**JAMESTOWN CO-INVEST 5, L.P. AND SUBSIDIARIES**
**(A LIMITED PARTNERSHIP)**

Consolidated Financial Statements with
Independent Auditor's Report

December 31, 2019

JAMESTOWN CO-INVEST 5, L.P. AND SUBSIDIARIES
(A LIMITED PARTNERSHIP)

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**INDEPENDENT AUDITOR'S REPORT**

To the Partners of
JAMESTOWN Co-Invest 5, L.P. and Subsidiaries

We have audited the accompanying consolidated financial statements of JAMESTOWN Co-Invest 5, L.P., a Georgia limited partnership, and Subsidiaries (the "Partnership"), which comprise the consolidated statement of net assets, including the consolidated schedule of investments, as of December 31, 2019, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the consolidated financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JAMESTOWN Co-Invest 5, L.P. and Subsidiaries as of December 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Moore, Colson + Company, P.C.

Atlanta, Georgia
March 31, 2020

JAMESTOWN CO-INVEST 5, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF NET ASSETS
DECEMBER 31, 2019

| | | |
|---|---|---|
| Assets: | | |
| Real estate investments, at fair value: | | |
| Real estate (cost: $412,576,185) | $ | 698,300,000 |
| Unconsolidated real estate partnerships (cost plus equity in undistributed earnings: $28,324,001) | | 193,365,023 |
| Total real estate investments | | 891,665,023 |
| | | |
| Cash and cash equivalents | | 24,509,646 |
| Restricted cash | | 1,913,635 |
| Accrued investment income, net of allowance for doubtful accounts of $74,276 | | 1,238,598 |
| Prepaid withholding taxes | | 9,903,712 |
| Prepaid expenses and other assets | | 181,707 |
| Total assets | | 929,412,321 |
| | | |
| Liabilities: | | |
| Mortgage loans payable | | 215,000,000 |
| Deferred financing costs, net of accumulated amortization of $1,038,141 | | (704,090) |
| Mortgage loans payable, net of deferred financing costs | | 214,295,910 |
| | | |
| Interest rate swap, at fair value | | 1,453,777 |
| Accrued distributions | | 19,640,494 |
| Accrued real estate expenses and taxes | | 1,571,373 |
| Accrued estimated withholding taxes | | 2,541,000 |
| Accrued capital and leasing costs | | 3,523,931 |
| Accrued interest expense | | 658,435 |
| Tenant security deposits | | 1,913,635 |
| Due to related parties, net | | 1,188,426 |
| Due to General Partner | | 5,352,818 |
| Deferred income | | 1,708,248 |
| Total liabilities | | 253,848,047 |
| | | |
| Commitments and contingencies (see Note 11) | | |
| | | |
| Net assets: | | |
| JAMESTOWN Co-Invest 5, L.P. | | 663,982,807 |
| Noncontrolling interests | | 11,581,467 |
| | $ | 675,564,274 |

See notes to consolidated financial statements.

# JAMESTOWN CO-INVEST 5, L.P. AND SUBSIDIARIES
## CONSOLIDATED SCHEDULE OF INVESTMENTS
## DECEMBER 31, 2019

| Real Estate Investments | Ownership* | Ownership Percentage | City, State | Type | Rentable Square Feet (unaudited) | Cost | Fair Value | Percent of Fair Value |
|---|---|---|---|---|---|---|---|---|
| Real Estate | | | | | | | | |
| JTCI5 Sunny Isles, L.P. ("Beach Place Apartments") | CO | 99.9% | Sunny Isles Beach, FL | Residential | 308 units | $ 49,401,573 | $ 77,600,000 | 8.7% |
| JAMESTOWN Ponce City Market, L.P. ("Ponce City Market") | CJV | 97.4% | Atlanta, GA | Mixed-Use | 1,110,000 | 363,174,612 | 620,700,000 | 69.6% |
| | | | | | Total real estate | $ 412,576,185 | $ 698,300,000 | 78.3% |
| Unconsolidated Real Estate Partnerships | | | | | | | | |
| WRI-JAMESTOWN Retail Venture, L.P. ("Weingarten Retail Portfolio") | EP | 70.0% | Various - FL; Atlanta, GA | Retail | 1,216,000 | $ 15,403,881 | $ 127,386,263 | 14.3% |
| Georgetown Renaissance, L.P. ("Shops in Georgetown") | EP | 48.0% | Washington, DC | Mixed-Use | 427,000 | 12,920,120 | 65,978,760 | 7.4% |
| | | | | | Total unconsolidated real estate partnerships | $ 28,324,001 | $ 193,365,023 | 21.7% |
| | | | | | Total real estate investments | $ 440,900,186 | $ 891,665,023 | 100.0% |

* CO - Consolidated

CJV - Consolidated Joint Venture Partnership

EP - Partnership accounted for under the equity method

See notes to consolidated financial statements.

JAMESTOWN CO-INVEST 5, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | |
|---|---|
| Revenues: | |
| Revenue from real estate | $ 46,922,972 |
| Other revenue from real estate | 9,080,579 |
| Equity in income from unconsolidated real estate partnerships | 13,523,914 |
| Other income | 477,547 |
| Total revenues | 70,005,012 |
| Expenses: | |
| Real estate operating expenses | 23,155,014 |
| Real estate taxes | 843,478 |
| Interest expense, net | 8,286,448 |
| Supervisory management fees | 2,231,964 |
| Asset management fees | 3,558,166 |
| Fund administrative expenses, net | 141,315 |
| Total expenses | 38,216,385 |
| Net investment income | 31,788,627 |
| Unrealized gains (losses): | |
| Change in unrealized gain on real estate | 83,386,578 |
| Change in unrealized gain on unconsolidated real estate partnerships | (17,431,534) |
| Change in unrealized loss on interest rate swap | (4,555,262) |
| Net unrealized gain | 61,399,782 |
| Increase in net assets resulting from operations | 93,188,409 |
| Portion attributable to noncontrolling interests | (805,366) |
| Increase in net assets resulting from operations attributable to Jamestown Co-Invest 5, L.P. | $ 92,383,043 |
| Amounts attributable to Jamestown Co-Invest 5, L.P.: | |
| Net investment income | $ 31,788,627 |
| Net unrealized gain | 60,594,416 |
| Increase in net assets resulting from operations attributable to Jamestown Co-Invest 5, L.P. | $ 92,383,043 |

See notes to consolidated financial statements.

JAMESTOWN CO-INVEST 5, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | General Partner | Limited Partners | Noncontrolling Interests | Total |
|---|---|---|---|---|
| Beginning balance - December 31, 2018 | $ 61,841,943 | $ 529,164,800 | $ 10,776,101 | $ 601,782,844 |
| From operating activities: | | | | |
| Net investment income | — | 31,788,627 | — | 31,788,627 |
| Net unrealized gain | 22,337,406 | 38,257,010 | 805,366 | 61,399,782 |
| Increase in net assets resulting from operations | 22,337,406 | 70,045,637 | 805,366 | 93,188,409 |
| From capital transactions: | | | | |
| Distributions | — | (19,406,979) | — | (19,406,979) |
| Decrease in net assets resulting from capital transactions | — | (19,406,979) | — | (19,406,979) |
| Ending balance - December 31, 2019 | $ 84,179,349 | $ 579,803,458 | $ 11,581,467 | $ 675,564,274 |

See notes to consolidated financial statements.

JAMESTOWN CO-INVEST 5, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | |
|---|---|---|
| Cash flows from operating activities: | | |
| Increase in net assets resulting from operations | $ | 93,188,409 |
| Adjustments to reconcile increase in net assets resulting from operations to net cash flows provided by operating activities: | | |
| Net unrealized gain | | (61,399,782) |
| Amortization of deferred financing costs | | 344,731 |
| Equity in income from unconsolidated real estate partnerships, net of return on capital from distributions from unconsolidated real estate partnerships | | (2,904,469) |
| Bad debt expense | | 108,685 |
| Changes in assets and liabilities: | | |
| Accrued investment income | | (55,543) |
| Prepaid withholding taxes | | (395,475) |
| Prepaid expenses and other assets | | 16,162 |
| Accrued real estate expenses and taxes | | 260,962 |
| Accrued estimated withholding taxes | | 1,287,000 |
| Accrued interest expense | | 3,135 |
| Tenant security deposits | | 53,534 |
| Due to related parties, net | | 304,827 |
| Deferred income | | 1,153,675 |
| Net cash provided by operating activities | | 31,965,851 |
| Cash flows from investing activities: | | |
| Additions to real estate | | (9,237,553) |
| Investment in unconsolidated real estate partnerships | | (1,222,480) |
| Net cash used in investing activities | | (10,460,033) |
| Cash flows from financing activities: | | |
| Distributions | | (19,354,924) |
| Net cash used in financing activities | | (19,354,924) |
| Net increase in cash, cash equivalents and restricted cash | | 2,150,894 |
| Cash, cash equivalents and restricted cash, beginning of year | | 24,272,387 |
| Cash, cash equivalents and restricted cash, end of year | $ | 26,423,281 |
| Supplemental cash flow information: | | |
| Cash paid for interest, net | $ | (7,938,582) |
| Supplemental disclosure of noncash operating, investing, and financing activities: | | |
| Increase in accrued distributions | $ | 52,055 |
| Increase in accrued capital and leasing costs | $ | 1,978,358 |
| Decrease in accrued capital and leasing costs - related party | $ | (42,430) |

See notes to consolidated financial statements.

## (1) Organization and Purpose

JAMESTOWN Co-Invest 5, L.P. (the Partnership), a Georgia limited partnership, has multiple subsidiaries for its real estate investments (collectively referred to as the Fund). The Partnership was formed in September 2007 for the purpose of acquiring, investing, redeveloping, owning, operating and selling income producing properties with the intention of achieving current income, capital appreciation or both. JAMESTOWN, L.P. (JAMESTOWN), a Georgia limited partnership, is the General Partner.

The Partnership is authorized to have between 100,000,000 and 750,000,000 limited partnership units, each having a subscription price of $1.00. On December 31, 2009, the Fund was closed for further purchase of limited partnership units. At the close of the Fund, 448,921,392 units had been issued.

As a limited partner, on October 1, 2007, affiliates of JAMESTOWN subscribed and paid for 20,000,000 limited partnership units. Certain employees of the General Partner and Jamestown US-Immobilien GmbH, an affiliate of the General Partner, invest in the Partnership as limited partners. The contractual terms and requirements of the employee investors are generally consistent with all third-party investors.

As a General Partner, JAMESTOWN was not required to contribute any capital to the Partnership.

On December 31, 2015, the Agreement of Limited Partnership (herein referred to as the Partnership Agreement, inclusive of all subsequent amendments and restatements) was amended and restated to extend the term of the Partnership from December 31, 2016 to December 31, 2023. The Partnership may also terminate upon the occurrence of certain events as defined in the Partnership Agreement.

The amended Partnership Agreement also allowed for the limited partners to elect to have their Units redeemed effective December 31, 2015, for a redemption price equal to 110% of the Capital Contributions (2015 Redemption), or effective December 31, 2016, for a redemption price equal to the net asset value of the Partnership as of the redemption date (2016 Redemption). The gross 2015 Redemption resulted in 62,789,639 units being redeemed for $69,068,603 on March 31, 2016, net of withholding taxes and other administrative expenses, remitted on behalf of the redeemed partners. The gross 2016 Redemption resulted in 60,857,105 units being redeemed for $81,303,397 on March 31, 2017, net of withholding taxes and other administrative expenses, remitted on behalf of the redeemed partners. The redemption price represented 133.6% of the Capital Contributions. As of December 31, 2018 and 2019, 323,449,648 units were outstanding.

The stated objectives of the Partnership are as follows:

a. To preserve and protect the partners' investments in the Partnership;

b. To make distributions to the limited partners of 6% of the Adjusted Capital Contributions each year; and

c. To return to each limited partner at least 110% of their Capital Contributions from (i) Net Proceeds of Sale or Refinancing and (ii) cash reserves existing at the time the Partnership is liquidated.

All capitalized terms not defined herein shall have the meaning ascribed to them in the Partnership Agreement.

## (2) Summary of Significant Accounting Policies

### *(a) Basis of Presentation*

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Partnership is considered an investment company under GAAP.

### *(b) Basis of Consolidation*

The consolidated financial statements of the Fund include the accounts of the Partnership and its real estate partnerships for which it has control over the major operating and financing policies. All significant intercompany accounts and transactions among the Partnership and its subsidiaries have been eliminated in consolidation.

Variable Interest Entities (VIEs) are defined as entities in which equity investors (i) do not have the characteristics of a controlling financial interest, and/or (ii) do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The entity that consolidates a VIE is known as its primary beneficiary, and is generally the entity with (i) the power to direct the activities that most significantly impact the VIE's economic performance, and (ii) the right to receive benefits from the VIE or the obligation to absorb losses of the VIE that could be significant to the VIE.

The Fund has determined that Weingarten Retail Portfolio and Shops in Georgetown are not considered VIEs, and since neither equity investor has disproportionate power to direct the activities that most significantly impact the respective entities' performance, the real estate investments are reported under the equity method in the accompanying consolidated financial statements.

### *(c) Use of Estimates*

The preparation of the consolidated financial statements in conformity with GAAP 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 consolidated financial statements, and the reported amounts of revenues, expenses, and realized and unrealized gains (losses) during the reporting period. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment.

Management adjusts such estimates when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from those estimates. The most significant estimates and assumptions for the Fund relate to the valuation of the real estate, unconsolidated real estate partnerships and derivative instruments.

Real estate investment values are affected by, among other things, the availability of capital, occupancy rates, rental rates and interest and inflation rates. As a result, determining real estate investment values involve many assumptions. Amounts ultimately realized from each investment may vary significantly from the fair values presented.

## (2) Summary of Significant Accounting Policies (Continued)

### *(d) Real Estate Investments*

Real Estate

Real estate property acquisitions, sales and dispositions are recorded as of the date of closing. Real estate investments are carried at fair value. Costs incurred in connection with the acquisition of the real estate investments are capitalized.

Expenditures that extend the economic life of the property or directly relate to revenues of future periods, including tenant improvements and leasing commissions, are capitalized. Capitalized amounts are not depreciated or amortized since appraisals take into account the estimated effect of physical depreciation. Expenditures for maintenance and repairs are expensed as incurred.

Unconsolidated Real Estate Partnerships

Investments in the unconsolidated real estate partnerships are stated at fair value and are presented in the consolidated financial statements using the equity method of accounting, as the control of the investments is not held by the Fund. Under the equity method, the investments are initially recorded at the original investment amount, plus additional amounts invested, reduced by distributions received and adjusted for the Fund's share of undistributed earnings or losses (including realized and unrealized gains and losses) from the underlying partnerships. The Fund's share in the net assets of the investments in unconsolidated real estate partnerships include the estimated fair value of the real estate investment, net of the cost of any debt and gives consideration to any preferential return provisions in the applicable partnership agreement. The economic substance of the investments is also taken into consideration in determining the Fund's share of the fair value of the investments. Capital contributions to the Fund's investments in the unconsolidated real estate partnerships are recorded as of the date the funds are advanced. Distributions of income and return of capital to the Fund from its investments in the unconsolidated real estate partnerships are recorded as of the date funds are received.

### *(e) Investment Income and Expenses*

The majority of the Fund's revenue is earned through the lease of rental space at its underlying properties. These revenues are accounted for as leases under Accounting Standards Codification Topic 840, *Leases* (ASC 840). Other revenues, as a whole, are immaterial to total revenues and are accounted for as revenues from contracts with customers in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606).

## (2) Summary of Significant Accounting Policies (Continued)

### *(e) Investment Income and Expenses (Continued)*

The Fund categorizes its primary sources of revenue as follows:

- Lease revenues: income arising from lease or license agreements which may include base rent, percentage rent, parking rent or reimbursements from tenants for real estate taxes, insurance, and other operating expenses. Base rent and parking rent is recognized when due in accordance with the terms of the respective agreements. The Fund recognizes the reimbursement of expenses from tenants as the related expenses are incurred. Percentage rents are recognized once the thresholds are achieved and the amounts become determinable. In addition, termination fees arise from contractual agreements with tenants and are considered lease modifications. The Fund recognizes the income upon execution of the agreement. Lease revenues are accounted for in accordance with ASC 840 and are included in revenue from real estate on the accompanying consolidated statement of operations.

- Parking fees: income from parking fees at Ponce City Market where the parking garage is not leased to an operator. The Fund recognizes the income when the service is performed or over the term of the contract, if applicable, in accordance with ASC 606. Parking fee income totaling $8,039,843 is included in other revenue from real estate on the accompanying consolidated statement of operations.

- Short-term residential rentals: income from occupancy of short-term residential rentals is recognized over the term of the stay in accordance with ASC 606. Income from short-term residential rentals totaling $945,771 is included in other revenue from real estate on the accompanying consolidated statement of operations.

- Sponsorship income: income arising from sponsorship agreements in exchange for various promotional considerations related to a stated event. The Fund recognizes the income on the date the sponsored event occurs in accordance with ASC 606. Sponsorship income totaling $94,965 is included in other revenue from real estate on the accompanying consolidated statement of operations.

- Equity in income from the Fund's unconsolidated real estate partnerships represents the Fund's share of the unconsolidated real estate partnerships' net investment income.

Expenses are recognized when incurred.

### *(f) Deferred Financing Costs*

Deferred financing costs connected with obtaining the mortgage loans payable are amortized over the term of the respective loans and are presented in the consolidated statement of net assets as a direct deduction from the carrying amount of the debt liability. Amortization of deferred financing costs are recorded as a component of interest expense in the accompanying consolidated financial statements.

**(2) Summary of Significant Accounting Policies (Continued)**

***(g) Fair Value of Assets, Liabilities and Derivative Instrument***

The Fund reports the fair value of its real estate investments and its derivative instrument on the consolidated financial statements. The Fund has elected not to fair value the mortgage loans payable which are presented at cost on the consolidated financial statements and the fair value is disclosed separately (see Notes 3 and 6).

***(h) Cash, Cash Equivalents and Restricted Cash***

| | December 31, 2019 |
|---|---|
| Cash and cash equivalents | $ 24,509,646 |
| Restricted cash | 1,913,635 |
| Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows | $ 26,423,281 |

The Fund classifies short-term, highly liquid investments with original maturities of approximately 90 days or less and money market accounts as cash equivalents. These investments are stated at cost, which approximates fair value. The Fund invests its cash primarily in deposits and money market funds with commercial banks. At times, cash balances may exceed federally insured amounts. Management believes it mitigates credit risk by depositing cash in and investing through major financial institutions.

Restricted cash consists of tenant security deposits.

***(i) Accrued Investment Income - Allowance for Doubtful Accounts***

In the normal course of business, the Fund extends unsecured credit to its tenants. The Fund performs on-going credit evaluations of its tenants and maintains an allowance for doubtful accounts when considered necessary. Accounts receivable are generally due under normal trade terms requiring payment within 30 days from the invoice date. Unpaid accounts receivable do not bear interest.

Bad debts are provided using the allowance for doubtful accounts method based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. The allowance for doubtful accounts was $74,276 as of December 31, 2019.

***(j) Prepaid Withholding Taxes***

Amounts remitted on behalf of limited partners for withholding taxes are recognized as an asset that will be recovered from future distributions to those limited partners. Estimated withholding tax payments made could exceed the final taxes due and the Fund would either apply this excess to future tax liabilities or receive a refund from the taxing authority.

## (2) Summary of Significant Accounting Policies (Continued)

### *(k) Financial Instruments*

Accrued investment income, net, prepaid withholding taxes, prepaid expenses and other assets, deferred financing costs, net, accrued distributions, accrued real estate expenses and taxes, accrued estimated withholding taxes, accrued capital and leasing costs, accrued interest expense, tenant security deposits, due to related parties, net, due to General Partner and deferred income are all short-term in nature; as such their carrying amounts approximate fair value.

### *(l) Income Taxes*

No provision for income taxes is required by the Fund since the partners report their respective share of the taxable income or loss of the Fund in determining their individual taxable income.

Section 1446 of the Internal Revenue Code (IRC) requires that a partnership with nonresident partners remit withholding tax payments directly to the Internal Revenue Service. The withholding tax payments are based upon the nonresident partners' allocable share of the Fund's consolidated income that is effectively connected with a U.S. trade or business times the highest marginal income tax rate as determined by the classification of income. The withholding tax payments are creditable against the individual partner's income tax liability and, to the extent the payments exceed the partner's actual income tax liability for the year, the excess will be refunded to the partner upon the filing of a U.S. income tax return. The Fund also remits creditable withholding taxes directly to the state taxing authorities of Georgia and Virginia.

Under tax regulations in the United States of America, the Fund itself is not subject to federal, state, and local income taxes and, accordingly, such taxes have not been provided for in the accompanying consolidated financial statements. Each partner is responsible for reporting its allocable share of the Fund's income, gains, losses, deductions, and credits. The Fund accounts for income taxes in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes* (ASC 740). ASC 740 prescribes a recognition threshold and measurement attribute for recognizing tax return positions in the consolidated financial statements as those which are "more likely than not" to be sustained upon examination by the taxing authority. ASC 740 also provides guidance on derecognition, classification, interest, penalties, accounting for income tax uncertainties in interim periods and the level of disclosures associated with any recorded income tax uncertainties. Management has concluded that it has no material uncertain tax liabilities to be recognized as of December 31, 2019. The Fund files U.S. federal, state and local tax returns. The 2016 through 2019 tax years of the Fund remain subject to examination by U.S. federal, state and local tax authorities.

## (2) Summary of Significant Accounting Policies (Continued)

### *(l) Income Taxes (Continued)*

The Fund's policy is to record tax related interest and penalties as a component of fund administrative expenses in the consolidated financial statements. For the year ended December 31, 2019, the Fund received a refund in the amount of $45,036 related to past penalties paid which is included in fund administrative expenses, net in the accompanying consolidated financial statements. Under the tax regulations in the United States of America, any liability for payment of federal and state income taxes on the Fund's earnings will be the responsibility of its partners, rather than that of the Fund. Net income (loss) allocated to partners on the Fund's income tax returns will differ from the accompanying consolidated financial statement amounts due to differences between GAAP and the federal income tax basis of accounting.

### *(m) Risks and Uncertainties*

In the normal course of business, the Fund encounters economic risk, including interest rate risk, credit risk, and market risk. Interest rate risk is the result of movements in the underlying variable component of the mortgage financing rates. Credit risk is the risk of default on the Funds' real estate investments that results from an underlying tenant's inability or unwillingness to make contractually required payments. Market risk reflects changes in the valuation of real estate investments held by the Fund.

In July 2017, the Financial Conduct Authority (FCA) that regulates LIBOR announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee (ARRC) which identified the Secured Overnight Financing Rate (SOFR) as its preferred alternative to USD-LIBOR in derivatives and other financial contracts. The Fund is not able to predict when LIBOR will cease to be available or when there will be sufficient liquidity in the SOFR markets. Any changes adopted by FCA or other governing bodies in the method used for determining LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR. If that were to occur, the Fund's interest payments could change. In addition, uncertainty about the extent and manner of future changes may result in interest rates and/or payments that are higher or lower than if LIBOR were to remain available in its current form.

The Fund has material contracts that are indexed to LIBOR and is monitoring and evaluating the related risks, which include interest expense on mortgage loans payable and amounts received or paid on the interest rate swap. These risks arise in connection with transitioning contracts to a new alternative rate, including any resulting value transfer that may occur. The value of mortgage loans payable and interest rate swap tied to LIBOR could also be impacted if LIBOR is limited or discontinued. For some instruments, the method of transitioning to an alternative rate may be challenging, as they may require negotiation with the respective counterparty.

If a contract is not transitioned to an alternative rate and LIBOR is discontinued, the impact to the Fund is likely to vary by contract. If LIBOR is discontinued or if the methods of calculating LIBOR change from their current form, interest rates on the Fund's current or future indebtedness may be adversely affected.

**(2) Summary of Significant Accounting Policies (Continued)**

***(m) Risks and Uncertainties (Continued)***

While the Fund expects LIBOR to be available in substantially its current form until the end of 2021, it is possible that LIBOR will become unavailable prior to that point. This could result, for example, if sufficient banks decline to make submissions to the LIBOR administrator. In that case, the risks associated with the transition to an alternative reference rate will be accelerated and magnified.

***(n) Recently Issued Accounting Standards***

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, establishing ASC 606. ASU 2014-09, as amended by subsequent ASUs on the topic, changes the criteria for the recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Lease contracts are specifically excluded from the scope of ASC 606; however, disposals of real estate assets are subject to the derecognition requirements included in ASC 606. ASC 606 was effective for the Fund on January 1, 2019 and was adopted using the modified retrospective approach. There was no cumulative-effect adjustment to beginning net assets on January 1, 2019. The adoption of this standard did not have a material impact on the timing or amounts of revenue recognized (see note 2e).

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02), which is expected to result in lessees recognizing most leased assets on the balance sheet. Lessor accounting will remain substantially similar to the current accounting; however, certain refinements were made to conform the standard with the recently issued revenue recognition guidance in ASU 2014-09. ASU 2016-02 has been subsequently amended and will be effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted and a number of practical expedients may also be elected. Management is currently evaluating the impact of adopting this new accounting standards update on the Fund's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13), which amended guidance on the disclosure requirements for fair value measurement. The amended guidance added, eliminated and modified disclosures for investments measured at fair value. ASU 2018-13 will be effective January 1, 2020. Early adoption is permitted. Management is currently evaluating the impact of adopting this new accounting standards update on the Fund's consolidated financial statements.

**(3) Fair Value Measurements**

The Fund's real estate investments are reported at fair value in accordance with ASC 820, *Fair Value Measurements* (ASC 820). ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that the market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Fund. Unobservable inputs are inputs that reflect the Fund's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. ASC 820 establishes a three-tier hierarchy to classify fair value measurements. The hierarchy is broken down based on the reliability of inputs as follows:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.
- Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market, and significant professional judgment is used in determining the fair value assigned to such assets and liabilities.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including the type of instrument, whether the instrument is new and not yet established in the marketplace, and other characteristics particular to the transaction. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Investments in real estate and unconsolidated real estate partnerships are generally classified within Level 3 of the fair value hierarchy. These fair value measurements are based primarily upon judgmental estimates and are based on the current economic and competitive environment, characteristics of the investment, credit, interest, and other factors. Therefore, fair value cannot be determined with precision, cannot be substantiated by comparison to quoted prices in active markets, and may not be realized in a current sale or immediate settlement of the asset and/or liability. Additionally, there are inherent uncertainties in any fair value measurement technique, and changes in the underlying assumptions used, including discount rates, liquidity risks, and estimates of future cash flows, could significantly affect the fair value measurement amounts.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Fund uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified between the levels. There were no reclassifications between levels in 2019.

**(3) Fair Value Measurements (Continued)**

The following is a description of the valuation techniques used for assets and liabilities measured at fair value:

Real Estate

The fair values of real estate investments have been determined giving consideration to the income, cost and sales comparison approaches of estimating property value. The income approach estimates an income stream for a property (typically 10 years) and discounts this income plus a reversion (presumed sale) into a present value at a risk adjusted rate. Yield rates and growth assumptions utilized in this approach are derived from market transactions as well as other financial and industry data. The cost approach estimates the replacement cost of the building less physical depreciation plus the land value. Generally, this approach provides a check on the value derived using the income approach. The sales comparison approach compares recent transactions to the property value. Adjustments are made for dissimilarities which typically provide a range of value. Generally, the income approach carries the most weight in the value reconciliation.

As of December 31, 2019, the fair value of each property was determined using a valuation process which gives consideration to the approaches listed above, as well as other external sources. These sources of market data are used in the valuation process to ensure that the valuation is reasonable. Transaction costs that the Fund will incur as real estate investments are sold are not included in the December 31, 2019 fair value measurements, rather they are recorded in the year that the transactions occur. The Fund's real estate investments are classified within Level 3 of the valuation hierarchy.

Unconsolidated Real Estate Partnerships

Unconsolidated real estate partnerships are stated at the fair value of the Fund's ownership interest of the underlying partnerships. The Fund's ownership interests are valued based on the fair value of the underlying real estate, any related mortgage loans payable, and other factors, such as ownership percentage, ownership rights, distribution provision and capital call obligations. The underlying assets and liabilities are valued using the same methods the Fund uses for those assets and liabilities it holds directly. The Fund's investments in the unconsolidated real estate partnerships are classified within Level 3 of the valuation hierarchy.

Mortgage Loans Payable

The Fund carries its mortgage loans payable at cost as permitted by the Fair Value Option under ASC subtopic 825-10. The Fund's debt valuation methodology, for disclosure purposes, focuses on transactions between market participants using an investor's cost of equity capital based on current market conditions.

The fair value disclosure of the mortgage loans payable is determined by discounting the difference between the contractual loan payments and estimated market loan payments at an equity discount rate based on asset appraisals that reflect how a typical third-party investor would value the cash flows. Market loan payments are derived from overall market lending rates, debt origination and assumption transactions in the market, and property specific factors, including loan to value and cap rate changes. The significant unobservable inputs used in the fair value measurement of the Fund's mortgage loans payable are the selection of certain market interest rates and implied equity discount rates. Management reviews the valuation of the mortgage loans payable annually. The difference in the calculated fair value and the balance outstanding is the market valuation adjustment.

**(3) Fair Value Measurements (Continued)**

Derivative Instrument

The fair value of the interest rate swap is based on the notional, payment frequency, day count fraction, fixed and floating rates, and other factors, including the credit strength of both counterparties. The present value of expected cash flow differences is calculated based on prevailing market and contractual interest rates and credit spreads. The valuations are performed by an independent appraiser consistent with market standards for valuing derivatives. Management reviews the valuation of the interest rate swap as needed but no less frequently than once per year. The Fund's derivative instrument is classified within Level 2 of the valuation hierarchy.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following fair value hierarchy table presents information about the Fund’s assets and liabilities measured at fair value on a recurring basis as of December 31, 2019:

| | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total as of December 31, 2019 |
|---|---|---|---|
| **Assets:** | | | |
| Real estate, at fair value | $ — | $ 698,300,000 | $ 698,300,000 |
| Unconsolidated real estate partnerships, at fair value | — | 193,365,023 | 193,365,023 |
| **Total assets** | **$ —** | **$ 891,665,023** | **$ 891,665,023** |
| **Liabilities:** | | | |
| Interest rate swap, at fair value | $ 1,453,777 | $ — | $ 1,453,777 |
| **Total liabilities** | **$ 1,453,777** | **$ —** | **$ 1,453,777** |

**(3) Fair Value Measurements (Continued)**

Assets and Liabilities Measured at Fair Value on a Recurring Basis (Continued)

The following table presents additional information about Level 3 assets measured at fair value on a recurring basis as of December 31, 2019:

| | Real Estate | Unconsolidated Real Estate Partnerships | Total Level 3 Assets |
|---|---|---|---|
| Beginning balance - December 31, 2018 | $ 603,739,941 | $ 206,669,608 | $ 810,409,549 |
| Additions to real estate | 11,173,481 | — | 11,173,481 |
| Equity in income from unconsolidated real estate partnerships | — | 13,523,914 | 13,523,914 |
| Return on capital distributions received from unconsolidated real estate partnerships | — | (10,619,445) | (10,619,445) |
| Investment in unconsolidated real estate partnerships | — | 1,222,480 | 1,222,480 |
| Change in unrealized gain | 83,386,578 | (17,431,534) | 65,955,044 |
| Ending balance - December 31, 2019 | $ 698,300,000 | $ 193,365,023 | $ 891,665,023 |
| Change in unrealized gain relating to assets held as of December 31, 2019 | $ 83,386,578 | $ (17,431,534) | $ 65,955,044 |

**(3) Fair Value Measurements (Continued)**

Assets and Liabilities Measured at Fair Value on a Recurring Basis (Continued)

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements as of December 31, 2019:

| Type | Asset Class | Valuation Technique | Unobservable Inputs | Weighted Average |
|---|---|---|---|---|
| Real Estate and Unconsolidated Real Estate Partnerships | Residential | Discounted cash flow | Discount rate | 6.00% |
| | | | Terminal capitalization rate | 5.25% |
| | Retail | Discounted cash flow | Discount rate | 7.25% |
| | | | Terminal capitalization rate | 6.25% |
| | Mixed-Use | Discounted cash flow | Discount rate | 7.42% |
| | | | Terminal capitalization rate | 6.47% |
| Mortgage Loans Payable | Residential | Discounted cash flow | Market interest rate | 3.59% |
| | | | Implied equity discount rate | 8.06% |
| | Retail | Discounted cash flow | Market interest rate | 3.27% |
| | | | Implied equity discount rate | 11.19% |
| | Mixed-Use | Discounted cash flow | Market interest rate | 3.31% |
| | | | Implied equity discount rate | 9.43% |

Significant increases (decreases) in any of the inputs in isolation would result in a significantly lower (higher) fair value, respectively.

As of December 31, 2019, approximately 93% and 7% of the Fund's investments were located in the South and East regions of the United States, respectively, as defined by the National Council of Real Estate Investment Fiduciaries. The non-controlling interest in real estate is 100% in the South.

## (4) Real Estate

The Fund's real estate as of December 31, 2019 is comprised of the following:

| Real Estate | Cost | Fair Value |
|---|---|---|
| Residential | $ 49,401,573 | $ 77,600,000 |
| Mixed-Use | 363,174,612 | 620,700,000 |
| **Total real estate** | **$ 412,576,185** | **$ 698,300,000** |

The aggregate minimum future rentals, scheduled to be received on real estate, for noncancelable operating leases in effect as of December 31, 2019, are as follows:

| Years Ending December 31, | Amounts Due |
|---|---|
| 2020 | $ 23,387,250 |
| 2021 | 22,272,597 |
| 2022 | 20,889,296 |
| 2023 | 17,766,374 |
| 2024 | 15,296,707 |
| Thereafter | 30,488,373 |
| Total future minimum lease payments | $ 130,100,597 |

The Fund is also entitled to additional rents, which are not included above, which are primarily based upon escalations of real estate taxes and operating expenses over base period amounts. These are included as revenue from real estate in the accompanying consolidated financial statements.

On certain leases, the Fund is entitled to receive additional rents, which are also not included above, equal to a percentage of the tenants' annual gross sales over the minimum amounts specified in the lease agreements. For the year ended December 31, 2019, the Fund earned $2,769,759 in percentage rents from the tenants which are included as revenue from real estate in the accompanying consolidated financial statements.

Ponce City Market executed a Land Use Restriction Agreement with the Atlanta Development Authority on July 11, 2011. Under this agreement, during the rent affordability period, which commenced in October 2014 and will continue until October 2029, at least 20% of the residential units must be designated as affordable units and be leased or available to be leased to residents which meet certain qualifications. Management believes Ponce City Market complies with the requirements specified in the agreement related to these affordable units.

## (5) Unconsolidated Real Estate Partnerships

The Fund's investments in unconsolidated real estate partnerships as of December 31, 2019 are comprised of the following:

| **Unconsolidated Real Estate Partnerships** | **Cost** | **Fair Value** |
|---|---|---|
| Retail | $ 15,403,881 | $ 127,386,263 |
| Mixed-Use | 12,920,120 | 65,978,760 |
| **Total unconsolidated real estate partnerships** | **$ 28,324,001** | **$ 193,365,023** |

The following are 100% of the condensed combined financial statements of the unconsolidated real estate partnerships as of and for the year ended December 31, 2019:

**Condensed Combined Statement of Net Assets**

| | |
|---|---|
| Assets: | |
| Real estate, at fair value (cost $333,876,372) | $ 649,500,000 |
| Interest rate swap, at fair value | 955,283 |
| Other assets | 10,344,326 |
| Total assets | 660,799,609 |
| Liabilities: | |
| Mortgage loans payable | 334,500,980 |
| Deferred financing costs, net | (1,798,309) |
| Mortgage loans payable, net of deferred financing costs | 332,702,671 |
| Interest rate swap, at fair value | 1,493,227 |
| Other liabilities | 5,369,275 |
| Total liabilities | 339,565,173 |
| Net assets | $ 321,234,436 |
| | |
| Fund's share of net assets | $ 193,365,023 |

## (5) Unconsolidated Real Estate Partnerships (Continued)

**Condensed Combined Statement of Operations**

| | | |
|---|---|---|
| Revenues | $ | 50,156,800 |
| Expenses | | 28,284,415 |
| Net investment income | | 21,872,385 |
| Change in unrealized gain on real estate investment | | (23,571,315) |
| Change in unrealized loss on interest rate swap, net | | (5,495,785) |
| Decrease in net assets resulting from operations | $ | (7,194,715) |
| Fund's share of the decrease in net assets resulting from operations | $ | (3,907,620) |

The Weingarten Retail Portfolio and Shops in Georgetown mortgage loans payable contain guarantees of non-recourse carve-out stipulations provided by the Partnership (see Note 11).

The following table summarizes the principal amounts outstanding on these mortgage loans payable and the calculated fair values as of December 31, 2019:

| Loan Collateral | | Principal Outstanding December 31, 2019 | | Fair Value December 31, 2019 (1) |
|---|---|---|---|---|
| Weingarten Retail Portfolio | $ | 170,000,000 | $ | 170,000,000 |
| Shops in Georgetown | | 164,500,980 | | 164,502,386 |
| | $ | 334,500,980 | $ | 334,502,386 |

(1) The Fund carries its mortgage loans payable at cost as permitted by the Fair Value Option of ASC subtopic 825-10. This information is provided as it relates to the disclosure of fair value of mortgage loans payable.

On January 24, 2019, Shops in Georgetown purchased additional retail space in Washington, DC for $10,500,000 and assumed a loan of approximately $4,700,000.

Contributions, distributions and allocations of profits and losses from the unconsolidated real estate partnerships will be funded, distributed and allocated to the partners in accordance with the provisions of the related partnership agreements and in proportion to their respective ownership percentages. The fair value of the Fund's ownership interest is based on the fair value of the net assets of the unconsolidated partnerships and considers the distribution provisions of the related partnership agreements. The Fund had no unfunded capital commitments to the unconsolidated real estate partnerships as of December 31, 2019.

**(5) Unconsolidated Real Estate Partnerships (Continued)**

The Fund's share of net assets and its share of the increase in net assets resulting from operations include related party transactions, as the General Partner may retain one or more of its affiliates (Affiliate) to perform services for the unconsolidated real estate partnerships. These services include property management, leasing, construction management, sustainability consulting and other services. The Affiliate may receive fees and cost reimbursements, including expenses related to employee time and travel, related to the services. As of December 31, 2019, the Fund's share of fees and cost reimbursements earned by the Affiliate was approximately $98,000.

**(6) Mortgage Loans Payable**

Mortgage loans payable as of December 31, 2019 consist of the following:

| Loan Collateral | Interest Rate | Scheduled Maturity | Principal Outstanding December 31, 2019 | Fair Value December 31, 2019 (3) |
|---|---|---|---|---|
| Beach Place Apartments (1) | LIBOR + 1.90% (2) | January 11, 2021 | $ 35,000,000 | $ 35,000,000 |
| Ponce City Market (1) | LIBOR + 1.65% (2) | May 5, 2022 | 180,000,000 | 180,000,000 |
| | | | $ 215,000,000 | $ 215,000,000 |

(1) Interest only loan.

(2) 1-month LIBOR was 1.76% as of December 31, 2019.

(3) The Fund carries its mortgage loans payable at cost as permitted by the Fair Value Option ASC subtopic 825-10. This information is provided as it relates to the disclosure of fair value of the mortgage loans payable.

The mortgage loans payable may be prepaid without penalty in accordance with the respective loan agreements. For the year ended December 31, 2019, the Fund incurred $344,731 of amortization related to financing costs, which is included as a component of interest expense, net in the accompanying consolidated financial statements. For the year ended December 31, 2019, the Fund incurred interest expense related to the mortgage loans payable of $8,620,165. The loan agreements contain certain financial and nonfinancial covenants. The Fund was in compliance with all covenants as of December 31, 2019. The mortgage loans payable contain guarantees of non-recourse carve-out stipulations provided by the Partnership (see Note 11).

Management plans to exercise the available one-year extension option for the Beach Place Apartments mortgage loan payable, upon maturity in January 2021.

## (6) Mortgage Loans Payable (Continued)

On July 11, 2011, a subsidiary of the Partnership entered into a contingent loan agreement with The Atlanta Development Authority relating to Ponce City Market. The contingent loan of $11,500,000 bears interest at a rate of 3%. Contingent payment calculations are required to be performed quarterly and upon capital transaction dates to determine eligible funds available for payment of principal and interest, as defined by the agreement. The eligible funds are contingent on the overall returns to the investors, as defined by the agreement, and if the defined thresholds are not met, no payment is due. The agreement terminates on the earliest of all principal and interest being paid in full or December 31, 2041. The contingent loan agreement is guaranteed by the Partnership. Due to the contingent nature of the agreement, the outstanding principal and interest are not presented in the accompanying consolidated financial statements.

Scheduled annual payments of principal on mortgage loans payable as of December 31, 2019 are as follows:

| Years Ending December 31, | Principal Due |
|---|---|
| 2020 | — |
| 2021 | 35,000,000 |
| 2022 | 180,000,000 |
| Thereafter | — |
| Total future minimum principal payments | $ 215,000,000 |

## (7) Derivative Instrument

To limit the Fund’s exposure to interest rate fluctuations on its variable rate debt, the Fund has entered into an interest rate swap agreement on the Ponce City Market mortgage loan payable.

The interest rate swap agreement fixed the LIBOR portion of the interest rate at 1.891% for a total all-in-rate of 3.541%. As of December 31, 2019, the interest rate swap agreement had a notional amount of $180,000,000 and a recorded fair value liability of $1,453,777. The agreement expires on May 1, 2022. For the year ended December 31, 2019, the Fund earned $678,448 in interest income related to the derivative which is included as a component of interest expense, net in the accompanying consolidated financial statements.

In accordance with ASC 815, Accounting for Derivative Instruments and Hedging Activities, the Fund has not designated this interest rate swap as a cash flow hedge. Accordingly, the Fund recognizes any changes in fair value as a component of unrealized gains (losses) in the accompanying consolidated financial statements. For the year ended December 31, 2019, the total change in unrealized loss on the interest rate swap was $4,555,262.

## (8) Fund Administrative Expenses, Net

Fund administrative expenses can include audit fees, tax preparation fees, compliance fees, legal fees and any other expense related to the business and operations of the Partnership. Certain fund administration expenses were incurred for services performed by one or more affiliates of the General Partner (see Note 10). For the year ended December 31, 2019, the expenses incurred by the Partnership were comprised of the following, and includes a refund of tax penalties previously paid (see Note 2(l)):

| | | Amount |
|---|---|---|
| Audit fees | $ | 91,250 |
| Legal and professional fees | | 35,101 |
| Tax and compliance fees, net | | 14,964 |
| **Total** | $ | 141,315 |

## (9) Partnership Agreement

The Partnership Agreement contains provisions relating to capital contributions, redemptions, distributions of cash flow, distribution of proceeds from capital transactions and allocation of profits and losses.

Net income or net loss for each taxable year (or portion thereof) shall be allocated among the partners in such a manner that if the Partnership were to liquidate immediately after the end of such fiscal year and in connection with such liquidation sell all of its assets for cash for their then book values and satisfy all liabilities according to their terms: (i) the distribution by the Partnership of any remaining cash to the partners in accordance with their respective positive capital account balances would correspond as closely as possible to the distributions to the partners based on liquidating distributions and (ii) any resulting deficit capital account balances would correspond as closely as possible to the manner in which economic responsibility for Partnership deficit balances would be borne by the partners.

Distributions of Operating and Capital Cash Flows

Beginning December 31, 2015, cash flow, as defined by the Partnership Agreement, is to be distributed to the partners, annually on May 30th of the following year, commencing on May 30, 2016 in the following priority:

a) First, 100% to the limited partners in proportion to and the extent of the accrued unpaid preferred distribution as of the end of the preceding year. The preferred return shall be a non-compounding per annum rate equal to $0.0600 per unit beginning on January 1, 2010. The paid preferred distribution for each unit includes previously distributed amounts attributable to each unit. The distribution for 2019 totaling $19,406,979 is included in accrued distributions in the accompanying consolidated financial statements.

## (9) Partnership Agreement (Continued)

Distributions of Operating and Capital Cash Flows (Continued)

b) Next, the balance, if any, 33.33% to the General Partner and 66.67% to the limited partners, pro rata. As of December 31, 2019, the General Partner is estimated to receive $89,532,167 under this provision, of which $5,352,818 is related to amounts that would be due from the unit holders that elected the 2016 Redemption. This amount has been accrued and is included in due to General Partner in the accompanying consolidated financial statements (see Note 10).

As of December 31, 2019, $233,515 remained payable to the investors related to prior year distributions. The amount that remained payable was primarily related to investors with unsettled estates, and the distributions will be paid once the heirs are confirmed. This balance is included in the accrued distributions in the accompanying consolidated financial statements.

Net proceeds from a sale or refinancing are to be distributed in a priority specified in the Partnership Agreement.

## (10) Related Party Transactions

Note Payable - General Partner

On January 15, 2012, the Partnership entered into a note payable agreement with the General Partner whereby it advances funds up to the Partnership on an as needed basis for acquisitions, working capital and property level capital calls. Interest on the note accrues at the mid-term applicable federal rate published monthly by the Internal Revenue Service. On October 1, 2017, the note was amended to allow for an available balance of $15,000,000 and a maturity date of May 31, 2022. The note may be repaid at any time, without penalty, out of available cash flow. All unpaid principal and interest shall be due by May 31, 2022, or earlier, as defined by the promissory note. During 2019, no advances on the promissory note were funded and no interest expense was incurred. As of December 31, 2019, the balance of the note payable was $0.

Due to General Partner

The Partnership accrued $5,352,818 for the General Partner's share of the 2016 Redemption (see Note 9).

Supervisory Management Fees

As provided for in the Partnership Agreement, the General Partner is entitled to an annual fee for the administration of the Fund. For the year ended December 31, 2019, the Partnership incurred a fund administration fee of $1,908,468 and is included in supervisory management fees in the accompanying consolidated financial statements.

**(10) Related Party Transactions (Continued)**

Supervisory Management Fees (Continued)

The General Partner is also entitled to a fee equal to all interest payments received by the Partnership or its underlying properties. This fee should be a minimum of 0.1% of the limited partner capital and should not exceed 0.3% of the limited partner capital. For the year ending December 31, 2019, the General Partner fee was $323,496 and is included in supervisory management fees in the accompanying consolidated financial statements.

Asset Management Fee

As provided for in the Partnership Agreement, the General Partner is entitled to an annual fee, payable monthly, equal to 1.1% of limited partner equity, for the supervision of properties and the management of the affairs of the Fund, allocated to each project at the discretion of the General Partner. For the year ended December 31, 2019, the Partnership incurred $3,558,166 in asset management fees.

Management Fee

A subsidiary of the Partnership earns an asset management fee for Ponce City Market, which is to be paid annually from operating cash flow, and any unpaid balance shall accrue and be payable from future cash flows. Any fees received by the subsidiary would be distributed directly to the Partnership. For the year ended December 31, 2019, the Partnership incurred $1,033,135. As of December 31, 2019, the asset management fee remains outstanding in the amount of $4,728,598. The Partnership will offset any future payments received against the fund administration fee. The balances related to this fee have been eliminated in consolidation.

General and Administrative

During 2019, the Partnership incurred $60,000 in expenses for tax services performed by JT Tax Services, Corp. This amount is included in due to related parties, net and fund administrative expenses, net in the accompanying consolidated financial statements.

Due from Affiliates

As of the year ended December 31, 2019, Ponce City Market was owed $3,221 from affiliates of the General Partner for miscellaneous reimbursements which is included in due to related parties, net in the accompanying financial statements.

Real Estate Investment Level Services

The General Partner may retain an Affiliate to perform services for the Fund's real estate investments, including property management, leasing, construction management, sustainability consulting, and other services. During the year, a review of all Affiliate fees is competed to ensure the billing of Affiliate fees is in accordance with the Partnership Agreement. To the extent any differences are identified, an adjustment billing is processed.

**(10) Related Party Transactions (Continued)**

Real Estate Investment Level Services (Continued)

An Affiliate serves as the property management company for the real estate investments, and is entitled to receive a monthly management fee and cost reimbursements, as defined by the respective property management agreements. For the year ended December 31, 2019, the Affiliate received property management fees and cost reimbursements totaling $5,068,000. These amounts are included in real estate operating expenses in the accompanying consolidated financial statements.

The following amounts are either capitalized into the cost basis of the real estate or included in real estate operating expenses in the accompanying consolidated financial statements.

An Affiliate receives construction management and development fees and cost reimbursements in connection with building or tenant improvements. For the year ended December 31, 2019, the Affiliate received construction management and development fees and cost reimbursements, including expenses related to employee time and travel, totaling $999,000.

An Affiliate provides legal services for certain real estate investments and the Partnership. For the year ended December 31, 2019, the Affiliate received cost reimbursements, including expenses related to employee time and travel, totaling $109,000.

An Affiliate provides services to certain real estate investments, including aesthetics evaluation, design consulting, brand development, public relations coordination, and event coordination. For the year ended December 31, 2019, the Affiliate received cost reimbursements, including expenses related to employee time and travel, totaling $549,000.

An Affiliate provides leasing services to certain real estate investments. For the year ended December 31, 2019, the Affiliate earned commissions and received cost reimbursements, including expenses related to travel, totaling $402,000.

An Affiliate provides tax services for certain real estate investments and the Partnership. For the year ended December 31, 2019, the Affiliate received cost reimbursements, including expenses related to employee time and travel, totaling approximately $10,000.

An Affiliate provides services to certain real estate investments for sustainability consulting. For the year ended December 31, 2019, the Affiliate received cost reimbursements, including expenses related to third party fees, employee time and travel, totaling $8,000.

In addition, an Affiliate was reimbursed for other administrative expenses for certain real estate investments and the Partnership. For the year ended December 31, 2019, the Affiliate was reimbursed $262,000.

As of December 31, 2019, $1,131,647 remained payable to various affiliates related to these services and is included in due to related parties, net in the accompanying consolidated financial statements.

**(11) Commitments and Contingencies**

In the normal course of business, the Fund may be subject to various litigation and in some instances the amount sought may be substantial. Although the outcome of such claims, litigation, and disputes cannot be predicted with certainty, in the opinion of management based on facts known at this time, the resolution of such matters are not anticipated to have a material adverse effect on the consolidated financial position or results of operations of the Fund.

Loan Guarantees

The Partnership has guarantees on several of its mortgage loans payable. The following table summarizes the guarantees as of December 31, 2019:

| Project Name | Type of Guarantee by Partnership | Lender | Term of Guarantee | Maturity Date | Outstanding Debt as of 12/31/19 | Maximum Contingency | Recovery Recourse Provisions | Secured By |
|---|---|---|---|---|---|---|---|---|
| Weingarten Retail Portfolio | Standard Carve-Outs | LBBW | Loan Life | 3/31/2021 Note 3 | $170,000,000 | $170,000,000 | Note 1 | Property |
| Shops in Georgetown | Standard Carve-Outs | LBBW | Loan Life | 8/1/2023 | $160,000,000 | $160,000,000 | Note 1 | Property |
| Ponce City Market | Guaranty of Collection | ADA | Loan Life | N/A | — | Note 2 | Note 2 | None |
| Ponce City Market | Standard Carve-Outs | PNC | Loan Life | 5/5/2022 | $180,000,000 | $180,000,000 | Full | Property |
| Beach Place Apartments | Standard Carve-Outs | PNC | Loan Life | 1/11/2021 Note 3 | $35,000,000 | $35,000,000 | Full | Property |

Note 1: The Partnership and its project partner are jointly and severally liable under a standard carve-out guaranty. The Partnership and its project partner have agreed to make pro rata capital contributions to the project to fund amounts demanded by the lender under the standard carve-out guaranty. If either partner is responsible for the default, that partner will be solely responsible for the obligation.

Note 2: The Partnership is liable for 100% of the unpaid amount of any contingent payments and unpaid interest due, under a guaranty of collection agreement. The underlying contingent loan agreement with the Atlanta Development Authority of $11,500,000 bears interest at a rate of 3%. Contingent payment calculations are required to be performed quarterly and upon capital transaction dates to determine eligible funds available for payment of principal and interest, as defined by the loan agreement. The eligible funds are contingent on the overall returns to the investors, as defined by the loan agreement, and if the defined thresholds are not met, no payment is due. The loan agreement terminates on the earliest of all principal and interest being paid in full or December 31, 2041.

Note 3: Management plans to exercise the available one-year extension option for the mortgage loans payable.

Capital Contributions

The Fund has agreed to make additional capital contributions to certain properties, in accordance with the properties' partnership agreements, to the extent that funds are needed for payment of capital and leasing projects or for operating shortfalls.

Tenant Improvements

As of December 31, 2019, the Fund has additional outstanding unrecorded obligations to fund tenant improvements totaling approximately $59,000.

## (11) Commitments and Contingencies (Continued)

Historic Tax Credits

Ponce City Market was rehabilitated pursuant to a plan approved by the National Park Service. Qualified rehabilitation expenditures incurred under the plan qualify for Historic Tax Credits under Section 47 of the Internal Revenue Code. To obtain the Historic Tax Credits, Ponce City Market had to obtain approval of its rehabilitation by the National Park Service, which was received in 2014. In addition, the Historic Tax Credits are subject to recapture during the five-year period following completion of the rehabilitation. The recapture amount declines by 20 percent each year during the five-year period. As of December 31, 2019, the recapture amount was $8,052,335.

## (12) Financial Highlights

The following are certain financial highlights of the Fund for the year ended December 31, 2019 [(1)]:

| | |
|---|---|
| Investment management expenses: | |
| Supervisory management fees (2) | 0.69% |
| Asset management fees (3) | 1.10% |
| | 1.79% |
| Net investment income ratio (4) | 5.92% |
| Total return, before investment management expenses (4) | 18.28% |
| Total return, after investment management expenses (4) | 13.04% |
| Limited Partner expected distributions for 2019 (5) | 6.00% |
| Limited Partner Adjusted Net Asset Value (NAV) per Unit at December 31, 2019 (6) | $1.62 |

(1) All amounts are shown net of amounts allocated to noncontrolling interests.

(2) Annual fee paid to the General Partner based on limited partner original invested equity. Supervisory management fees, calculated on time weighted net assets of $537,087,100, as required by GAAP, are 0.42%.

(3) Annual fee paid to the General Partner based on limited partner original invested equity. Fund administration fees, calculated on time weighted net assets of $537,087,100, as required by GAAP, are 0.66%.

(4) The net investment income ratio is calculated using total net investment income (loss) for the year ended December 31, 2019 over the December 31, 2018 net asset value plus any time weighted contributions, distributions and redemptions made during the current year. The total return is calculated using the increase (decrease) in net assets resulting from operations for the year ended December 31, 2019 before and after investment management expenses over the December 31, 2018 net asset value plus any time weighted contributions, distributions and redemptions made during the current year.

(5) Distributions related to 2019 scheduled to be paid in May 2020.

(6) This non-GAAP measure is calculated by subtracting the General Partner's share of the December 31, 2019 Net Assets and the Limited Partners' share of disposition fees and estimated transaction costs from the December 31, 2019 Net Assets per the Consolidated Statement of Net Assets, divided by the total outstanding units at December 31, 2019.

**(13) Subsequent Events**

In accordance with accounting standards, the Fund has evaluated events and transactions occurring from January 1, 2020 through March 31, 2020, the date the consolidated financial statements were available for issuance. Management has concluded that there were no significant events requiring recognition and/or disclosure in the consolidated financial statements other than those disclosed herein and below.

Recently, a pandemic of a novel strain of coronavirus (COVID-19) emerged globally. Although it is not possible to reliably estimate the length or severity of this pandemic and hence its financial impact, the Fund could be materially and possibly adversely affected by the risks, or the public perception of the risks, related to the recent pandemic of COVID-19. In addition, there have been calls from federal, state and local authorities regarding shelter in place orders which could negatively impact the Fund's business. The Fund holds assets in Washington, D.C., Virginia, Florida and Georgia, which, as of the date of this report, are subject to state and/or local governmental orders to shelter in place and similar restrictions, which limit the use of the Fund's assets. The extent of the impact of COVID-19 on the Fund’s operational and financial performance will depend on future developments, including the duration and spread of the pandemic. Therefore, the timing of payment of the 2019 distribution is currently being evaluated by management and may be postponed past the scheduled payment date of May 2020.