-39 years
Other Categories of Assets	5-10 years



Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 2. RENTAL PROPERTIES (Continued)**

A reconciliation of rental properties and accumulated depreciation is as follows:

	December 31,		
	2013	2012	2011
<b>Rental Properties</b>			
Balance, Beginning	\$ 158,624,893	\$ 159,123,799	\$ 150,818,648
<b>Additions:</b>			
Buildings, improvements and other assets	65,349,698	2,360,399	12,444,604
	<u>223,974,591</u>	<u>161,484,198</u>	<u>163,263,252</u>
<b>Deduct:</b>			
Write-off of retired or disposed assets	2,505,787	1,607,830	2,437,555
Rental properties held for sale and/or sold	14,518	1,251,475	1,701,898
Balance, Ending	<u>\$ 221,454,286</u>	<u>\$ 158,624,893</u>	<u>\$ 159,123,799</u>
<b>Accumulated Depreciation</b>			
Balance, Beginning	\$ 63,651,293	\$ 60,199,265	\$ 58,074,391
<b>Add:</b>			
Depreciation for the year	7,404,120	5,849,083	5,750,989
	<u>71,844,630</u>	<u>66,048,348</u>	<u>63,825,380</u>
<b>Deduct:</b>			
Accumulated depreciation of retired or disposed assets	2,505,787	1,607,830	2,437,555
Accumulated depreciation of rental properties held for sale and/or sold	—	789,225	1,188,560
Balance, Ending	<u>\$ 68,549,625</u>	<u>\$ 63,651,293</u>	<u>\$ 60,199,265</u>

On May 18, 2011, the Partnership sold Avon Street Apartments, a 66 unit residential apartment complex located at 130 Avon Street, Malden, Massachusetts. The sales price was \$8,750,000, which resulted in a gain of approximately \$7,700,000. The net proceeds of the sale, of approximately \$5,444,000 were held by a qualified intermediary in order for the Partnership to structure a tax free exchange in accordance with Section 1031 of the IRS code. This tax free exchange was completed with the purchase of Battle Green Apartments described below.

On June 1, 2011, the Partnership purchased Battle Green Apartments, a 48 unit residential apartment complex located at 34-42 Worthen Road, Lexington, Massachusetts. The purchase price was \$10,000,000. The Partnership used cash reserves, the proceeds from the sale of Avon Street and borrowed \$3,998,573 from Harold Brown, Treasurer of the General Partner to make this purchase. This loan had an interest rate of 6% and was secured by the Partnership's ownership interest in Battle Green Apartments, LLC. The term of the loan is four years with a provision requiring payment in whole or in part upon demand within six months of notice or prepay without penalty. On July 27, 2011, the Partnership financed Battle Green Apartments with a new \$5,000,000 mortgage at 4.95% which matures in August 2026. Principal payments will be made using a 30 year amortization schedule. Deferred financing costs associated with this mortgage totaled approximately \$100,000 and accordingly the effective interest rate is 5.07%. After paying off the existing loan of \$3,998,573, approximately

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 2. RENTAL PROPERTIES (Continued)**

\$1,000,000 was received by the Partnership. The interest paid on this loan to Harold Brown in 2011 was \$38,123.

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, ("Hamilton Green") 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 sale of the Nashoba Apartments, and the balance from the Partnership's cash reserves. The closing costs associated with this short term financing were approximately \$38,000. The original mortgage matured in November 2013. On December 20, 2013, the Partnership refinanced the 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. This refinancing required additional capital of approximately \$1,846,000 from the Partnership. The closing costs associated with this refinancing were approximately \$346,000.

**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. Total fees paid were approximately \$1,578,000, \$1,447,000 and \$1,420,000 in 2013, 2012 and 2011, respectively.

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. In 2013, 2012 and 2011, approximately \$1,431,000, \$686,000 and \$758,000, 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 \$294,000 consisted of repairs and maintenance, \$339,000 of administrative expense and \$172,000 for rental commission. Approximately \$627,000 of expenses for construction, architectural services and supervision of capital projects were capitalized in rental properties. Additionally in 2013, the Hamilton Company received approximately \$765,000 from the Investment Properties of which approximately \$614,000 was the management fee, approximately \$12,000 was for construction, architectural services and supervision of capital projects, approximately \$77,000 was for maintenance services and approximately \$61,000 was for administrative services. The management fee is equal to 4% of gross receipts rental income on the majority of investment properties and 2% on Dexter Park.

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 3. RELATED PARTY TRANSACTIONS (Continued)**

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 \$2,926,000, \$2,606,000 and \$2,537,000 for the years ended December 31, 2013, 2012 and 2011, 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, 2012 or 2011.

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 years ended December 31, 2013, 2012 and 2011 the Management Company charged the Partnership \$125,000 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 the years ended December 31, 2013, 2012 and 2011 this individual received a quarterly fee of \$18,750 for a total fee of \$75,000.

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 60%. 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 additional principal payments of \$750,000 to HBC Holdings and the balance of \$918,600 was paid in full in April 2012. The interest paid during the years ended December 31, 2012 and 2011 was \$18,960 and \$238,673, respectively.

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

**NOTE 4. OTHER ASSETS**

Approximately \$2,053,000 and \$1,919,000 of security deposits are included in prepaid expenses and other assets at December 31, 2013 and 2012, respectively. The security deposits and escrow accounts are restricted cash.

Included in prepaid expenses and other assets at December 31, 2013 and 2012 is approximately \$123,000 and \$420,000, respectively, held in escrow to fund future capital improvements.

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 4. OTHER ASSETS (Continued)**

Intangible assets of \$1,752,000 on the acquisition of Hamilton Green are included in prepaid expenses and other assets. On December 31, 2013, intangible assets are approximately \$978,000 net of accumulated amortization of approximately \$774,000.

Financing fees of approximately \$1,635,000 and \$1,136,000 are net of accumulated amortization of approximately \$548,000 and \$772,000 at December 31, 2013 and 2012, respectively.

**NOTE 5. MORTGAGE NOTES PAYABLE**

At December 31, 2013 and 2012, the mortgages payable consisted of various loans, all of which were secured by first mortgages on properties referred to in Note 2. At December 31, 2013, the interest rates on these loans ranged from 3.25% to 5.97%, payable in monthly installments aggregating approximately \$835,000, including principal, to various dates through 2029. The majority of the mortgages are subject to prepayment penalties. At December 31, 2013, the weighted average interest rate on the above mortgages was 4.83%. The effective rate of 4.93% 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 December 31, 2013 are as follows:

2014—current maturities	\$ 8,646,000
2015	2,135,000
2016	1,184,000
2017	1,782,000
2018	7,860,000
Thereafter	176,913,000
	<u>\$ 198,520,000</u>

On February 25, 2013, the Partnership paid off the mortgage of approximately \$3,967,000 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 owned by School Street 9 LLC. 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. Principal payments will be on a 30 year amortization schedule. The Partnership paid off the prior mortgage in the amount of approximately \$15,284,000 with the proceeds of the new mortgage and the Partnership's cash reserves. The costs associated with this refinancing were approximately \$159,000.

On July 7, 2013, the Partnership refinanced the property owned by Boylston Downtown LP. 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

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 5. MORTGAGE NOTES PAYABLE (Continued)**

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.

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. Approximately \$7,616,000 of the loan proceeds was used to pay off the existing mortgage. The mortgage matures in September 2023. The costs associated with the refinancing were approximately \$190,000.

On December 20, 2013, the Partnership refinanced the property owned by Hamilton Green Apartments LLP. The new mortgage is \$38,500,000; the interest rate is 4.67%; interest only for 2 years. After the first two years, the monthly payments of \$198,982 for principal and interest on a 30-year amortization schedule through January 2029. The proceeds of the new mortgage as well as the Partnership's cash reserves of approximately \$1,846,000 were used to pay off the prior mortgage of \$40,000,000 and cover the cost of this refinancing. The costs associated with the refinancing were approximately \$346,000.

**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 December 31, 2013, amounts received for prepaid rents of approximately \$1,448,000 are included in cash and cash equivalents, and security deposits of approximately \$2,053,000 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 2014, the Partnership announced the approval of a quarterly distribution of its Class A Limited Partners and holders of Depositary Receipts of record as of March 15, 2014 and payable on March 31, 2014, \$7.50 per unit and \$0.25 per receipt.

In 2013 and 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) each year.

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

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 7. PARTNERS' CAPITAL (Continued)**

Units have the right to exchange each Class A Unit for 30 Depositary Receipts. The following is information per Depositary Receipt:

	Year Ended December 31,	
	2013	2012
Income per Depositary Receipt before Discontinued Operations	\$ 0.50	\$ 0.91
Income from Discontinued Operations	0.95	0.01
Net Income per Depositary Receipt after Discontinued Operations	<u>\$ 1.45</u>	<u>\$ 0.92</u>
Distributions per Depositary Receipt	<u>\$ 1.00</u>	<u>\$ 1.00</u>

**NOTE 8. TREASURY UNITS**

Treasury Units at December 31, 2013 are as follows:

Class A	40,590
Class B	9,640
General Partnership	508
	<u>50,738</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 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 Restate 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 December 31, 2013, the Partnership has repurchased 1,242,891 Depositary Receipts at an average price of \$24.86 per receipt (or \$745.80 per underlying Class A Unit), 2,103 Class B Units and 111 General Partnership Units, both at an average price of \$658.89 per Unit, totaling approximately \$32,481,000 including brokerage fees paid by the Partnership.

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 8. TREASURY UNITS (Continued)**

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.

From January 1, 2014 through March 17<sup>th</sup>, 2014, the Partnership purchased a total of 6,235 Depositary Receipts. The average price was \$45.56 per receipt or \$1,366.87 per unit. The total cost including commission was \$292,169. The Partnership is required to repurchase 49.36 Class B Units and 2.60 General Partnership Units at a cost of \$67,470 and \$3,551 respectively.

During the year ended December 31, 2013, the Partnership purchased a total of 22,964 Depositary Receipts. The average price was \$37.80 per receipt or \$1,134 per unit. The total cost including commission was \$877,623. The Partnership was required to repurchase 182 Class B Units and 10 General Partnership units at a cost of \$206,137 and \$10,849, respectively.

During the year ended December 31, 2012, the Partnership purchased 24,967 Depositary Receipts for a cost of \$726,058, 198 Class B Units for a cost of \$171,148 and 10 General Partnership Units for a cost of \$9,008 for a total cost of \$906,214.

**NOTE 9. COMMITMENTS AND CONTINGENCIES**

From time to time, the Partnership is involved in various ordinary routine litigation incidental 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 year ended December 31, 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

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 10. RENTAL INCOME (Continued)**

have minimum future annual rental income on non-cancellable operating leases at December 31, 2013 as follows:

	<b>Commercial Property Leases</b>
2014	\$ 2,686,000
2015	2,445,000
2016	2,027,000
2017	1,339,000
2018	1,054,000
Thereafter	1,372,000
	<u>\$ 10,923,000</u>

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 \$670,000, \$661,000 and \$633,000 for the years ended December 31, 2013, 2012 and 2011 respectively. Staples and Trader Joes, tenants at Staples Plaza are approximately 30% of the total commercial rental income.

The following information is provided for commercial leases:

<u>Through December 30,</u>	<u>Annual base rent for expiring leases</u>	<u>Total square feet for expiring leases</u>	<u>Total number of leases expiring</u>	<u>Percentage of annual base rent for expiring leases</u>
2014	\$ 364,575	18,610	11	13%
2015	264,567	8,471	8	9%
2016	610,382	27,796	5	21%
2017	510,074	14,134	7	17%
2018	298,551	8,707	6	10%
2019	611,721	21,586	4	21%
2020	64,657	1,106	1	2%
2021	64,800	1,800	1	2%
2022	0	0	0	0%
2023	157,443	4,771	1	5%
Totals	<u>\$ 2,946,770</u>	<u>106,981</u>	<u>44</u>	<u>100%</u>

Rents receivable are net of an allowance for doubtful accounts of approximately \$344,000 and \$381,000 at December 31, 2013 and 2012. Included in rents receivable at December 31, 2013 is approximately \$196,000 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 December 31, 2013 also includes approximately \$82,000 representing the deferral of rental concession primarily related to the residential properties.

For the year ended December 31, 2013 rent at the commercial properties includes approximately \$2,000 of amortization of deferred rents arising from the fair values assigned to in-place leases upon the purchase of Cypress Street in Brookline, Massachusetts.

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 11. CASH FLOW INFORMATION**

During the years ended December 31, 2013, 2012 and 2011, cash paid for interest was approximately \$8,062,000, \$7,776,000 and \$8,011,000 respectively. Cash paid for state income taxes was approximately \$60,000, \$48,000 and \$55,000 during the years ended December 31, 2013, 2012 and 2011 respectively. In 2013, the Partnership was involved in non-cash financing activities of \$38,500,000 in connection with the purchase of Hamilton Green.

**NOTE 12. FAIR VALUE MEASUREMENTS**

Fair Value Measurements on a Recurring Basis

At December 31, 2013 and 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.

Financial Assets and Liabilities not Measured at Fair Value

At December 31, 2013 and 2012 the carrying amounts of certain of our financial instruments, including cash and cash equivalents, accounts receivable, and note payable, 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 December 31, 2013 and 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 December 31, 2013 and 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.

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 12. FAIR VALUE MEASUREMENTS (Continued)**

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 December 31, 2013	\$ 198,520,478	\$ 196,059,827
At December 31, 2012	\$ 138,055,523	\$ 155,942,880
Investment Properties		
At December 31, 2013	\$ 137,875,515	\$ 147,975,521
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 December 31, 2013 and 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 December 31, 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 \$4,300,000 less than statement income for the year ended December 31, 2013. The primary reason for the decrease is due to tax free exchanges of approximately \$3,700,000 from the sale of Nashoba and accelerated tax depreciation of approximately \$1,100,000 at the related acquisition of Hamilton Green and other depreciation timing difference and accelerated depreciation in prior years. The cumulative tax basis of the Partnership's real estate at December 31, 2013 is approximately \$4,800,000, 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 \$1,300,000 less than statement basis because of accelerated depreciation.

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.

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 13. TAXABLE INCOME AND TAX BASIS (Continued)**

The following reconciles GAAP net income to taxable income:

	For the year ended		
	December 31,		
	2013	2012	2011
	(in thousands)		
Financial statement ("book") net income (loss)	\$ 5,655	\$ 3,634	\$ 9,291
Book/Tax differences from depreciation and amortization	(300)	51	(1,024)
Book/Tax differences on tax free exchanges	(4,670)	266	(7,707)
Book/Tax differences from Investment Properties	400	198	(161)
Increase (Decrease) in prepaid rent and allowances	175	(40)	29
Other	50	57	7
Taxable income (loss)	<u>\$ 1,310</u>	<u>\$ 4,166</u>	<u>\$ 435</u>

Allowable accelerated depreciation deductions have expired for 2014. This may result in higher taxable income in future years. 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 December 31, 2013, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations is from the year 2005 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. The balance of this mortgage is approximately \$87,411,000 at December 31, 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

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)**

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 year ended December 31, 2012 was \$18,960. 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. 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 condominium 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 December 31, 2013, the balance of the mortgage is approximately \$4,640,000. 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. On October 18, 2013, the Partnership and its joint venture partner each made capital contributions to the entity of \$660,000. The capital was used to pay off the outstanding mortgage. As of February 1, 2014, 15 of the 20 units are still owned by the Partnership. 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 on Hamilton Essex 81, LLC is approximately \$8,235,000 amortizing over 30 years at 5.79% due in August 2016. The mortgage on Essex Development, LLC, or the parking lot is approximately \$2,041,000 with a variable interest rate of 2.25% over the daily Libor rate (0.17% at December 31, 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 payments of \$4,443 per month. The costs associated with the extension were 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.

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)**

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 \$4,870,000 at December 31, 2013. This investment is referred to as Hamilton 1025, 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 Apartments LLC paid a fee of approximately \$400,000 in connection with this early extinguishment of debt. At December 31, 2013, the remaining balance on the mortgage is approximately \$15,318,000.

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 December 31, 2013, the balance of this mortgage is approximately \$5,362,000. This investment is referred to as Hamilton Minuteman, LLC.

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. The Partnership paid off the prior mortgage of approximately \$6,776,000 with the proceeds of the new mortgage. After the refinancing, the property made a distribution of \$1,610,000 to the Partnership. As a result of the distribution, the carrying value of the investment fell below zero. The Partnership will continue to account for this investment using the equity method of accounting. Although the Partnership has no legal obligation, the Partnership intends to fund its share of any future operating deficits if needed. This investment is referred to as 345 Franklin, LLC.

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2013

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

Summary financial information for the year ended December 31, 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
<b>ASSETS</b>										
Rental Properties	\$ 8,764,215	\$ 2,624,325	\$ 7,494,954	\$ 5,389,763	\$ 1,766,132	\$ 6,680,834	\$ 6,778,029	\$ 20,253,587	\$ 102,120,964	\$ 161,872,803
Cash & Cash Equivalents	30,360	35,644	78,691	9,085	36,423	17,861	33,921	189,004	961,622	1,392,611
Rent Receivable	31,426	—	1,512	7,970	1,251	2,766	—	5,697	91,701	142,324
Real Estate Tax Escrow	101,395	—	16,970	80,767	—	45,679	41,268	72,308	427,084	785,470
Prepaid Expenses & Other Assets	77,141	555	36,979	44,737	101,507	31,435	50,721	322,667	1,529,591	2,195,335
Financing & Leasing Fees	46,630	14,097	96,548	14,619	—	19,881	11,981	7,716	340,362	551,834
<b>Total Assets</b>	<b>\$ 9,051,167</b>	<b>\$ 2,674,621</b>	<b>\$ 7,725,654</b>	<b>\$ 5,546,941</b>	<b>\$ 1,905,314</b>	<b>\$ 6,798,456</b>	<b>\$ 6,915,919</b>	<b>\$ 20,850,980</b>	<b>\$ 105,471,324</b>	<b>\$ 166,940,376</b>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>										
Mortgage Notes Payable	\$ 8,234,548	\$ 2,041,146	\$ 10,000,000	\$ 4,869,583	\$ —	\$ 4,639,848	\$ 5,362,109	\$ 15,317,643	\$ 87,410,638	\$ 137,875,517
Accounts Payable & Accrued Expense	44,299	6,084	60,638	50,279	16,993	7,570	73,289	290,008	944,140	1,493,299
Advance Rental Pmts& Security Deposits	167,143	—	169,709	92,057	24,687	85,413	74,615	291,825	2,121,509	3,026,957
<b>Total Liabilities</b>	<b>8,445,990</b>	<b>2,047,230</b>	<b>10,230,346</b>	<b>5,011,919</b>	<b>41,680</b>	<b>4,732,831</b>	<b>5,510,013</b>	<b>15,899,477</b>	<b>90,476,287</b>	<b>142,395,772</b>
Partners' Capital	605,177	627,391	(2,504,692)	535,022	1,863,634	2,065,625	1,405,906	4,951,504	14,995,037	24,544,604
<b>Total Liabilities and Capital</b>	<b>\$ 9,051,167</b>	<b>\$ 2,674,621</b>	<b>\$ 7,725,654</b>	<b>\$ 5,546,941</b>	<b>\$ 1,905,314</b>	<b>\$ 6,798,456</b>	<b>\$ 6,915,919</b>	<b>\$ 20,850,980</b>	<b>\$ 105,471,324</b>	<b>\$ 166,940,376</b>
<b>Partners' Capital %—NERA</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>40%</b>
<b>Investment in Unconsolidated Joint Ventures</b>	<b>\$ 302,589</b>	<b>\$ 313,695</b>	<b>\$ —</b>	<b>\$ 267,511</b>	<b>\$ 931,817</b>	<b>\$ 1,032,812</b>	<b>\$ 702,953</b>	<b>\$ 2,475,752</b>	<b>\$ 5,998,015</b>	<b>12,025,144</b>
<b>Distribution and Loss in Excess of investments in Unconsolidated Joint Ventures</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (1,252,346)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>(1,252,346)</b>
<b>Total Investment in Unconsolidated Joint Ventures (Net)</b>										<b>\$ 10,772,798</b>
Total units/condominiums										
Apartments	48	—	40	175	120	48	42	148	409	1,030
Commercial	1	1	—	1	—	—	—	—	—	3
<b>Total</b>	<b>49</b>	<b>1</b>	<b>40</b>	<b>176</b>	<b>120</b>	<b>48</b>	<b>42</b>	<b>148</b>	<b>409</b>	<b>1,033</b>
Units to be retained	49	1	40	49	—	48	42	148	409	786
Units to be sold	—	—	—	127	120	—	—	—	—	247
Units sold through February 1, 2014	—	—	—	127	105	—	—	—	—	232
Unsold units	—	—	—	—	15	—	—	—	—	15
Unsold units with deposits for future sale as of February 1, 2014	—	—	—	—	—	—	—	—	—	—



NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2013

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

Year ended December 31, 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
<b>Revenues</b>										
Rental Income	\$ 1,362,012	\$ 287,410	\$ 1,258,313	\$ 896,256	\$ 261,949	\$ 911,845	\$ 858,492	\$ 2,753,120	\$ 12,851,259	\$ 21,440,655
Laundry and Sundry Income	17,549	—	2,683	—	—	—	675	37,192	94,715	152,814
	<u>1,379,562</u>	<u>287,410</u>	<u>1,260,996</u>	<u>896,256</u>	<u>261,949</u>	<u>911,845</u>	<u>859,167</u>	<u>2,790,312</u>	<u>12,945,974</u>	<u>21,593,469</u>
<b>Expenses</b>										
Administrative	18,330	1,370	23,813	9,552	10,134	16,291	6,206	38,144	245,444	369,284
Depreciation and Amortization	428,609	9,803	428,003	240,658	80,697	307,546	318,095	948,478	5,778,427	8,540,316
Management Fees	55,813	11,496	51,706	36,066	10,538	35,831	34,129	112,749	271,505	619,833
Operating	114,778	—	68,364	1,150	2,234	1,343	83,143	347,382	1,056,919	1,675,312
Renting	11,106	—	3,788	5,378	1,425	10,986	6,350	6,273	105,593	150,898
Repairs and Maintenance	123,702	4,950	86,844	320,348	94,640	295,144	69,057	389,671	1,051,832	2,436,188
Taxes and Insurance	216,560	49,192	114,669	151,971	42,765	146,870	121,442	342,995	1,529,605	2,716,069
	<u>968,897</u>	<u>76,812</u>	<u>777,187</u>	<u>765,121</u>	<u>242,433</u>	<u>814,012</u>	<u>638,423</u>	<u>2,185,692</u>	<u>10,039,324</u>	<u>16,507,900</u>
<b>Income Before Other Income</b>	<u>410,665</u>	<u>210,598</u>	<u>483,809</u>	<u>131,134</u>	<u>19,516</u>	<u>97,833</u>	<u>220,744</u>	<u>604,620</u>	<u>2,906,650</u>	<u>5,085,569</u>
<b>Other Income (Loss)</b>										
Interest Expense	(488,369)	(58,093)	(453,197)	(284,257)	(73,819)	(267,228)	(312,507)	(822,109)	(5,016,659)	(7,776,238)
Interest Income	—	—	26	8	159	—	—	—	57	250
Interest Income from Note	—	—	—	—	3,258	—	—	—	—	3,258
Other Income (Expenses)	—	—	(68,588)	—	—	—	—	—	—	(68,588)
	<u>(488,369)</u>	<u>(58,093)</u>	<u>(521,759)</u>	<u>(284,249)</u>	<u>(70,402)</u>	<u>(267,228)</u>	<u>(312,507)</u>	<u>(822,109)</u>	<u>(5,016,602)</u>	<u>(7,841,318)</u>
<b>Net Income (Loss)</b>	<u>\$ (77,704)</u>	<u>\$ 152,505</u>	<u>\$ (37,950)</u>	<u>\$ (153,114)</u>	<u>\$ (50,886)</u>	<u>\$ (169,395)</u>	<u>\$ (91,763)</u>	<u>\$ (217,489)</u>	<u>\$ (2,109,952)</u>	<u>\$ (2,755,749)</u>
<b>Net Income (Loss)—NERA 50%</b>	<u>\$ (38,852)</u>	<u>\$ 76,252</u>	<u>\$ (18,975)</u>	<u>\$ (76,557)</u>	<u>\$ (25,443)</u>	<u>\$ (84,697)</u>	<u>\$ (45,882)</u>	<u>\$ (108,744)</u>		<u>(322,898)</u>
<b>Net Income (Loss)—NERA 40%</b>								<u>\$ (843,981)</u>		<u>(843,981)</u>
										<u>\$ (1,166,879)</u>

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2013

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

Future annual mortgage maturities at December 31, 2013 are as follows:

Period End	Hamilon Essex 81	Hamilton Essex 81 Development	345 Franklin	Hamilton 1025	Hamilton Bay Apts	Hamilton Minuteman	Hamilton on Main Apts	Dexter Park	Total
12/31/2014	\$ 139,130	\$ 53,316	\$ —	\$ 69,003	\$ 73,015	\$ 75,575	\$ 308,998	\$ 1,348,742	\$ 2,067,779
12/31/2015	141,048	1,987,830		73,077	73,941	80,036	15,008,646	1,425,814	18,790,391
12/31/2016	7,954,370		86,413	4,727,503	78,166	77,128		1,507,291	14,430,870
12/31/2017			183,627		4,414,727	5,129,371		1,593,424	11,321,149
12/31/2018			190,861					1,684,479	1,875,340
Thereafter			9,539,099					79,850,888	89,389,987
	<u>\$ 8,234,548</u>	<u>\$ 2,041,146</u>	<u>\$ 10,000,000</u>	<u>\$ 4,869,583</u>	<u>\$ 4,639,848</u>	<u>\$ 5,362,109</u>	<u>\$ 15,317,643</u>	<u>\$ 87,410,638</u>	<u>\$ 137,875,516</u>

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2013

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

At December 31, 2013 the weighted average interest rate on the above mortgages was 5.38%. The effective rate was 5.52% including the amortization expense of deferred financing costs.

Summary financial information for the year ended December 31, 2012

	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
<b>ASSETS</b>										
Rental Properties	\$ 9,103,858	\$ 2,610,574	\$ 7,885,745	\$ 5,621,970	\$ 1,844,219	\$ 6,975,854	\$ 7,020,471	\$ 21,148,813	\$ 107,496,918	\$ 169,708,422
Cash & Cash Equivalents	27,848	20,214	3,533	2,706	20,695	62,473	44,170	103,990	941,391	1,227,018
Rent Receivable	44,005	—	600	7,283	2,200	2,686	2,626	11,108	35,250	105,758
Real Estate Tax Escrow	49,793	—	20,242	74,443	—	41,225	43,612	70,364	424,159	723,838
Prepaid Expenses & Other Assets	61,895	505	75,222	33,659	127,530	14,345	48,715	154,396	1,367,274	1,883,541
Financing & Leasing Fees	64,116	4,325	8,164	19,645	5,505	26,243	15,950	14,581	399,678	558,206
<b>Total Assets</b>	<b>\$ 9,351,515</b>	<b>\$ 2,635,617</b>	<b>\$ 7,993,505</b>	<b>\$ 5,759,706</b>	<b>\$ 2,000,148</b>	<b>\$ 7,122,825</b>	<b>\$ 7,175,545</b>	<b>\$ 21,503,252</b>	<b>\$ 110,664,670</b>	<b>\$ 174,206,783</b>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>										
Mortgage Notes Payable	\$ 8,352,317	\$ 2,093,184	\$ 6,850,179	\$ 4,934,741	\$ 1,668,000	\$ 4,702,087	\$ 5,433,472	\$ 15,611,045	\$ 88,611,686	\$ 138,256,711
Accounts Payable & Accrued Expense	34,673	6,319	93,810	49,566	7,481	49,690	58,378	204,413	843,422	1,347,752
Advance Rental Pmts& Security Deposits	175,871	—	140,759	80,264	25,147	86,028	71,025	273,302	1,919,573	2,771,968
<b>Total Liabilities</b>	<b>8,562,861</b>	<b>2,099,503</b>	<b>7,084,748</b>	<b>5,064,570</b>	<b>1,700,628</b>	<b>4,837,806</b>	<b>5,562,875</b>	<b>16,088,760</b>	<b>91,374,681</b>	<b>142,376,432</b>
Partners' Capital	788,654	536,114	908,757	695,135	299,520	2,285,019	1,612,669	5,414,492	19,289,989	31,830,352
<b>Total Liabilities and Capital</b>	<b>\$ 9,351,515</b>	<b>\$ 2,635,617</b>	<b>\$ 7,993,505</b>	<b>\$ 5,759,706</b>	<b>\$ 2,000,148</b>	<b>\$ 7,122,825</b>	<b>\$ 7,175,545</b>	<b>\$ 21,503,252</b>	<b>\$ 110,664,670</b>	<b>\$ 174,206,783</b>
<b>Partners' Capital %—NERA</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>40%</b>	
<b>Investment in Unconsolidated Joint Ventures</b>	<b>\$ 394,327</b>	<b>\$ 268,057</b>	<b>\$ 454,379</b>	<b>\$ 347,568</b>	<b>\$ 149,760</b>	<b>\$ 1,142,510</b>	<b>\$ 806,335</b>	<b>\$ 2,707,246</b>	<b>\$ 7,715,996</b>	<b>13,986,177</b>
<b>Distribution and Loss in Excess of investments in Unconsolidated Joint Ventures</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>—</b>
<b>Total Investment in Unconsolidated Joint Ventures (Net)</b>										<b>\$ 13,986,177</b>

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2013

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

	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
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 March 1, 2013	—	—	—	127	105	—	—	—	—	232
Unsold units	—	—	—	—	15	—	—	—	—	15
Unsold units with deposits for future sale as of March 1, 2013	—	—	—	—	—	—	—	—	—	—

F-31

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2013

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

Year ended December 31, 2012

	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
<b>Revenues</b>										
Rental Income	\$ 1,270,141	\$ 287,537	\$ 1,178,712	\$ 861,998	\$ 235,061	\$ 886,122	\$ 809,707	\$ 2,623,994	\$ 12,202,615	\$ 20,355,887
Laundry and Sundry Income	15,363	—	1,206	—	—	—	2,435	20,952	98,042	137,999
	<u>1,285,504</u>	<u>287,537</u>	<u>1,179,918</u>	<u>861,998</u>	<u>235,061</u>	<u>886,122</u>	<u>812,142</u>	<u>2,644,946</u>	<u>12,300,657</u>	<u>20,493,885</u>
<b>Expenses</b>										
Administrative	15,237	1,749	27,942	5,142	7,553	34,600	7,825	46,400	219,218	365,666
Depreciation and Amortization	409,488	11,638	441,704	256,696	82,287	297,737	317,231	957,452	5,733,920	8,508,153
Management Fees	55,308	11,502	48,596	34,517	9,894	34,659	32,615	104,807	261,355	593,253
Operating	112,172	—	62,277	816	1,251	1,190	73,092	341,054	1,006,570	1,598,421
Renting	18,350	—	5,326	6,815	1,894	4,053	3,538	10,974	74,705	125,655
Repairs and Maintenance	118,786	5,475	82,052	320,997	70,812	273,652	57,448	380,605	880,103	2,189,930
Taxes and Insurance	197,566	49,237	106,785	145,755	46,017	161,137	102,505	337,256	1,485,297	2,631,555
	<u>926,908</u>	<u>79,600</u>	<u>774,681</u>	<u>770,738</u>	<u>219,707</u>	<u>807,027</u>	<u>594,254</u>	<u>2,178,549</u>	<u>9,661,169</u>	<u>16,012,632</u>
<b>Income Before Other Income</b>	<u>358,596</u>	<u>207,937</u>	<u>405,237</u>	<u>91,260</u>	<u>15,354</u>	<u>79,095</u>	<u>217,888</u>	<u>466,397</u>	<u>2,639,488</u>	<u>4,481,253</u>
<b>Other Income (Loss)</b>										
Interest Expense	(497,631)	(60,451)	(486,051)	(288,470)	(98,361)	(271,283)	(317,448)	(840,874)	(5,092,838)	(7,953,407)
Interest Income	—	—	48	74	215	—	—	—	—	337
Interest Income from Note	—	—	—	—	6,180	—	—	—	—	6,180
	<u>(497,631)</u>	<u>(60,451)</u>	<u>(486,003)</u>	<u>(288,395)</u>	<u>(91,966)</u>	<u>(271,283)</u>	<u>(317,448)</u>	<u>(840,874)</u>	<u>(5,092,838)</u>	<u>(7,946,890)</u>
<b>Net Income (Loss)</b>	<u>\$ (139,035)</u>	<u>\$ 147,486</u>	<u>\$ (80,766)</u>	<u>\$ (197,135)</u>	<u>\$ (76,612)</u>	<u>\$ (192,188)</u>	<u>\$ (99,560)</u>	<u>\$ (374,477)</u>	<u>\$ (2,453,350)</u>	<u>\$ (3,465,636)</u>
<b>Net Income (Loss)—NERA 50%</b>	<u>\$ (69,517)</u>	<u>\$ 73,743</u>	<u>\$ (40,383)</u>	<u>\$ (98,567)</u>	<u>\$ (38,306)</u>	<u>\$ (96,094)</u>	<u>\$ (49,780)</u>	<u>\$ (187,239)</u>		<u>(506,143)</u>
<b>Net Income (Loss)—NERA 40%</b>									<u>\$ (981,340)</u>	<u>(981,340)</u>
										<u>\$ (1,487,483)</u>

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2013

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

Summary financial information for the year ended December 31, 2011

	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
<b>ASSETS</b>										
Rental Properties	\$ 9,454,959	\$ 2,613,064	\$ 8,229,651	\$ 5,863,176	\$ 1,916,445	\$ 7,257,981	\$ 7,256,528	\$ 21,939,796	\$ 112,921,940	\$ 177,453,541
Cash & Cash Equivalents	47,526	1,529	17,027	1,848	19,416	5,026	31,125	90,940	836,347	1,050,783
Rent Receivable	73,459	—	—	15,682	—	2,512	7,457	8,593	86,722	194,425
Real Estate Tax Escrow	98,610	—	18,360	64,464	—	89,760	43,864	104,505	582,028	1,001,592
Prepaid Expenses & Other Assets	59,508	493	54,276	88,524	167,811	95,190	54,023	180,899	1,216,214	1,916,937
Financing & Leasing Fees	71,108	6,987	16,330	24,672	6,570	32,605	19,918	21,442	458,995	658,626
<b>Total Assets</b>	<b>\$ 9,805,169</b>	<b>\$ 2,622,073</b>	<b>\$ 8,335,644</b>	<b>\$ 6,058,364</b>	<b>\$ 2,110,241</b>	<b>\$ 7,483,074</b>	<b>\$ 7,412,916</b>	<b>\$ 22,346,175</b>	<b>\$ 116,102,247</b>	<b>\$ 182,275,903</b>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>										
Mortgage Notes Payable	\$ 8,462,041	\$ 2,144,796	\$ 7,019,119	\$ 4,995,487	\$ 1,668,000	\$ 4,750,000	\$ 5,500,000	\$ 15,887,203	\$ 89,733,192	\$ 140,159,839
Accounts Payable & Accrued Expense	32,238	6,309	15,323	48,236	12,682	28,690	58,596	212,224	820,603	1,234,900
Advance Rental Pmts & Security Deposits	152,940	—	114,179	69,970	20,027	85,575	69,592	257,780	1,800,113	2,570,176
<b>Total Liabilities</b>	<b>8,647,219</b>	<b>2,151,105</b>	<b>7,148,621</b>	<b>5,113,694</b>	<b>1,700,709</b>	<b>4,864,265</b>	<b>5,628,188</b>	<b>16,357,207</b>	<b>92,353,908</b>	<b>143,964,915</b>
Partners' Capital	1,157,950	470,968	1,187,023	944,670	409,532	2,618,809	1,784,728	5,988,968	23,748,339	38,310,988
<b>Total Liabilities and Capital</b>	<b>\$ 9,805,169</b>	<b>\$ 2,622,073</b>	<b>\$ 8,335,644</b>	<b>\$ 6,058,364</b>	<b>\$ 2,110,241</b>	<b>\$ 7,483,074</b>	<b>\$ 7,412,916</b>	<b>\$ 22,346,175</b>	<b>\$ 116,102,247</b>	<b>\$ 182,275,903</b>
<b>Partners' Capital %—NERA</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>40%</b>
<b>Investment in Unconsolidated Joint Ventures</b>	<b>\$ 578,975</b>	<b>\$ 235,484</b>	<b>\$ 593,512</b>	<b>\$ 472,335</b>	<b>\$ 204,766</b>	<b>\$ 1,309,404</b>	<b>\$ 892,364</b>	<b>\$ 2,994,484</b>	<b>\$ 9,499,335</b>	<b>16,780,660</b>
<b>Distribution and Loss in Excess of investments in Unconsolidated Joint Ventures</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>—</b>
<b>Total Investment in Unconsolidated Joint Ventures (Net)</b>										<b>\$ 16,780,660</b>
Total units/condominiums										
Apartments	48	—	40	175	120	48	42	148	409	1,030
Commercial	1	1	—	1	—	—	—	—	—	3
<b>Total</b>	<b>49</b>	<b>1</b>	<b>40</b>	<b>176</b>	<b>120</b>	<b>48</b>	<b>42</b>	<b>148</b>	<b>409</b>	<b>1,033</b>
Units to be retained	49	1	40	49	—	48	42	148	409	786
Units to be sold	—	—	—	127	120	—	—	—	—	247
Units sold through January 25, 2012	—	—	—	127	105	—	—	—	—	232
Unsold units	—	—	—	—	15	—	—	—	—	15
Unsold units with deposits for future sale as of February 1, 2012	—	—	—	—	—	—	—	—	—	—



NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2013

NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Continued)

Year ended December 31, 2011

	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
<b>Revenues</b>										
Rental Income	\$ 1,244,322	\$ 255,050	\$ 1,136,831	\$ 816,015	\$ 232,938	\$ 863,657	\$ 789,897	\$ 2,491,957	\$ 11,559,414	\$ 19,390,080
Laundry and Sundry Income	16,589	—	2,367	—	—	—	1,362	20,599	97,275	138,193
	<u>1,260,911</u>	<u>255,050</u>	<u>1,139,198</u>	<u>816,015</u>	<u>232,938</u>	<u>863,657</u>	<u>791,258</u>	<u>2,512,556</u>	<u>11,656,690</u>	<u>19,528,273</u>
<b>Expenses</b>										
Administrative	20,839	1,339	24,424	11,258	5,396	18,625	10,249	36,155	163,511	291,796
Depreciation and Amortization	424,695	8,498	443,055	257,961	103,536	329,930	322,216	965,324	5,698,657	8,553,872
Management Fees	49,677	11,040	45,829	32,120	9,486	33,916	31,666	100,581	251,071	565,386
Operating	121,521	—	66,278	1,733	239	732	54,650	371,687	929,543	1,546,382
Renting	8,058	—	19,206	13,322	1,750	8,927	3,559	15,140	144,149	214,111
Repairs and Maintenance	127,528	3,050	71,479	300,534	78,167	316,782	98,904	371,109	935,839	2,303,393
Taxes and Insurance	184,119	47,709	97,028	143,002	45,303	155,681	92,300	325,868	1,300,995	2,392,005
	<u>936,438</u>	<u>71,636</u>	<u>767,299</u>	<u>759,930</u>	<u>243,877</u>	<u>864,593</u>	<u>613,544</u>	<u>2,185,864</u>	<u>9,423,765</u>	<u>15,866,945</u>
<b>Income Before Other Income</b>	<u>324,473</u>	<u>183,414</u>	<u>371,899</u>	<u>56,085</u>	<u>(10,939)</u>	<u>(936)</u>	<u>177,714</u>	<u>326,693</u>	<u>2,232,924</u>	<u>3,661,328</u>
<b>Other Income (Loss)</b>										
Interest Expense	(503,102)	(61,593)	(494,468)	(289,222)	(98,010)	(271,348)	(317,927)	(848,786)	(5,113,523)	(7,997,979)
Interest Income	0	0	49	88	457	0	0	—	3,219	3,814
Interest Income from Note	—	—	—	—	8,904	—	—	—	—	8,904
Other Income (Expenses)	(2,331)	—	(5,375)	(3,621)	—	(2,271)	(61,589)	(1,152)	(3,500)	(79,839)
	<u>(505,433)</u>	<u>(61,593)</u>	<u>(499,793)</u>	<u>(292,756)</u>	<u>(88,649)</u>	<u>(273,619)</u>	<u>(379,515)</u>	<u>(849,938)</u>	<u>(5,113,804)</u>	<u>(8,065,100)</u>
<b>Net Income (Loss)</b>	<u>\$ (180,960)</u>	<u>\$ 121,821</u>	<u>\$ (127,894)</u>	<u>\$ (236,671)</u>	<u>\$ (99,588)</u>	<u>\$ (274,555)</u>	<u>\$ (201,801)</u>	<u>\$ (523,245)</u>	<u>\$ (2,880,880)</u>	<u>\$ (4,403,772)</u>
<b>Net Income (Loss)—NERA 50%</b>	<u>\$ (90,480)</u>	<u>\$ 60,911</u>	<u>\$ (63,947)</u>	<u>\$ (118,335)</u>	<u>\$ (49,794)</u>	<u>\$ (137,277)</u>	<u>\$ (100,900)</u>	<u>\$ (261,622)</u>		<u>(761,446)</u>
<b>Net Income (Loss)—NERA 40%</b>								<u>\$ (1,152,352)</u>		<u>(1,152,352)</u>
										<u>\$ (1,913,798)</u>

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 15. IMPACT OF RECENTLY-ISSUED ACCOUNTING STANDARDS**

In January 2013, the FASB issued Accounting Standards Update 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Comprehensive Income* ("ASU 2013-02"), which requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income within the same reporting period, an entity is required to cross-reference other disclosures that provide additional detail about the reclassified amounts. The Partnership adopted the provisions of ASU 2013-02 on January 1, 2013, which did not have a significant impact on its consolidated financial statements or notes thereto.

**NOTE 16. DISCONTINUED OPERATIONS AND SALES OF REAL ESTATE**

The following tables summarize income from discontinued operations and the related realized gain on sale of rental property for the years ended December 31, 2013, 2012 and 2011:

	<b>Year Ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Total Revenues	\$ 193,480	\$ 462,031	\$ 799,813
Operating and other expenses	172,322	348,714	605,294
Depreciation and amortization	2,111	79,969	101,566
	<u>174,433</u>	<u>428,683</u>	<u>706,860</u>
Income from discontinued operations	<u>\$ 19,047</u>	<u>\$ 33,348</u>	<u>\$ 92,953</u>

Gain on the sale of Avon Street in the second quarter of 2011:

Sale price	\$ 8,750,000
Net book value	(594,035)
Expense of sale	(435,506)
Gain on the sale of real estate	<u>\$ 7,720,459</u>

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	(144,395)
Gain on the sale of real estate	<u>\$ 3,678,839</u>

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 17. QUARTERLY FINANCIAL DATA (UNAUDITED)**

	Three Months Ended				Total
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	
Revenue	\$ 9,019,693	\$ 9,002,762	\$ 9,967,752	\$ 10,374,345	\$ 38,364,552
Expenses	5,980,237	6,113,940	7,484,223	7,654,735	27,233,135
Income Before Other Income and Discontinued Operations	3,039,456	2,888,822	2,483,529	2,719,610	11,131,417
Income (Loss) From Discontinued Operations	19,731	3,678,922	(654)	(113)	3,697,886
Other Income (Loss)	(2,157,562)	(2,098,628)	(2,515,749)	(2,401,979)	(9,173,918)
Net Income	\$ 901,625	\$ 4,469,116	\$ (32,874)	\$ 317,518	\$ 5,655,385
Net Income per Unit before Discontinued Operations	\$ 6.77	\$ 6.08	\$ (0.25)	\$ 2.45	\$ 15.07
Income per Unit from Discontinued Operations	\$ 0.15	\$ 28.29	\$ (0.01)	\$ 0.00	\$ 28.48
Net Income Per Unit	\$ 6.93	\$ 34.37	\$ (0.25)	\$ 2.45	\$ 43.55
Income Per Depository Receipt Before Discontinued Operations	\$ 0.23	\$ 0.20	\$ (0.01)	\$ 0.08	\$ 0.50
Income Per Depository Receipt From Discontinued Operations	\$ 0.01	\$ 0.94	\$ 0.00	\$ 0.00	\$ 0.95
Net Income Per Depository Receipt	\$ 0.23	\$ 1.15	\$ (0.01)	\$ 0.08	\$ 1.45

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 17. QUARTERLY FINANCIAL DATA (UNAUDITED) (Continued)**

	Three Months Ended				Total
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	
Revenue	\$ 8,733,052	\$ 8,690,579	\$ 8,759,026	\$ 8,986,514	\$ 35,169,171
Expenses	5,782,391	5,346,294	5,633,984	5,626,758	22,389,427
Income Before Other Income and Discontinued Operations	2,950,661	3,344,285	3,125,042	3,359,756	12,779,744
Income (Loss) From Discontinued Operations	13,284	14,345	(6,853)	12,572	33,348
Other Income (Loss)	(2,336,991)	(2,311,368)	(2,343,736)	(2,187,198)	(9,179,293)
Net Income	\$ 626,954	\$ 1,047,262	\$ 774,453	\$ 1,185,130	\$ 3,633,798
Net Income per Unit before Discontinued Operations	\$ 4.67	\$ 7.86	\$ 5.95	\$ 8.97	\$ 27.44
Income per Unit from Discontinued Operations	\$ 0.10	\$ 0.11	\$ (0.05)	\$ 0.10	\$ 0.25
Net Income Per Unit	\$ 4.77	\$ 7.97	\$ 5.90	\$ 9.07	\$ 27.69
Income Per Depository Receipt Before Discontinued Operations	\$ 0.16	\$ 0.26	\$ 0.20	\$ 0.30	\$ 0.91
Income Per Depository Receipt From Discontinued Operations	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01
Net Income Per Depository Receipt	\$ 0.16	\$ 0.27	\$ 0.20	\$ 0.30	\$ 0.92

**NOTE 18—SUBSEQUENT EVENTS**

From January 1, 2014 through March 18, 2014, the Partnership purchased a total of 6,235 Depository Receipts. The average price was \$45.56 per receipt or \$1,366.87 per unit. The total cost was \$292,169. The Partnership is required to repurchase 49.36 Class B Units and 2.60 General Partnership Units at a cost of \$67,470 and \$3,551 respectively.

In February 2014, the Partnership paid off the mortgage on Linewt in the amount of \$1,465,813 and Linhart in the amount of \$1,926,272. There were no prepayment penalties. The Partnership's cash reserves were used to pay off these mortgages.

Table of Contents

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 19—QUALIFYING ACCOUNTS**

**New England Realty Associates Limited Partnership**

**Valuation and Qualifying Accounts**

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions</u>		<u>Deductions Describe(a)</u>	<u>Balance at end of Period</u>
		<u>Charged to Costs and Expenses</u>	<u>Charged to other account describe</u>		
Year ended December 31, 2013:					
Deducted from asset accounts:					
Allowance for doubtful accounts	380,708	189,946		226,849	343,805
Year ended December 31, 2012:					
Deducted from asset accounts:					
Allowance for doubtful accounts	448,119	190,032		257,443	380,708
Year ended December 31, 2011:					
Deducted from asset accounts:					
Allowance for doubtful accounts	482,518	265,807		300,206	448,119

(a) Uncollectible accounts written off



Table of Contents

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
(3)	Second Amended and Restated Contract of Limited Partnership.(1)
(4)	(a) Specimen certificate representing Depository Receipts.(2)
	(b) Description of rights of holders of Partnership securities.(2)
	(c) Deposit Agreement, dated August 12, 1987, between the General Partner and the First National Bank of Boston.(3)
(10.1)	Purchase and Sale Agreement by and between Sally A. Starr and Lisa Brown, Trustees of Omnibus Realty Trust, a nominee trust.(5)
(10.2)	Commitment letter from Wachovia Multifamily Capital, Inc. to The Hamilton Company dated January 11, 2008.(6)
(10.3)	Amendment dated February 27, 2008 to Commitment letter from Wachovia Multifamily Capital, Inc. to The Hamilton Company dated January 11, 2008.(7)
(10.4)	Purchase and Sale and Escrow Agreement dated September 1, 2009 by and between 175 Free Street Investors LLC, as Seller, The Hamilton Company, as Purchaser, and First American Title Insurance Company, as Escrow Agent.(8)
(10.5)	Limited Liability Company Operating Agreement of HBC Holdings, LLC.(9)
(10.6)	Limited Liability Company Agreement of Hamilton Park Towers, LLC.(10)
(10.7)	Pledge Agreement dated October 28, 2009 by and between New England Realty Associates Limited Partnership and HBC Holdings, LLC.(11)
(10.8)	Promissory Note dated October 28, 2009 of New England Realty Associates Limited Partnership in favor of HBC Holdings, LLC.(12)
(10.9)	MultiFamily Note—CME of Hamilton Park Towers, LLC, as Borrower, in favor of Wachovia Multifamily Capital, Inc., as Lender, in the principal amount of \$89,914,000 dated October 28, 2009.(13)
(10.10)	Purchase and sale agreement by and between Avon Street Apartments and 503-509 Pleasant Street, LLC.
(10.11)	Purchase and Sale Agreement dated May 20, 2011 by and between Battlegreen Apartments Trust and Hamilton Battle Green LLC(14).
(10.12)	Promissory Note dated June 1, 2011 by and between Avon Street Apartments Limited Partnership, as Maker, and Harold Brown, as Lender(15).
(10.13)	Pledge Agreement dated June 1, 2011 by and between Avon Street Apartments Limited Partnership, as Pledgor, and Harold Brown, as Pledgee(16).
(10.14)	Hamilton Green Purchase Agreement dated June 14, 2013
(10.15)	Loan Agreement dated July 15, 2013 complete description
(21)	Subsidiaries of the Partnership.(4)
(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)

Table of Contents

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
(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).
(99.1)	Combined Financial Statements of Significant Subsidiaries
(101.1)	The following financial statements from New England Realty Associates Limited Partnership Quarterly Report on Form 10-K for the year ended December 31, 2013 formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Changes in Partners' Capital, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements.
<hr/>	
(1)	Incorporated by reference to Exhibit A to the Partnership's Statement Furnished in Connection with the Solicitation of Consents filed under the Securities Exchange Act of 1934 on October 14, 1986.
(2)	Incorporated herein by reference to Exhibit A to Exhibit 2(b) to the Partnership's Registration Statement on Form 8-A, filed under the Securities Exchange Act of 1934 on August 17, 1987.
(3)	Incorporated herein by reference to Exhibit 2(b) to the Partnership's Registration Statement on Form 8-A, filed under the Securities Exchange Act of 1934 on August 17, 1987.
(4)	Incorporated by reference to Notes 2 and 14 to Financial Statements included as part of this Form 10-K.
(5)	Incorporated by reference to Exhibit 2.1 to the Partnership's Current Report on Form 8-K dated June 30, 1995.
(6)	Incorporated herein by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8-K dated January 11, 2008 and filed with the Securities and Exchange Commission on February 6, 2008.
(7)	Incorporated herein by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8-K dated February 27, 2008 and filed with the Securities and Exchange Commission on March 4, 2008.
(8)	Incorporated herein by reference to Exhibit 10.1 to the Partnership's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2009.
(9)	Incorporated herein by reference to Exhibit 10.2 to the Partnership's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2009.
(10)	Incorporated herein by reference to Exhibit 10.3 to the Partnership's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2009.
(11)	Incorporated herein by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8-K as filed with the Securities and Exchange Commission on November 3, 2009.
(12)	Incorporated herein by reference to Exhibit 10.2 to the Partnership's Current Report on Form 8-K as filed with the Securities and Exchange Commission on November 3, 2009.
(13)	Incorporated herein by reference to Exhibit 10.3 to the Partnership's Current Report on Form 8-K as filed with the Securities and Exchange Commission on November 3, 2009.
(14)	Incorporated herein by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8-K as filed with the Securities and Exchange Commission on May 26, 2011
(15)	Incorporated herein by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 7, 2011.

Table of Contents

- (16) Incorporated herein by reference to Exhibit 10.2 to the Partnership's Current Report on Form 8-K as filed with the Securities and Exchange Commission on June 7, 2011.
- (17) Incorporated by reference to Exhibit 10.1 to the Partnership's Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on August 12, 2013.
- (18) Incorporated by reference to Exhibit 10.2 to the Partnership's Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on August 12, 2013.

</TEXT>

</DOCUMENT>

<DOCUMENT>

<TYPE> EX-10.10

<DESCRIPTION> EX-10.10

<FILENAME> a2219046zex-10\_10.htm

<TEXT>

**Exhibit 10.10**

**PURCHASE AND SALE AGREEMENT**

This 1<sup>st</sup> day of March, 2011

**1. PARTIES**

Avon Street Apartments Limited Partnership, a Massachusetts limited partnership with an address of 39 Brighton Ave., Allston, MA 02134, hereinafter called the SELLER, agrees to SELL and 503-509 Pleasant Street, LLC and/or Francis D. Privitera with an address of 59 Union Square, Somerville, MA 02143, hereinafter called the BUYER, agrees to BUY, upon the terms hereinafter set forth, the following described premises:

**2. DESCRIPTION**

Land and buildings (the "Premises" or "Property") located at 130 Avon Street, Malden, Massachusetts.

For title see Deed filed at the Middlesex South District of the Land Court, Document No.: 973883; with Certificate of Title No. 202152 in Book 01141, Page 2.

**3. BUILDINGS, STRUCTURES, IMPROVEMENTS, FIXTURES**

Included in the sale as a part of said premises are the buildings, structures, and improvements now thereon, and all equipment and supplies belonging to the SELLER and used in connection therewith and the fixtures belonging to the SELLER and used in connection therewith, doors, furnaces, heaters, heating equipment, oil and gas burners and fixtures appurtenant thereto, hot water heaters, plumbing and bathroom fixtures, electric and other lighting fixtures, mantels, and, only if built in, air conditioning equipment, and ventilators, six (6) Washing Machines and six (6) Dryers located in basement..

**4. TITLE DEED**

Said premises are to be conveyed by a good and sufficient quitclaim deed running to the BUYER, or to the nominee designated by the BUYER by written notice to the SELLER at least seven (7) days before the deed is to be delivered as herein provided, and said deed shall convey a good and clear record and marketable title thereto, free from encumbrances, except

- (a) Provisions of existing building and zoning laws;
- (b) Existing rights and obligations in party walls which are not the subject of written agreement;
- (c) Such taxes for the then current year as are not due and payable on the date of the delivery of such deed;
- (d) Any liens for municipal betterments assessed after the date of this agreement;
- (e) Easements, restrictions and reservations of record, if any, so long as the same do not prohibit or materially interfere with the current use of said premises;

**5. PLANS**

If said deed refers to a plan necessary to be recorded therewith the SELLER shall deliver such plan with the deed in form adequate for recording or registration.

---

**6. PURCHASE PRICE**

The agreed purchase price for said premises is One Million Two Hundred Thousand dollars (\$8,750,000.00), of which

\$ 200,000	have been paid as a deposit this day; and
\$ 8,550,000	are to be paid at the time of delivery of the deed in cash, or by certified, cashier's, treasurer's or bank check. *
<u>\$ 8,750,000</u>	<b>TOTAL</b>

\*If for any reason, Buyer desires to extend the closing date by up to an additional 15 days, Seller agrees that Buyer may so extend the closing date, subject to the payment of an additional \$100,000 deposit, in which event the amount due at closing shall be adjusted accordingly.

**7. TIME FOR PERFORMANCE; DELIVERY OF DEED**

Such deed is to be delivered at 1:00 o'clock P.M. on May 16, 2011, at the Middlesex County Registry of Deeds or the offices of Buyer's counsel, unless otherwise agreed upon in writing. It is agreed that time is of the essence of this agreement.

**8A. POSSESSION AND CONDITION OF PREMISES**

The Premises shall be delivered at the Date of Closing subject to existing tenants and occupants as of the date hereof, in substantially the same condition as they are now, reasonable wear and tear excepted and except for conditions caused or created by Buyer's Inspections or otherwise permitted by this Agreement. Buyer shall be entitled to inspect the Premises on the day prior to the Date of Closing to ensure that the provisions of the preceding sentence have been complied with, and until closing Seller shall grant Buyer such access in the presence of Seller's representatives to the Premises as is reasonably necessary (subject to the rights of tenants of the property) to facilitate such inspection and Buyer's financing efforts.

**8B. BUYER'S DUE DILIGENCE**

Buyer shall have reasonable access to the Premises as contemplated below and the right to conduct such inspections of the Premises as it deems necessary as set forth below. Buyer and its agents, servants and employees shall maintain as confidential and not disclose any information obtained as a result of or pursuant to the Site Investigations and Inspections (both herein below defined) except to the extent that any law or regulation shall require such disclosure and except to Buyer's attorneys, consultants and lenders. Buyer shall contractually require any agent performing the Site Investigation on its behalf to maintain all such information as confidential and not to disclose such information to any person other than Buyer except as may be required by law. This obligation with respect to confidentiality and non-disclosure shall survive the delivery of the Deed or any earlier termination of this Agreement.

(a) Environmental Inspection. Buyer may conduct, at its sole cost and expense by consultants selected by it, an environmental site analysis ("Site Investigation") to determine the existence of hazardous wastes and materials at the Property (the "Hazardous Materials"). In the event that the results of the Site Investigation indicates that there has been a release of Hazardous Materials that would impose any further investigation, monitoring, or remediation costs on Buyer if Buyer were to own the Premises, Buyer shall be entitled to terminate this Agreement by delivering written notice thereof, together with a copy of all reports, if any, of the results of the Site Investigation, to Seller and Escrow Agent no later than 5:00 p.m. on the date which is fourteen (14) days following the date of this Agreement. In such event, the Deposit shall be returned to Buyer

---

and this Agreement shall terminate and be null and void and without recourse to either party. If Buyer fails to timely give such notice, Buyer's right to terminate this Agreement shall be deemed to be waived. Buyer acknowledges that Seller has no obligation whatsoever to undertake any corrective or remedial work as a result of matters disclosed by the Site Investigation.

In order to permit Buyer to conduct the Site Investigation, Seller shall permit Buyer, its agents, servants or employees, a license to enter upon the Premises to conduct the Site Investigation, in accordance with the terms and conditions set forth herein below:

(i) Buyer will not unreasonably interfere with Seller's, tenants' or other occupants' use of the Premises.

(ii) Buyer shall at the conclusion of the Site Investigation restore the Premises to the condition existing prior to the Site Investigation, and this obligation shall survive any termination of this Agreement.

(iii) Before commencing any aspect of the Site Investigation that involves physical inspection or invasive testing of the Premises, Buyer shall give Seller prior written notice of the scope of testing, methodologies to be used and identities of the consultants/contractors retained by Buyer, all of which shall be subject to Seller's prior written approval, which shall not be unreasonably withheld or delayed. In addition, prior to such testing, Buyer shall submit to Seller evidence of Buyer's and its environmental site analyst's public liability and workers' compensation insurance, which shall be reasonably acceptable to Seller and shall name Seller as an additional insured on such policies.

(iv) Buyer agrees to indemnify and hold Seller harmless from and against any and all claims for personal injury or property damage resulting from the conduct by Buyer or its agents of the Site Investigation. The provisions of this paragraph (v) shall survive the delivery of the Deed or earlier termination of this Agreement.

(vi) Seller shall have the right to terminate this license upon twenty four (24) hours written notice to Buyer if the foregoing conditions are not met, or if Buyer is in default under this Agreement, or if this Agreement terminates for any other reason.

(b) **General Building and Other Inspections.** Buyer may conduct, at its sole cost and expense by consultants selected by it, structural, mechanical, and any other inspections reasonably required by Buyer ("Inspections"). In the event that the results of any of such Inspections, in Buyer's sole discretion disclose any defects or unacceptable conditions in the Premises, Buyer shall be entitled to terminate this Agreement by delivering written notice thereof, together with a copy of all reports, if any, of the results of such Inspections to Seller no later than 5:00 p.m. on the date which is fourteen (14) days following the date of this Agreement. However, if such date were to fall on a Saturday, Sunday or legal holiday then such date would be extended to the next business day thereafter. In such event, the Deposit shall be returned to the Buyer and this Agreement shall terminate and be null and void and without recourse to either party. If Buyer fails to timely give such notice, Buyer's right to terminate this Agreement shall be deemed to be waived.

In order to permit Buyer to conduct the Inspections, Seller shall permit Buyer reasonable access to the Premises, such access to be exercised in the presence of Seller and or Seller's representatives, and provided such access does not interfere with rights of tenants under leases. Buyer shall, at the conclusion of the Inspections restore the Premises to the condition existing prior to the Inspections. Buyer agrees to indemnify and hold Seller harmless from and against any and all claims for personal injury or property damage resulting from the conduct by Buyer or its agents of the Inspections. The provisions of this paragraph with respect to Buyer's restoration obligations and indemnity of Seller shall survive the delivery of the Deed or earlier termination of this Agreement.

---

(c) Permits, Zoning, Leases, Litigation; etc. Buyer shall be entitled to conduct such other investigations and reviews, and make other due diligence inquiries with respect to the Premises including without limitation any and all permits; governmental approvals; zoning status; leases, occupancies and other tenancies; and litigation pertaining thereto (the "Legal Investigations"). In the event that the results of any of such Legal Investigations, in Buyer's sole discretion disclose any defects or unacceptable conditions in the Premises, Buyer shall be entitled to terminate this Agreement by delivering written notice thereof, together with a copy of all reports, if any, of the results of such Legal Investigations to Seller no later than 5:00 p.m. on the date which is fourteen (14) days following the date of this Agreement. However, if such date were to fall on a Saturday, Sunday or legal holiday then such date would be extended to the next business day thereafter. In such event, the Deposit shall be returned to the Buyer and this Agreement shall terminate and be null and void and without recourse to either party. If Buyer fails to timely give such notice, Buyer's right to terminate this Agreement under this paragraph 8 shall be deemed to be waived.

#### **9. EXTENSION TO PERFECT TITLE OR MAKE PREMISES CONFORM**

If the SELLER shall be unable to give title or to make conveyance, or to deliver possession of the premises, all as herein stipulated, or if at the time of the delivery of the deed the premises do not conform with the provisions hereof, however, the SELLER shall use reasonable efforts to remove any defects in title, or to deliver possession as provided herein, or to make said premises conform to the provisions hereof, as the case may be, in which event the SELLER shall give written notice thereof to the BUYER at or before the time for performance hereunder, and thereupon the time for performance hereof shall be extended for a period of thirty (30) days.. Should SELLER need the additional thirty (30) days to remove any defects in title or to deliver possession as provided herein, or to make the Premises conform to the provisions of this Purchase and Sale Agreement, the extension shall only be in force for as long as BUYER'S mortgage commitment is in full force and effect under the original terms granted to the BUYER or as extended so long as BUYER notifies Seller on or before April 1, 2011 of Buyer's mortgage rate commitment expiration date. Moreover, Buyer agrees to use diligent efforts to extend the mortgage commitment. In the event that Buyer cannot extend said commitment without a fee and Seller does not agree to pay same, then it shall be at Buyer's option whether or not to proceed beyond the original commitment date. Further, the SELLER shall not be required to expend more than \$10,000.00, exclusive of liens or encumbrances on the Premises, to make the Premises conform to the provisions of this paragraph.

#### **10. FAILURE TO PERFECT TITLE OR MAKE PREMISES CONFORM**

If at the expiration of the extended time the SELLER shall have failed so to remove any defects in title, deliver possession, or make the premises conform, as the case may be, all as herein agreed, or if at any time during the period of this agreement or any extension thereof, the holder of a mortgage on said premises shall refuse to permit the insurance proceeds, if any, to be used for such purposes, then any payments made under this agreement shall be forthwith refunded and all other obligations of all parties hereto shall cease and this agreement shall be void without recourse to the parties hereto.

#### **11. BUYER'S ELECTION TO ACCEPT TITLE**

The BUYER shall have the election, at either the original or any extended time for performance, to accept such title as the SELLER can deliver to said premises in their then condition and to pay therefor the purchase price without deduction, in which case the SELLER shall convey such title, except that in the event of such conveyance in accord with the provisions of this clause, if said premises shall have been damaged by fire or casualty insured against, then the SELLER shall, unless the SELLER has previously restored the premises to their former condition, either

(a) pay over or assign to the BUYER, on delivery of the deed, all amounts recovered or recoverable on account of such insurance, less any amounts reasonably expended by the SELLER for any partial restoration, or

---

(b) if a holder of a mortgage on said premises shall not permit the insurance proceeds or a part thereof to be used to restore said premises to their former condition or to be so paid over or assigned, give to the BUYER a credit against the purchase price, on delivery of the deed, equal to said amount so recovered or recoverable and retained by the holder of said mortgage less any amount reasonably expended by the SELLER for any partial restoration.

**12. ACCEPTANCE OF DEED**

The acceptance of a deed by the BUYER or his nominee as the case may be, shall be deemed to be a full performance and discharge of every agreement and obligation herein contained or expressed, except such as are, by the terms hereof, to be performed after the delivery of said deed.

**13. USE OF MONEY TO CLEAR TITLE**

To enable the SELLER to make conveyance as herein provided, the SELLER may, at the time of delivery of the deed, use the purchase money or any portion thereof to clear the title of any or all encumbrances or interests.

**14. INSURANCE**

Until the delivery of the deed, the SELLER shall maintain insurance on said premises as follows:

<u>Type of Insurance</u>	<u>Amount of Coverage</u>
(a) Fire	\$ As is presently insured
(b) Extended coverage	\$

**15. ADJUSTMENTS**

Water and sewer use charges, collected rents, security deposits, if any, real estate taxes for the current tax year and any other additional rents, operating expenses and prepaid amounts or charges, including, but not limited to fuel oil and any service contracts, shall be apportioned as of the Date of Closing.

**16. ADJUSTMENT OF UNASSESSED AND ABATED TAXES**

If the amount of said taxes is not known at the time of the delivery of the deed, they shall be apportioned on the basis of the taxes assessed for the preceding year, with a reapportionment as soon as the new tax rate and valuation can be ascertained; and, if the taxes which are to be apportioned shall thereafter be reduced by abatement, the amount of such abatement, less the reasonable cost of obtaining the same, shall be apportioned between the parties, provided that neither party shall be obligated to institute or prosecute proceedings for an abatement unless herein otherwise agreed.

**17. BROKER'S FEE**

A broker's fee of \$200,000 for professional services, to be split equally between SELLER and BUYER to NAI Hunneman, the Broker(s) herein, payable if and when title passes as herein provided and the Deed is recorded and not otherwise.

**18. BROKER(S) WARRANTY**

The Broker(s) named herein warrant(s) that the Broker(s) is (are) duly licensed as such by the Commonwealth of Massachusetts.

---

## **19. DEPOSIT**

All deposits made hereunder shall be held in escrow by NAI Hunneman in an interest bearing FDIC insured bank account in Massachusetts, as escrow agent subject to the terms of this agreement and shall be duly accounted for at the time for performance of this agreement.

## **20. BUYER'S DEFAULT; DAMAGES**

If the BUYER shall fail to fulfill the BUYER'S agreements herein, all deposits made hereunder by the BUYER shall be retained by the SELLER as liquidated damages unless within thirty (30) days after the time for performance of this agreement or any extension hereof, the SELLER otherwise notifies the BUYER in writing.

## **21. BROKER AS PARTY**

The Broker(s) named herein, join(s) in this agreement and become(s) a party hereto, insofar as any provisions of this agreement expressly apply to the Broker(s), and to any amendments or modifications of such provision to which the Broker(s) agree(s) in writing.

**22. SMOKE DETECTOR and CO** The SELLER shall, at the time of the delivery of the deed, deliver a certificate from the fire department of the city or town in which said premises are located stating that said premises have been equipped with approved smoke and carbon monoxide detectors in conformity with applicable law.

**23. LEAD PAINT** The parties acknowledge that under Massachusetts law, whenever a child or children under six (6) years of age resides in any residential premises in which any paint, plaster, or other accessible material contains dangerous levels of lead, the owner of said premises must remove or cover said paint, plaster or other material so as to make it inaccessible to children under six years of age. Buyer hereby acknowledges receipt of a Lead Paint Disclosure.

**24. CORRECTIONS** - If any errors or omissions are found to have occurred in any calculations or figures used in the settlement statement signed by the parties and notice thereof is given to a party within one year of the Closing Date, then such party agrees to execute any document reasonably required by BUYER'S attorney to correct such errors or omissions including re-execution of applicable documents.

**25. PARTIES REPRESENTED BY COUNSEL.** Each party hereto acknowledges to the other that such party has been represented by separate legal counsel of such party's own choosing and at such party's own expense prior to the signing of this Agreement.

**26. FINANCING.** In order to help finance the acquisition of said Property, the Buyer shall apply for a conventional bank or other institutional commercial mortgage loan of **\$6,125,000.00** at prevailing rates, terms and conditions. If despite the Buyer's diligent efforts, a commitment for such loan cannot be obtained on or before thirty (30) days following the date of this agreement (The "Financing Date"), the Buyer may terminate this agreement by written notice to the Seller prior to the expiration of such time, whereupon this Agreement shall automatically terminate and become null and void and without recourse to any party hereunder, and all deposits shall be forthwith refunded to BUYER. Where the Financing Date falls on a Saturday, Sunday or legal holiday then such date shall be automatically extended to the next business day thereafter. In the event that BUYER does not notify SELLER's attorney before 3:00 p.m. on the Financing Date of BUYER's inability to obtain such a mortgage commitment, it shall be conclusively presumed that BUYER has obtained such mortgage commitment and the contingency contained in this clause shall be thereby waived. If for any reason, Buyer desires to extend the Financing Date by up to an additional thirty (30) days, Seller agrees that Buyer may so extend the Financing Date, subject to the payment of an additional \$100,000 deposit, in which event the amount due at closing shall be adjusted accordingly.

---

**27. NOTICES.** All notices required to be given herein may be given by (a) certified mail, postage prepaid, return receipt requested, (b) by service in hand with receipt, or (c) by recognized overnight delivery service for which proof of delivery is available, to the following addresses:

If to Seller: Linda M. Vaccaro, Esq.  
The Hamilton Company, Inc.  
39 Brighton Ave.  
Allston, MA 02134  
Tel: (617) 850-7236  
Fax: (617) 783-0568  
lvaccaro@thehamiltoncompany.com

If to Buyer: Frank D. Privitera, Jr.  
Attorney-At-Law  
531 Medford Street  
Somerville, MA 02145  
Tel: (617) 666-1116  
Fax: (617) 666-1117  
frankiep@gis.net

If to Escrow Agent: NAI Huneman Commercial  
David Ross  
303 Congress Street  
Boston, MA 02210  
617-457-3400 x.2610 office  
617-457-3268 fax  
617-875-6222 cell  
dlross@naihunneman.com

or to such other address as any party may direct by notice given in the manner herein provided. All notices shall be deemed to have been received, if given by hand or overnight delivery service, when delivered; if by mail, on the third (3rd) day following its deposit to the mails.

**28 LIABILITY OF TRUSTEE, SHAREHOLDER, BENEFICIARY, ETC.**

If the SELLER or BUYER executes this agreement in a representative or fiduciary capacity, only the principal or the estate represented shall be bound, and neither the SELLER or BUYER so executing, nor any shareholder or beneficiary of any trust, shall be personally liable for any obligation, express or implied, hereunder.

**29. WARRANTIES AND REPRESENTATIONS**

The BUYER acknowledges that the BUYER has not been influenced to enter into this transaction nor has he relied upon any warranties or representations not set forth or incorporated in this agreement or previously made in writing, except for the following additional warranties and representations, if any, made by either the SELLER or the Broker(s): None. Buyer has had the opportunity to perform its due diligence inspections of the Property.

**30. CONSTRUCTION OF AGREEMENT**

This instrument, executed in multiple counterparts, is to be construed as a Massachusetts contract, is to take effect as a sealed instrument, sets forth the entire contract between the parties, is binding upon and enures to the benefit of the parties hereto and their respective heirs, devisees, executors, administrators, successors and assigns, and may be

---

canceled, modified or amended only by a written instrument executed by both the SELLER and the BUYER. If two or more persons are named herein as BUYER their obligations hereunder shall be joint and several. The captions are used only as a matter of convenience and are not to be considered a part of this agreement or to be used in determining the intent of the parties to it.

**31. ASSIGNMENT OF LEASES.** At the Date of Closing, Buyer and Seller shall each execute and deliver an Assignment of Rents and Leases in the form provided herein as Exhibit A. A list of all current tenants and a rent roll is attached hereto as Exhibit B.

**32. SELLER'S REPRESENTATIONS.** Seller represents to the best of its information and belief, as follows:

- (a) Seller has the authority to enter into this Agreement and perform without the need for approval from any other person, entity, court or government. Seller or any general partner or owner of Seller has not filed for, and is not contemplating filing for bankruptcy protection, and is not affected by any action, agreement, court, order or other matter that would hinder or delay, the closing or adversely affect Seller's ability to perform hereunder;
- (b) Seller has no knowledge of any pending or threatened litigation regarding the Premises or any part thereof, except as disclosed in writing to Buyer
- (c) Seller has not received any written notices of which Seller has knowledge, for violations of any applicable law, not since rectified with respect to the Premises;
- (d) Seller has provided the Buyer with accurate and complete copies of any environmental reports or studies with respect to the Premises, if any, that are in Seller's possession;
- (e) to Seller's best knowledge and belief there do not exist underground storage tanks at the Premises and Seller is not aware of any violations of environmental laws with respect to the Premises;
- (f) the only tenancies, leases or occupancy agreements affecting the Premises are those described in that Rent Roll attached hereto as Exhibit "B." Rent due for each tenants is all current through the date hereof and not in arrears, except as shown on the Rent Roll. Each tenant(s) is responsible for the payment of electricity for each of the respective units. Seller shall deliver to Buyer an updated rent roll inclusive of the above information (other than utilities) at closing.
- (g) Seller has provided Buyer with materially true and accurate copies of Seller's Income and Expense statements for the Premises for the two years beginning January 1, 2009 and January 1, 2010. January 1, 2011 year to date shall be provided if ready prior to closing.
- (h) Seller has provided Buyer with true and accurate copies of any written notices, orders, declarations or the like, received by Seller from any government entity regarding the presence of lead paint in any of the units or common areas of the Premises;

**33. Service Agreements.** As of the date hereof, except for a contract with Constellation Energy (a copy of which has been provided to the Buyer), which contract shall be assumed by Buyer, there are no service agreements or contracts, in effect and affecting the Premises that cannot be terminated on 30 days notice and at closing, there shall be no additional service agreements or contracts other than those in effect as of the date hereof. Seller shall be responsible for all balances due for any goods, services, and/or labor supplied to or for the benefit of the Premises up until the time of Closing and shall hold Buyer harmless from the same. Buyer shall hold Seller harmless from the same from and after the closing.

**34. Delivery of Premises.** Between the date hereof and Closing, Seller shall continue to manage, maintain and

---

service the Premises at the same level of effort and expense as Seller has managed, maintained and serviced the Premises for Seller's own account. At closing, Seller shall deliver the Premises (except for tenant spaces) in broom clean condition, removing all trash, debris and personal property, not included in the within sale.

- 35. Cooperation With Buyer's Lender.** Seller shall reasonably cooperate with Buyer's lender and its counsel in executing and delivering those document reasonably needed to close the subject transaction, in accordance with customary practices. Seller shall also reasonably cooperate with Buyer and its prospective lender(s) so as to facilitate Buyer obtaining mortgage financing and shall promptly provide Buyer, Buyer's lender and their counsel with information and documentation reasonably requested or necessarily incidental to Buyer's aforescribed financing efforts, including but not limited to rent rolls, income/expense information, third party contracts/information.
- 36. No Brokers.** Both Buyer and Seller warrant and represent to one another that neither party has dealt with any broker or other person entitled to a broker's commission in connection with the negotiation or execution of this Agreement or the consummation of the transaction contemplated hereby, except that Broker identified in Paragraph No. 17 hereof. Each party shall hold the other harmless from, and indemnify the other against all damages, including legal fees and court costs, incurred by the other and arising out of or resulting from the failure of such representation and warranty.
- 37. Title and Deed.** Title standards of the Massachusetts Real Estate Bar Association shall be determinative of any matter which is the subject of any such standard. Seller shall not deliver a Deed in accordance with ¶ 4 hereof or any recorded document which is signed under Power of Attorney and Buyer shall not be required to accept a Deed or such recorded documents from Seller signed under Power of Attorney.
- 38. Miscellaneous.** This Agreement may be executed in counterparts, and facsimile signatures shall have the effect of original signatures.
39. Seller acknowledges that Buyer intends the purchase of the within subject Premises to be a "replacement purchase" of real property for that loss of property suffered by Buyer at 503-509 Pleasant Street, Malden, MA. In this regard, Seller agrees to cooperate with Buyer, at no cost to Seller, in executing and delivering information and documents to Buyer and Buyer's insurer (and their counsel) and providing access to the Premises as reasonably requested by Buyer (or its insurer) so to complete the aforementioned purchase by Buyer of the Premises as a "replacement purchase" of property within the manner prescribed by Buyer's insurer, Norfolk & Dedham Group.

AVON STREET APARTMENTS LIMITED PARTNERSHIP

BY: AVON STREET APARTMENTS, INC., Its General Partner

By: /s/ Ronald Brown  
Ronald Brown, Its President

BUYER: 503-509 PLEASANT STREET, LLC

By: /s/ Philip J. Privitera  
Name: Philip J. Privitera

BUYER: FRANCIS D. PRIVITERA

By: /s/ Francis D. Privitera  
Name: Francis D. Privitera

BROKER: NAI HUNNEMAN

BY: /s/ David N. Ross  
Name: David N. Ross  
Title: EVP

</TEXT>  
</DOCUMENT>

<DOCUMENT>

<TYPE> EX-10.14

<DESCRIPTION> EX-10.14

<FILENAME> a2219046zex-10\_14.htm

<TEXT>

**Exhibit 10.14**

TIAA Authorization ID # AAA- 7440  
TIAA Inv. ID # 0007003  
Windsor Green at Andover

MORTGAGE, ASSIGNMENT OF LEASES AND RENTS,  
SECURITY AGREEMENT AND FIXTURE FILING

by

HAMILTON GREEN APARTMENTS, LLC,  
as Borrower

for the benefit of

TEACHERS INSURANCE AND ANNUITY ASSOCIATION  
OF AMERICA,  
having an address at:  
730 Third Avenue, New York, New York 10017,  
as Lender,

Property Known As

Windsor Green at Andover  
311 Lowell Street  
Andover, MA 01810

Authorization #:AAA-7440  
Investment ID#: 0007003

This Mortgage Was Prepared By  
After Recordation This Mortgage Should Be Returned To:

Robert E. Grady, Esquire  
c/o Logan Grady LLC  
1233 Silas Deane Highway  
Wethersfield, CT 06109

---

**MORTGAGE, ASSIGNMENT OF LEASES AND RENTS,  
SECURITY AGREEMENT AND FIXTURE FILING**

THIS MORTGAGE, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING made this 20<sup>th</sup> day of December, 2013, by HAMILTON GREEN APARTMENTS, LLC, a Delaware limited liability company ("**Borrower**"), having its principal place of business at 39 Brighton Avenue, Boston, Massachusetts 02134, for the benefit of TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA ("**Lender**"), a New York corporation, having an address at 730 Third Avenue, New York, New York 10017.

**RECITALS:**

A. Lender agreed to make and Borrower agreed to accept a loan (the "**Loan**") in the maximum principal amount of \$38,500,000.00.

B. To evidence the Loan, Borrower executed and delivered to Lender a promissory note (the "**Note**"), dated the date of this Mortgage, in the principal amount of Thirty-Eight Million Five Hundred Thousand and NO/100 Dollars (\$38,500,000.00) (that amount or so much as is outstanding from time to time is referred to as the "**Principal**"), promising to pay the Principal with interest thereon to the order of Lender as set forth in the Note and with the balance, if any, of the Debt being due and payable on January 1, 2029 (the "**Maturity Date**").

C. To secure the Note, this Mortgage encumbers, among other things, Borrower's fee interest in the real property located in the Town of Andover, County of Essex, Commonwealth of Massachusetts, more particularly described in **Exhibit A** (the "**Land**").

**ARTICLE I  
DEFINITIONS AND RULES OF CONSTRUCTION**

**Section 1.1. Definitions.** Capitalized terms used in this Mortgage are defined in **Exhibit B** or in the text with a cross-reference in **Exhibit B**.

**Section 1.2. Rules of Construction.** This Mortgage will be interpreted in accordance with the rules of construction set forth in **Exhibit C**.

**ARTICLE II  
GRANTING CLAUSES**

**Section 2.1. Encumbered Property.** Borrower irrevocably GRANTS, BARGAINS, SELLS, MORTGAGES, WARRANTS, CONVEYS, ASSIGNS, PLEDGES and CONVEYS with MORTGAGE COVENANTS to Lender, TO HAVE AND HOLD IN TRUST, upon the STATUTORY CONDITION and with the STATUTORY POWER OF SALE, the following property, rights, interests and estates now or in the future owned or held by Borrower (the "**Property**") for the uses and purposes set forth in this Mortgage forever (capitalized terms used in

---

this Section 2.1 and 2.3 and not defined in this Mortgage have the meanings ascribed to them in the Uniform Commercial Code):

- (i) the Land;
  - (ii) all buildings and improvements located on the Land (the “**Improvements**”);
  - (iii) all easements; rights of way or use, including any rights of ingress and egress; streets, roads, ways, sidewalks, alleys and passages; strips and gores; sewer rights; water, water rights, water courses, riparian rights and drainage rights; air rights and development rights; oil and mineral rights; and tenements, hereditaments and appurtenances, in each instance adjoining or otherwise appurtenant to or benefiting the Land or the Improvements;
  - (iv) all General Intangibles (including Software) and Goods, related to, attached to, contained in or used in connection with the Land or the Improvements (excluding personal property owned by tenants);
  - (v) all agreements, ground leases, grants of easements or rights-of-way, permits, declarations of covenants, conditions and restrictions, disposition and development agreements, planned unit development agreements, cooperative, condominium or similar ownership or conversion plans, management, leasing, brokerage or parking agreements or other material documents affecting Borrower or the Property, including the documents described on **Exhibit D** but expressly excluding the Leases (the “**Property Documents**”);
  - (vi) all Inventory held for sale, lease or resale or furnished or to be furnished under contracts of service, or used or consumed in the ownership, use or operation of the Property and all Documents evidencing any part of any of the foregoing;
  - (vii) all Accounts, Documents, Goods, Instruments, money, Deposit Accounts, Chattel Paper, Letter-of-Credit Rights, Investment Property, General Intangibles and Supporting Obligations relating to the Property, including all deposits held from time to time by the Accumulations Depository to provide reserves for Taxes and Assessments together with interest credited thereon (the “**Accumulations**”) and all deposits for reserves held from time to time in accordance with the Section entitled “**Reserves**” and all accounts established to maintain the deposits together with investments thereof and any interest credited thereon;
  - (viii) all awards and other compensation paid after the date of this Mortgage for any Condemnation (the “**Condemnation Awards**”);
  - (ix) all proceeds of and all unearned premiums on the Policies (the “**Insurance Proceeds**”);
  - (x) all licenses, certificates of occupancy, contracts, management agreements, operating agreements, operating covenants, franchise agreements, permits and variances relating to the Property;
-

(xi) all books, records and other information, wherever located, which are in Borrower's possession, custody or control or to which Borrower is entitled at law or in equity and which are related to the Property, including all computer hardware and software or other equipment used to record, store, manage, manipulate or access the information; and

(xii) all after-acquired title to or remainder or reversion in any of the property described in this Section; all proceeds (excluding, however, sales or other dispositions of Inventory in the ordinary course of the business of operating the Land or the Improvements), replacements, substitutions, products, accessions and increases of or for the Property; all additions, accessions and extensions to, improvements of or for the Property; and all additional lands, estates, interests, rights or other property acquired by Borrower after the date of this Mortgage for use in connection with the Land or the Improvements, all without the need for any additional mortgage, assignment, pledge or conveyance to Lender but Borrower will execute and deliver to Lender, upon Lender's request, any documents reasonably requested by Lender to further evidence the foregoing.

Section 2.2. Habendum Clause. The Property is conveyed to Lender to have and to hold forever in fee simple.

Section 2.3. Security Agreement.

(a) The Property includes both real and personal property and this Mortgage is a real property mortgage and also a "security agreement" and a "financing statement" within the meaning of the Uniform Commercial Code. By executing and delivering this Mortgage, Borrower grants to Lender, as security for the Obligations, a security interest in the Property to the full extent that any of the Property may be subject to the Uniform Commercial Code.

(b) This Mortgage constitutes a fixture filing under the Laws of the state or commonwealth in which the Property is located and for such purpose, Borrower represents, as of the date hereof, that the following information set forth in clauses (i), (v) and (vi), is true and correct:

(i) The exact legal name and address of Debtor is:

Hamilton Green Apartments, LLC  
39 Brighton Avenue  
Boston, Massachusetts 02134

(ii) Name and address of Secured Party:

Teachers Insurance and Annuity Association of America  
730 Third Avenue  
New York, New York 10017

(iii) Description of the types (or items) of property covered by this Financing Statement: all of the property described in section ii-xii of the Section entitled

---

“**Encumbered Property**” described or referred to herein and included as part of the Property.

- (iv) Description of real estate to which collateral is attached or upon which it is located: Described in Exhibit A.
- (v) Debtor’s Organizational Identification Number: 5420481.
- (vi) Debtor’s chief executive office is located in the State or Commonwealth of Massachusetts, and Debtor’s state or commonwealth of formation is the State or Commonwealth of Delaware.

Lender may file this Mortgage, or a reproduction thereof, in the real estate records or other appropriate index, as a financing statement for any of the items specified above as part of the Property. Any reproduction of this Mortgage or of any other security agreement or financing statement is sufficient as a financing statement.

Section 2.4. Conditions to Grant. This Mortgage is made on the express condition that if Borrower pays and performs the Obligations in full in accordance with the Loan Documents, then, unless expressly provided otherwise in the Loan Documents, the Loan Documents will be released at Borrower’s expense.

**ARTICLE III  
OBLIGATIONS SECURED**

Section 3.1. The Obligations. This Mortgage secures the Principal, the Interest, the Late Charges, the Prepayment Premiums, the Expenses, any additional advances made by Lender in connection with the Property or the Loan and all other amounts payable under the Loan Documents (the “**Debt**”) and also secures both the timely payment of the Debt as and when required and the timely performance of all other obligations and covenants to be performed under the Loan Documents (the “**Obligations**”).

**ARTICLE IV  
TITLE AND AUTHORITY**

Section 4.1. Title to the Property.

- (a) Borrower has and will continue to have good and marketable title in fee simple absolute to the Land and the Improvements and good and marketable title to the Fixtures and Personal Property, all free and clear of liens, encumbrances and charges except the Permitted Exceptions. To Borrower’s knowledge, there are no facts or circumstances that might give rise to a lien, encumbrance or charge on the Property that may have an adverse effect on the use or value of the Property or the priority of the lien of this Mortgage.
  - (b) Borrower owns and will continue to own all of the other Property free and clear of all liens, encumbrances and charges except the Permitted Exceptions.
-

(c) This Mortgage is and will remain a valid and enforceable first lien on and security interest in the Property, subject only to the Permitted Exceptions.

Section 4.2. Authority.

(a) Borrower is and will continue to be (i) duly organized, validly existing and in good standing under the Laws of the state or commonwealth in which it was formed, organized or incorporated as set forth in Section 2.3 and (ii) duly qualified to conduct business, in good standing, in the state or commonwealth where the Property is located.

(b) Borrower has and will continue to have all approvals required by Law or otherwise and full right, power and authority to (i) own and operate the Property and carry on Borrower's business as now conducted or as proposed to be conducted; (ii) execute and deliver the Loan Documents; (iii) grant, mortgage, warrant the title to, convey, assign and pledge the Property to Lender pursuant to the provisions of this Mortgage; and (iv) perform the Obligations.

(c) The execution and delivery of the Loan Documents and the performance of the Obligations do not and will not conflict with or result in a default under any Laws or any Leases or Property Documents and do not and will not conflict with or result in a default under any agreement binding upon any party to the Loan Documents.

(d) The Loan Documents constitute and will continue to constitute legal, valid and binding obligations of all parties to the Loan Documents enforceable in accordance with their respective terms.

(e) Borrower has not changed its legal name or its state or commonwealth of formation, as set forth in Section 2.3, in the four months prior to the date hereof, except as Borrower has disclosed any such change to Lender in writing and delivered to Lender appropriate Uniform Commercial Code search reports in connection therewith (it being acknowledged and agreed that Borrower has disclosed the Permitted Merger to Lender in writing and delivered appropriate Uniform Commercial Code search reports in connection therewith). As used herein, the "**Permitted Merger**" means the merger of Hamilton Green Apartments, LLC, a Massachusetts limited liability company with and into Borrower, with Borrower being the surviving entity of such merger.

(f) Borrower has not (i) merged with or into any other entity or otherwise been involved in any reorganization or (ii) acquired substantially all of the assets of any other entity where Borrower became subject to the obligations of such entity, for a period of one year ending on the date hereof, except as Borrower has disclosed any such change, merger, reorganization or acquisition to Lender in writing and delivered to Lender appropriate Uniform Commercial Code search reports in connection therewith (it being acknowledged and agreed that Borrower has disclosed the Permitted Merger to Lender in writing and delivered appropriate Uniform Commercial Code search reports in connection therewith).

---

(g) The Independent Manager has been engaged, appointed and is now an independent manager under the terms of Borrower's partnership certificate, partnership agreement, articles of incorporation, by-laws, operating agreement, articles of organization, or any other organizational filing or document governing the affairs of Borrower.

Section 4.3. No Foreign Person. Borrower is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code.

Section 4.4. Litigation. There are no Proceedings or, to Borrower's knowledge, investigations against or affecting Borrower or the Property and, to Borrower's knowledge, there are no facts or circumstances that might give rise to a Proceeding or an investigation against or affecting Borrower or the Property. Borrower will give Lender prompt notice of the commencement of any Proceeding or investigation against or affecting the Property or Borrower which could have a material adverse effect on the Property or on Lender's interests in the Property or under the Loan Documents and, at Borrower's expense, will appear in and defend any such Proceeding or investigation. Borrower also will deliver to Lender such additional information relating to the Proceeding or investigation as Lender may request from time to time.

## **ARTICLE V** **PROPERTY STATUS, MAINTENANCE AND LEASES**

### Section 5.1. Status of the Property.

(a) Borrower has obtained and will maintain in full force and effect all certificates, licenses, permits and approvals that are issued or required by Law or by any entity having jurisdiction over the Property or over Borrower or that are necessary for the Permitted Use, for occupancy and operation of the Property, for the granting of this Mortgage or for the conduct of Borrower's business on the Property in accordance with the Permitted Use. Without limiting any of the foregoing, Borrower is in compliance with the Comprehensive Permit and the Regulatory Agreement.

(b) The Property is and will continue to be serviced by all public utilities required for the Permitted Use of the Property.

(c) All roads and streets necessary for service of and access to the Property for the current or contemplated use of the Property have been completed and are and will continue to be serviceable, physically open and dedicated to and accepted by the Government for use by the public.

(d) The Property is free from damage caused by a Casualty.

(e) All costs and expenses of labor, materials, supplies and equipment used in the construction of the Improvements have been paid in full.

---

Section 5.2. Maintenance of the Property. Borrower will maintain the Property in thorough repair and good and safe condition, suitable for the Permitted Use, including, to the extent necessary, replacing the Fixtures and Personal Property with property at least equal in quality and condition to that being replaced and free of liens. Borrower will not erect any new buildings, building additions or other structures on the Land or otherwise materially alter the Improvements without Lender's prior consent which may be withheld in Lender's sole discretion. The Property will be managed by a property manager satisfactory to Lender pursuant to a management agreement satisfactory to Lender and terminable by Borrower without charge or penalty upon 30 days notice to the property manager.

Section 5.3. Change in Use. Borrower will use and permit the use of the Property for the Permitted Use and for no other purpose.

Section 5.4. Waste. Borrower will not commit or permit any waste (including economic and non-physical waste), impairment or deterioration of the Property or any alteration, demolition or removal of any of the Property without Lender's prior consent which may be withheld in Lender's sole discretion (notwithstanding the foregoing provisions of this Section 5.4 to the contrary, Borrower shall be permitted to alter any improvements comprising the Property and/or remove any of the Personal Property or Fixtures absent Lender consent, provided that any such alteration or removal is performed in the ordinary course of Borrower's business and in a manner necessary to maintain the Property in accordance with the provisions of Section 5.2 hereof).

Section 5.5. Inspection of the Property. Subject to the rights of tenants under the Leases, Lender, or its agent or independent expert, has the right to enter and inspect the Property on reasonable prior notice, except during the existence of an Event of Default, when no prior notice is necessary. Lender has the right to engage an independent expert to review and report on Borrower's compliance with Borrower's obligations under this Mortgage to maintain the Property, comply with Law and refrain from waste, impairment or deterioration of the Property and the alteration, demolition or removal of any of the Property except as may be permitted by the provisions of this Mortgage. If the independent expert's report discloses material failure to comply with such obligations or if Lender engages the independent expert after the occurrence of an Event of Default, then the independent expert's review and report will be at Borrower's expense, payable on demand (otherwise the cost of such independent expert's review and report shall be at Lender's or its designated agent's expense).

Section 5.6. Leases and Rents.

(a) Borrower assigns the Leases and the Rents to Lender absolutely and unconditionally and not merely as additional collateral or security for the payment and performance of the Obligations, but subject to a license back to Borrower of the right to collect the Rents unless and until an Event of Default occurs at which time the license will terminate automatically, all as more particularly set forth in the Assignment, the provisions of which are incorporated in this Mortgage by reference.

(b) Borrower appoints Lender as Borrower's attorney-in-fact to execute unilaterally and record, at Lender's election, a document subordinating this Mortgage to the Leases, provided that the subordination will not affect (i) the priority of Lender's entitlement to Insurance Proceeds or

---

Condemnation Awards or (ii) the priority of this Mortgage over intervening liens or liens arising under or with respect to the Leases.

**Section 5.7. Parking.** Borrower will provide, maintain, police and light parking areas within the Property, including any sidewalks, aisles, streets, driveways, sidewalk cuts and rights-of-way to and from the adjacent public streets, in a manner consistent with the Permitted Use and sufficient to accommodate the greatest of: (i) the number of parking spaces required by Law; (ii) the number of parking spaces required by the Leases and the Property Documents; or (iii) not less than 375 parking spaces. The parking areas will be reserved and used exclusively for ingress, egress and parking for Borrower and the tenants under the Leases and their respective employees, customers and invitees and in accordance with the Leases and the Property Documents.

**Section 5.8. Separate Tax Lot.** The Property is and will remain assessed for real estate tax purposes as one or more wholly independent tax lots, separate from any property that is not part of the Property.

**Section 5.9. Changes in Zoning or Restrictive Covenants.** Borrower will not (i) initiate, join in or consent to any change in any Laws pertaining to zoning, any restrictive covenant or other restriction which would restrict the Permitted Uses for the Property; (ii) permit the Property to be used to fulfill any requirements of Law for the construction or maintenance of any improvements on property that is not part of the Property; (iii) permit the Property to be used for any purpose not included in the Permitted Use; or (iv) impair the integrity of the Property as a single, legally subdivided zoning lot separate from all other property.

**Section 5.10. Lender's Right to Appear.** Lender has the right to appear in and defend any Proceeding brought regarding the Property and to bring any Proceeding, in the name and on behalf of Borrower or in Lender's name, which Lender, in its sole discretion, determines should be brought to protect Lender's interest in the Property.

## **ARTICLE VI** **IMPOSITIONS AND ACCUMULATIONS**

### **Section 6.1. Impositions.**

(a) Borrower will pay each Imposition at least 15 days before the date (the "**Imposition Penalty Date**") that is the earlier of (i) the date on which the Imposition becomes delinquent and (ii) the date on which any penalty, interest or charge for non-payment of the Imposition accrues. Notwithstanding the foregoing, Lender will cause the Accumulations Depository (i.e. the pledge agent), if any, under the Tax Pledge to pay all Real Estate Taxes (i.e. all "Taxes" as defined in the Tax Pledge) on or prior to the earlier of the dates set forth in clauses (i) and (ii) of the preceding sentence, provided that (A) without limiting any other provisions set forth herein, Borrower has timely paid to said pledge agent for deposit in the account established under the Tax Pledge sufficient funds for the payment of such Real Estate Taxes (and any other Real Estate Taxes then due and owing any other "Tax Authority", as defined in the Tax Pledge) and all fees and other amounts that may then be due under the Tax Pledge (it being acknowledged and agreed that the reference set forth in this clause (A) to "timely paid" shall mean that Borrower has made such

---

payments to said pledge agent for deposit in such account at least 15 days before the Imposition Penalty Date), (B) in accordance with the terms of the Tax Pledge, Lender or said pledge agent has received a bill or other evidence of such Real Estate Taxes not less than 15 Business Days before the Imposition Penalty Date and (C) no Event of Default has occurred and is then continuing (the conditions set forth in clauses (A)-(C), collectively, the "**Payment Conditions Precedent**"). In the event each of the Payment Conditions Precedent has been satisfied in a timely manner and the pledge agent fails to pay the applicable Real Estate Taxes on or prior to the Imposition Penalty Date, Lender (without waiving any rights Lender may have against such pledge agent) shall cause such Real Estate Taxes to be paid and shall hold Borrower harmless from any penalties that may accrue as a result of any such non-payment or late payment (provided that Borrower shall promptly advise Lender in writing of any notice of non-payment or late payment that Borrower may receive from the applicable Tax Authority).

(b) At least 10 days before each Imposition Penalty Date, Borrower will deliver (or cause to be delivered) to Lender or its designated agent a receipted bill or other evidence of payment (provided that Borrower shall be deemed to have satisfied such requirement in the event and to the extent the applicable governmental authority shall have delivered such receipted bill or other evidence of payment to Lender or such designated agent).

(c) Borrower, at its own expense, may contest any Taxes or Assessments, provided that the following conditions are met:

- (i) not less than 30 days prior to the Imposition Penalty Date, Borrower delivers to Lender notice of the proposed contest;
- (ii) the contest is by a Proceeding promptly initiated and conducted diligently and in good faith;
- (iii) there is no Event of Default;
- (iv) the Proceeding suspends the collection of the contested Taxes or Assessments;
- (v) the Proceeding is permitted under and is conducted in accordance with the Leases and the Property Documents;
- (vi) the Proceeding precludes imposition of criminal or civil penalties and sale or forfeiture of the Property and Lender will not be subject to any civil suit; and
- (vii) Borrower either deposits with the Accumulations Depository reserves or furnishes a bond or other security satisfactory to Lender, in either case in an amount sufficient to pay the contested Taxes or Assessments, together with all interest and penalties or Borrower pays all of the contested Taxes or Assessments under protest.

(d) Installment Payments. If any Assessment is payable in installments, Borrower will nevertheless pay the Assessment in its entirety on the day the first installment becomes due and

---

payable or a lien, unless Lender, in its sole discretion, approves payment of the Assessment in installments. Borrower has advised Lender that as of the date hereof real estate taxes with respect to the Property are payable in quarterly installments. Absent the occurrence and continuance of an Event of Default, Lender hereby consents to the payment of such real estate taxes in such quarterly installments provided that each such installment is paid on or prior to the date on which the same would otherwise become past due or result in a lien.

Section 6.2. Accumulations.

(a) In accordance with the Tax Pledge, Borrower made an initial deposit with either Lender or a mortgage servicer or financial institution designated or approved by Lender from time to time, acting on behalf of Lender as Lender's agent or otherwise such that Lender is the "customer", as defined in the Uniform Commercial Code, of the depository bank with respect to the deposit account into which the Accumulations are deposited, to receive, hold and disburse the Accumulations in accordance with the Tax Pledge (the "**Accumulations Depository**"). On the first day of each calendar month during the Term, Borrower will deposit with the Accumulations Depository an amount equal to 1/12th of the annual Real Estate Taxes as determined by Lender or its agent. Except as otherwise required by the Tax Pledge, at least 30 days before each Imposition Penalty Date, Borrower will deliver to the Accumulations Depository any bills and other documents that are necessary to pay the Real Estate Taxes.

(b) The Accumulations will be applied to the payment of the Real Estate Taxes. Any excess Accumulations after payment of the Real Estate Taxes will be returned to Borrower or credited against future payments of the Accumulations, at Lender's election or as required by Law. If the Accumulations are not sufficient to pay the Real Estate Taxes, except as otherwise required by the Tax Pledge, Borrower shall promptly pay the deficiency to the Accumulations Depository (any in any event, not less than 10 Business Days prior to the Imposition Penalty Date).

(c) The Accumulations Depository will hold the Accumulations as security for the Obligations until applied in accordance with the provisions of this Mortgage and the Tax Pledge. If Lender is not the Accumulations Depository, the Accumulations Depository will deliver the Accumulations to Lender upon Lender's demand at any time after an Event of Default.

(d) If the Property is sold or conveyed other than by foreclosure or transfer in lieu of foreclosure, all right, title and interest of Borrower to the Accumulations will automatically, and without necessity of further assignment, be held for the account of the new owner, subject to the provisions of this Section and Borrower will have no further interest in the Accumulations.

(e) The Accumulations Depository has deposited the initial deposit and will deposit the monthly deposits into an account with a financial institution selected by Lender, which funds may be held in either a separate or commingled account, all in accordance with the Tax Pledge. If Lender is the Accumulations Depository, Lender shall have no obligation to pay interest on such Accumulations.

(f) Lender has the right to pay, or to direct the Accumulations Depository to pay, any Real Estate Taxes unless Borrower is contesting such Real Estate Taxes in accordance with the

---

provisions of this Mortgage, in which event any payment of the contested Real Estate Taxes will be made under protest in the manner prescribed by Law or, at Lender's election, will be withheld.

(g) If Lender assigns this Mortgage, Lender will pay, or cause the Accumulations Depository to pay, the unapplied balance of the Accumulations to or at the direction of the assignee. Simultaneously with the payment, Lender and the Accumulations Depository will be released from all liability with respect to the Accumulations and Borrower will look solely to the assignee with respect to the Accumulations. When the Obligations have been fully satisfied, any unapplied balance of the Accumulations will be returned to Borrower. At any time after an Event of Default occurs, Lender may apply the Accumulations as a credit against any portion of the Debt selected by Lender in its sole discretion.

**Section 6.3. Changes in Tax Laws.** If a Law requires the deduction of the Debt from the value of the Property for the purpose of taxation or imposes a tax, either directly or indirectly, on the Debt, any Loan Document or Lender's interest in the Property, Borrower will pay the tax with interest and penalties, if any. If Lender determines that Borrower's payment of the tax may be unlawful, unenforceable, usurious or taxable to Lender, the Debt will become immediately due and payable on 60 days' prior notice unless the tax must be paid within the 60-day period, in which case, the Debt will be due and payable within the lesser period.

**Section 6.4. Reserves.** Commencing on January 1, 2020, Borrower will make monthly deposits into an account established as security for the payment and performance of the Obligations, to be held and disbursed in accordance with a Reserve and Security Agreement dated the date of this Mortgage among Borrower, Lender and Lender's pledge agent.

**ARTICLE VII**  
**INSURANCE, CASUALTY, CONDEMNATION**  
**AND RESTORATION**

**Section 7.1. Insurance Coverages.**

(a) Borrower will maintain such insurance coverages and endorsements in form and substance as Lender may require in its sole discretion from time to time. The insurance will be in an amount equal to 100% of the full replacement cost of the Improvements and Personal Property (without deduction for depreciation) and will include fire, extended coverage, vandalism, malicious mischief, sprinkler leakage, boiler and machinery, terrorism coverage, windstorm, earthquake and flood insurance (if located in an area identified as an earthquake or flood zone), day care facility general liability and umbrella coverage (if any portion of the Property is used as a day care or childcare services facility), and a minimum of 12 months of rent loss insurance. The insurance will also include commercial general liability coverage in substance and amount satisfactory to Lender naming Lender as an additional insured. Until Lender notifies Borrower of changes in Lender's requirements, Borrower will maintain not less than the insurance coverages and endorsements Lender required for closing of the Loan.

---

(b) The insurance, including renewals, required under this Section will be issued on valid and enforceable policies and endorsements satisfactory to Lender (the "**Policies**"). Each Policy will contain a standard waiver of subrogation and a replacement cost endorsement and will provide that Lender will receive not less than 30 days' prior written notice of any cancellation, termination or non-renewal of a Policy or any material change other than an increase in coverage and that Lender will be named under a standard mortgagee endorsement on the property insurance as mortgagee and loss payee.

(c) The insurance companies issuing the Policies (the "**Insurers**") must be authorized to do business in the State or Commonwealth where the Property is located, must have been in business for at least 5 years, must carry an A.M. Best Company, Inc. policy holder rating of A- or better and an A.M. Best Company, Inc. financial category rating of Class X or better and must be otherwise satisfactory to Lender. Lender may select an alternative credit rating agency and may impose different credit rating standards for the Insurers. Notwithstanding Lender's right to approve the Insurers and to establish credit rating standards for the Insurers, Lender will not be responsible for the solvency of any Insurer.

(d) Notwithstanding Lender's rights under this Article, Lender will not be liable for any loss, damage or injury resulting from the inadequacy or lack of any insurance coverage.

(e) Borrower will comply with the provisions of the Policies and with the requirements, notices and demands imposed by the Insurers and applicable to Borrower or the Property.

(f) Borrower will pay the insurance premiums for each Policy and provide Lender with evidence of such payment within 15 days of the expiration date of the Policy being replaced or renewed and Borrower will deliver to Lender a certified copy of each Policy marked "Paid" not less than 15 days prior to the expiration date of the Policy being replaced or renewed. In the event Borrower is unable to deliver a certified copy 15 days prior to the expiration date, Borrower will provide evidence of the renewed coverage by delivering to Lender an Acord 27 (2004/04 or 1993/03) or Acord 28 (2003/10) or the current industry equivalent until a certified copy is available and delivered to Lender.

(g) Borrower will not carry separate insurance concurrent in kind or form or contributing in the event of loss with any other insurance carried by Borrower.

(h) If Borrower elects to carry any of the insurance required under this Section on a blanket or umbrella policy, Borrower will deliver to Lender a certified copy of the blanket policy which will allocate to the Property the amount of coverage required under this Section and otherwise will provide the same coverage and protection as would a separate policy insuring only the Property.

(i) Borrower will give the Insurers and Lender prompt notice of any change in ownership or occupancy of the Property that may result in a change in the insurance requirements for the Property. This subsection does not abrogate the prohibitions on transfers set forth in this Mortgage.

---

(j) If the Property is sold at a foreclosure sale or otherwise is transferred so as to extinguish the Obligations, all of Borrower's right, title and interest in and to the Policies then in force will be transferred automatically to the purchaser or transferee.

Section 7.2. Casualty and Condemnation.

(a) Borrower will give Lender notice of any Casualty immediately after it occurs and will give Lender notice of any Condemnation Proceeding immediately after Borrower receives notice of commencement or notice that such a Condemnation Proceeding will be commencing. Borrower immediately will deliver to Lender copies of all documents Borrower delivers or receives relating to the Casualty or the Condemnation Proceeding, as the case may be.

(b) Borrower authorizes Lender, at Lender's option, to act on Borrower's behalf to collect, adjust and compromise any claims for loss, damage or destruction under the Policies on such terms as Lender determines in Lender's sole discretion. Borrower authorizes Lender to act, at Lender's option, on Borrower's behalf in connection with any Condemnation Proceeding. Borrower will execute and deliver to Lender all documents requested by Lender and all documents as may be required by Law to confirm such authorizations. Nothing in this Section will be construed to limit or prevent Lender from joining with Borrower either as a co-defendant or as a co-plaintiff in any Condemnation Proceeding.

(c) If Lender elects not to act on Borrower's behalf as provided in this Section, then Borrower promptly will file and prosecute all claims (including Lender's claims) relating to the Casualty and will prosecute or defend (including defense of Lender's interest) any Condemnation Proceeding. Borrower will have the authority to settle or compromise the claims or Condemnation Proceeding, as the case may be, provided that Lender has approved in Lender's sole discretion any compromise or settlement that exceeds \$500,000.00. Any check for Insurance Proceeds or Condemnation Awards, as the case may be (the "**Proceeds**") will be made payable to Lender and Borrower. Borrower will endorse the check to Lender immediately upon Lender presenting the check to Borrower for endorsement or if Borrower receives the check first, will endorse the check immediately upon receipt and forward it to Lender. If any Proceeds are paid to Borrower, Borrower immediately will deposit the Proceeds with Lender, to be applied or disbursed in accordance with the provisions of this Mortgage. Lender will be responsible for only the Proceeds actually received by Lender.

Section 7.3. Application of Proceeds. After deducting the costs incurred by Lender in collecting the Proceeds, Lender may, in its sole discretion, (i) apply the Proceeds as a credit against any portion of the Debt selected by Lender in its sole discretion; (ii) apply the Proceeds to restore the Improvements, provided that Lender will not be obligated to see to the proper application of the Proceeds and provided further that any amounts released for Restoration will not be deemed a payment on the Debt; or (iii) deliver the Proceeds to Borrower.

Section 7.4. Conditions to Availability of Proceeds for Restoration. Notwithstanding the preceding Section, after a Casualty or a Condemnation (a "**Destruction Event**"), Lender will make the Proceeds (less any costs incurred by Lender in collecting the Proceeds) available for Restoration

---

in accordance with the conditions for disbursements set forth in the Section entitled "**Restoration**", provided that the following conditions are met:

- (i) Hamilton Green Apartments, LLC or the transferee under a Permitted Transfer, if any, continues to be Borrower at the time of the Destruction Event and at all times thereafter until the Proceeds have been fully disbursed;
  - (ii) no default under the Loan Documents exists at the time of the Destruction Event and no Event of Default has occurred during the 12 months prior to the Destruction Event;
  - (iii) all Property Documents in effect immediately prior to the Destruction Event continue in full force and effect notwithstanding the Destruction Event, except as otherwise approved by Lender;
  - (iv) if the Destruction Event is a Condemnation, Borrower delivers to Lender evidence satisfactory to Lender that the Improvements can be restored to an economically and architecturally viable unit;
  - (v) Borrower delivers to Lender evidence satisfactory to Lender that the Proceeds are sufficient to complete Restoration or if the Proceeds are insufficient to complete Restoration, Borrower first deposits with Lender funds ("**Additional Funds**") that when added to the Proceeds will be sufficient to complete Restoration;
  - (vi) if the Destruction Event is a Casualty, Borrower delivers to Lender evidence satisfactory to Lender that the Insurer under each affected Policy has not denied liability under the Policy as to Borrower or the insured under the Policy;
  - (vii) Lender is satisfied that the proceeds of any rent loss insurance in effect together with other available gross revenues from the Property are sufficient to pay Debt Service Payments after paying Operating Expenses and capital expenditures until Restoration is complete;
  - (viii) Lender is satisfied that Restoration will be completed on or before the date (the "**Restoration Completion Date**") that is the earliest of: (A) 12 months prior to the Maturity Date; (B) 12 months after the Destruction Event; (C) the earliest date required for completion of Restoration under any Property Document; or (D) any date required by Law; and
  - (ix) for the 12 month period immediately preceding the Destruction Event, the annual Debt Service Coverage was at least 1.25 and Lender determines, based on projections satisfactory to Lender, that the Property will be relet within 12 months after Restoration at a projected Net Operating Income that will provide Debt Service Coverage for the annual Debt Service Payments of not less than 1.15, provided that, if the projected rents will not provide such Debt Service Coverage, then Borrower expressly authorizes and directs Lender (at Lender's sole discretion) to apply an amount from the Proceeds to
-

reduction of Principal in order to reduce the annual Debt Service Payments sufficiently for such Debt Service Coverage to be achieved. The reduced debt service payments will be calculated using interest at the Fixed Interest Rate and an amortization schedule that will achieve the same proportionate amortization of the reduced Principal over the then remaining Term as would have been achieved had the Principal and Debt Service Payments not been reduced. Borrower will execute any instruments that Lender deems reasonably necessary to evidence the reduced Principal and debt service payments.

Section 7.5. Restoration.

(a) If the total Proceeds for any Destruction Event are \$500,000.00 or less and Lender elects or is obligated by Law or under this Article to make the Proceeds available for Restoration, Lender will disburse to Borrower the entire amount received by Lender and Borrower will commence Restoration promptly after the Destruction Event and complete Restoration not later than the Restoration Completion Date.

(b) If the Proceeds for any Destruction Event exceed \$500,000.00 and Lender elects or is obligated by Law or under this Article to make the Proceeds available for Restoration, Lender will disburse the Proceeds and any Additional Funds (the "**Restoration Funds**") upon Borrower's request as Restoration progresses, generally in accordance with normal construction lending practices for disbursing funds for construction costs, provided that the following conditions are met:

(i) Borrower commences Restoration promptly after the Destruction Event and completes Restoration on or before the Restoration Completion Date;

(ii) if Lender requests, Borrower delivers to Lender prior to commencing Restoration, for Lender's approval, plans and specifications and a detailed budget for the Restoration;

(iii) Borrower delivers to Lender satisfactory evidence of the costs of Restoration incurred prior to the date of the request, and such other documents as Lender may request including mechanics' lien waivers and title insurance endorsements;

(iv) Borrower pays all costs of Restoration whether or not the Restoration Funds are sufficient and, if at any time during Restoration, Lender determines that the undisbursed balance of the Restoration Funds is insufficient to complete Restoration, Borrower deposits with Lender, as part of the Restoration Funds, an amount equal to the deficiency within 30 days of receiving notice of the deficiency from Lender; and

(v) there is no default under the Loan Documents at the time Borrower requests funds or at the time Lender disburses funds.

(c) If an Event of Default occurs at any time after the Destruction Event, then Lender will have no further obligation to make any remaining Proceeds available for Restoration and may apply any remaining Proceeds as a credit against any portion of the Debt selected by Lender in its sole discretion.

---

(d) Lender may elect at any time prior to commencement of Restoration or while work is in progress to retain, at Borrower's expense, an independent engineer or other consultant to review the plans and specifications, to inspect the work as it progresses and to provide reports. If any matter included in a report by the engineer or consultant is unsatisfactory to Lender, Lender may suspend disbursement of the Restoration Funds until the unsatisfactory matters contained in the report are resolved to Lender's satisfaction.

(e) If Borrower fails to commence and complete Restoration in accordance with the terms of this Article, then in addition to the Remedies, Lender may elect to restore the Improvements on Borrower's behalf and reimburse itself out of the Restoration Funds for costs and expenses incurred by Lender in restoring the Improvements, or Lender may apply the Restoration Funds as a credit against any portion of the Debt selected by Lender in its sole discretion.

(f) Lender may commingle the Restoration Funds with its general assets and will not be liable to pay any interest or other return on the Restoration Funds unless otherwise required by Law. Lender will not hold any Restoration Funds in trust. Lender may elect to deposit the Restoration Funds with a depository satisfactory to Lender under a disbursement and security agreement satisfactory to Lender.

(g) Borrower will pay all of Lender's expenses incurred in connection with a Destruction Event or Restoration. If Borrower fails to do so, then in addition to the Remedies, Lender may from time to time reimburse itself out of the Restoration Funds.

(h) If any excess Proceeds remain after Restoration, Lender may elect, in its sole discretion either to apply the excess as a credit against any portion of the Debt as selected by Lender in its sole discretion or to deliver the excess to Borrower.

### **ARTICLE VIII COMPLIANCE WITH LAW AND AGREEMENTS**

Borrower hereby confirms that, as of the date hereof, the representations and warranties contained in this Article VIII are true, correct and complete and covenants that until the Debt has been repaid in full, it shall take the actions or refrain from taking the actions as required by this Article VIII and shall cause any representations and warranties that are expressly prospective in nature to be true, correct and complete on every day that the Debt is outstanding:

**Section 8.1. Compliance with Law.** Borrower, the Property and the use of the Property comply and will continue to comply with Law and with all agreements and conditions necessary to preserve and extend all rights, licenses, permits, privileges, franchises and concessions (including zoning variances, special exceptions and non-conforming uses) relating to the Property or Borrower (including, without limitation, the Comprehensive Permit and the Regulatory Agreement). Borrower will notify Lender of the commencement of any investigation or Proceeding relating to a possible violation of Law and/or the Comprehensive Permit and/or the Regulatory Agreement immediately after Borrower receives notice thereof and will deliver promptly to Lender copies of all documents Borrower receives or delivers in connection with the investigation or Proceeding.

---

Borrower will not alter the Property in any manner that would increase Borrower's responsibilities for compliance with Law (including, without limitation, the Comprehensive Permit and the Regulatory Agreement).

**Section 8.2. Compliance with Agreements.** There are no defaults, events of defaults or events which, with the passage of time or the giving of notice, would constitute an event of default under the Property Documents. Borrower will pay and perform all of its obligations under the Property Documents as and when required by the Property Documents. Borrower will cause all other parties to the Property Documents to pay and perform their obligations under the Property Documents as and when required by the Property Documents. Borrower will not amend or waive any provisions of the Property Documents; exercise any options under the Property Documents; give any approval required or permitted under the Property Documents that would adversely affect the Property or Lender's rights and interests under the Loan Documents; cancel or surrender any of the Property Documents; or release or discharge or permit the release or discharge of any party to or entity bound by any of the Property Documents, without, in each instance, Lender's prior approval (excepting therefrom all service contracts or other agreements entered into in the normal course of business that are cancelable upon not more than 30 days notice). Borrower promptly will deliver to Lender copies of any notices of default or of termination that Borrower receives or delivers relating to any Property Document (including, without limitation, any notices of default or termination provided for under the Regulatory Agreement and/or the Comprehensive Permit).

**Section 8.3. ERISA Compliance.**

(a) Borrower is not and will not be an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 ("**ERISA**") that is subject to Title I of ERISA or a "plan" as defined in Section 4975(e)(1) of the Code that is subject to Section 4975 of the Code, and Borrower's assets are not and will not constitute "plan assets" of one or more such plans for purposes of Title I of ERISA or Section 4975 of the Code.

(b) Borrower is not and will continue not to be a "governmental plan" within the meaning of Section 3(32) of ERISA and transactions by or with Borrower are not and will not be subject to any Laws regulating investments of and fiduciary obligations with respect to governmental plans.

(c) Borrower will not engage in any transaction which would cause any obligation or any action under the Loan Documents, including Lender's exercise of the Remedies, to be a non-exempt prohibited transaction under ERISA.

**Section 8.4. Anti-Terrorism.**

(a) None of Borrower, Guarantor, and/or Indemnitor or any of their respective Affiliates is in violation of any of the Anti-Terrorism Laws, including Executive Order No. 13224 on Terrorist Financing (effective September 24, 2001) (the "**Executive Order**"), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56), and the Bank Secrecy Act, 31 U.S.C. §5311 et seq. Borrower covenants that neither Borrower, Guarantor, Indemnitor nor any of their respective

---

Affiliates will at any time during the term of the Loan be in violation of any of the Anti-Terrorism Laws.

(b) None of Borrower, Guarantor, and/or Indemnitor or any of their respective Affiliates is a Prohibited Person or is in violation of any of the Laws relating to Prohibited Persons. A "**Prohibited Person**" is (A) a person designated as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website [http://www.treas.gov/ofac/t11\\_sdn.pdf](http://www.treas.gov/ofac/t11_sdn.pdf) or at any replacement website or other replacement official publication of such list, or any person or entity owned or controlled by or acting for or on behalf of such a person; (B) an agency of the government of a country, or an organization controlled by a country, or a person resident in a country that is subject to trade restrictions or a sanctions program under any of the economic sanctions of the United States administered by the United States Department of the Treasury's Office of Foreign Assets Control; or (C) a person or entity (including a country or government) with whom Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Laws. Borrower and its Affiliates will at all times comply with all Laws relating to Prohibited Persons.

(c) The term "**Affiliate**" is defined as any person that controls, is under common control with, or is controlled by Borrower. For purposes of this Section 8.4, the term "**control**" (and derivative terms) is defined as the power to direct or cause the direction of the management and policies of the applicable entity through ownership of voting securities or beneficial interests, by contract or otherwise, and persons or entities having control include any general partner, managing member, manager or executive officer of the applicable entity, and any direct or indirect holder of a ten percent (10%) or greater ownership interest in Borrower, Guarantor, Indemnitor or such applicable entity.

(d) The Loan proceeds will not be used for any illegal purposes and no portion of the Property or Borrower has been acquired with funds derived from illegal activities.

(e) Borrower covenants and agrees to deliver to Lender any certification or other evidence requested from time to time by Lender in its sole discretion, confirming Borrower's compliance with this Section 8.4. The representations and warranties set forth in said subparagraphs shall be deemed repeated and reaffirmed by Borrower as of each date that Borrower makes a payment to Lender under the Loan Documents or receives any payment from Lender.

**Section 8.5. Section 6045(e) Filing.** Borrower will supply or cause to be supplied to Lender either (i) a copy of a completed Form 1099-B, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Proceeds prepared by Borrower's attorney or other person responsible for the preparation of the form, together with a certificate from the person who prepared the form to the effect that the form has, to the best of the preparer's knowledge, been accurately prepared and that the preparer will timely file the form; or (ii) a certification from Borrower that the Loan is a refinancing of the Property or is otherwise not required to be reported to the Internal Revenue Service pursuant to Section 6045(e) of the Code. Under no circumstances will Lender or Lender's counsel be obligated to file the reports or returns.

---

**ARTICLE IX**  
**ENVIRONMENTAL**

**Section 9.1. Environmental Representations and Warranties.** Except as disclosed in the Environmental Report and to Borrower's knowledge as of the date of this Mortgage:

(a) no Environmental Activity has occurred or is occurring on the Property other than the use, storage, and disposal of Hazardous Materials which (i) is in the ordinary course of business consistent with the Permitted Use; (ii) is in compliance with all Environmental Laws and (iii) has not resulted in Material Environmental Contamination of the Property; and

(b) no Environmental Activity has occurred or is occurring on any property in the vicinity of the Property which has resulted in Material Environmental Contamination of the Property.

**Section 9.2. Environmental Covenants.**

(a) Borrower will not cause or permit any Material Environmental Contamination of the Property.

(b) No Environmental Activity will occur on the Property other than the use, storage and disposal of Hazardous Materials which (i) is in the ordinary course of business consistent with the Permitted Use; (ii) is in compliance with all Environmental Laws; and (iii) does not create a risk of Material Environmental Contamination of the Property.

(c) Borrower will notify Lender immediately upon Borrower becoming aware of (i) any Material Environmental Contamination of the Property or (ii) any Environmental Activity with respect to the Property that is not in accordance with the preceding subsection (b). Borrower promptly will deliver to Lender copies of all documents delivered to or received by Borrower regarding the matters set forth in this subsection, including notices of Proceedings or investigations concerning any Material Environmental Contamination of the Property or Environmental Activity or concerning Borrower's status as a potentially responsible party (as defined in the Environmental Laws). Borrower's notification of Lender in accordance with the provisions of this subsection will not be deemed to excuse any default under the Loan Documents resulting from the violation of Environmental Laws or the Material Environmental Contamination of the Property or Environmental Activity that is the subject of the notice. If Borrower receives notice of a suspected violation of Environmental Laws in the vicinity of the Property that poses a risk of Material Environmental Contamination of the Property, Borrower will give Lender notice and copies of any documents received relating to such suspected violation.

(d) From time to time at Lender's request, Borrower will deliver to Lender any information known and documents available to Borrower relating to the environmental condition of the Property.

(e) Lender may perform or engage an independent consultant to perform an assessment of the environmental condition of the Property and of Borrower's compliance with this Section on an annual basis, or at any other time for reasonable cause, or after an Event of Default. In

---

connection with the assessment: (i) Lender or consultant may enter and inspect the Property and perform tests of the air, soil, ground water and building materials; (ii) Borrower will cooperate and use commercially reasonable efforts to cause tenants and other occupants of the Property to cooperate with Lender or consultant; (iii) Borrower will receive a copy of any final report prepared after the assessment, to be delivered to Borrower not more than 10 days after Borrower requests a copy and executes Lender's standard confidentiality and waiver of liability letter; (iv) Borrower will accept custody of and arrange for lawful disposal of any Hazardous Materials required to be disposed of as a result of the tests; (v) Lender will not have liability to Borrower with respect to the results of the assessment; and (vi) Lender will not be responsible for any damage to the Property resulting from the tests described in this subsection and Borrower will look solely to the consultants to reimburse Borrower for any such damage. The consultant's assessment and reports will be at Borrower's expense (x) if the reports disclose any material adverse change in the environmental condition of the Property from that disclosed in the Environmental Report; (y) if Lender engaged the consultant when Lender had reasonable cause to believe Borrower was not in compliance with the terms of this Article and, after written notice from Lender, Borrower failed to provide promptly reasonable evidence that Borrower is in compliance; or (z) if Lender engaged the consultant after the occurrence of an Event of Default.

(f) If Lender has reasonable cause to believe that there is Environmental Activity at the Property, Lender may elect in its sole discretion to release from the lien of this Mortgage any portion of the Property affected by the Environmental Activity and Borrower will accept the release.

## **ARTICLE X** **FINANCIAL REPORTING**

### Section 10.1. Financial Reporting.

(a) Borrower will deliver to Lender within 90 days after the close of each Fiscal Year (together with any change to the previously submitted Budget and, if and as applicable, Leasing Plan), an annual financial statement (the "Annual Financial Statement") for the Property for the prior Fiscal Year, which will include a comparative balance sheet, an income and expense statement on a GAAP basis, including operating and capital expenditures and leasing costs, and if requested, all supporting schedules. The Annual Financial Statement will be:

(i) certified by Borrower prior to any Event of Default and following any Event of Default audited by a CPA and accompanied by an opinion of the CPA that, in all material respects, the Annual Financial Statement fairly presents the financial position of the Property; and

(ii) separate and distinct from any consolidated statement or report for Borrower or any other entity or any other property.

(b) Simultaneously with the delivery of the Annual Financial Statement, Borrower will deliver to Lender the Certification of Rent Roll as required by the Assignment of Leases and Rents.

---

(c) Borrower will keep full and accurate Financial Books and Records for each Fiscal Year. Borrower will permit Lender or Lender's accountants or auditors to inspect or audit the Financial Books and Records from time to time and without notice. Borrower will maintain the Financial Books and Records for each Fiscal Year for not less than 3 years after the date Borrower delivers to Lender the Annual Financial Statement and the other financial certificates, statements and information to be delivered to Lender for the Fiscal Year. Financial Books and Records will be maintained at Borrower's address set forth in the section entitled "**Notices**" or at any other location as may be approved by Lender.

(d) Borrower will (i) provide Lender with a copy of any "Annual Limited Dividend Financial Report" submitted in connection with the Regulatory Agreement (with each such copy being provided to Lender simultaneous with the submission of such report to the MHPFB), (ii) will provide Lender with a copy of any response from the MHPFB relative to the report referenced in the preceding item (i) (with each such copy being provided to Lender within five (5) Business Days of Borrower's receipt of the same from MHPFB), (iii) provide Lender with a copy of (A) any notice of default or inquiry regarding compliance with the Regulatory Agreement that may be issued by the MHPFB under or in connection with the Regulatory Agreement and (B) the results of any annual inspection performed by MHPFB under the Regulatory Agreement (with each such copy referenced in this item (iii), being provided to Lender within five (5) Business Days of Borrower's receipt of the same from MHPFB). Additionally, Borrower shall (1) promptly notify Lender of any re-determination of Borrower's Equity as defined in the Regulatory Agreement, and (2) provide Lender with any written submission Borrower may make or intend to make in connection with any such re-determination prior to submitting the same to MHPFB. Furthermore, prior to submitting the same to the MHPFB, Borrower shall provide a copy of any revisions to the affirmative marketing plan referenced in Section 7 of the Regulatory Agreement and copies of any written response from the MHPFB with respect to the same (with each such copy of any such response being provided to Lender within five (5) Business Days of Borrower's receipt of the same from MHPFB).

#### Section 10.2 Interim Financial Information and Rent Roll.

(a) Upon request by Lender, Borrower will deliver to Lender within 30 days after the end of each quarter (i) GAAP basis income and expense statements for the Property for the immediately preceding fiscal quarter, as well as for the year-to-date (ii) a current Rent Roll for the Property and (iv) any changes to the Budget and, if and as applicable, Leasing Plan, it being understood and agreed that, if so requested by Lender, each item required to be delivered pursuant to this clause (a) shall be accompanied by a certification from Borrower confirming that the information so delivered is true, correct and complete in all material respects;

(b) Upon Lender's request, simultaneously with the delivery of the quarterly financial information required under clause (a) above, Borrower will deliver to Lender a certificate disclosing any contracts with affiliates of Borrower in connection with the Property; and

---

(c) Borrower will deliver to Lender any other information with respect to the operation and management of Borrower and Property as Lender may request from time to time within 15 days of the request.

Section 10.3. Annual Budget.

(a) Not less than 60 days prior to the end of each Fiscal Year, Borrower will deliver to Lender a detailed comparative budget (the "**Budget**") for the Property for the then current and succeeding Fiscal Year showing anticipated Rents and Operating Expenses, including projected capital and tenant improvement costs, and any other information Lender requests; and

(b) Following the occurrence of an Event of Default and/or in the event the Debt Service Coverage Ratio as determined by Lender (based on a 30 year amortization schedule) shall at any time decline below 1.10 : 1.00 for a period of three (3) consecutive calendar months, Borrower shall (within sixty (60) days of Lender's notice to Borrower of such Event of Default or such decline in the Debt Service Coverage Ratio) deliver to Lender for Lender's review and approval a lease rollover schedule for the current and subsequent two Fiscal Years, a marketing plan (if applicable), and a leasing plan (collectively, the "**Leasing Plan**") for the Property, which shall include projected market rents, a marketing plan and projections for rollover spaces, vacancies, leasing commissions, tenant improvement costs and other capital costs in the Property. Additionally, from and after the date of delivery of the initial Leasing Plan, not less than 60 days prior to the end of each Fiscal Year, Borrower shall deliver to Lender for Lender's review and approval an updated Leasing Plan for the subsequent two Fiscal Years.

(c) Without limiting the foregoing or any other provisions set forth herein and in the other Loan Documents, (i) during any Low DSCR Period, Borrower shall submit a monthly leasing report to Lender in form and substance acceptable to Lender detailing all leasing activity in connection with the Property and (ii) during an Event of Default Borrower shall deliver to Lender a monthly update to the Leasing Report for Lender's review and approval.

(d) Borrower waives any defense or right of offset to the Obligations, and any claim or counterclaim against Lender, arising out of any discussions between Borrower and Lender regarding any Budget or revised Budget delivered to Lender, including any defense, right of offset, claim or counterclaim alleging in substance, that by virtue of such delivery, discussions or resolution, Lender has interfered with, influenced or controlled Borrower or the operations at the Property.

Section 10.4. Material Non-Public Information. Prior to delivering any information that may constitute material non-public information with respect to a company whose shares are publicly traded, Borrower shall endeavor to notify Lender in advance of any such proposed delivery, it being understood and agreed, however, that any breach of this provision by Borrower shall not constitute a default or Event of Default hereunder.

---

**ARTICLE XI**  
**EXPENSES AND DUTY TO DEFEND**

Section 11.1. Payment of Expenses.

(a) Borrower is obligated to pay all fees and expenses (the “**Expenses**”) that are (i) incurred by Lender in respect of the Loan, any Loan Document, the Property or Borrower; (ii) charged by Lender in consideration of processing any request by or on behalf of Borrower for an action or consent of Lender under the Loan Documents, which charges will be determined by Lender in its reasonable discretion; or (iii) are otherwise payable in connection with the Loan, the Property or Borrower, including attorneys’ fees and expenses and any fees and expenses relating to (A) the preparation, execution, acknowledgment, delivery and recording or filing of the Loan Documents; (B) any Proceeding or other claim asserted against Lender or any Proceeding described in the Section entitled “**Lender’s Right to Appear**”; (C) any inspection, assessment, survey and test permitted under the Loan Documents (unless and to the extent the Loan Documents expressly provide that the same are either not payable by Borrower or payable by Lender); (D) any Destruction Event; (E) the preservation of Lender’s security and the exercise of any rights or remedies available at Law, in equity or otherwise; (F) administration of the Loan; (G) any review, consent or other servicing matter relating to the Leases and the Property Documents; and (H) any Proceeding in or for bankruptcy, insolvency, reorganization or other debtor relief or similar Proceeding relating to Borrower, the Property or any person liable under any guarantee, indemnity or other credit enhancement delivered in connection with the Loan.

(b) Borrower will pay the Expenses immediately on demand, together with any applicable interest, premiums or penalties. If Lender pays any of the Expenses, Borrower will reimburse Lender the amount paid by Lender immediately upon demand, together with interest on such amount at the Default Interest Rate from the date Lender paid the Expenses through and including the date Borrower reimburses Lender. The Expenses together with any applicable interest, premiums or penalties constitute a portion of the Debt secured by this Mortgage.

Section 11.2. Duty to Defend. If Lender or any of its trustees, officers, participants, employees or affiliates is a party in any Proceeding relating to the Property, Borrower or the Loan, Borrower will indemnify and hold harmless the party and will defend the party with attorneys and other professionals retained by Borrower and approved by Lender (provided that Borrower shall not be required to so indemnify, defend and hold harmless Lender and/or such party(ies) as and to the extent the Proceeding is resultant from Lender’s gross negligence or willful misconduct). Lender may elect to engage its own attorneys and other professionals, at Borrower’s expense, to defend or to assist in the defense of the party. In all events, case strategy will be determined by Lender if Lender so elects and no Proceeding will be settled without Lender’s prior approval which may be withheld in its sole discretion.

**ARTICLE XII**  
**TRANSFERS, LIENS AND ENCUMBRANCES**

Section 12.1. Prohibitions on Transfers, Liens and Encumbrances.

(a) Borrower acknowledges that in making the Loan, Lender is relying to a material extent on the business expertise and net worth of Borrower and Borrower’s general partners, members or

---

principals and on the continuing interest that each of them has, directly or indirectly, in the Property. Accordingly, except as specifically set forth in this Mortgage, Borrower (i) will not, and will not permit its partners, members or principals to, effect a Transfer without Lender's prior approval, which may be withheld in Lender's sole discretion and (ii) will keep the Property free from all liens and encumbrances other than the lien of this Mortgage and the Permitted Exceptions. A "**Transfer**" is defined as any sale, grant, lease (other than bona fide third-party space leases with tenants), conveyance, assignment or other transfer of, or any encumbrance or pledge against, the Property, any interest in the Property, any interest of Borrower's partners, members or principals in the Property, or any change in Borrower's composition, in each instance whether voluntary or involuntary, direct or indirect, by operation of law or otherwise (including mergers affecting any constituent entity) and including the grant of an option or the execution of an agreement relating to any of the foregoing matters (provided that a Transfer shall not include any Permitted Exception).

(b) Borrower represents, warrants and covenants that:

- (i) Borrower is a Delaware limited liability company whose manager is NewReal, Inc., a Massachusetts corporation ("**Manager**"), and whose sole member is Nashoba Apartments Limited Partnership, a Massachusetts limited partnership (the "**Existing Member**");
  - (ii) Manager is a Massachusetts corporation the equity interests in which are held by Harold Brown, the owner of 75% of the equity interests in Manager, and Ronald Brown, the owner of 25% of the equity interests in Manager;
  - (iii) Existing Member is a Massachusetts limited partnership, the equity interests in which are held by New England Realty Associates Limited Partnership, a Massachusetts limited partnership ("**NERA**"), the sole limited partner in Existing Member and the owner of 99% of the limited partnership interests in Existing Member, and Nashoba Apartments, Inc, a Massachusetts corporation ("**Existing Member GP**"), the sole general partner of Existing Member and the owner of the remaining 1% of the limited partnership interests in Existing Member;
  - (iv) Existing Member GP is a Massachusetts corporation, with NERA being the owner of 100% of the equity interests in Existing Member; and
  - (v) NERA is a Massachusetts limited partnership, the general partner of which is Manager holding 1% of the equity interests in NERA, with 80% of the remaining equity interests in NERA being held by the holders of certain Class A interests in NERA (which Class A interests are publicly traded) and the remaining 19% of the equity interests in NERA being held by the holders of certain Class B interests in NERA (which Class B interests are held by Manager).
-

Section 12.2. Permitted Transfers.

(a) Notwithstanding the prohibitions regarding Transfers, a Permitted Transfer may occur without Lender's prior consent, provided that the following conditions are met:

(i) at least 45 days prior to the proposed Permitted Transfer, Borrower delivers to Lender a notice that is sufficiently detailed to enable Lender to determine that the proposed Permitted Transfer complies with the terms of this Section;

(ii) there is no default under the Loan Documents either when Lender receives the notice or when the proposed Permitted Transfer occurs and all payment obligations of Borrower to Lender have been paid through the date of the Permitted Transfer;

(iii) the proposed Permitted Transfer will not result in a violation of any of the covenants or representations contained in the Sections entitled "**ERISA Compliance**", "**Anti-Terrorism**" or "**Special Purpose Entity Representations, Warranties and Covenants**" and Borrower will deliver to Lender such documentation of compliance as Lender requests in its sole discretion;

(iv) when Lender receives the notice and when the proposed Permitted Transfer occurs, the transferee has never been an adverse party to Lender in any litigation to which Lender was a party; the transferee has never defaulted on a loan from Lender or on any contract or other agreement with Lender; and the transferee has never threatened litigation against Lender (for purposes of this subsection, "transferee" includes the transferee's constituent entities at all levels and "Lender" includes Lender's subsidiaries);

(v) Borrower pays all of Lender's expenses relating to the Transfer, including Lender's attorneys' fees;

(vi) Lender is satisfied that the Property will continue to be managed by a property manager satisfactory to Lender;

(vii) On the date of the proposed Permitted Transfer, if so requested by Lender, a Uniform Commercial Code search report is delivered to Lender relating to (A) the transferee, (B) any predecessor entity that transferee merged with or into, and (C) any entity where transferee acquired substantially all of its assets, in each case satisfactory to Lender and indicating that Lender's security interest in such portion of the Property as is perfected by filing a financing statement is prior to all other security interests reflected in the report; and

(viii) On the date of the proposed Permitted Transfer, Lender receives certifications, satisfactory to Lender, that the proposed Permitted Transfer complies with this Section.

(b) Upon compliance with the conditions set forth in the preceding subsection, the following Transfers (the "**Permitted Transfers**") may occur without Lender's prior consent:

(i) any Transfer of direct or indirect ownership interests in Borrower; *provided* that, subsequent to the Transfer NERA (NERA in such capacity, the "**Key Principal**")

---

retains Control of Borrower and owns not less than twenty five percent (25%) of the economic interests in Borrower;

(ii) any Transfer of publicly traded shares in NERA, provided that following such Transfer, (A) Harold Brown (i.e. the Vice President of the Manager as of the date of this Mortgage), Ronald Brown (i.e. the President of the Manager as of the date of this Mortgage) and/or one or more Family Members shall retain Control of NERA and (B) NERA shall retain Control of Borrower and own not less than twenty-five percent (25%) of the economic interests in Borrower. As used herein, the term "**Family Member**" means a spouse, child or grandchild of said Harold Brown, said Ronald Brown or any trust established for the benefit of any one or more of the foregoing;

(iii) a one-time sale (a "**One-Time Sale**") of the Property to an unaffiliated bona fide purchaser, provided that Lender has declined to exercise any right to purchase the Property Lender may have pursuant to an express provision in this Mortgage and the following conditions are met:

(A) the transferee or its sponsor has a net worth of at least \$50,000,000.00;

(B) the transferee is an Institutional Investor or a developer or manager of first-class commercial real estate comparable to the Property, having substantial experience in owning property that is subject to affordable housing requirements, and having a reputation in the industry at least equivalent to that of Borrower as of the date of this Mortgage;

(C) the transferee has expressly assumed the obligations of Borrower under the Property Documents and under the Loan Documents; and

(D) subsequent to the One-Time Sale, the Property is managed by a property manager satisfactory to Lender;

(E) Lender, in its sole discretion, may require evidence satisfactory to it that immediately prior to the One-Time Sale and at least twelve (12) months subsequent to the One-Time Sale, the Property supports a loan to value ratio no greater than 70% and a Debt Service Coverage of not less than 1.25 : 1.00;

(F) Borrower pays to Lender a transfer fee of not less than one-half of one percent (0.50%) of the outstanding Principal.

(G) Borrower delivers to Lender a substitute for the environmental indemnity and recourse carveout guaranty delivered to Lender in connection with the Loan, executed by a substitute indemnitor, guarantor or surety, as the case may be, satisfactory to Lender in its sole discretion (which substitution agreement shall provide for the release of the existing guarantor(s) and/or indemnitor(s) from obligations thereunder as and to the extent the same first arise after the date on which the Property is transferred to the transferee and the same arise as a result of

---

acts or omissions that such such guarantor(s) and/or indemnitor(s) had no involvement with nor ability to direct or control the actions of others; in all events upon terms and conditions acceptable to Lender); and

(H) Lender's receipt of a non-consolidation opinion in form and substance acceptable to Lender in Lender's sole discretion.

(c) Notwithstanding anything to the contrary set forth herein: (i) upon compliance with terms set forth in the Assignment, Borrower may enter into leases of the Property for the Permitted Use thereof and (ii) Lender shall not unreasonably withhold its consent to the approval of any private utility or other operational easement in the event that (A) no Event of Default has occurred and is then continuing and (B) Lender is satisfied based on documentation provided by Borrower that such restriction will not have an adverse effect on the use or value of the Property or the priority of the lien of this Mortgage.

Section 12.3. Right to Contest Liens. Borrower, at its own expense, may contest the amount, validity or application, in whole or in part, of any mechanic's, materialmen's or environmental liens in which event Lender will refrain from exercising any of the Remedies, provided that the following conditions are met:

- (i) Borrower delivers to Lender notice of the proposed contest not more than 30 days after the lien is filed;
  - (ii) the contest is by a Proceeding promptly initiated and conducted in good faith and with due diligence;
  - (iii) there is no Event of Default other than the Event of Default arising from the filing of the lien;
  - (iv) the Proceeding suspends enforcement or collection of the lien, imposition of criminal or civil penalties and sale or forfeiture of the Property and Lender will not be subject to any civil suit;
  - (v) the Proceeding is permitted under and is conducted in accordance with the Leases and the Property Documents;
  - (vi) Borrower sets aside reserves or furnishes a bond or other security satisfactory to Lender, in either case in an amount sufficient to pay the claim giving rise to the lien, together with all interest and penalties, or Borrower pays the contested lien under protest; and
  - (vii) with respect to an environmental lien, Borrower is using best efforts to mitigate or prevent any deterioration of the Property resulting from the alleged violation of any Environmental Laws or the alleged Environmental Activity.
-

Section 12.4. Death or Incapacity of Guarantor or Indemnitor.

If any Guarantor or Indemnitor is an individual, such individual's death or legal incapacity shall constitute an Event of Default hereunder if within ninety(90) days of such individual's death or incapacity, the obligations of such individual under any guaranty or indemnity made in connection with the Loan is not transferred to a substitute Guarantor and/or Indemnitor proposed by Borrower and approved by Lender in its sole discretion, it being understood and agreed that all of the conditions set forth in Section 12.2 (a) (iii), (iv), (v), (vii) and (viii) must be satisfied with respect to such transfer, and that any such substitute guarantor and/or indemnitor proposed by Borrower must:

- (i) have a net worth of at least \$50,000,000.00;
- (ii) have a beneficial interest in Borrower; and
- (iii) expressly assume the obligations of Guarantor and/or Indemnitor, as applicable under any guaranty or indemnity entered into in connection with the Loan.

In lieu of a substitute Indemnitor under the environmental indemnity delivered in connection with the Loan, Lender may elect to accept environmental insurance, in its sole discretion.

**ARTICLE XIII**  
**ADDITIONAL REPRESENTATIONS, WARRANTIES AND COVENANTS**

Section 13.1. Further Assurances.

(a) Borrower will execute, acknowledge and deliver to Lender, or to any other entity Lender designates, any additional or replacement documents and perform any additional actions that Lender determines are reasonably necessary to evidence, perfect or protect Lender's first lien on and prior security interest in the Property or to carry out the intent or facilitate the performance of the provisions of the Loan Documents.

(b) Borrower appoints Lender as Borrower's attorney-in-fact to perform, at Lender's election, any actions and to execute and record any of the additional or replacement documents referred to in this Section, in each instance only at Lender's election and only to the extent Borrower has failed to comply with the terms of this Section.

Section 13.2. Estoppel Certificates.

(a) Within 10 days of Lender's request, Borrower will deliver to Lender, or to any entity Lender designates, a certificate certifying (i) the original principal amount of the Note; (ii) the unpaid principal amount of the Note; (iii) the Fixed Interest Rate; (iv) the amount of the then current Debt Service Payments; (v) the Maturity Date; (vi) the date a Debt Service Payment was last made; (vii) that, except as may be disclosed in the statement, there are no defaults or events which, with the passage of time or the giving of notice, would constitute an Event of Default; and (viii) there are no offsets or defenses against any portion of the Obligations except as may be disclosed in the statement.

---

(b) If Lender requests, Borrower promptly will deliver to Lender or to any entity Lender designates a certificate from each party to any Property Document, certifying that the Property Document is in full force and effect with no defaults or events which, with the passage of time or the giving of notice, would constitute an event of default under the Property Document and that there are no defenses or offsets against the performance of its obligations under the Property Document.

Section 13.3. Special Purpose Entity Representations, Warranties and Covenants. .

Borrower covenants and agrees as follows:

- (a) Borrower is formed solely for the purpose of owning and operating the Property and is not engaged and will not engage, either directly or indirectly, in any business other than the ownership, management and operation of the Property;
  - (b) Borrower does not have and will not acquire or use any assets other than the Property and personal property incidental to the business of owning and operating the Property and activities incidental thereto; without limiting the foregoing, the Property shall be operated as a single property or project, generating substantially all of Borrower's gross income, it being the intent that the Property shall constitute "single asset real estate" for purposes of Section 362(d)(3) of the Bankruptcy Code;
  - (c) Borrower will not liquidate or dissolve (or suffer any liquidation or dissolution), or enter into any transaction of merger or consolidation, or acquire by purchase or otherwise all or substantially all the business or assets of, or any stock or other evidence of beneficial ownership of any entity;
  - (d) Borrower will not, nor will any partner, limited or general, member or shareholder thereof, as applicable, violate the terms of its partnership certificate, partnership agreement, articles of incorporation, by-laws, operating agreement, articles of organization, or other formation agreement or document, as applicable;
  - (e) Borrower will observe all limited liability company, limited partnership or general partnership formalities that relate to the Borrower's separateness pursuant to its formation documents, operating agreement, bylaws or partnership agreement (as the case may be), or any other organizational filing or document governing the affairs of the Borrower;
  - (f) Borrower has not and will not guarantee, pledge its assets for the benefit of, or otherwise become obligated for the obligations of any other person or hold out its credit or assets as being available to satisfy the obligations of any other person except for obligations for indemnification and other obligations of the Borrower pursuant to its operating agreement, bylaws, or partnership agreement, as applicable;
  - (g) Borrower has not incurred and will not incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than (i) the Loan and (ii) unsecured trade debt incurred in the ordinary course of Borrower's business in connection with owning,
-

operating and maintaining the Property, not evidenced by a note, and payable within ninety (90) days of the date incurred;

(h) Borrower will be and will at all times hold itself out to the public as a legal entity separate and distinct from any other entity (including, without limitation, any affiliate, limited partner, general partner or member, as applicable, or any affiliate of any limited partner, general partner or member of Borrower, as applicable), will correct any known misunderstanding concerning its separate identity, and will not identify any other entity (including, without limitation, any affiliate, limited partner, general partner or member, or any affiliate of any limited partner, general partner or member of Borrower, as applicable) as a division or part of Borrower;

(i) Subject to the management of the Property by the property manager using a single operating account and to the commingling of reserves and other funds held by Lender as required under the Loan Documents, Borrower will not commingle its funds or assets with those of any other person, and will maintain and account for its assets in such a manner that it will not be costly or difficult to segregate, ascertain or identify its individual assets from those of any other person;

(j) Borrower will maintain its own separate, complete and accurate accounts, books, records and financial statements complying with GAAP, provided that the Borrower may file or may be part of a consolidated federal tax return to the extent required or permitted by applicable law so long as there is an appropriate notation indicating the separate existence of the Borrower and its assets and liabilities;

(k) Borrower will maintain its books, records, resolutions and agreement as official records;

(l) Borrower will pay its obligations and expenses from its own funds and assets (to the extent that it has funds to do so);

(m) Borrower will not have any paid manager or director for the entity (other than the Independent Manager) and to the extent Borrower has any employees, Borrower will pay the salaries of its own employees from its own funds and in the absence of such paid employees, Borrower will obtain all necessary services through third parties or independent contractors;

(n) Borrower will conduct and operate business in its own name or in the name of the Property, will allocate fairly and reasonably any overhead for shared office space and use separate stationery, invoices and checks;

(o) Borrower will not enter into or be a party to any transaction with any limited partner, general partner, principal, affiliate or member of Borrower, as applicable, or any affiliate of any limited partner, general partner, principal or member of Borrower, except in the ordinary course of business and upon terms and conditions that are intrinsically fair and substantially similar to those that would be available on an arms-length basis with third parties other than an affiliate;

(p) Borrower will not make loans or advance credit to any person (including affiliates) other than to tenants of the Property in the form of tenant allowances or tenant improvements;

---

(q) Borrower will not take any action which, under the terms of any formation document or other applicable organizational documents, requires the unanimous consent of all directors, partners or members, as applicable, without such required vote;

(r) Borrower will not engage in, seek or consent to any dissolution, winding up, liquidation, consolidation, merger, asset sale, bankruptcy or insolvency filing, or material amendment to or modification (including without limitation to any amendments or modifications of Borrower's separateness covenants) of its partnership agreement, articles of incorporation, by-laws, operating agreement, articles of organization, or other formation agreement or document, as applicable, without the required written consent of Lender;

(s) Borrower will continue to operate its business with the goal of maintaining capital which is adequate for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations to the extent funds are available from the Property;

(t) Borrower will have organizational documents that provide (a) that, regardless of the solvency of the Borrower, the Independent Manager shall owe duties to protect creditors in the enforcement of their contractual rights, including, without limitation, all remedies, and (b) that Lender is an intended third-party beneficiary of such organizational documents; and/or

(u) Borrower will not fail at any time to have at least one (1) Independent Manager that will vote on any Material Action (as hereinafter defined) of the Borrower. As used herein, "**Material Action**" shall be deemed to be (a) any proposed insolvency or bankruptcy proceeding of Borrower, (b) any dissolution or liquidation of Borrower, and/or (c) any amendment or modification of any provision of Borrower's organizational documents relating to company purpose or Borrower's bankruptcy-remote status, provided that the affirmative vote or written consent of the Independent Manager shall be required for the Borrower to approve or take any Material Action. No termination or change of the Independent Manager shall be made without giving Lender at least 20 days' prior written notice, which notice shall include a copy of a resume for such proposed replacement Independent Manager that reflects that such individual meets the definition of Independent Manager contained herein; provided further, that Lender shall have the right to object to the appointment of said replacement Independent Manager and in the event of such objection, the proposed replacement Independent Manager shall not be admitted. Notwithstanding the foregoing, any current Independent Manager that receives notice of the termination of its duties as such Independent Manager shall provide a copy of said notice to Lender within 5 days of receipt thereof.

Borrower agrees to keep the Single Purpose Entity covenants set forth in this Section 13.3 and such covenants currently are and will continue to be defined within Borrower's partnership certificate, partnership agreement, articles of incorporation, by-laws, operating agreement, articles of organization, or any other organizational filing or document governing the affairs of Borrower.

---

**ARTICLE XIV**  
**DEFAULTS AND REMEDIES**

Section 14.1. Events of Default. The term “**Event of Default**” means the occurrence of any of the following events:

- (i) if Borrower fails to pay (a) the Principal and all other amounts due under the Loan on the Maturity Date, (b) any Debt Service Payment and/or any monthly installment payment or deposit due under the Tax Pledge, the Replacement Reserve Pledge or any other pledge or reserve agreement established in connection with the Loan, as and when such amounts described under this clause (b) are required to be paid under any Loan Document, and such failure continues for a period of 5 days or (c) any other amounts not specifically identified in the preceding clauses (a) and (b) of this item (i), as and when such other amounts described under this clause (c) are required to be paid under any Loan Document, and such failure continues for a period of 5 days after written notice to Borrower thereof;
  - (ii) if Borrower makes a general assignment for the benefit of creditors or generally is not paying, or is unable to pay, or admits in writing its inability to pay, its debts as they become due; or if Borrower or any other party commences any Proceeding (A) relating to bankruptcy, insolvency, reorganization, conservatorship or relief of debtors, in each instance with respect to Borrower; (B) seeking to have an order for relief entered with respect to Borrower; (C) seeking attachment, distraint or execution of a judgment with respect to Borrower; (D) seeking to adjudicate Borrower as bankrupt or insolvent; (E) seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to Borrower or Borrower’s debts; or (F) seeking appointment of a Receiver, trustee, custodian, conservator or other similar official for Borrower or for all or any substantial part of Borrower’s assets, provided that if the Proceeding is commenced by a party other than Borrower or any of Borrower’s general partners or members, Borrower will have 120 days to have the Proceeding dismissed or discharged before an Event of Default occurs;
  - (iii) if Borrower is in default beyond any applicable grace and cure period under any other mortgage, deed of trust, deed to secure debt or other security agreement encumbering the Property whether junior or senior to the lien of this mortgage;
  - (iv) if there is a default beyond any applicable grace and cure period under any indemnity or guaranty in favor of Lender delivered to Lender in connection with the Loan or in connection with any loan cross-collateralized with the Loan;
  - (v) if a Transfer occurs except in accordance with the provisions of this Mortgage;
  - (vi) if Borrower abandons the Property or ceases to conduct its business at the Property;
  - (vii) if there is a default in the performance of any other provision of any Loan Document or if there is any inaccuracy or falsehood in any representation or warranty contained in any Loan Document or any indemnity or guaranty in favor of Lender delivered to Lender in connection with the Loan or in connection with any loan cross-collateralized
-

with the Loan, which is not remedied within 30 days after Borrower receives notice thereof, provided that if the default, inaccuracy or falsehood is of a nature that it cannot be cured within the 30-day period and during that period Borrower commences to cure, and thereafter diligently continues to cure, the default, inaccuracy or falsehood, then the 30-day period will be extended for a reasonable period not to exceed 120 days after the notice to Borrower; or

(viii) if Borrower violates any covenant contained within Section 13.3 entitled “*Special Purpose Entity Representations, Warranties and Covenants*”.

Section 14.2. Remedies.

(a) If an Event of Default occurs, Lender may take any of the following actions (the “**Remedies**”) without notice to Borrower:

- (i) declare all or any portion of the Debt immediately due and payable (“**Acceleration**”);
  - (ii) pay or perform any Obligation;
  - (iii) institute a Proceeding for the specific performance of any Obligation;
  - (iv) apply for and obtain the appointment of a Receiver to be vested with the fullest powers permitted by Law, without bond being required, which appointment may be made ex parte, as a matter of right and without regard to the value of the Property, the amount of the Debt or the solvency of Borrower or any other person liable for the payment or performance of any portion of the Obligations;
  - (v) directly, by its agents or representatives or through a Receiver appointed by a court of competent jurisdiction, enter on the Land and Improvements, take possession of the Property, dispossess Borrower and exercise Borrower’s rights with respect to the Property, either in Borrower’s name or otherwise;
  - (vi) institute a Proceeding for the foreclosure of this Mortgage or, if applicable, sell by power of sale, all or any portion of the Property;
  - (vii) institute proceedings for the partial foreclosure of this Mortgage for the portion of the Debt then due and payable, subject to the continuing lien of this Mortgage for the balance of the Debt not then due;
  - (viii) exercise any and all rights and remedies granted to a secured party under the Uniform Commercial Code; and
  - (ix) pursue any other right or remedy available to Lender at Law, in equity or otherwise.
-

(b) If an Event of Default occurs, the license granted to Borrower in the Loan Documents to collect Rents will terminate automatically without any action required of Lender.

Section 14.3. General Provisions Pertaining to Remedies.

(a) The Remedies are cumulative and may be pursued concurrently or otherwise, at such time and in such order as Lender may determine in its sole discretion and without presentment, demand, protest or further notice of any kind, all of which are expressly waived by Borrower.

(b) The enumeration in the Loan Documents of specific rights or powers will not be construed to limit any general rights or powers or impair Lender's rights with respect to the Remedies.

(c) If Lender exercises any of the Remedies, Lender will not be deemed a mortgagee-in-possession unless Lender has elected affirmatively to be a mortgagee-in-possession.

(d) Lender will not be liable for any act or omission of Lender in connection with the exercise of the Remedies.

(e) Lender's right to exercise any Remedy will not be impaired by any delay in exercising or failure to exercise the Remedy and the delay or failure will not be construed as extending any cure period or constitute a waiver of the default or Event of Default.

(f) If an Event of Default occurs, Lender's payment or performance or acceptance of payment or performance will not be deemed a waiver or cure of the Event of Default.

(g) Lender's acceptance of partial payment or receipt of Rents will not extend or affect any grace period, constitute a waiver of a default or Event of Default or constitute a rescission of Acceleration.

Section 14.4. General Provisions Pertaining to Receiver and other Remedies.

(a) If an Event of Default occurs, any court of competent jurisdiction will, upon application by Lender, appoint a Receiver as designated in the application and issue an injunction prohibiting Borrower from interfering with the Receiver, collecting Rents, disposing of any Rents or any part of the Property, committing waste or doing any other act that will tend to affect the preservation of the Leases, the Rents and the Property and Borrower approves the appointment of the designated Receiver or any other Receiver appointed by the court. Borrower agrees that the appointment may be made ex parte and as a matter of right to Lender, either before or after sale of the Property, without further notice, and without regard to the solvency or insolvency, at the time of application for the Receiver, of the person or persons, if any, liable for the payment of any portion of the Debt and the performance of any portion of the Obligations and without regard to the value of the Property or whether the Property is occupied as a homestead and without bond being required of the applicant.

---

(b) The Receiver will be vested with the fullest powers permitted by Law including all powers necessary or usual in similar cases for the protection, possession and operation of the Property and all the powers and duties of Lender as a mortgagee-in-possession as provided in this Mortgage and may continue to exercise all the usual powers and duties until the Receiver is discharged by the court.

(c) In addition to the Remedies and all other available rights, Lender or the Receiver may take any of the following actions:

- (i) take exclusive possession, custody and control of the Property and manage the Property so as to prevent waste;
- (ii) require Borrower to deliver to Lender or the Receiver all keys, security deposits, operating accounts, prepaid Rents, past due Rents, the Financial Books and Records and all original counterparts of the Leases and the Property Documents;
- (iii) collect, sue for and give receipts for the Rents and, after paying all expenses of collection, including reasonable receiver's, broker's and attorney's fees, apply the net collections to any portion of the Debt selected by Lender in its sole discretion;
- (iv) enter into, modify, extend, enforce, terminate, renew or accept surrender of Leases and evict tenants except that in the case of a Receiver, such actions may be taken only with the written consent of Lender as provided in this Mortgage and in the Assignment;
- (v) enter into, modify, extend, enforce, terminate or renew Property Documents except that in the case of a Receiver, such actions may be taken only with the written consent of Lender as provided in this Mortgage and in the Assignment;
- (vi) appear in and defend any Proceeding brought in connection with the Property and bring any Proceeding to protect the Property as well as Borrower's and Lender's respective interests in the Property (unless any such Proceeding has been assigned previously to Lender in the Assignment, or if so assigned, Lender has not expressly assigned such Proceeding to the Receiver and consented to such appearance or defense by the Receiver); and
- (vii) perform any act in the place of Borrower that Lender or the Receiver deems necessary (A) to preserve the value, marketability or rentability of the Property; (B) to increase the gross receipts from the Property; or (C) otherwise to protect Borrower's and Lender's respective interests in the Property.

(d) Borrower appoints Lender as Borrower's attorney-in-fact, at Lender's election, to perform any actions and to execute and record any instruments necessary to effectuate the actions described in this Section, in each instance only at Lender's election and only to the extent Borrower has failed to comply with the provisions of this Section.

---

**Section 14.5. General Provisions Pertaining to Foreclosures and the Power of Sale.** The following provisions will apply to any Proceeding to foreclose and to any sale of the Property by power of sale or pursuant to a judgment of foreclosure and sale:

(i) Lender's right to institute a Proceeding to foreclose or to sell by power of sale will not be exhausted by a Proceeding or a sale that is defective or not completed;

(ii) any sale may be postponed or adjourned by Lender by public announcement at the time and place appointed for the sale without further notice;

(iii) with respect to any sale pursuant to a judgment of foreclosure and sale or by power of sale, the Property may be sold as an entirety or in parcels, at one or more sales, at the time and place, on terms and in the order that Lender deems expedient in its sole discretion;

(iv) if a portion of the Property is sold pursuant to this Article, the Loan Documents will remain in full force and effect with respect to any unmatured portion of the Debt and this Mortgage will continue as a valid and enforceable first lien on and security interest in the remaining portion of the Property, subject only to the Permitted Exceptions, without loss of priority and without impairment of any of Lender's rights and remedies with respect to the unmatured portion of the Debt;

(v) Lender may bid for and acquire the Property at a sale and, in lieu of paying cash, may credit the amount of Lender's bid against any portion of the Debt selected by Lender in its sole discretion after deducting from the amount of Lender's bid the expenses of the sale, costs of enforcement and other amounts that Lender is authorized to deduct at Law, in equity or otherwise; and

(vi) Lender's receipt of the proceeds of a sale will be sufficient consideration for the portion of the Property sold and Lender will apply the proceeds as set forth in this Mortgage.

**Section 14.6. Application of Proceeds.** Lender may apply the proceeds of any sale of the Property by power of sale or pursuant to a judgment of foreclosure and sale and any other amounts collected by Lender in connection with the exercise of the Remedies to payment of the Debt in such priority and proportions as Lender may determine in its sole discretion or in such priority and proportions as required by Law.

**Section 14.7. Power of Attorney.** Borrower appoints Lender as Borrower's attorney-in-fact to perform any actions necessary and incidental to exercising the Remedies.

**Section 14.8. Tenant at Sufferance.** If Lender or a Receiver enters the Property in the exercise of the Remedies and Borrower is allowed to remain in occupancy of the Property, Borrower will pay to Lender or the Receiver, as the case may be, in advance, a reasonable rent for the Property occupied by Borrower. If Borrower fails to pay the rent, Borrower may be dispossessed by the usual Proceedings available against defaulting tenants.

---

**ARTICLE XV**  
**LIMITATION OF LIABILITY**

**Section 15.1. Limitation of Liability.**

(a) Notwithstanding any provision in the Loan Documents to the contrary, except as set forth in subsections (b) and (c), if Lender seeks to enforce the collection of the Debt, Lender will foreclose this Mortgage instead of instituting suit on the Note. If a lesser sum is realized from a foreclosure of this Mortgage and sale of the Property than the then outstanding Debt, Lender will not institute any Proceeding against Borrower or Borrower's general partners, if any, for or on account of the deficiency, except as set forth in subsections (b) and (c).

(b) The limitation of liability in subsection (a) will not affect or impair (i) the lien of this Mortgage or Lender's other rights and Remedies under the Loan Documents, including Lender's right as mortgagee or secured party to commence an action to foreclose any lien or security interest Lender has under the Loan Documents; (ii) the validity of the Loan Documents or the Obligations; (iii) Lender's rights under any Loan Document that are not expressly non-recourse; or (iv) Lender's right to present and collect on any letter of credit or other credit enhancement document held by Lender in connection with the Obligations.

(c) The following are excluded and excepted from the limitation of liability in subsection (a) and Lender may recover personally against Borrower and its general partners, if any, for the following:

(i) all losses suffered and liabilities and expenses incurred by Lender relating to any fraud or intentional misrepresentation or omission by Borrower or any of Borrower's partners, members, officers, directors, shareholders or principals in connection with (A) the performance of any of the conditions to Lender making the Loan; (B) any inducements to Lender to make the Loan; (C) the execution and delivery of the Loan Documents; (D) any certificates, representations or warranties given in connection with the Loan; or (E) Borrower's performance of the Obligations;

(ii) (A) all Rents derived from the Property after a default under the Loan Documents which default is a basis of a Proceeding by Lender to enforce collection of the Debt and all moneys that, on the date such a default occurs, are on deposit in one or more accounts used by or on behalf of Borrower relating to the operation of the Property, except to the extent properly applied to payment of Debt Service Payments, Impositions, Insurance Premiums and any reasonable and customary expenses incurred by Borrower in the operation, maintenance and leasing of the Property or delivered to Lender (directly or pursuant to the Lock-Box Agreement) and/or (B) the application or use of any Rents by or at the direction of Borrower or any Borrower affiliate in breach of the terms of the Lock-Box Agreement;

(iii) the cost of remediation of any Environmental Activity affecting the Property, any diminution in the value of the Property arising from any Environmental Activity

---

affecting the Property and any other losses suffered and liabilities and expenses incurred by Lender relating to a default under the Article entitled "**Environmental**";

(iv) all security deposits collected by Borrower or any of Borrower's predecessors and not refunded to tenants in accordance with their respective Leases, applied in accordance with the Leases or Law or delivered to Lender, and all tenant letters of credit and advance rents collected by Borrower or any of Borrower's predecessors and not applied in accordance with the Leases or delivered to Lender (directly or pursuant to the Lock-Box Agreement);

(v) any Termination Fee (as defined in the Assignment) received by Borrower which is not paid to Lender (or an escrow agent selected by Lender) in accordance with the terms and conditions of the Assignment;

(vi) the replacement cost of any Fixtures or Personal Property removed from the Property after a default occurs;

(vii) all losses suffered and liabilities and expenses incurred by Lender relating to any acts or omissions by Borrower that result in waste (including economic and non-physical waste) on the Property;

(viii) all protective advances and other payments made by Lender pursuant to express provisions of the Loan Documents to protect Lender's security interest in the Property or to protect the assignment of the property described in and effected by the Assignment;

(ix) all mechanics' or similar liens relating to work performed on or materials delivered to the Property prior to Lender exercising its Remedies, but only to the extent Lender had advanced funds to pay for the work or materials;

(x) all Proceeds that are not applied in accordance with this Mortgage or not paid to Lender as required under this Mortgage;

(xi) all losses suffered and liabilities and expenses incurred by Lender relating to forfeiture or threatened forfeiture of the Property to the Government;

(xii) all losses suffered and liabilities and expenses incurred by Lender relating to any default by Borrower under any of the provisions of this Mortgage relating to ERISA;

(xiii) all losses suffered and liabilities and expenses incurred by Lender relating to any default by Borrower, Indemnitor or Guarantor under any of the provisions of this Mortgage relating to Anti-Terrorism Laws or money laundering laws;

(xiv) all losses suffered and liabilities and expenses incurred by Lender relating to any default by Borrower under Section 17.2 of this Mortgage;

---

(xv) all losses suffered and liabilities and expenses incurred by Lender relating to the failure to maintain, or to pay the premiums for, any insurance required to be maintained under the Loan Documents;

(xvi) all losses incurred by Lender all losses suffered and liabilities and expenses incurred by Lender relating to any failure by Borrower to comply with the terms of the Regulatory Agreement; and

(xvii) relating to any Borrower Party (A) directly or indirectly interferes, disturbs, contests, obstructs or in any way hinders (whether or not intentionally) Lender's exercise of any of its rights or remedies under any of the Loan Documents upon an Event of Default (provided that Borrower is not liable hereunder for any losses incurred by Lender as and to the extent resultant solely from a good faith dispute by Borrower regarding the existence of an Event of Default), or (B) in any judicial or quasi-judicial case, action or proceeding directly or indirectly contests the validity or enforceability of the Loan Documents.

Notwithstanding the foregoing, the limitation of liability in Subsection (a) above SHALL BECOME NULL AND VOID and shall be of no further force and effect and Lender may recover personally against Borrower and its general partners, if any, in the event of (i) a voluntary bankruptcy or insolvency proceeding of Borrower if such proceeding is not dismissed in accordance with the terms of this Mortgage, (ii) an involuntary bankruptcy or insolvency proceeding of Borrower, in which Borrower, any of its principals, officers, general partners or members, or its related Guarantor colludes with creditors in such bankruptcy or insolvency proceeding if such proceeding is not dismissed in accordance with the terms of this Mortgage, (iii) a default by Borrower or any general partner, manager or managing member of Borrower of any of the covenants or requirements contained in this Mortgage entitled "*Special Purpose Entity Representations, Warranties and Covenants*" Section 13.3; provided that liability under this clause (iii) shall be limited to any losses suffered by Lender unless such breach is the basis in whole or in part for the substantive consolidation of Borrower; or (iv) a Transfer that is not permitted under the Section entitled "*Permitted Transfers*" Section 12.2, including the prohibition on any Transfer that results in a violation of ERISA or any anti-terrorism or money laundering laws.

(d) Nothing under subparagraph (a) above will be deemed to be a waiver of any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code or under any other Law relating to bankruptcy or insolvency to file a claim for the full amount of the Debt or to require that all collateral will continue to secure all of the Obligations in accordance with the Loan Documents.

#### **ARTICLE XVI** **WAIVERS**

**SECTION 16.1. WAIVER OF STATUTE OF LIMITATIONS. BORROWER WAIVES THE RIGHT TO CLAIM ANY STATUTE OF LIMITATIONS AS A DEFENSE TO BORROWER'S PAYMENT AND PERFORMANCE OF THE OBLIGATIONS.**

---

**SECTION 16.2. WAIVER OF NOTICE. BORROWER WAIVES THE RIGHT TO RECEIVE ANY NOTICE FROM LENDER WITH RESPECT TO THE LOAN DOCUMENTS EXCEPT FOR THOSE NOTICES THAT LENDER IS EXPRESSLY REQUIRED TO DELIVER PURSUANT TO THE LOAN DOCUMENTS.**

**SECTION 16.3. WAIVER OF MARSHALLING AND OTHER MATTERS. BORROWER WAIVES THE BENEFIT OF ANY RIGHTS OF MARSHALLING OR ANY OTHER RIGHT TO DIRECT THE ORDER IN WHICH ANY OF THE PROPERTY WILL BE (i) SOLD; OR (ii) MADE AVAILABLE TO ANY ENTITY IF THE PROPERTY IS SOLD BY POWER OF SALE OR PURSUANT TO A JUDGMENT OF FORECLOSURE AND SALE. BORROWER ALSO WAIVES THE BENEFIT OF ANY LAWS RELATING TO APPRAISEMENT, VALUATION, STAY, EXTENSION, REINSTATEMENT, MORATORIUM, HOMESTEAD AND EXEMPTION RIGHTS OR A SALE IN INVERSE ORDER OF ALIENATION.**

**SECTION 16.4. WAIVER OF TRIAL BY JURY. BORROWER WAIVES TRIAL BY JURY IN ANY PROCEEDING BROUGHT BY OR AGAINST, OR COUNTERCLAIM OR CROSS-COMPLAINT ASSERTED BY OR AGAINST, LENDER RELATING TO THE LOAN, THE PROPERTY DOCUMENTS OR THE LEASES.**

**SECTION 16.5. WAIVER OF COUNTERCLAIM. BORROWER WAIVES THE RIGHT TO ASSERT A COUNTERCLAIM OR CROSS-COMPLAINT, OTHER THAN COMPULSORY OR MANDATORY COUNTERCLAIMS OR CROSS-COMPLAINTS, IN ANY PROCEEDING LENDER BRINGS AGAINST BORROWER RELATING TO THE LOAN, INCLUDING ANY PROCEEDING TO ENFORCE REMEDIES.**

**SECTION 16.6. WAIVER OF JUDICIAL NOTICE AND HEARING. BORROWER WAIVES ANY RIGHT BORROWER MAY HAVE UNDER LAW TO NOTICE OR TO A JUDICIAL HEARING PRIOR TO THE EXERCISE OF ANY RIGHT OR REMEDY PROVIDED BY THE LOAN DOCUMENTS TO LENDER AND BORROWER WAIVES THE RIGHTS, IF ANY, TO SET ASIDE OR INVALIDATE ANY SALE DULY CONSUMMATED IN ACCORDANCE WITH THE PROVISIONS OF THE LOAN DOCUMENTS ON THE GROUND (IF SUCH BE THE CASE) THAT THE SALE WAS CONSUMMATED WITHOUT A PRIOR JUDICIAL HEARING.**

**SECTION 16.7. WAIVER OF SUBROGATION. BORROWER WAIVES ALL RIGHTS OF SUBROGATION TO LENDER'S RIGHTS OR CLAIMS RELATED TO OR AFFECTING THE PROPERTY OR ANY OTHER SECURITY FOR THE LOAN UNTIL THE LOAN IS PAID IN FULL AND ALL FUNDING OBLIGATIONS UNDER THE LOAN DOCUMENTS HAVE BEEN TERMINATED.**

**SECTION 16.8. GENERAL WAIVER. BORROWER ACKNOWLEDGES THAT (A) BORROWER AND BORROWER'S PARTNERS, MEMBERS OR PRINCIPALS, AS THE CASE MAY BE, ARE KNOWLEDGEABLE BORROWERS OF COMMERCIAL FUNDS AND EXPERIENCED REAL ESTATE DEVELOPERS OR INVESTORS WHO UNDERSTAND FULLY THE EFFECT OF THE ABOVE PROVISIONS; (B) LENDER**

---

**WOULD NOT MAKE THE LOAN WITHOUT THE PROVISIONS OF THIS ARTICLE; (C) THE LOAN IS A COMMERCIAL OR BUSINESS LOAN UNDER THE LAWS OF THE STATE OR COMMONWEALTH WHERE THE PROPERTY IS LOCATED, NEGOTIATED BY LENDER AND BORROWER AND THEIR RESPECTIVE ATTORNEYS AT ARMS LENGTH; AND (D) ALL WAIVERS BY BORROWER IN THIS ARTICLE HAVE BEEN MADE VOLUNTARILY, INTELLIGENTLY AND KNOWINGLY, AFTER BORROWER FIRST HAS BEEN INFORMED BY COUNSEL OF BORROWER'S OWN CHOOSING AS TO POSSIBLE ALTERNATIVE RIGHTS, AND HAVE BEEN MADE AS AN INTENTIONAL RELINQUISHMENT AND ABANDONMENT OF A KNOWN RIGHT AND PRIVILEGE. THE FOREGOING ACKNOWLEDGMENT IS MADE WITH THE INTENT THAT LENDER AND ANY SUBSEQUENT HOLDER OF THE NOTE WILL RELY ON THE ACKNOWLEDGMENT.**

**ARTICLE XVII  
NOTICES**

Section 17.1. Notices. All acceptances, approvals, consents, demands, notices, requests, waivers and other communications (the "**Notices**") required or permitted to be given under the Loan Documents must be in writing and (a) delivered personally by a process server providing a sworn declaration evidencing the date of service, the individual served, and the address where the service was made; (b) sent by certified mail, return receipt requested; or (c) delivered by nationally recognized overnight delivery service that provides evidence of the date of delivery (for next morning delivery if sent by overnight delivery service), in all cases with charges prepaid, addressed to the appropriate party at its address listed below:

If to Lender: Teachers Insurance and Annuity  
Association of America  
730 Third Avenue  
New York, New York 10017  
Attention: Director  
Global Real Estate/  
Fixed Income  
TIAA Authorization #AAA-7440  
Investment ID #0007003

with a  
copy to: Teachers Insurance and Annuity  
Association of America  
730 Third Avenue  
New York, New York 10017  
Attention: Associate General Counsel, Director  
Asset Management Law  
TIAA Authorization #AAA-7440  
Investment ID #0007003

---

And Commercial Loan Services  
929 Gessner, Suite 1740  
Houston, TX 77024  
Attention: Chief Legal Officer

If to Borrower: Hamilton Green Apartments, LLC  
39 Brighton Avenue  
Boston, Massachusetts 02134  
Attn: Carl Valeri

with a  
copy to: Saul Ewing LLP  
131 Dartmouth Street, Suite 501  
Boston, Massachusetts 02116  
Attention: Sally Michael, Esq.

Lender and Borrower each may change from time to time the address to which Notices must be sent, by notice given in accordance with the provisions of this Section. All Notices given in accordance with the provisions of this Section will be deemed to have been received on the earliest of (i) actual receipt; (ii) Borrower's rejection of delivery; or (iii) 3 Business Days after having been deposited in any mail depository regularly maintained by the United States postal service, if sent by certified mail, or 1 Business Day after having been deposited with a nationally recognized overnight delivery service, if sent by overnight delivery or on the date of personal service, if served by a process server.

Section 17.2. Change in Borrower's Legal Name, Place of Business or State of Formation. Borrower will notify Lender in writing prior to any change in Borrower's legal name, place of business or state or commonwealth of formation, including as a result of, or in connection with, any Transfer, including any Permitted Transfer.

#### **ARTICLE XVIII** **MISCELLANEOUS**

Section 18.1. Applicable Law. The Loan Documents are governed by and will be construed in accordance with the Laws of the state or commonwealth in which the Property is located without regard to conflict of law provisions, except to the extent that the Uniform Commercial Code requires otherwise.

Section 18.2. Usury Limitations. Borrower and Lender intend to comply with all Laws with respect to the charging and receiving of interest. Any amounts charged or received by Lender for the use or forbearance of the Principal to the extent permitted by Law, will be amortized and spread throughout the Term until payment in full so that the rate or amount of interest charged or received by Lender on account of the Principal does not exceed the Maximum Interest Rate. If any amount charged or received under the Loan Documents that is deemed to be interest is determined to be in excess of the amount permitted to be charged or received at the Maximum Interest Rate, the excess will be deemed to be a prepayment of Principal when paid, without premium, and any

---

portion of the excess not capable of being so applied will be refunded to Borrower. If during the Term the Maximum Interest Rate, if any, is eliminated, then for the purposes of the Loan, there will be no Maximum Interest Rate.

**Section 18.3. Lender's Discretion.** Wherever under the Loan Documents any matter is required to be satisfactory to Lender, Lender has the right to approve or determine any matter or Lender has an election, Lender's approval, determination or election will be made in Lender's reasonable discretion unless expressly provided to the contrary.

**Section 18.4. Unenforceable Provisions.** If any provision in the Loan Documents is found to be illegal or unenforceable or would operate to invalidate any of the Loan Documents, then the provision will be deemed expunged and the Loan Documents will be construed as though the provision was not contained in the Loan Documents and the remainder of the Loan Documents will remain in full force and effect.

**Section 18.5. Survival of Borrower's Obligations.** Borrower's representations, warranties and covenants contained in the Loan Documents will continue in full force and effect and survive (i) satisfaction of the Obligations; (ii) release of the lien of this Mortgage; (iii) assignment or other transfer of all or any portion of Lender's interest in the Loan Documents or the Property; (iv) Lender's exercise of any of the Remedies or any of Lender's other rights under the Loan Documents; (v) a Transfer; (vi) amendments to the Loan Documents; and (vii) any other act or omission that might otherwise be construed as a release or discharge of Borrower.

**Section 18.6. Relationship Between Borrower and Lender; No Third Party Beneficiaries.**

(a) Lender is not a partner of or joint venturer with Borrower or any other entity as a result of the Loan or Lender's rights under the Loan Documents; the relationship between Lender and Borrower is strictly that of creditor and debtor. Each Loan Document is an agreement between the parties to that Loan Document for the mutual benefit of the parties and no entities other than the parties to that Loan Document will be a third party beneficiary or will have any claim against Lender or Borrower by virtue of the Loan Document. As between Lender and Borrower, any actions taken by Lender under the Loan Documents will be taken for Lender's protection only, and Lender has not and will not be deemed to have assumed any responsibility to Borrower or to any other entity by virtue of Lender's actions.

(b) All conditions to Lender's performance of its obligations under the Loan Documents are imposed solely for the benefit of Lender. No entity other than Lender will have standing to require satisfaction of the conditions in accordance with their provisions or will be entitled to assume that Lender will refuse to perform its obligations in the absence of strict compliance with any of the conditions.

**Section 18.7. Partial Releases; Extensions; Waivers.** Lender may: (i) release any part of the Property or any entity obligated for any of the Obligations; (ii) extend the time for payment or performance of any of the Obligations or otherwise amend the provisions for payment or performance by agreement with any entity that is obligated for the Obligations or that has an interest in the Property; (iii) accept additional security for the payment and performance of the

---

Obligations; and (iv) waive any entity's performance of an Obligation, release any entity or individual now or in the future liable for the performance of the Obligation or waive the exercise of any Remedy or option. Lender may exercise any of the foregoing rights without notice, without regard to the amount of any consideration given, without affecting the priority of the Loan Documents, without releasing any entity not specifically released from its obligations under the Loan Documents, without releasing any guarantor(s) or surety(ies) of any of the Obligations, without effecting a novation of the Loan Documents and, with respect to a waiver, without waiving future performance of the Obligation or exercise of the Remedy waived.

Section 18.8. Service of Process. Borrower irrevocably consents to service of process by registered or certified mail, postage prepaid, return receipt requested, to Borrower at its address set forth in the Article entitled "**Notices**".

Section 18.9. Entire Agreement. Oral agreements or commitments between Borrower and Lender to lend money, to extend credit or to forbear from enforcing repayment of a debt, including promises to extend or renew the debt, are not enforceable. Any agreements between Borrower and Lender relating to the Loan are contained in the Loan Documents, which contain the complete and exclusive statement of the agreements between Borrower and Lender, except as Borrower and Lender may later agree in writing to amend the Loan Documents. The language of each Loan Document will be construed as a whole according to its fair meaning and will not be construed against the party by or for whom it was drafted.

Section 18.10. No Oral Amendment. The Loan Documents may not be amended, waived or terminated orally or by any act or omission made individually by Borrower or Lender but may be amended, waived or terminated only by a written document signed by the party against which enforcement of the amendment, waiver or termination is sought.

Section 18.11. Lost or Destroyed Note. If the Note is lost, mutilated, destroyed or stolen, Borrower will deliver to Lender a new, substitute note containing the same provisions as the Note, provided that Borrower is furnished with reasonably satisfactory evidence of the loss, mutilation, destruction or theft of the Note.

Section 18.12. Covenants Run with the Land. Subject to the restrictions on transfer contained in the Article entitled "**TRANSFERS, LIENS AND ENCUMBRANCES**", all of the covenants of this Mortgage and the Assignment run with the Land, will bind all parties hereto and all tenants and subtenants of the Land or the Improvements and their respective heirs, executors, administrators, successors and assigns, and all occupants and subsequent owners of the Property, and will inure to the benefit of Lender and all subsequent holders of the Note and this Mortgage.

Section 18.13. Time of the Essence. Time is of the essence with respect to Borrower's payment and performance of the Obligations.

Section 18.14. Subrogation. If the Principal or any other amount advanced by Lender is used directly or indirectly to pay off, discharge or satisfy all or any part of an encumbrance affecting the Property, then Lender is subrogated to the encumbrance and to any security held by

---

the holder of the encumbrance, all of which will continue in full force and effect in favor of Lender as additional security for the Obligations.

**Section 18.15. Joint and Several Liability.** If Borrower consists of more than one person or entity, the obligations and liabilities of each such person or entity under this Mortgage are joint and several.

**Section 18.16. Successors and Assigns.** The Loan Documents bind the parties to the Loan Documents and their respective successors, assigns, heirs, administrators, executors, agents and representatives and inure to the benefit of Lender and its successors, assigns, heirs, administrators, executors, agents and representatives.

**Section 18.17. Duplicates and Counterparts.** Duplicate counterparts of any of the Loan Documents, other than the Note, may be executed and together will constitute a single original document.

#### **ARTICLE XIX** **ADDITIONAL PROVISIONS PERTAINING TO STATE LAWS**

Section 19.1. The provisions set forth below shall govern and control in the event of any conflict between the terms thereof and the terms of the balance of this Mortgage:

(a) **Residential Lease Security Deposits.** Notwithstanding any provision herein or in any of the Loan Documents to the contrary, nothing herein shall be construed to assign to Lender or to create a security interest in favor of Lender in violation of the provisions of Massachusetts General Laws Chapter 186, Section 15B in any security deposits made by tenants under any residential Lease of the Property or any portion thereof, or in any accounts of Borrower in which such residential security deposits are held, which residential security deposits shall be held and released by Borrower in accordance with the provisions of Massachusetts General Laws Chapter 186, Section 15B. Without limiting the generality of the foregoing, as required by said Chapter 186, Section 15B, upon the foreclosure of this Mortgage, or the delivery by Borrower of a deed in lieu of foreclosure to Lender or its designee, Borrower shall turn over all such residential security deposits and any interest accrued thereon to Borrower's successor in title to the Property.

(b) **Mortgage Covenants.** This Mortgage and all of the grants herein are made with mortgage covenants within the meaning of Massachusetts General Laws Chapter 183 Section 19.

(c) **Statutory Condition.** This Mortgage is given on the "Statutory Condition" within the meaning of Massachusetts General Law Chapter 183 Section 20.

(d) **Power of Sale.** The "Statutory Power of Sale" referenced in Massachusetts General Law Chapter 183 Section 21 is incorporated herein by reference.

REMAINDER OF PAGE LEFT INTENTIONALLY BLANK

---

IN WITNESS WHEREOF, Borrower has executed and delivered this Mortgage as of the date first set forth above.

BORROWER:

HAMILTON GREEN APARTMENTS, LLC, a Delaware limited liability company

By: NewReal, Inc., a Massachusetts corporation, its manager

By: \_\_\_\_\_  
Ronald Brown, President

COMMONWEALTH OF MASSACHUSETTS

, ss:

On this        day of       , 2013, before me, the undersigned notary public, personally appeared Ronald Brown, the president of NewReal Inc., a Massachusetts corporation, the manager of Hamilton Green Apartments, LLC, proved to me through satisfactory evidence of identification, which was       , to be the person whose name is signed on the preceding or attached document and acknowledged to me that s/he signed it voluntarily for its stated purpose.

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

My commission expires:



Exhibit A

LEGAL DESCRIPTION

Real property in the Town of Andover, County of Essex, Commonwealth of Massachusetts, described as follows:

Parcel 1(311 Lowell Street)

A certain Parcel of land with the buildings and improvements thereon in Andover, Essex County, Massachusetts, and being shown as Lot 2 on a plan entitled "Plan of Land-307-311 Lowell Street- Andover, Mass.," prepared for Lowell Street Associates Limited Partnership by Otte & Dwyer, Inc. Land Surveyors dated June 21, 2004, recorded with the Essex North Registry of Deeds ("Registry") as Plan No. 14808 on June 30, 2004, described as follows:

Beginning at a point on the northwesterly sideline of said Lowell Street, said point being the Southwesterly most corner of said Lot 2; thence running

N 33-29-14 W one hundred eighteen and 00/100 (118.00) feet to a corner; thence turning and running

S 52-05-47 W two hundred forty and 72/100 (240.72) feet to a corner; thence turning and running

N 33-29-14 W one hundred ninety and 00/100 (190.00) feet to a corner; thence turning and running

S 62-29-44 W two hundred forty-nine and 86/100 (249.86) feet to a point; thence

S 66-05-13 W thirty-eight and 95/100 (38.95) feet to a point; thence

S 60-14-01 W fifteen and 62/100 (15.62) feet to a corner; thence turning and running

Northwesterly by a curved line to the right having a radius of 320.00 feet, a distance of seven and 04/100 (7.04) feet; thence

N 27-21-52 W four hundred thirty-four and 86/100 (434.86) feet to a point; thence

N 18-50-48 W one hundred ten and 67/100 (110.67) feet to a corner; thence turning and running

N 64-33-42 E six hundred sixty-five and 69/100 feet (665.69) feet to a corner; thence turning and running

S 26-18-33 E one hundred forty-six and 76/100 (146.76) feet to a point; thence

Southeasterly by a curved line to the left having a radius of 50.00 feet, a distance of seventy- eight and 54/100 (78.54) feet; thence

N 63-41-27 E thirty-six and 78/100 (36.78) feet to a corner; thence turning and running

S 34-36-07 E one hundred seventy-six and 83/100 (176.83) feet to a corner; thence turning and running

N 54-37-39 E sixty and 54/100 (60.54) feet to a corner; thence turning and running

S 34-34-40 E forty-five and 00/100 (45.00) feet to a corner; thence turning and running

S 20-40-48 W sixty-two and 81/100 (62.81) feet to a point; thence

Southwesterly by a curved line to the right having a radius of 50.00 feet, a distance of forty-four and 95/100 (44.95) feet; thence

---

Southeasterly by a curved line to the left having a radius of 35.00 feet, a distance of seventy-four and 60/100 (74.60) feet; thence

Southeasterly again, by a curved line to the left having a radius of 122.00 feet, a distance of ninety-seven and 40/100 feet (97.40) feet to a corner; thence turning and running

S 50-15-40 E three and 05/100 (3.05) feet to a corner; thence turning and running

N 39-44-20 E twenty-seven and 00/100 (27.00) feet to a corner; thence turning and running

S 50-15-40 E thirty and 00/100 feet (30.00) feet to a corner; thence turning and running

N 39-44-20 E eleven and 21/100 (11.21) feet to a point; thence

Southeasterly by a curved line to the right having a radius of 25.00 feet, a distance of forty-one and 79/100 (41.79) feet to a point; thence

S 44-29-27 E forty-seven and 73/100 (47.73) feet, to a point on the northwesterly sideline of said Lowell Street; thence turning and running by said sideline on three courses as follows:

S 37-46-23 W two hundred six and 73/100 (206.73) feet to a corner; thence turning and running

N 52-13-37 W five and 00/100 (5.00) feet to a corner; thence turning and running

Southwesterly by a curved line to the right having a radius 1047.44 feet, a distance of one hundred forty-two and 24/100 (142.24) feet to the point of beginning.

Together with the benefit of certain rights as provided in the following documents:

1. Declaration and Grant of Easements between Harry Axelrod and Lowell Street Associates Limited Partnership dated May 22, 1991 recorded with the Registry in Book 3274, Page 96 ("1991 Easement Agreement")
2. Rights and easement granted in Reciprocal Easement Agreement between Andover Real Estate Corporation and Rolling Green Motor Inn Corporation dated September 22, 1982, and recorded with the Registry in Book 1617, Page 187, as affected by Easement Relocation Agreement dated April 28, 2005, and recorded with the Registry in Book 9483, Page 73.
3. Rights and easements granted in a certain Declaration and Grant of Easement, Rights and Restrictions dated June 17, 2003 and recorded with the Registry in Book 7920, Page 113, as affected by Restatement of Declaration and Grant of Easements, Rights and Restrictions dated April 28, 2005 recorded with the Registry in Book 9483, Page 11.

Parcel 2 (319 Lowell Street)

The land with the buildings thereon situated on Lowell Street in Andover, No. Essex County, Massachusetts and being shown as Lot 3 on a plan of land entitled "Plan of Land in Andover, Mass. as surveyed for John Bolten" drawn by McCracken Bros. Engineers, Methuen, Mass., Scale 1"=20' dated January 7, 1947 and recorded in No. Essex County Registry of Deeds as Plan #1692 to which plan reference is made for a more particular description of Lot 3, as affected by Taking by the Commonwealth of Massachusetts for the relocation of Lowell Street dated December 4, 1956 and recorded in the Registry in Book 856, Page 100, as affected by an entry dated June 25, 1957 and recorded in the Registry in Book 858, Page 84, and being more particularly described as follows:

---

Beginning at a point on the northwesterly sideline of said Lowell Street said point being the southwesterly most corner of Lot 2; thence running

N 33-29-14 W one hundred eighteen and 00/100 (118.00) feet to a corner; thence turning and running

S 52-05-47 W eighty and 24/100 (80.24) feet to a corner; thence turning and running

S 33-31-35 E one hundred twenty-six and 06/100 (126.06) feet to a corner; thence turning and running

Northeasterly by the sideline of Lowell Street by a curved line to the left having a radius of 1047.44 feet, eighty-one and 19/100 (81.19) feet to the point of beginning.

The above described premises is also described as follows:

PARCEL 1 (311 Lowell Street)

A certain Parcel of land with the buildings and improvements thereon in Andover, Essex County, Massachusetts, and being shown as Lot 2 on a plan entitled "Plan of Land-307- 311 Lowell Street-Andover, Mass.", prepared for Lowell Street Associates Limited Partnership-by Otte & Dwyer, Inc.-Land Surveyors dated June 21, 2004, recorded with the Essex North Registry of Deeds ("Registry") as Plan No. 14808 on June 30, 2004, as modified by a plan entitled "Plan of Land-325 Lowell Street-Andover, Mass.", prepared for Criterion Development Partners-by Otte & Dwyer, Inc.-Land Surveyors dated December 12, 2005, recorded with said Registry as Plan No. 15311 on February 7, 2006, and as further modified by an actual field survey and property line determination by Hayes Engineering, Inc. in December, 2006, described as follows:

Beginning at a point on the northwesterly sideline of said Lowell Street, said point being the Southwesterly most corner of said Lot 2; thence running

N33°14'39"W a distance of 118.40 feet; thence turning and running

S52°20'21"W a distance of 80.24 feet; thence running

S52°20'21"W a distance of 160.48 feet; thence turning and running

N33°09'55"W a distance of 190.83 feet; thence turning and running

S62°26'51"W a distance of 250.04 feet; thence turning and running

S65°59'57"W a distance of 38.70 feet; thence turning and running

S60°10'38"W a distance of 16.95 feet to a point on the easterly location line of Interstate Route 93; thence turning and running

Northwesterly along said sideline with a curve turning to the right having an arc length of 5.00 feet on a radius of 320.00 feet; thence running

N27°21'52"W along said sideline a distance of 434.86 feet; thence turning and running

N18°50'48"W along said sideline a distance of 109.60 feet; thence turning and running

N64°35'16"E a distance of 665.43 feet; thence turning and running

S26°18'15"E a distance of 145.49 feet; thence turning and running

Southeasterly with a curve turning to the left having an arc length of 78.54 feet on a radius of 50.00 feet; thence running;

N63°41'45"E a distance of 36.78 feet; thence turning and running

S34°35'49"E a distance of 176.83 feet; thence turning and running

N54°37'57"E a distance of 60.54 feet; thence turning and running

S34°34'22"E a distance of 45.00 feet; thence turning and running

S20°41'06"W a distance of 62.81 feet; thence turning and running

Southwesterly with a curve turning to the right having an arc length of 44.95 feet on a radius of 50.00 feet; thence running;

Southeasterly with a curve turning to the left having an arc length of 74.60 feet on a radius of 35.00 feet; thence running;

Southeasterly again with a curve turning to the left having an arc length of 97.40 feet on a radius of 122.00 feet; thence turning and running;

S50°15'22"E a distance of 3.05 feet; thence turning and running

N39°44'38"E a distance of 27.00 feet; thence turning and running

S50°15'22"E a distance of 30.00 feet; thence turning and running

N39°44'38"E a distance of 11.21 feet; thence running

Southeasterly with a curve turning to the right having an arc length of 41.79 feet on a radius of 25.00 feet; thence running;

S44°29'09"E a distance of 47.73 feet to a point on the northerly sideline of Lowell Street; thence turning and running

S37°46'41"W along said sideline a distance of 206.52 feet; thence turning and running

N52°13'19"W along said sideline a distance of 5.00 feet; thence turning and running

Southwesterly along said sideline with a curve turning to the right having an arc length of 142.27 feet on a radius of 1047.44 feet to the point of beginning.

Containing an area of 499,461 Square Feet, or 11.466 Acres.

Together with the benefit of certain rights as provided in the following documents:

1. Declaration and Grant of Easements between Harry Axelrod and Lowell Street Associates Limited Partnership dated May 22, 1991 recorded with the Registry in Book 3274, Page 96 ("1991 Easement Agreement")
2. Rights and easement granted in Reciprocal Easement Agreement between Andover Real Estate Corporation and Rolling Green Motor Inn Corporation dated September 22, 1982, and recorded with the Registry in Book 1617, Page 187, as affected by Easement Relocation Agreement dated April 28, 2005, 2005 and recorded with the Registry in Book 9483, Page 73.
3. The following rights granted in a certain Declaration and Grant of Easement, Rights and Restrictions dated June 17, 2003 and recorded with the Registry in Book 7920, Page 113, as affected by Restatement of Declaration and Grant of Easements, Rights and Restrictions dated April 28, 2005 recorded with the Registry in Book 9483, Page 11.

PARCEL 2 (319 Lowell Street)

The land with the buildings thereon situated on Lowell Street in Andover, No. Essex County, Massachusetts and being shown as Lot 3 on a plan of land entitled "Plan of Land in Andover, Mass. as surveyed for John Bolten" drawn by McCracken Bros. Engineers, Methuen, Mass., Scale 1"=20' dated January 7, 1947 and recorded in North Essex County Registry of Deeds as Plan # 1692 to which plan reference is made for a more particular description of Lot 3, as affected by Takings by the Commonwealth of Massachusetts for the relocation of Lowell Street dated May 28, 1957 and recorded in the Registry in Book 856, Page 100 as affected by an entry dated June 25, 1957 and recorded in the Registry in Book 858, Page 84, and dated November 26, 1969 and recorded in the Registry in Book 1145, Page 150, and as further modified by an actual field survey and property line determination by Hayes Engineering, Inc. in December, 2006, being more particularly described as follows:

Beginning at a point on the northerly sideline of said Lowell Street, said point being the southwesterly most corner of Lot 2; thence running:

Southwesterly along said sideline with a curve turning to the right having an arc length of 81.34 feet on a radius of 1047.44 feet; thence turning and running;

N33°14'39"W a distance of 126.82 feet; thence turning and running

N52°20'21"E a distance of 80.24 feet; thence turning and running

S33°14'39"E a distance of 118.40 feet to the point of beginning.

Containing an area of 9,851 Square Feet, or 0.226 Acres.

---

Exhibit B

DEFINITIONS

“**Acceleration**” is defined in Section 14.2(a)(i).

“**Accumulations**” is defined in Section 2.1(vii).

“**Accumulations Depositary**” is defined in Section 6.2(a).

“**Additional Funds**” is defined in Section 7.4(v).

“**Affiliate**” is defined in Section 8.4(c).

“**Annual Financial Statement**” is defined in Section 10.1(a).

“**Anti-Terrorism Laws**” is defined as all Laws relating to terrorist acts, acts of war and money laundering.

“**Assessments**” is defined as all assessments now or hereafter levied, assessed or imposed against the Property.

“**Assignment**” is defined as the Assignment of Leases and Rents dated of even date with this Mortgage made by Borrower for the benefit of Lender.

“**Bankruptcy Code**” means Title 11 of the United States Code.

“**Borrower**” is defined in the introductory paragraph.

“**Budget**” is defined in Section 10.3.

“**Business Days**” is defined as any day on which commercial banks are not authorized or required by Law to close in New York, New York.

“**Casualty**” is defined as damage to or destruction of the Property by fire or other casualty.

“**CERCLA**” is defined as the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 and by the Small Business Liability Relief and Brownfields Revitalization Act and by the Asset Conservation, Lender Liability and Deposit Insurance Protection Act of 1996, and as further amended from time to time.

“**Code**” is defined as the Internal Revenue Code of 1986 and the regulations promulgated thereunder.

---

“**Comprehensive Permit**” means that certain permit issued by the Town of Andover pursuant to Massachusetts General Laws Chapter 40B, Section 20-23 and regulations promulgated thereunder and recorded with the Essex Registry of Deeds Northern District (the “**Land Records**”) in Book 8447, Page 238, as affected by Certification of No Appeal recorded in the Land Records in Book 8447, Page 248, as affected by Decision Consenting to Proposed Transfer of Comprehensive Permit Decision No. 3312, dated August 16, 2004 and recorded in the Land Records in Book 9082, Page 177; by Finding of Insubstantial Charge dated February 15, 2005, and recorded in the Land Records in Book 9417, Page 39; by Decision to Extend and Determination of Insubstantial Changes dated August 16, 2004, and recorded in the Land Records in Book 9474, Page 141; by a Stipulation of Dismissal with Prejudice recorded in the Land Records in Book 9483, Page 1; as affected by Finding of Insubstantial Change by the Municipality, Comprehensive Permit 43312, issued to AND Development, LLC, dated April 25, 2005, recorded in the Land Records in Book 9554, Page 98 and Decision recorded in the Land Records in Book 9696, Page 75 and as may be further amended or affected.

“**Condemnation**” is defined as the permanent or temporary taking of all or any portion of the Property, or any interest therein or right accruing thereto, by the exercise of the right of eminent domain (including any transfer in lieu of or in anticipation of the exercise of the right), inverse condemnation or any similar injury or damage to or decrease in the value of the Property, including severance and change in the grade of any streets and a Condemnation will be deemed to have occurred on the date title to the Property taken passes or if the Condemnation is temporary, on the date Borrower no longer has use of the affected property.

“**Condemnation Awards**” is defined in Section 2.1(viii).

“**Condemnation Proceeding**” is defined as a Proceeding that could result in a Condemnation.

“**Control**” when used with respect to any specified Person, and unless expressly defined otherwise with respect to such specified Person, means the possession, directly or indirectly, of the sole and exclusive power to direct the management, policies, business and affairs of such Person (including the exclusive right at all times to appoint and remove the managers, directors, general partners (if applicable), officers or other representatives of such Person), by reason of the ownership, directly or indirectly, of ownership interests in such Person, by contract or otherwise, and the terms “**controlling**” and “**controlled**” have meanings correlative to the foregoing.

“**CPA**” is defined as an independent certified public accountant satisfactory to Lender.

“**Debt**” is defined in Section 3.1.

“**Debt Service Coverage**” is defined as Net Operating Income of the Property for any given period divided by the amount of scheduled Debt Service Payments over such period, as determined by Lender. If no period is specified, then Debt Service Coverage will be determined over a twelve (12) month period.

“**Debt Service Payments**” is defined as the monthly installments of principal and/or interest payable by Borrower to Lender as set forth in the Note.

---

“**Default Interest Rate**” is defined as the lower of nine and sixty-seven hundredths percent (9.67%) per annum or the Maximum Interest Rate, if any.

“**Destruction Event**” is defined in Section 7.4.

“**Environmental Activity**” is defined as any actual, suspected or threatened abatement, cleanup, disposal, generation, handling, manufacture, possession, release, remediation, removal, storage, transportation, treatment or use of any Hazardous Material. The actual, suspected or threatened presence of any Hazardous Material or the actual, suspected or threatened noncompliance with any Environmental Laws, will be deemed Environmental Activity.

“**Environmental Laws**” is defined as all Laws pertaining to health, safety, protection of the environment, natural resources, conservation, wildlife, waste management, Hazardous Materials and pollution, including CERCLA.

“**Environmental Report**” is defined as the report prepared by AECOM, dated October 28, 2013, as amended.

“**ERISA**” is defined in Section 8.3(a).

“**Event of Default**” is defined in Section 14.1.

“**Executive Order**” is defined in Section 8.4.

“**Existing Member**” is defined in Section 12.1(b).

“**Existing Member GP**” is defined in Section 12.1(b).

“**Expenses**” is defined in Section 11.1(a).

“**Financial Books and Records**” is defined as detailed accounts of the income and expenses of the Property and of Borrower and all other data, records and information that either are specifically referred to in the Article entitled “**FINANCIAL REPORTING**” or are necessary to the preparation of any of the statements, reports or certificates required under such Article and includes all supporting schedules prepared or used by the CPA in auditing the Annual Financial Statement or in issuing its opinion.

“**Fiscal Year**” is defined as any calendar year or partial calendar year during the Term.

“**Fixed Interest Rate**” is defined as four and sixty-seven hundredths percent (4.67%) per annum.

“**Fixtures**” is defined as all of the Property that constitutes “fixtures” as defined on the Uniform Commercial Code.

---

**“Government”** is defined as any federal, state or municipal governmental or quasi-governmental authority including any executive, legislative or judicial branch and any division, subdivision or agency of any of them and any entity to which any of them has delegated authority.

**“Hazardous Materials”** is defined as (i) any by-product, chemical, compound, contaminant, pollutant, product, substance, waste or other material that is hazardous or toxic, (ii) any by-product, chemical, compound, contaminant, pollutant, product, substance, waste or other material, the abatement, cleanup, discharge, disposal, emission, exposure to, generation, handling, manufacture, possession, presence, release, removal, remediation, storage, transportation, treatment or use of which is controlled, prohibited or regulated by any Environmental Laws, including asbestos, petroleum, petroleum products and polychlorinated biphenyls and (iii) mold, mildew, fungi, bacteria, viruses and other microbial matter.

**“Imposition Penalty Date”** is defined in Section 6.1(a).

**“Impositions”** is defined as all Taxes, Assessments, ground rent, if any, water and sewer rents, fees and charges, levies, permit, inspection and license fees and other dues, charges or impositions, including all charges and license fees for the use of vaults, chutes and similar areas adjoining the Land, maintenance and similar charges and charges for utility services, in each instance whether now or in the future, directly or indirectly, levied, assessed or imposed on the Property or Borrower and whether levied, assessed or imposed as excise, privilege or property taxes.

**“Improvements”** is defined in Section 2.1(ii).

**“Indemnitor”** is defined in the environmental indemnity dated of even date with this Mortgage made by Indemnitor for the benefit of Lender.

**“Independent Manager”** shall mean a duly appointed member of the board of directors or board of managers who is provided by a nationally-recognized company that provides professional independent directors/managers who shall not have been at the time of initial appointment or at any time while serving as an Independent Manager, and may not have been at any time during the preceding five years (i) a stockholder, director, officer, employee, partner, attorney or counsel of such Borrower or any affiliate of any of them, (ii) a customer, supplier or other person who derives any of its purchases or revenues from its activities with such Borrower or any affiliate of any of them, (iii) a person or other entity controlling or under common control with any such stockholder, partner, customer, supplier or other person, or (iv) a member of the immediate family of any such stockholder, director, officer, employee, partner, customer, supplier or other person. As used in this definition, the term **“control”** means the possession, directly or indirectly, of the power to direct or cause the direction of the management, policies or activities of a person, whether through ownership of voting securities, by contract or otherwise. As used herein, the term **“affiliate”** shall mean: (1) any person or entity directly or indirectly owning, controlling or holding with power to vote ten percent (10%) or more of the outstanding voting securities or interests of such other person or entity; (2) any person or entity ten percent (10%) or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by such other person or entity; (3) any person or entity directly or indirectly controlling, controlled by or under common

---

control with such other person or entity; (4) any officer, director or partner of such other person or entity; (5) if such other person or entity is an officer, director or partner, any company for which such person or entity acts in any such capacity; and (6) any close relative or spouse of the specified person.

“**Institutional Investor**” is defined as any bank, savings institution, charitable foundation, insurance company, real estate investment trust, pension fund or investment advisor registered under the Investment Advisors Act of 1940, as amended, and acting as trustee or agent.

“**Insurance Premiums**” is defined as all present and future premiums and other charges due and payable on policies of fire, rental value and other insurance covering the Property and required pursuant to the provisions of this Mortgage.

“**Insurance Proceeds**” is defined in Section 2.1(ix).

“**Insurers**” is defined in Section 7.1(c).

“**Interest**” is defined as the fixed interest payable under the Note at the Fixed Interest Rate and any other sums which are deemed to be interest under Law.

“**Key Principal**” is defined in Section 12.2(b)(i).

“**Land**” is defined in the Recitals.

“**Late Charge**” is defined in the Note.

“**Law**” is defined as all present and future codes, constitutions, cases, opinions, rules, manuals, regulations, determinations, laws, orders, ordinances, requirements and statutes, as amended, of any Government that affect or that may be interpreted to affect the Property, Borrower or the Loan, including amendments and all guidance documents and publications promulgated thereunder.

“**Leases**” is defined as all present and future leases, subleases, licenses and other agreements for the use and occupancy of the Land and Improvements, any related guarantees and any use and occupancy arrangements created pursuant to Section 365(h) of the Bankruptcy Code or otherwise in connection with the commencement or continuation of any bankruptcy, reorganization, arrangement, insolvency, dissolution, receivership or similar Proceedings, or any assignment for the benefit of creditors, in respect of any tenant or other occupant of the Land and Improvements.

“**Leasing Plan**” is defined in Section 10.3(b).

“**Lender**” is defined in the introductory paragraph.

“**Loan**” is defined in the Recitals.

---

“**Loan Documents**” is defined as the Note, this Mortgage, the Assignment and all documents now or hereafter executed by Borrower or held by Lender relating to the Loan, including all amendments but excluding any indemnities or guaranties delivered in connection with the Loan.

“**Lock-Box Agreement**” means, collectively (a) that certain Deposit Account Control Agreement by and between Borrower and Lender, and Bank of America, N.A., dated as of the date hereof and (b) that certain Cash Management Agreement by and between Borrower and Lender dated as of the date hereof.

“**Low DSCR Period**” shall mean any period commencing on the date on which the Debt Service Coverage Ratio as determined by Lender (based on a 30 year amortization schedule) declines below 1.10 : 1.00 for a period of three (3) consecutive calendar months and ending on the date on which the Debt Service Coverage Ratio as determined by Lender (based on a 30 year amortization schedule) increases to over 1.25 : 1.00 for a period of three (3) consecutive calendar months.

“**Manager**” is defined in Section 12.1(b).

“**Material Environmental Contamination**” is defined as contamination of the Property with Hazardous Materials (i) that constitutes a violation of one or more Environmental Laws; (ii) for which there is a significant possibility that remediation will be required under Environmental Laws; (iii) that results in a material risk of liability or expense to Lender; or (iv) that diminishes the value of the Property.

“**Maturity Date**” is defined in the Recitals.

“**Maximum Interest Rate**” is defined as the maximum rate of interest, if any, permitted by Law as of the date of this Mortgage to be charged with respect to the Loan.

“**MHPFB**” is defined as the Massachusetts Housing Partnership Fund Board, a Massachusetts body politic and corporate, together with any successor or assign thereof under the Regulatory Agreement.

“**Mortgage**” is defined as this Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing Statement.

“**NERA**” is defined in Section 12.1(b).

“**Net Operating Income**” is defined as Rents (on a cash basis) over any period less Operating Expenses determined on a cash basis for such period.

“**Note**” is defined in the Recitals.

“**Note Payments**” is defined in the Note.

“**Notices**” is defined in Section 17.1.

---

**Obligations** is defined in Section 3.1.

**One-Time Sale** is defined in Section 12.2(b)(ii).

**Operating Expenses** is defined as the reasonable, customary and actual out-of-pocket payments paid in cash by Borrower in the ordinary course of business to unaffiliated third parties (or if affiliated, equivalent to arm's length third-party transactions for comparable services) in connection with the management, operation, maintenance or leasing of the Property, including without limitation, Impositions, Insurance Premiums and operating expenses for the Property, ground rent (if any), management fees, landscaping, utilities, cleaning, administration, repairs, and any recurring cost which is a capital expenditure in accordance with GAAP and is associated with the maintenance of the Improvements existing on the date hereof, but shall exclude (i) loan placement fees and Debt Service Payments, (ii) non-cash items such as depreciation or amortization and (iii) extraordinary non-recurring capital expenditures incurred in connection with the ownership, operation and maintenance of the Property.

**Payment Conditions Precedent** is defined in Section 6.1(a).

**Permitted Exceptions** is defined as (a) the matters shown in Schedule B, Part 1 and 2 of the title insurance policy insuring the lien of this Mortgage, (b) real estate taxes and municipal charges not yet due and payable, and (c) any encumbrances created in compliance with the terms of this Mortgage.

**Permitted Merger** is defined in Section 4.2(e).

**Permitted Transfers** is defined in Section 12.2(b).

**Permitted Use** is defined as use as a first-class residential apartment complex (with affordable housing requirements as set forth in the Comprehensive Permit and the Regulatory Agreement) and uses incidentally and directly related to such use (which incidental uses include an existing single family home that is rented in connection with and as a part of the residential apartment complex and an existing on the date hereof telecommunications tower and related facility).

**Person** shall mean any individual, corporation, partnership, joint venture, limited liability company, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

**Personal Property** is defined as the Property, other than Fixtures, the Land or the Improvements.

**Policies** is defined in Section 7.1(b).

**Prepayment Premium** is defined in the Note.

**Principal** is defined in the Recitals.

---

“**Proceeding**” is defined as a pending or threatened action, claim or litigation before a legal, equitable or administrative tribunal having proper jurisdiction.

“**Proceeds**” is defined in Section 7.2(c).

“**Prohibited Person**” is defined in Section 8.4.

“**Property**” is defined in Section 2.1.

“**Property Documents**” is defined in Section 2.1(v).

“**Receiver**” is defined as a receiver, custodian, trustee, liquidator or conservator of the Property.

“**Regulatory Agreement**” is defined as the Chapter 40B Regulatory and Affordable Housing Agreement for Limited Dividend Organizations dated as of February 15, 2008 by and between Windsor Green at Andover, LLC, a Delaware limited liability company, and the Massachusetts Housing Partnership Funding Board, and recorded in the Land Records at Book 11067, Page 29. as the same may be amended or modified.

“**Remedies**” is defined in Section 14.2(a).

“**Rent Roll**” is defined in the Assignment.

“**Rents**” is defined as all present and future rents, prepaid rents, percentage, participation or contingent rents, issues, profits, proceeds, parking fees, revenues and other consideration accruing under or in connection with the Leases or otherwise derived from the use and occupancy of the Land or the Improvements, including tenant contributions to expenses, security deposits (if and when forfeited) and royalties, if any, all other fees or payments paid to or for the benefit of Borrower, including liquidated damages after a default under a Lease, any termination, cancellation, modification or other fee or premium payable by a tenant for any reason, the proceeds of any rental insurance and any payments received pursuant to Sections 502(b) or 365 of the Bankruptcy Code or otherwise in connection with the commencement or continuance of any bankruptcy, reorganization, arrangement, insolvency, dissolution, receivership or similar proceedings, or any assignment for the benefit of creditors, in respect of any tenant or other occupant of the Land or the Improvements and all claims as a creditor in connection with any of the foregoing.

“**Replacement Reserve Pledge**” is defined as the Replacement Reserve Pledge and Security Agreement or the Replacement Reserve Agreement relating to the payment of certain costs associated with the maintenance and repair of the Property as in effect from time to time.

“**Restoration**” is defined as the restoration of the Property after a Destruction Event as nearly as possible to its condition immediately prior to the Destruction Event, in accordance with the plans and specifications, in a first-class workmanlike manner using materials substantially equivalent in quality and character to those used for the original improvements, in accordance with Law and free and clear of all liens, encumbrances or other charges other than this Mortgage and the Permitted Exceptions.

---

**Restoration Completion Date** is defined in Section 7.4(viii).

**Restoration Funds** is defined in Section 7.5(b).

**Taxes** is defined as all present and future real estate taxes or personal property taxes, if any, levied, assessed or imposed against the Property.

**Tax Pledge** is defined as the Real Estate Tax Pledge and Security Agreement or the Real Estate Tax Reserve Agreement relating to the payment of Taxes at the Property as in effect from time to time.

**Term** is defined as the scheduled term of this Mortgage commencing on the date Lender makes the first disbursement of the Loan and terminating on the Maturity Date.

**Transfer** is defined in Section 12.1(a).

**Uniform Commercial Code** is defined as the Uniform Commercial Code as in effect from time to time in the jurisdiction where the Land is located or, to the extent required by the Uniform Commercial Code, where the Borrower is located, as applicable.

---

Exhibit C

RULES OF CONSTRUCTION

(a) References in any Loan Document to numbered Articles or Sections are references to the Articles and Sections of that Loan Document. References in any Loan Document to any numbered or lettered Exhibits or Schedules are references to the Exhibits or Schedules attached to that Loan Document, all of which are incorporated in and constitute a part of that Loan Document. Article, Section, Exhibit and Schedule captions used in any Loan Document are for reference only and do not describe or limit the substance, scope or intent of that Loan Document or the individual Articles, Sections, Exhibits or Schedules of that Loan Document.

(b) The terms “include”, “including” and similar terms are construed as if followed by the phrase “without limitation”.

(c) The terms “Land”, “Improvements”, “Fixtures”, “Personal Property”, “Condemnation Awards”, “Insurance Proceeds” and “Property” are construed as if followed by the phrase “or any part thereof”.

(d) Any agreement by or duty imposed on Borrower in any Loan Document to perform any obligation or to refrain from any act or omission constitutes a covenant running with the ownership or occupancy of the Land and the Improvements, which will bind all parties hereto and their respective successors and assigns, and all lessees, subtenants and assigns of same, and all occupants and subsequent owners of the Property, and will inure to the benefit of Lender and all subsequent holders of the Note and this Mortgage and includes a covenant by Borrower to cause its partners, members, principals, agents, representatives and employees to perform the obligation or to refrain from the act or omission in accordance with the Loan Documents. Any statement or disclosure contained in any Loan Document about facts or circumstances relating to the Property, Borrower or the Loan constitutes a representation and warranty by Borrower made as of the date of the Loan Document in which the statement or disclosure is contained.

(e) The term “to Borrower’s knowledge” is construed as meaning to the best of Borrower’s knowledge after diligent inquiry.

(f) The singular of any word includes the plural and the plural includes the singular. The use of any gender includes all genders.

(g) The terms “person”, “party” and “entity” include natural persons, firms, partnerships, limited liability companies and partnerships, corporations and any other public or private legal entity.

(h) The term “provisions” includes terms, covenants, conditions, agreements and requirements.

---

(i) The term “amend” includes modify, supplement, renew, extend, replace or substitute and the term “amendment” includes modification, supplement, renewal, extension, replacement and substitution.

(j) Reference to any specific Law or to any document or agreement, including the Note, this Mortgage, any of the other Loan Documents, the Leases, and the Property Documents, includes any future amendments to the Law, document or agreement, as the case may be.

(k) No inference in favor of or against a party with respect to any provision in any Loan Document may be drawn from the fact that the party drafted the Loan Document.

(l) The term “certificate” means the sworn, notarized statement of the entity giving the certificate, made by a duly authorized person satisfactory to Lender affirming the truth and accuracy of every statement in the certificate. Any document that is “certified” means the document has been appended to a certificate of the entity certifying the document that affirms the truth and accuracy of everything in the document being certified. In all instances the entity issuing a certificate must be satisfactory to Lender.

(m) Any appointment of Lender as Borrower’s attorney-in-fact is irrevocable and coupled with an interest. Lender may appoint a substitute attorney-in-fact. Borrower ratifies all actions taken by the attorney-in-fact but, nevertheless, if Lender requests, Borrower will specifically ratify any action taken by the attorney-in-fact by executing and delivering to the attorney-in-fact or to any entity designated by the attorney-in-fact all documents necessary to effect the ratification.

(n) Any document, instrument or agreement to be delivered by Borrower will be in form and content satisfactory to Lender.

(o) All obligations, rights, remedies and waivers contained in the Loan Documents will be construed as being limited only to the extent required to be enforceable under the Law.

(p) The unmodified word “days” means calendar days.

---

Exhibit D

PROPERTY DOCUMENTS

The Comprehensive Permit

The Regulatory Agreement

---

</TEXT>  
</DOCUMENT>

<DOCUMENT>

<TYPE> EX-10.15

<DESCRIPTION> EX-10.15

<FILENAME> a2219046zex-10\_15.htm

<TEXT>

**Exhibit 10.15**

TIAA Authorization ID # AAA-7440  
TIAA Inv. ID # 0007003

**PROMISSORY NOTE**

\$38,500,000.00

Boston, Massachusetts  
Dated: December 20, 2013

FOR VALUE RECEIVED, HAMILTON GREEN APARTMENTS, LLC, a Delaware limited liability company ("**Borrower**"), having its principal place of business at 39 Brighton Avenue, Allston, Massachusetts 02134, promises to pay to TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA ("**Lender**"), a New York corporation, or order, at Lender's offices at 730 Third Avenue, New York, New York 10017 or at such other place as Lender designates in writing, the principal sum of THIRTY-EIGHT MILLION FIVE HUNDRED AND NO/100 DOLLARS (\$38,500,000.00) (the principal sum or so much of the principal sum as may be advanced and outstanding from time to time, the "**Principal**"), in lawful money of the United States of America, with interest on the Principal from the date of this Promissory Note (this "**Note**") through and including January 1, 2029 (the "**Maturity Date**") at the fixed rate of four and sixty-seven hundredths percent (4.67%) per annum (the "**Fixed Interest Rate**").

This Note is secured by, among other things, the Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (the "**Mortgage**") dated the date of this Note made by Borrower for the benefit of Lender as security for the Loan. All capitalized terms not expressly defined in this Note will have the definitions set forth in the Mortgage.

**Section 1. Payments of Principal and Fixed Interest.**

(a) Borrower will make monthly installment payments ("**Debt Service Payments**") as follows:

(i) On the date hereof, a payment of accrued interest on the Principal at the Fixed Interest Rate;

(ii) On February 1, 2014 and on the first day of each succeeding calendar month through and including January 1, 2016, payments in the amount of One Hundred Forty-Nine Thousand Eight Hundred Twenty Nine and 17/100 Dollars (\$149,829.17), each of which will be applied to accrued interest on the Principal at the Fixed Interest Rate; and

(iii) On February 1, 2016 and on the first day of each succeeding calendar month through and including December 1, 2028, payments in the amount of One Hundred Ninety-Eight Thousand Nine Hundred Eighty-One and 93/100 Dollars (\$198,981.93), each of which will be applied first to accrued interest on the Principal at the Fixed Interest Rate and then to the Principal.

---

(b) Interest on the Principal shall be calculated on a 30 day month/360 day year, except that any Interest due for the first and last months of the Term, if such payments pertain to partial months, shall be based upon the actual number of days in such months that the Principal is outstanding and a 365 day or 366 day year, as applicable.

(c) On the Maturity Date, Borrower will pay the Principal in full together with accrued interest at the Fixed Interest Rate and all other amounts due under the Loan Documents.

Section 2. Prepayment Provisions.

(a) The following definitions apply:

“**Discount Rate**” means the yield on a U.S. Treasury issue selected by Lender (or such other commonly used benchmark as Lender selects in its reasonable discretion, if Lender determines that U.S. Treasury issues are not commonly used as benchmarks on the date of calculation), as reported in Bloomberg.com (or in any similar national financial newspaper, periodical or website designated by Lender if Bloomberg.com is not available), two weeks prior to prepayment, having a maturity date corresponding (or most closely corresponding, if not identical) to the Maturity Date and, if applicable, a coupon rate corresponding (or most closely corresponding, if not identical) to the Fixed Interest Rate.

“**Default Discount Rate**” means the Discount Rate less 300 basis points.

“**Discounted Value**” means the Discounted Value of a Note Payment based on the following formula:

$$\frac{NP}{(1 + R/12)^n} = \text{Discounted Value}$$

NP = Amount of Note Payment

R = Discount Rate or Default Discount Rate as the case may be.

n = The number of months between the first day of the month subsequent to the prepayment date and the scheduled date of the Note Payment being discounted rounded to the nearest integer.

“**Note Payments**” means (i) the scheduled Debt Service Payments for the period from the first day of the month subsequent to the prepayment date through the Maturity Date and (ii) the scheduled repayment of Principal, if any, on the Maturity Date.

“**Prepayment Date Principal**” means the Principal on the date of prepayment.

(b) This Note may not be prepaid in full or in part before January 1, 2017. Commencing on January 1, 2017, provided there is no Event of Default, Borrower may prepay

---

this Note in full, but not in part, on the first day of any calendar month, upon 60 days prior notice to Lender and upon payment in full of the Debt which will include a payment (the "**Prepayment Premium**") equal to the greater of (i) an amount equal to the product of 1.00% (the "**Prepayment Percentage**") times the Prepayment Date Principal and (ii) the amount by which the sum of the Discounted Values of the Note Payments, derived by using the Discount Rate plus 50 basis points, exceeds the Prepayment Date Principal. In order to calculate (ii) in the foregoing, each remaining Note Payment will be discounted and the resulting Discounted Values will be added together. Provided there is no Event of Default, this Note may be prepaid in full without payment of the Prepayment Premium during the last 90 days of the Term. This Note may not be prepaid without simultaneous prepayment in full of any other notes secured by the Loan Documents. Notwithstanding the foregoing, if Lender elects to apply Insurance Proceeds or Condemnation Awards resulting from any Casualty or Condemnation, as the case may be, or a Termination Fee attributable to the termination or cancellation of any Lease, to the Principal, the prepayment resulting from such application, whether in full or in part, shall be without payment of the Prepayment Premium.

(c) After an Acceleration following an Event of Default or upon any other prepayment not permitted by the Loan Documents, any tender of payment of the amount necessary to satisfy the Debt accelerated, any judgment of foreclosure, any statement of amount due at the time of foreclosure (including foreclosure by power of sale) and any tender of payment made during any redemption period after foreclosure, will include a payment (the "**Evasion of Prepayment Premium**") equal to the greater of (i) an amount equal to the product of the Prepayment Percentage plus 300 basis points times the Prepayment Date Principal, and (ii) the amount by which the sum of the Discounted Values of the Note Payments, derived by using the Default Discount Rate, exceeds the Prepayment Date Principal. In order to calculate (ii) in the foregoing, each remaining Note Payment will be discounted and the resulting Discounted Values will be added together.

(d) The calculation of any amount paid to or due Lender in conjunction with any prepayment, tender of payment or payment of any other amount with respect to the Prepayment Date Principal, as described in this Section 2, shall include interest to and including the date of receipt thereof by Lender.

(e) Borrower acknowledges that:

- (i) a prepayment will cause damage to Lender;
  - (ii) the Evasion of Prepayment Premium is intended to compensate Lender for the loss of its investment and the expense incurred and time and effort associated with making the Loan, which will not be fully repaid if the Loan is prepaid;
  - (iii) it will be extremely difficult and impractical to ascertain the extent of Lender's damages caused by a prepayment after an Event of Default or any other prepayment not permitted by the Loan Documents; and
-

- (iv) the Evasion of Prepayment Premium represents Lender and Borrower's reasonable estimate of Lender's damages for the prepayment and is not a penalty.

**Section 3. Events of Default:**

(a) It is an "**Event of Default**" under this Note:

- (i) if Borrower fails to pay the Principal, accrued interest and all other amounts due under the Loan on the Maturity Date;
- (ii) if Borrower fails to pay any Debt Service Payment and/or any monthly installment payment or deposit due under the Tax Pledge, the Replacement Reserve Pledge or any other pledge or reserve agreement established in connection with the Loan, as and when required, under this Note or any other Loan Document, and such failure continues for a period of 5 days after the day such payment is actually due;
- (iii) if Borrower fails to pay any other amounts not specifically identified in the preceding clauses (i) and (ii), as and when such other amounts described under this clause (iii) are required to be paid under this Note or any other Loan Document, and such failure continues for a period of 5 days after written notice to Borrower thereof; or
- (ii) if an Event of Default occurs under any other Loan Document.

(b) If an Event of Default occurs, Lender may declare all or any portion of the Debt immediately due and payable ("**Acceleration**") and exercise any of the other Remedies.

**Section 4. Default Rate.** Interest on the Principal will accrue at the Default Interest Rate from the date an Event of Default occurs.

**Section 5. Late Charges.**

(a) If Borrower fails to pay any Debt Service Payment when due and the failure continues for a period of 5 days or more, which 5-day period shall commence on the day after the day payment is actually due, Borrower agrees to pay to Lender an amount (a "**Late Charge**") equal to five percent (5%) of the delinquent payment. Notwithstanding anything to the contrary set forth herein, a Late Charge shall not be charged against any failure to pay the outstanding Principal on the Maturity Date.

(b) Borrower acknowledges that:

- (i) a delinquent payment will cause damage to Lender;
-

- (ii) the Late Charge is intended to compensate Lender for loss of use of the delinquent payment and the expense incurred and time and effort associated with recovering the delinquent payment;
- (iii) it will be extremely difficult and impractical to ascertain the extent of Lender's damages caused by the delinquency; and
- (iv) the Late Charge represents Lender and Borrower's reasonable estimate of Lender's damages from the delinquency and is not a penalty.

**Section 6. Limitation of Liability.** This Note is subject to the limitations on liability set forth in the Article of the Mortgage entitled "**Limitation of Liability**".

**Section 7. WAIVERS. IN ADDITION TO THE WAIVERS SET FORTH IN THE ARTICLE OF THE MORTGAGE ENTITLED "WAIVERS", BORROWER WAIVES PRESENTMENT FOR PAYMENT, DEMAND, DISHONOR AND, EXCEPT AS EXPRESSLY SET FORTH IN THE LOAN DOCUMENTS, NOTICE OF ANY OF THE FOREGOING. BORROWER FURTHER WAIVES ANY PROTEST, LACK OF DILIGENCE OR DELAY IN COLLECTION OF THE DEBT OR ENFORCEMENT OF THE LOAN DOCUMENTS. BORROWER AND ALL INDORSERS, SURETIES AND GUARANTORS OF THE OBLIGATIONS CONSENT TO ANY EXTENSIONS OF TIME, RENEWALS, WAIVERS AND MODIFICATIONS THAT LENDER MAY GRANT WITH RESPECT TO THE OBLIGATIONS AND TO THE RELEASE OF ANY SECURITY FOR THIS NOTE AND AGREE THAT ADDITIONAL MAKERS MAY BECOME PARTIES TO THIS NOTE AND ADDITIONAL INDORSERS, GUARANTORS OR SURETIES MAY BE ADDED WITHOUT NOTICE AND WITHOUT AFFECTING THE LIABILITY OF THE ORIGINAL MAKER OR ANY ORIGINAL INDORSER, SURETY OR GUARANTOR.**

**Section 8. Commercial Loan.** The Loan is made for the purpose of carrying on a business or commercial activity or acquiring real or personal property as an investment or carrying on an investment activity and not for personal or household purposes.

**Section 9. Usury Limitations.** Borrower and Lender intend to comply with all Laws with respect to the charging and receiving of interest. Any amounts charged or received by Lender for the use or forbearance of the Principal to the extent permitted by Law, will be amortized and spread throughout the Term until payment in full so that the rate or amount of interest charged or received by Lender on account of Principal does not exceed the Maximum Interest Rate. If any amount charged or received under the Loan Documents that is deemed to be interest is determined to be in excess of the amount permitted to be charged or received at the Maximum Interest Rate, the excess will be deemed to be a prepayment of Principal when paid, without premium, and any portion of the excess not capable of being so applied will be refunded to Borrower. If during the Term the Maximum Interest Rate, if any, is eliminated, then for purposes of the Loan, there will be no Maximum Interest Rate.

---

**Section 10. Applicable Law.** This Note is governed by and will be construed in accordance with the Laws of the State or Commonwealth in which the Property is located, without regard to conflict of law provisions.

**Section 11. Time of the Essence.** Time is of the essence with respect to the payment and performance of the Obligations.

**Section 12. Cross-Default.** A default under the documents evidencing any other loan that may now or hereafter be cross-defaulted with the Loan (any such other loan, a "**Cross-Defaulted Loan**") shall constitute a default under this Note and under the other Loan Documents. Without limiting the foregoing, a default beyond any applicable notice and cure period under the documents evidencing any Cross-Defaulted Loan shall constitute an "Event of Default" under such documents and an Event of Default under this Note and the other Loan Documents.

**Section 13. Construction.** Unless expressly provided otherwise in this Note, this Note will be construed in accordance with the Exhibit attached to the Mortgage entitled "**Rules of Construction**".

**Section 14. Mortgage Provisions Incorporated.** To the extent not otherwise set forth in this Note, the provisions of the Articles of the Mortgage entitled "**Expenses and Duty to Defend**", "**Waivers**", "**Notices**", and "**Miscellaneous**" are applicable to this Note and deemed incorporated by reference as if set forth at length in this Note.

**Section 15. Joint and Several Liability; Successors and Assigns.** If Borrower consists of more than one entity, the obligations and liabilities of each such entity will be joint and several. This Note binds Borrower and successors, assigns, heirs, administrators, executors, agents and representatives and inures to the benefit of Lender and its successors, assigns, heirs, administrators, executors, agents and representatives.

**Section 16. Absolute Obligation.** Except for the Section of this Note entitled "**Limitation of Liability**", no reference in this Note to the other Loan Documents and no other provision of this Note or of the other Loan Documents will impair or alter the obligation of Borrower, which is absolute and unconditional, to pay the Principal, interest at the Fixed Interest Rate and any other amounts due and payable under this Note, as and when required.

[Signatures Commence on Following Page]

---

IN WITNESS WHEREOF, Borrower has executed and delivered this Note as of the date first set forth above.

BORROWER:

HAMILTON GREEN APARTMENTS, LLC, a Delaware  
limited liability company

By: NewReal, Inc., a Massachusetts corporation,  
its manager

By: \_\_\_\_\_  
Ronald Brown, President

[Signature Page to Note]

---

</TEXT>  
</DOCUMENT>

<DOCUMENT>

<TYPE> EX-31.1

<DESCRIPTION> EX-31.1

<FILENAME> a2219046zex-31\_1.htm

<TEXT>

QuickLinks-- Click here to rapidly navigate through this document

**Exhibit 31.1**

**New England Realty Associates Limited Partnership**

**CERTIFICATION**

I, Ronald Brown, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 21, 2014

---

## QuickLinks

### Exhibit 31.1

### New England Realty Associates Limited Partnership CERTIFICATION

</TEXT>

</DOCUMENT>

<DOCUMENT>

<TYPE> EX-31.2

<DESCRIPTION> EX-31.2

<FILENAME> a2219046zex-31\_2.htm

<TEXT>

QuickLinks-- Click here to rapidly navigate through this document

**Exhibit 31.2**

## CERTIFICATIONS

I, Harold Brown, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 21, 2014

---

## QuickLinks

Exhibit 31.2

CERTIFICATIONS

</TEXT>

</DOCUMENT>

<DOCUMENT>

<TYPE> EX-32.1

<DESCRIPTION> EX-32.1

<FILENAME> a2219046zex-32\_1.htm

<TEXT>

[QuickLinks](#)-- Click here to rapidly navigate through this document

**Exhibit 32.1**

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

In connection with the Annual Report on Form 10-K of New England Realty Associates Limited Partnership for the year ended December 31, 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: March 21, 2014

/s/ HAROLD BROWN

---

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

Date: March 21, 2014

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.

---

## QuickLinks

### Exhibit 32.1

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

</TEXT>

</DOCUMENT>

<DOCUMENT>

<TYPE> EX-99.1

<DESCRIPTION> EX-99.1

<FILENAME> a2219046zex-99\_1.htm

<TEXT>

[QuickLinks](#)-- Click here to rapidly navigate through this document

**Exhibit 99.1**

**HAMILTON PARK TOWERS LLC**

Financial Statements—Unconsolidated Significant Joint Venture  
As of December 31, 2013 and 2012  
and for the years ended December 31, 2013, 2012 and 2011  
Together With Report of Independent  
Registered Public Accounting Firm

---

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Joint Venture Members of  
Hamilton Park Towers LLC

We have audited the accompanying balance sheets of Hamilton Park Towers LLC (the "Joint Venture") as of December 31, 2013 and 2012, and the related statements of operation, changes in members' capital and cash flows for each of the years in the three-year period ended December 31, 2013. The Joint Venture's management is responsible for the financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hamilton Park Towers LLC at December 31, 2013 and 2012 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

/s/ MILLER WACHMAN LLP  
Boston, Massachusetts  
March 18, 2014

**Hamilton Park Towers LLC**  
**(Unconsolidated Significant Joint Venture)**

**Balance Sheets**

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Rental Properties	\$ 102,120,964	\$ 107,496,918
Cash and Cash Equivalents	961,622	941,391
Rent Receivable	91,701	35,250
Real Estate Tax Escrow	427,084	424,159
Prepaid Expenses and Other Assets	1,529,591	1,367,274
Financing and Leasing Fees	340,362	399,678
<b>Total Assets</b>	<b>\$ 105,471,324</b>	<b>\$ 110,664,670</b>
<b>LIABILITIES AND MEMBERS' CAPITAL</b>		
Mortgage Note Payable	\$ 87,410,638	\$ 88,611,686
Accounts Payable and Accrued Expenses	944,140	843,422
Advance Rental Payments and Security Deposits	2,121,509	1,919,573
<b>Total Liabilities</b>	<b>90,476,287</b>	<b>91,374,681</b>
Commitments and Contingent Liabilities (Note 7)		
Members' Capital	14,995,037	19,289,989
<b>Total Liabilities and Members' Capital</b>	<b>\$ 105,471,324</b>	<b>\$ 110,664,670</b>
Member's Capital—NERA 40%	\$ 5,998,015	\$ 7,715,996

See notes to accompany the financial statements.

**Hamilton Park Towers, LLC**  
**(Unconsolidated Significant Joint Venture)**

**Statements of Operation**

**Years Ended December 31, 2013, 2012 and 2011**

	Year Ended December 31,		
	2013	2012	2011
<b>Revenues</b>			
Rental Income	\$ 12,851,259	\$ 12,202,615	\$ 11,559,414
Laundry and Sundry Income	94,715	98,042	97,275
	<u>12,945,974</u>	<u>12,300,657</u>	<u>11,656,690</u>
<b>Expenses</b>			
Administrative	245,444	219,218	163,511
Depreciation and Amortization	5,778,427	5,733,920	5,698,657
Management Fees	271,505	261,355	251,071
Operating	1,056,919	1,006,570	929,543
Renting	105,593	74,705	144,149
Repairs and Maintenance	1,051,832	880,103	935,839
Taxes and Insurance	1,529,605	1,485,297	1,300,995
	<u>10,039,324</u>	<u>9,661,169</u>	<u>9,423,765</u>
<b>Income Before Other Income</b>	<u>2,906,650</u>	<u>2,639,488</u>	<u>2,232,924</u>
<b>Other Income (Loss)</b>			
Interest Income	57	—	3,219
Interest Expense	(5,016,659)	(5,092,838)	(5,113,523)
Other Expenses	—	—	(3,500)
	<u>(5,016,602)</u>	<u>(5,092,838)</u>	<u>(5,113,804)</u>
<b>Net Loss</b>	<u>\$ (2,109,952)</u>	<u>\$ (2,453,350)</u>	<u>\$ (2,880,880)</u>
NERA 40%	<u>\$ (843,981)</u>	<u>\$ (981,340)</u>	<u>\$ (1,152,352)</u>

See notes to accompany the financial statements.

**Hamilton Park Towers LLC**  
**(Unconsolidated Significant Joint Venture)**  
**Statement of Changes in Members' Capital**

	<b>Hamilton Park Towers LLC</b>
<b>Balance, January 1, 2011</b>	\$ 29,054,219
Distribution to members	(2,425,000)
Net Loss	(2,880,880)
<b>Balance, December 31, 2011</b>	\$ 23,748,339
Distribution to members	(2,005,000)
Net Loss	(2,453,350)
<b>Balance, December 31, 2012</b>	\$ 19,289,989
Investment by members	200,000
Distribution to members	(2,385,000)
Net Loss	(2,109,952)
<b>Balance, December 31, 2013</b>	<u>\$ 14,995,037</u>
Allocation to New England Realty Associations Limited Partnership for 2013:	
Percentage Ownership	<u>40%</u>
Investment by Member	<u>\$ 80,000</u>
Distributions Received	<u>\$ 954,000</u>
Net Loss	<u>\$ (843,981)</u>
Member's Capital	<u>\$ 5,998,015</u>

See notes to accompany the financial statements.

**HAMILTON PARK TOWERS LLC**  
**(Unconsolidated Significant Joint Venture)**

**Statements of Cash Flow**

	Year Ended December 31,		
	2013	2012	2011
<b>Cash Flows from Operating Activities</b>			
Net (Loss)	\$ (2,109,952)	\$ (2,453,350)	\$ (2,880,880)
<b>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</b>			
Depreciation and amortization	5,778,427	5,733,920	5,698,657
<b>Changes in operating assets and liabilities:</b>			
(Increase) Decrease in rent receivable	(56,451)	51,472	38,753
Increase in accounts payable and accrued expenses	100,718	22,819	33,019
(Increase) Decrease in real estate tax escrow	(2,925)	157,869	(97,462)
(Increase) in prepaid expenses and other assets	(162,318)	(151,059)	(126,318)
Increase in advance rental payments and security deposits	201,936	119,460	115,270
<b>Total adjustments</b>	<b>5,859,387</b>	<b>5,934,481</b>	<b>5,661,919</b>
<b>Net cash provided by operating activities</b>	<b>3,749,435</b>	<b>3,481,131</b>	<b>2,781,039</b>
<b>Cash flows from investing activities</b>			
Improvement of rental properties	(343,156)	(249,581)	(92,950)
<b>Net cash (used in) investing activities</b>	<b>(343,156)</b>	<b>(249,581)</b>	<b>(92,950)</b>
<b>Cash flows from financing activities</b>			
Principal payments of mortgage note payable	(1,201,048)	(1,121,506)	(180,808)
Investment by members	200,000	—	—
Distributions to members	(2,385,000)	(2,005,000)	(2,425,000)
<b>Net cash (used in) financing activities</b>	<b>(3,386,048)</b>	<b>(3,126,506)</b>	<b>(2,605,808)</b>
<b>Net increase in cash and cash equivalents</b>	<b>20,231</b>	<b>105,044</b>	<b>82,281</b>
Cash and cash equivalents, at beginning of year	941,391	836,347	754,066
<b>Cash and cash equivalents, at end of year</b>	<b>\$ 961,622</b>	<b>\$ 941,391</b>	<b>\$ 836,347</b>
<b>Supplementary cash flow statement information:</b>			
Cash paid for interest	\$ 4,972,685	\$ 5,052,227	\$ 5,077,302
Cash paid for state taxes	\$ 1,880	\$ 1,694	\$ 2,751

See notes to accompany the financial statements.

**HAMILTON PARK TOWERS LLC**  
**(Unconsolidated Significant Joint Venture)**  
**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

*Line of Business:* Hamilton Park Towers LLC, (the "Joint Venture" or the "Property"), was organized in Massachusetts in 2009. The Joint Venture owns and operates 409 residential apartment units located in Brookline, Massachusetts. The Joint Venture is owned 40% by New England Realty Associates Limited Partnership ("NERA") and is a "significant unconsolidated subsidiary" under Rule 3-09 of Regulation S-X requiring separated financial statements.

*Basis of Preparation:* The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States 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.

*Revenue Recognition:* Rental income from residential properties is recognized over the term of the related leases. For residential tenants, amounts 60 days in arrears are charged against income. Concessions made on residential leases are 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 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. Significant acquisitions with long term leases are evaluated to determine if a portion of the purchase price is allocable to intangibles such as non-market rate rents.

Upon acquisition of rental property, the Joint Venture estimated 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 Joint Venture allocated the purchase price to the assets acquired and liabilities assumed based on their fair values. The Joint Venture 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 Joint Venture considers information obtained about each property as a result of its due diligence and marketing and

## HAMILTON PARK TOWERS LLC

### (Unconsolidated Significant Joint Venture)

#### NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2013

##### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

leasing activities, and utilizes various valuation methods, such as estimates 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 is 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 Joint Venture'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. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals 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 Joint Venture'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.

*Income Taxes:* The financial statements have been prepared on the basis that the joint venture is entitled to tax treatment as a partnership. Accordingly, no provision for income taxes has been recorded. (See note 10)

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

*Comprehensive Income:* Comprehensive income is defined as changes in members' equity, exclusive of transactions with owners (such as capital contributions and dividends). The Joint Venture did not have any comprehensive income items in 2013, 2012, or 2011 other than net income as reported.

*Concentration of Credit Risks and Financial Instruments:* The Joint Venture property is located in Brookline, Massachusetts, and is subject to the general economic risks related thereto. No single tenant accounted for more than 5% of the revenues in 2013, 2012 or 2011. The Joint Venture makes its temporary cash investments with high-credit-quality financial institutions. At December 31, 2013 and

**HAMILTON PARK TOWERS LLC**

**(Unconsolidated Significant Joint Venture)**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2012, respectively approximately \$1,605,000 and \$1,571,000 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 \$9,000 in 2013, \$14,000 in 2012 and \$27,000 in 2011.

*Interest Capitalized:* The Joint Venture 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 years ended December 31, 2013, 2012 and 2011 there was no capitalized interest.

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

*Subsequent Events:* The Joint Venture has evaluated subsequent events through March 18, 2014, the date the financial statements were issued.

**NOTE 2. RENTAL PROPERTIES**

Rental Properties Consist of the Following:

	Year Ended December 31,		Useful Life
	2013	2012	
Land, Improvements and Parking Lots	\$ 30,330,503	\$ 30,236,486	15-40 years
Buildings and Improvements	72,704,084	72,722,084	15-40 years
Kitchen Cabinets	161,109	39,738	5-10 years
Carpets	1,736,780	1,653,557	5-10 years
Air Conditioning	48,430	23,682	5-10 years
Laundry Equipment	97,754	97,754	5-10 years
Elevators	1,705,708	1,705,708	20-40 years
Equipment	7,252,721	7,237,084	5-7 years
Furniture and Fixtures	11,636,201	11,617,474	5-7 years
Smoke Alarms	4,377	943	5-7 years
	<u>125,677,668</u>	<u>125,334,512</u>	
Less Accumulated Depreciation	<u>(23,556,704)</u>	<u>(17,837,593)</u>	
	<u>\$ 102,120,964</u>	<u>\$ 107,496,918</u>	

**HAMILTON PARK TOWERS LLC**

**(Unconsolidated Significant Joint Venture)**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 2. RENTAL PROPERTIES (Continued)**

	<b>Hamilton Park Towers LLC</b>
<b>Rental Properties at Cost:</b>	
Balance, January 1, 2011	\$ 124,991,980
Additions	92,950
Balance, December 31, 2011	125,084,930
Additions	249,581
Balance, December 31, 2012	125,334,511
Additions	343,156
Balance, December 31, 2013	<u>\$ 125,677,667</u>
<b>Accumulated Depreciation:</b>	
Balance, January 1, 2011	\$ 6,523,733
Depreciation for year	5,639,257
Balance, December 31, 2011	12,162,990
Depreciation for year	5,674,604
Balance, December 31, 2012	17,837,594
Depreciation for year	5,719,109
Balance, December 31, 2013	<u>\$ 23,556,703</u>
Net Book Value	<u>\$ 102,120,964</u>

**NOTE 3. RELATED PARTY TRANSACTIONS**

The Joint Venture's property is managed by an entity that is owned by the majority shareholder of the General Partner. The management fee is equal to 2% at Hamilton Park Towers of gross receipts of rental revenue and laundry income. Total management fees paid were approximately \$272,000, \$261,000 and \$251,000 in 2013, 2012 and 2011, respectively.

In 2013, the Management Company also received approximately \$4,000 for construction supervision and architectural fees, \$28,000 for maintenance services and \$53,000 for administrative services.

In 2012, the Management Company also received approximately \$8,000 for construction supervision and architectural fees, \$8,000 for maintenance service and \$57,000 for administrative services.

In 2011, the Management Company also received approximately \$14,000 for maintenance services and \$22,000 for administrative services.

**NOTE 4. OTHER ASSETS**

Financing and leasing fees of approximately \$340,000 and \$400,000 are net of accumulated amortization of approximately \$248,000 and \$188,000 at December 31, 2013 and 2012, respectively.

**HAMILTON PARK TOWERS LLC**

**(Unconsolidated Significant Joint Venture)**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 5. MORTGAGE NOTES PAYABLE**

At December 31, 2013 and 2012, the mortgage payable is secured by a first mortgage on properties referred to in Note 2. At December 31, 2013, the interest rate on the loan is 5.57%, payable in monthly installments aggregating approximately \$514,000, including interest, through October 2019. The mortgage is subject to prepayment penalties.

The Joint Venture has pledged tenant leases as additional collateral for this loan.

Approximate annual maturities at December 31, 2013 are as follows:

	<b>Hamilton Park Towers LLC</b>
2014 Current Maturities	\$ 1,348,742
2015	1,425,814
2016	1,507,291
2017	1,593,424
2018	1,684,479
Thereafter	79,850,888
	<u>\$ 87,410,638</u>

**NOTE 6. ADVANCE RENTAL PAYMENTS AND SECURITY DEPOSITS**

The Joint Venture's residential lease agreements may require tenants to maintain a one-month advance rental payment and/or a security deposit. At December 31, 2013, security deposits of approximately \$898,000 are included with other assets and it is restricted cash.

**NOTE 7. COMMITMENTS AND CONTINGENCIES**

From time to time, the Joint Venture may be involved in various ordinary routine litigation incidents to its business. The Joint Venture either has insurance coverage or provides for any uninsured claims when appropriate. The Joint Venture is not involved in any material pending legal proceedings.

**NOTE 8. RENTAL INCOME**

Substantially all rental income was related to residential apartments with leases of one year or less.

Rents receivable are approximately \$92,000, \$35,000 and \$87,000 net of allowances for doubtful accounts at December 31, 2013, 2012 and 2011, respectively.

**NOTE 9. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair Value Measurements on a Recurring Basis

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

**HAMILTON PARK TOWERS LLC**

**(Unconsolidated Significant Joint Venture)**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 9. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

Financial Assets and Liabilities not Measured at Fair Value

At December 31, 2013 and 2012 the carrying amounts of certain of our financial instruments, including cash and cash equivalents, accounts receivable, and note payable, 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 December 31, 2013 and 2012, we estimated the fair value of our mortgage payable 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 December 31, 2013 and 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 table reflects the carrying amounts and estimated fair value of our debt.

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Mortgage Note Payable		
At December 31, 2013	\$ 87,410,638	\$ 96,374,523
At December 31, 2012	\$ 88,611,686	\$ 103,360,022

Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 2013 and 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 December 31, 2013 and current estimates of fair value may differ significantly from the amounts presented herein.

**NOTE 10. TAXABLE INCOME AND TAX BASIS**

The Joint Venture is not subject to income taxes as it files a partnership tax return whereby its income or loss is reportable by the members.

Taxable income or loss is different than financial statement income because of intangible assets, accelerated depreciation, different tax lives, and timing differences related to prepaid rents and allowances. The Partnership share of the taxable loss is approximately \$332,000 less than statement loss for the year ended December 31, 2013. The cumulative tax basis of the Joint Venture real estate allocated to the Partnership at December 31, 2013 is approximately \$1,163,000 more than the statement basis primarily due to the purchase price allocation to intangible assets at Hamilton Park Towers and accelerated depreciation.

The Joint Venture adopted the amended provisions related to uncertain tax provisions of ASC 740, Income Taxes. As a result of the implementation of the guidance, the Joint Venture recognized no

**HAMILTON PARK TOWERS LLC**

**(Unconsolidated Significant Joint Venture)**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2013**

**NOTE 10. TAXABLE INCOME AND TAX BASIS (Continued)**

material adjustments regarding its tax accounting treatment. The Joint Venture 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 December 31, 2013, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations is from the year 2005 forward.

**NOTE 11. NEW ACCOUNTING PRONOUNCEMENT**

In January 2013, the FASB issued Accounting Standards Update 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Comprehensive Income* ("ASU 2013-02"), which requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income within the same reporting period, an entity is required to cross-reference other disclosures that provide additional detail about the reclassified amounts. The Joint Venture adopted the provisions of ASU 2013-02 on January 1, 2013, which did not have a significant impact on its financial statements or notes thereto.

## QuickLinks

### Exhibit 99.1

HAMILTON PARK TOWERS LLC Financial Statements—Unconsolidated Significant Joint Venture As of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 Together With Report of Independent Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Hamilton Park Towers LLC (Unconsolidated Significant Joint Venture) Balance Sheets

Hamilton Park Towers, LLC (Unconsolidated Significant Joint Venture) Statements of Operation Years Ended December 31, 2013, 2012 and 2011

Hamilton Park Towers LLC (Unconsolidated Significant Joint Venture) Statement of Changes in Members' Capital

HAMILTON PARK TOWERS LLC (Unconsolidated Significant Joint Venture) Statements of Cash Flow

HAMILTON PARK TOWERS LLC (Unconsolidated Significant Joint Venture) NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

</TEXT>

</DOCUMENT>

<DOCUMENT>

<TYPE> EX-101.INS

<DESCRIPTION> EX-101.INS

<FILENAME> nen-20131231.xml

<TEXT>

PDF File

</TEXT>

</DOCUMENT>

<DOCUMENT>

<TYPE> EX-101.SCH

<DESCRIPTION> EX-101.SCH

<FILENAME> nen-20131231.xsd

<TEXT>

PDF File

</TEXT>

</DOCUMENT>

<DOCUMENT>

<TYPE> EX-101.CAL

<DESCRIPTION> EX-101.CAL

<FILENAME> nen-20131231\_cal.xml

<TEXT>

PDF File

</TEXT>

</DOCUMENT>

<DOCUMENT>

<TYPE> EX-101.LAB

<DESCRIPTION> EX-101.LAB

<FILENAME> nen-20131231\_lab.xml

<TEXT>

PDF File

</TEXT>

</DOCUMENT>

<DOCUMENT>

<TYPE> EX-101.PRE

<DESCRIPTION> EX-101.PRE

<FILENAME> nen-20131231\_pre.xml

<TEXT>

PDF File

</TEXT>

</DOCUMENT>

<DOCUMENT>  
<TYPE> EX-101.DEF  
<DESCRIPTION> EX-101.DEF  
<FILENAME> nen-20131231\_def.xml  
<TEXT>

PDF File

</TEXT>

</DOCUMENT>

<DOCUMENT>

<TYPE> GRAPHIC

<DESCRIPTION> g475599.jpg

<FILENAME> g475599.jpg

<TEXT>

**GRAPHIC File**

</TEXT>

</DOCUMENT>

</SUBMISSION>