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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2021

OR

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

FOR THE TRANSITION FROM _____ TO _____

COMMISSION FILE NUMBER: 333-211626

Arboretum Silverleaf Income Fund, L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

81-1184858
(I.R.S.
Employer ID No.)

100 Arboretum Drive, Suite 105
Portsmouth, NH
(Address of principal executive offices)

03801
(Zip code)

Issuer's telephone number: (603) 294-1420

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

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

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---------------------|----------------|---|
| N/A | N/A | N/A |

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

Emerging growth 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 August 16, 2021 there were 2,532,772.53 units of the Registrant's limited partnership interests issued and outstanding.

Arboretum Silverleaf Income Fund, L.P.

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PART I – FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

Arboretum Silverleaf Income Fund, L.P.
(A Delaware Limited Partnership)
Condensed Balance Sheets

| | June 30, 2021 | December 31, 2020 |
|--|--------------------------|------------------------------|
| | <u>(unaudited)</u> | <u></u> |
| Assets | | |
| Cash and cash equivalents | \$ 15,512 | \$ 1,838,659 |
| Investments in finance leases, net | 18,987,884 | 15,767,235 |
| Collateralized loans receivable, including accrued interest of \$7,024 and \$4,667, respectively | 3,303,920 | 3,986,896 |
| Other assets | 4,388,942 | 7,294,637 |
| Total Assets | \$ 26,696,258 | \$ 28,887,427 |
| Liabilities and Partners' Equity | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 210,948 | \$ 247,582 |
| Loan payable, including accrued interest of \$53,436 and \$95,135, respectively | 9,713,721 | 12,375,581 |
| Distributions payable to Limited Partners | - | 255,362 |
| Distributions payable to General Partner | 48,698 | 48,698 |
| Security deposit payable | 74,391 | 49,391 |
| Deferred revenue | 1,065,073 | 717,814 |
| Total Liabilities | 11,112,831 | 13,694,428 |
| Partners' Equity (Deficit): | | |
| Limited Partners | 15,658,893 | 15,272,406 |
| General Partner | (75,466) | (79,407) |
| Total Equity | 15,583,427 | 15,192,999 |
| Total Liabilities and Partners' Equity | \$ 26,696,258 | \$ 28,887,427 |

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

Arboretum Silverleaf Income Fund, L.P.
(A Delaware Limited Partnership)
Condensed Statements of Operations
Three and Six Months Ended June 30, 2021 and 2020
(Unaudited)

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|--|---|---|---|---|
| Revenue | | | | |
| Rental income | \$ - | \$ 94,550 | \$ - | \$ 203,368 |
| Finance income | 669,748 | 608,908 | 1,114,269 | 1,213,211 |
| Interest income | 138,323 | 112,477 | 303,541 | 219,960 |
| Other income | - | 527 | - | 527 |
| Total Revenue | 808,071 | 816,462 | 1,417,810 | 1,637,066 |
| Gain on sale of assets | - | - | - | 70,483 |
| Revenue, net | 808,071 | 816,462 | 1,417,810 | 1,707,549 |
| Expenses | | | | |
| Management fees - Investment Manager | 187,500 | 187,500 | 375,000 | 375,000 |
| Interest expense | 142,910 | 199,851 | 336,991 | 379,352 |
| Depreciation | - | 75,536 | - | 153,274 |
| Professional fees | 72,698 | 84,085 | 143,614 | 221,601 |
| Administration expense | 76,838 | 82,143 | 159,254 | 161,008 |
| Other expenses | 2,033 | 900 | 8,834 | 3,916 |
| Total Expenses | 481,979 | 630,015 | 1,023,693 | 1,294,151 |
| Net income | \$ 326,092 | \$ 186,447 | \$ 394,117 | \$ 413,398 |
| Net income attributable to the Partnership | | | | |
| Limited Partners | \$ 322,831 | \$ 184,583 | \$ 390,176 | \$ 409,264 |
| General Partner | 3,261 | 1,864 | 3,941 | 4,134 |
| Net income attributable to the Partnership | \$ 326,092 | \$ 186,447 | \$ 394,117 | \$ 413,398 |
| Weighted average number of limited partnership interests outstanding | | | | |
| | <u>2,532,772.53</u> | <u>2,532,772.53</u> | <u>2,532,772.53</u> | <u>2,532,772.53</u> |
| Net income attributable to Limited Partners per weighted average number of limited partnership interests outstanding | | | | |
| | <u>\$ 0.13</u> | <u>\$ 0.07</u> | <u>\$ 0.15</u> | <u>\$ 0.16</u> |

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

Arboretum Silverleaf Income Fund, L.P.
(A Delaware Limited Partnership)
Condensed Statements of Changes in Partners' Equity (Deficit)
Three and Six Months Ended June 30, 2021 and 2020
(Unaudited)

| | <u>Limited Partnership Interests</u> | <u>Total Equity</u> | <u>General Partner</u> | <u>Limited Partners</u> |
|---------------------------|--|-------------------------|----------------------------|-----------------------------|
| Balance, January 1, 2021 | 2,532,772.53 | \$ 15,192,999 | \$ (79,407) | \$ 15,272,406 |
| Net income | - | 68,025 | 680 | 67,345 |
| Distributions to partners | - | (3,689) | - | (3,689) |
| Balance, March 31, 2021 | <u>2,532,772.53</u> | <u>\$ 15,257,335</u> | <u>\$ (78,727)</u> | <u>\$ 15,336,062</u> |
| Net income | - | 326,092 | 3,261 | 322,831 |
| Balance, June 30, 2021 | <u>2,532,772.53</u> | <u>\$ 15,583,427</u> | <u>\$ (75,466)</u> | <u>\$ 15,658,893</u> |
| | <u>Limited Partnership Interests</u> | <u>Total Equity</u> | <u>General Partner</u> | <u>Limited Partners</u> |
| Balance, January 1, 2020 | 2,532,772.53 | \$ 18,167,134 | \$ (49,817) | \$ 18,216,951 |
| Net income | | 226,951 | 2,271 | 224,680 |
| Distributions to partners | | (514,369) | (5,052) | (509,317) |
| Balance, March 31, 2020 | <u>2,532,772.53</u> | <u>\$ 17,879,716</u> | <u>\$ (52,598)</u> | <u>\$ 17,932,314</u> |
| Net income | | 186,447 | 1,863 | 184,584 |
| Distributions to partners | | (255,146) | (2,525) | (252,621) |
| Balance, June 30, 2020 | <u>2,532,772.53</u> | <u>\$ 17,811,017</u> | <u>\$ (53,260)</u> | <u>\$ 17,864,277</u> |

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

Arboretum Silverleaf Income Fund, L.P.
(A Delaware Limited Partnership)
Condensed Statements of Cash Flows
(Unaudited)

| | <u>For the six months ended June 30, 2021</u> | <u>For the six months ended June 30, 2020</u> |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | \$ 394,117 | \$ 413,398 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | - | 153,274 |
| Gain on sale of assets | - | (70,483) |
| Change in operating assets and liabilities: | | |
| Other assets | 2,260,645 | (855,076) |
| Accounts payable and accrued liabilities | (36,634) | (26,252) |
| Accrued interest on loan payable | (41,699) | 25,601 |
| Security deposit payable | 25,000 | - |
| Deferred revenue | 347,259 | (59,502) |
| Net cash provided by(used in) operating activities | <u>2,948,688</u> | <u>(419,040)</u> |
| Cash flows from investing activities: | | |
| Change in leases, net | (2,575,599) | (4,710,573) |
| Origination and purchases of loans receivable, net of amortization, prepayments and satisfactions | 682,976 | (496,431) |
| Proceeds from sale of leased assets | - | 118,316 |
| Net cash used in investing activities | <u>(1,892,623)</u> | <u>(5,088,688)</u> |
| Cash flows from financing activities: | | |
| Cash received from loan payable | 6,300,000 | 6,800,000 |
| Repayments of loan payable | (8,920,161) | (5,286,260) |
| Limited Partner distributions | (259,051) | (1,020,669) |
| Net cash (used in) provided by financing activities | <u>(2,879,212)</u> | <u>493,071</u> |
| Net decrease in cash and cash equivalents | (1,823,147) | (5,014,657) |
| Cash and cash equivalents, beginning of period | 1,838,659 | 5,064,943 |
| Cash and cash equivalents, end of period | <u>\$ 15,512</u> | <u>\$ 50,286</u> |
| Supplemental disclosure of other cash flow information: | | |
| Cash paid for interest | <u>\$ 380,691</u> | <u>\$ -</u> |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Distributions payable to General Partner | \$ - | \$ 7,577 |
| Distributions payable to Limited Partners | \$ - | \$ 252,587 |
| Reclassification of other assets to investment in finance leases | \$ 645,050 | \$ - |
| Increase in collateralized loans receivable | \$ - | \$ 24,329 |

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

Arboretum Silverleaf Income Fund, L.P.
(A Delaware Limited Partnership)
Notes to Condensed Financial Statements
Three and Six Months Ended June 30, 2021 and 2020
(Unaudited)

1. Organization and Nature of Operations.

Organization – Arboretum Silverleaf Income Fund, L.P. (the “Partnership”) was formed on January 14, 2016, as a Delaware limited partnership. The Partnership is engaged in a single business segment, the ownership and investment in leased equipment and related financings which includes: (i) purchasing equipment and leasing it to third-party end users; (ii) providing equipment and other asset financing; (iii) acquiring equipment subject to lease; and (iv) acquiring ownership rights (residual value interests) in leased equipment at lease expiration. The Partnership will terminate no later than December 31, 2040.

Nature of Operations – The principal investment strategy of the Partnership is to invest in business-essential, revenue-producing (or cost-saving) equipment or other physical assets with high in-place value and long, relative to the investment term, economic life and other financings. The Partnership executes its investment strategy by making investments in equipment already subject to lease or originating equipment leases and loans in such equipment, which will include: (i) purchasing equipment and leasing it to third-party end users; (ii) providing equipment and other asset financings; (iii) acquiring equipment subject to lease; and (iv) acquiring ownership rights (residual value interests) in leased equipment at lease expiration. From time to time, the Partnership may also purchase equipment and sell it directly to its leasing customers. The Partnership may use other investment structures that Arboretum Investment Advisors, LLC (the “Investment Manager”) believes will provide the Partnership with an appropriate level of security, collateralization, and flexibility to optimize its return on its investment while protecting against downside risk. In many cases, the structure will include the Partnership holding title to or a priority or controlling position in the equipment or other asset.

The General Partner of the Partnership is ASIF GP, LLC (the “General Partner”), a wholly-owned subsidiary of the Partnership’s Investment Manager. Both the Partnership’s General Partner and its Investment Manager are Delaware limited liability companies. The General Partner manages and controls the day to day activities and operations of the Partnership, pursuant to the terms of the Limited Partnership Agreement. The General Partner paid an aggregate capital contribution of \$100 for a 1% interest in the Partnership’s income, losses and distributions. The Investment Manager makes all investment decisions and manages the investment portfolio of the Partnership. The Partnership’s income, losses and distributions are allocated 99% to the Limited Partners and 1% to the General Partner until the Limited Partners have received total distributions equal to their capital contributions plus an 8% per year, compounded annually, cumulative return on their capital contributions. After such time, all income, losses and distributable cash will be allocated 80% to the Limited Partners and 20% to the General Partner. The Partnership expects to conduct its activities for at least six years and divide the Partnership’s life into three distinct stages: (i) the Offering Period, (ii) the Operating Period and (iii) the Liquidation Period. The Offering Period began on August 11, 2016 and concluded on March 31, 2019. The Operating Period commenced on October 3, 2016, the date of the Partnership’s initial closing, and will last for four years unless extended at the sole discretion of the General Partner. The General Partner extended the Operating Period for an additional year. During the Operating Period, the Partnership will invest most of the net proceeds from its offering in business-essential, revenue-producing (or cost-saving) equipment, other physical assets with substantial economic lives and, in many cases, associated revenue streams and project financings. The Liquidation Period, which follows the conclusion of the Operating Period, is the period in which the Partnership will sell its assets in the ordinary course of business and will last two years, unless it is extended, at the sole discretion of the General Partner.

American Elm Distribution Partners, LLC (“American Elm”), a Delaware limited liability company, is affiliated with our General Partner. American Elm acted initially as the selling agent for the offering of our units (“Units”). The Units are offered on a “best efforts,” “minimum-maximum” basis.

During our Operating Period, we intend to pay cash distributions on a quarterly basis to our Limited Partners at 1.5% per quarter, the equivalent rate of 6.0% per annum, of each Limited Partners' capital contribution (pro-rated to the date of admission for each Limited Partner). Since June 30, 2017, our distribution rate has been 6.5% annually, paid quarterly at 1.625%, of capital contributions. Beginning as of March 31, 2018, we increased our distribution to 7.0% annually, paid quarterly at 1.75% of capital contributions. Beginning as of June 30, 2018, we increased our distribution to 7.5%, paid quarterly at 1.875% of capital contributions. Beginning as of September 30, 2018 we increased our distribution to 8.0%, paid quarterly at 2.00% of capital contributions. Beginning as of June 30, 2020, we decreased our distribution to 4.0%, paid quarterly at 1.00% of capital contributions. The amount and rate of cash distributions could vary and are not guaranteed. During the six months ended June 30, 2021, we made quarterly cash distributions to our Limited Partners totaling \$259,051. At June 30, 2021, the Partnership did not declare or accrue distributions due to the economic uncertainties from COVID-19. At June 30, 2021, the Partnership had a distribution payable to the General Partner of \$48,698. During the six months ended June 30, 2020, we made quarterly cash distributions to our Limited Partners totaling \$1,020,669, and accrued \$252,587 for distributions due to Limited Partners which resulted in a distributions payable to Limited Partners of \$252,587 at June 30, 2020. At June 30, 2020, the Partnership declared and accrued a distribution of \$2,525, for distributions due to the General Partner which resulted in distributions payable to the General Partner of \$43,590 at June 30, 2020.

From August 11, 2016 through March 31, 2019, the Partnership admitted 617 Limited Partners with total capital contributions of \$25,371,709 resulting in the sale of 2,537,170.91 Units. The Partnership received cash contributions of \$24,718,035 and applied \$653,674 which would have otherwise been paid as sales commission to the purchase of 65,367.46 additional Units.

2. Summary of Significant Accounting Policies.

Basis of Presentation — The interim condensed balance sheets, statements of operations, statement of changes in partners' equity and statements of cash flows of the Partnership at June 30, 2021 and 2020 and for the three and six months ended June 30, 2021 and 2020 are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and pursuant to the rules and regulations of the SEC with respect to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited interim condensed financial statements furnished reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The results reported in these interim condensed financial statements should not necessarily be taken as indicative of results that may be expected for the entire year. These unaudited interim condensed financial statements should be read in conjunction with the consolidated financial statements and notes contained in the Partnership's annual report on Form 10-K, as filed with the SEC on March 31, 2021.

Use of Estimates — The preparation of interim condensed financial statements in conformity with U.S. GAAP requires the General Partner and Investment Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the interim financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates primarily include the determination of allowances for doubtful lease, notes and loan accounts, depreciation and amortization, impairment losses, estimated useful lives, and residual values. Actual results could differ from those estimates.

Cash and Cash Equivalents — The Partnership considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of funds maintained in checking and money market accounts maintained at financial institutions.

The Partnership's cash and cash equivalents are held principally at one financial institution and at times may exceed federally insured limits. The Partnership has placed these funds in a full service commercial financial institution in order to minimize risk relating to exceeding insured limits.

Credit Risk — In the normal course of business, the Partnership is exposed to credit risk. Credit risk is the risk that the Partnership's counterparty to an agreement either has an inability or unwillingness to make contractually required payments. The Partnership expects concentrations of credit risk with respect to lessees to be dispersed across different industry segments and different regions of the world.

Lease Classification and Revenue Recognition — The Partnership records revenue based upon the lease classification determined at the inception of the transaction and based upon the terms of the lease or when there are significant changes to the lease terms.

The Partnership leases equipment to third parties and each such lease may be classified as either a finance lease or an operating lease. Initial direct costs are capitalized and amortized over the term of the related lease for a finance lease. For an operating lease, initial direct costs are included as a component of the cost of the equipment and depreciated.

For finance leases, the Partnership records, at lease inception, the total minimum lease payments receivable from the lessee, the estimated unguaranteed residual value of the equipment upon lease termination, the initial direct costs, if any, related to the lease and the related unearned income. Unearned income represents the difference between the sum of the minimum lease payments receivable plus the estimated unguaranteed residual value, minus the cost of the leased equipment. Unearned income is recognized as finance income over the term of the lease using the effective interest rate method.

For operating leases, rental income is recognized on the straight line basis over the lease term. Billed and uncollected operating lease receivables will be included in accounts receivable. Accounts receivable are stated at their estimated net realizable value. Rental income received in advance is the difference between the timing of the cash payments and the income recognized on the straight line basis.

The investment committee of the Investment Manager approves each new equipment lease, financing transaction, and lease acquisition. As part of this process it determines the unguaranteed residual value, if any, to be used once the acquisition has been approved. The factors considered in determining the unguaranteed residual value include, but are not limited to, the creditworthiness of the potential lessee, the type of equipment being considered, how the equipment is integrated into the potential lessees' business, the length of the lease the industry in which the potential lessee operates and the secondary market value of the equipment. Unguaranteed residual values are reviewed for impairment in accordance with the Partnership's policy relating to impairment review.

The residual value assumes, among other things, that the asset will be utilized normally in an open, unrestricted and stable market. Short-term fluctuations in the marketplace are disregarded, and it is assumed that there is no necessity either to dispose of a significant number of the assets, if held in quantity, simultaneously or to dispose of the asset quickly. The residual value is calculated using information from various external sources, such as trade publications, auction data, equipment dealers, wholesalers and industry experts, as well as inspection of the physical asset and other economic indicators.

Collateralized Loans Receivable, Net — Collateralized loans receivable are reported in the financial statements as the outstanding principal balance net of any unamortized deferred fees, and premiums or discounts on purchased loans. Costs to originate loans, if any, are reported as other assets in the financial statements and amortized to expense over the estimated life of the loan. Income is recognized over the life of the note agreement. On certain collateralized loans receivable, specific payment terms were reached requiring prepayments which resulted in the recognition of unearned interest income. Unearned income, discounts and premiums, if any, are amortized to interest income in the statements of operations using the effective interest rate method. Collateralized loans receivable are generally placed in a non-accrual status when payments are more than 90 days past due and all unpaid accrued interest is reversed. Additionally, the Investment Manager periodically reviews the creditworthiness of companies with payments outstanding less than 90 days. Based upon the Investment Manager's judgment, accounts may be placed in a non-accrual status. Accounts on a non-accrual status are only returned to an accrual status when the account has been brought current and the Partnership believes recovery of the remaining unpaid receivable is probable. Revenue on non-accrual accounts is recognized only when cash has been received.

Finance Lease Receivables and Allowance for Loan and Lease Accounts — In the normal course of business, the Partnership provides credit or financing to its customers, performs credit evaluations of these customers, and maintains reserves for potential credit losses. These credit or financing transactions are normally collateralized by the equipment being financed. In determining the amount of allowance for doubtful lease, notes and loan accounts, the Investment Manager considers historical credit losses, the past due status of receivables, payment history, and other customer-specific information, including the value of the collateral. The past due status of a receivable is based on its contractual terms. Expected credit losses are recorded as an allowance for doubtful lease, notes and loan accounts. Receivables are written off when the Investment Manager determines they are uncollectible. At June 30, 2021, an allowance for doubtful lease, notes and loan accounts is not provided since, in the opinion of the Investment Manager, all accounts recorded were deemed collectible. At December 31, 2020, an impairment was determined to exist for a collateralized loan receivable and for finance leases and an impairment loss was recorded. There is a provision for loan and lease losses of \$1,592,055 at December 31, 2020.

Long-lived Asset Impairments — The Partnership assesses the impairment of long-lived assets with determinable useful lives whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be recoverable (a triggering event). When such events occur, management determines whether there has been impairment by comparing the anticipated undiscounted net future cash flows to the related asset's carrying value. If impairment exists, the asset is written down to its estimated carrying value. There was no evidence of a triggering event for the three and six months ended June 30, 2021 and for the year ended December 31, 2020.

Income Taxes — As a partnership, no provision for income taxes is recorded since the liability for such taxes is the responsibility of each of the Partners rather than the Partnership. The Partnership's income tax returns are subject to examination by the federal and state taxing authorities, and changes, if any, could adjust the individual income tax of the Partners.

The Partnership is subject to the Bipartisan Budget Act of 2015 ("BBA"), which, among other requirements, stipulates that any tax liability incurred based on an IRS tax examination will become due by the Partnership versus the partners of the Partnership. The Partnership, at its discretion, will be able to seek repayment from its partners or treat as a distribution of the individual partners' account to satisfy this obligation. The Partnership will treat any liability incurred as a deduction to equity. As of June 30, 2021, there were no expected liabilities to be incurred under the BBA.

The Partnership has adopted the provisions of Financial Accounting Standards Board's ("FASB") Topic 740, *Accounting for Uncertainty in Income Taxes*. This accounting guidance prescribes recognition thresholds that must be met before a tax position is recognized in the interim financial statements and provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Additionally, an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Partnership has evaluated its entity level tax positions for the years ended December 31, 2020 and 2019, and does not expect any material adjustments to be made. The tax years 2020, 2019 and 2018 remain open to examination by the major taxing jurisdictions to which the Partnership is subject.

Per Share Data — Net income or loss attributable to Limited Partners per weighted average number of limited partnership interests outstanding is calculated as follows; the net income or loss allocable to the Limited Partners divided by the weighted average number of limited partnership interests outstanding during the period.

Foreign Currency Transactions — The Partnership has designated the United States of America dollar as the functional currency for the Partnership's investments denominated in foreign currencies. Accordingly, certain assets and liabilities are translated at either the reporting period exchange rates or the historical exchange rates, revenues and expenses are translated at the average rate of exchange for the period, and all transaction gains or losses are reflected in the condensed statements of operations.

Depreciation — The Partnership records depreciation expense on equipment when the lease is classified as an operating lease. In order to calculate depreciation, the Partnership first determines the depreciable equipment cost, which is the cost less the estimated residual value. The estimated residual value is the Partnership's estimate of the value of the equipment at lease termination. Depreciation expense is recorded by applying the straight-line method of depreciation to the depreciable equipment cost over the lease term.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which requires credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model (referred to as the current expected credit loss (CECL) model). Under this model, entities will estimate credit losses over the entire contractual term of the instrument from the date of initial recognition of that instrument. Current US GAAP is based on an incurred loss model that delays recognition of credit losses until it is probable the loss has been incurred. Accordingly, it is anticipated that credit losses will be recognized earlier under the CECL model than under the incurred loss model. ASU 2016-13 was to be effective for fiscal periods beginning after December 15, 2019 and must be adopted as a cumulative effect adjustment to retained earnings. In July 2019, the FASB decided to add a project to its technical agenda to propose staggered effective dates for certain accounting standards, including ASU 2016-13. The FASB has approved an approach that ASU 2016-13 will be effective for Public Business Entities that are SEC filers, excluding smaller reporting companies such as the Partnership, for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. For all other entities, including smaller reporting companies like the Partnership, ASU 2016-13 will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For all entities, early adoption will continue to be permitted; that is, early adoption is allowed for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (that is, effective January 1, 2019, for calendar-year-end companies). On November 15, 2019, the FASB delayed the effective date of FASB ASC Topic 326 for certain small public companies and other private companies. As amended, the effective date of ASC Topic 326 was delayed until fiscal years beginning after December 15, 2022 for SEC filers that are eligible to be smaller reporting companies under the SEC's definition, as well as private companies and not-for-profit entities. Nothing in this staff interpretation 3 should be read to accelerate or delay the effective dates of the standard as modified by the FASB. The Partnership is currently evaluating the impact of this guidance on its interim condensed financial statements.

During March 2020, the FASB issued ASU 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting. ASU 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles (“GAAP”) to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities may elect the optional expedients and exceptions included in ASU 2020-04 as of March 12, 2020 and through December 31, 2022. The Partnership is currently assessing the effect that electing the optional expedients and exceptions included in ASU 2020-04 would have on its results of operations, financial position and cash flows.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the interim condensed financial statements.

3. Related Party Transactions.

The General Partner is responsible for the operations of the Partnership and the Investment Manager makes all investment decisions and manages the investment portfolio of the Partnership. The Partnership reimburses the General Partner for actual incurred organizational and offering costs not to exceed 1.5% of all capital contributions received by the Partnership. Because organizational and offering expenses will be paid, as and to the extent they are incurred, organizational and offering expenses may be drawn disproportionately to the gross proceeds of each closing. The Offering Period concluded on March 31, 2019 with the Partnership receiving \$24,718,035 in total capital contributions and as a result, organizational and offering expenses were limited to \$370,770 or 1.5% of total equity raised. The Partnership paid the General Partner an allowance for organizational and offering expenses totaling \$926,374, and as a result, the General Partner and/or its Investment Manager were required to reimburse the Partnership organizational and offering expenses of \$555,604. At June 30, 2021 and 2020, the Partnership has a due from its Investment Manager balance of \$387,345 and \$492,601, respectively which is included in Other Assets in the condensed balance sheets. The General Partner also has a promotional interest in the Partnership equal to 20% of all distributed distributable cash, after the Partnership has provided an 8% cumulative return, compounded annually, to the Limited Partners on their capital contributions. The General Partner has a 1% interest in the profits, losses and distributions of the Partnership. The General Partner will initially receive 1% of all distributed distributable cash, which was accrued at June 30, 2021 and 2020.

The Partnership pays the Investment Manager during the Offering Period, Operating Period and the Liquidation Period a management fee equal to the greater of, (i) 2.5% per annum of the aggregate offering proceeds, payable monthly in advance or (ii) \$62,500 per month. For the three months ended June 30, 2021 and 2020, the Partnership paid \$187,500 in management fee expense to the Investment Manager. For the six months ended June 30, 2021 and 2020, the Partnership paid \$375,000 in management fee expense to the Investment Manager.

The Partnership pays the Investment Manager during the Operating Period a structuring fee in an amount equal to 1.5% of each cash investment made, including reinvestments, payable on the date each such investment is made. For the three months ended June 30, 2021 and 2020, the Partnership accrued \$52,479 and \$20,515, respectively, of structuring fees to the Investment Manager. For the six months ended June 30, 2021 and 2020, the Partnership accrued \$97,003 and \$149,912, respectively, of structuring fees to the Investment Manager.

American Elm is a Delaware limited liability company and is a subsidiary of an affiliate of the Partnership’s Investment Manager. American Elm in its capacity as the Partnership’s selling agent received an underwriting fee of 2% of the gross proceeds from Limited Partners’ capital contributions (excluding proceeds, if any, the Partnership received from the sale of the Partnership’s Units to the General Partner or its affiliates). While American Elm is initially acting as the Partnership’s exclusive selling agent, the Partnership may engage additional selling agents in the future.

4. Investments in Finance Leases.

At June 30, 2021 and December 31, 2020, net investments in finance leases consisted of the following:

| | <u>June 30, 2021</u> | <u>December 31,</u> <u>2020</u> |
|---------------------------------------|----------------------|------------------------------------|
| | (unaudited) | |
| Minimum rents receivable | \$ 21,728,040 | \$ 18,550,416 |
| Estimated unguaranteed residual value | 71,616 | 71,616 |
| Unearned income | (2,811,772) | (2,854,797) |
| Total | <u>\$ 18,987,884</u> | <u>\$ 15,767,235</u> |

5. Investment in Equipment Subject to Operating Leases.

As of June 30, 2021, the Partnership did not have any equipment subject to operating leases. For the three and six months ended June 30, 2021, there was no depreciation expense.

The composition of the equipment subject to operating leases of the Partnership as of December 31, 2020 is as follows:

| <u>Description</u> | <u>Cost Basis</u> | <u>Accumulated</u> <u>Depreciation</u> | <u>Reclass to</u> <u>Other Assets</u> | <u>Net Book Value</u> |
|-----------------------|---------------------|---|--|-----------------------|
| Food equipment | \$ 286,994 | \$ 286,994 | \$ - | \$ - |
| Fabrication Equipment | \$ 2,010,412 | \$ 528,667 | \$ 1,481,745 | \$ - |
| | <u>\$ 2,297,406</u> | <u>\$ 815,661</u> | <u>\$ 1,481,745</u> | <u>\$ -</u> |

Depreciation expense for the three and six months ended June 30, 2020 was \$75,536 and \$153,274, respectively.

6. Collateralized Loans Receivable.

The Partnership has no allowance for loan losses or nonperforming loans at June 30, 2021 and December 31, 2020. The future principal maturities of the Partnership's performing collateralized loans receivable at June 30, 2021 are as follows:

| <u>Years ending June 30, (unaudited)</u> | |
|--|---------------------|
| 2022 | \$ 2,543,304 |
| 2023 | 355,794 |
| 2024 | 266,875 |
| 2025 | 130,923 |
| 2026 | — |
| Thereafter | — |
| Total | <u>\$ 3,296,896</u> |

7. Other Assets.

As of June 30, 2021, other assets of \$4,388,942 primarily consists of equipment that is off lease and currently being remarketed for release/sale and is primarily made up of \$3,073,097 related to infrastructure equipment and \$800,000 related to fish processing equipment. As of December 31, 2020, other assets of \$7,294,637 primarily consists of equipment that is off lease and currently being remarketed for release/sale and is primarily made up of \$3,006,741 related to infrastructure equipment, \$2,705,989 related to telecommunication equipment and \$800,000 related to fish processing equipment.

8. Loan Payable.

On October 18, 2019, the Partnership entered into a loan and security agreement with a third party lender for a \$25,000,000 loan facility (of which \$20,000,000 is a Term Loan and \$5,000,000 is a Revolving Loan) with a maturity date of October 18, 2022. During the six months ended June 30, 2021 and the year ended December 31, 2020, the Partnership borrowed a total of \$6,300,000 and \$13,632,000, respectively under the Term and Revolver Loans. Interest on the drawn funds shall accrue at a rate of 3 month LIBOR Rate (with a floor of 1%) plus 5.85% per annum (6.85% as of June 30, 2021). During the six months ended June 30, 2021 and the year ended December 31, 2020, the Partnership repaid total principal of \$8,920,161 and \$11,036,628, respectively. During the three months ended June 30, 2021 and 2020, the Partnership accrued interest expense of \$142,910 and \$199,851, respectively. During the six months ended June 30, 2021 and 2020, the Partnership accrued interest expense of \$336,991 and \$379,352, respectively.

The future maturities of the Partnership's loan payable at June 30, 2021 are as follows:

| Years ending June 30, (unaudited) | |
|--|---------------------|
| 2022 | \$ 9,660,285 |
| Total | <u>\$ 9,662,285</u> |

9. Fair Value of Financial Instruments

The Partnership's carrying value of cash and cash equivalents, accounts payable and accrued liabilities, and other liabilities, approximate fair value due to their short term until maturities.

The Partnership's carrying values and approximate fair values of its financial instruments were as follows:

| | June 30, 2021 | | December 31, 2020 | |
|---------------------------------|-------------------------------|---------------------------|----------------------|----------------------|
| | Carrying Value (unaudited) | Fair Value (unaudited) | Carrying Value | Fair Value |
| Assets: | | | | |
| Collateralized loans receivable | <u>\$ 3,303,920</u> | <u>\$ 3,303,920</u> | <u>\$ 3,986,896</u> | <u>\$ 3,986,896</u> |
| Liabilities: | | | | |
| Loan payable | <u>\$ 9,713,721</u> | <u>\$ 9,713,721</u> | <u>\$ 12,375,581</u> | <u>\$ 12,375,581</u> |

As of June 30, 2021, the Partnership evaluated the carrying values of its financial instruments and they approximate fair value.

10. Indemnifications

The Partnership enters into contracts that contain a variety of indemnifications. The Partnership's maximum exposure under these arrangements is not known.

In the normal course of business, the Partnership enters into contracts of various types, including lease contracts, contracts for the sale or purchase of lease assets, loan agreements and management contracts. It is prevalent industry practice for most contracts of any significant value to include provisions that each of the contracting parties, in addition to assuming liability for breaches of the representations, warranties, and covenants that are part of the underlying contractual obligations, to also assume an obligation to indemnify and hold the other contractual party harmless for such breaches, and for harm caused by such party's gross negligence and willful misconduct, including, in certain instances, certain costs and expenses arising from the contract. Generally, to the extent these contracts are performed in the ordinary course of business under the reasonable business judgment of the General Partner and the Investment Manager, no liability will arise as a result of these provisions. The General Partner and Investment Manager knows of no facts or circumstances that would make the Partnership's contractual commitments outside standard mutual covenants applicable to commercial transactions between businesses. Accordingly, the Partnership believes that these indemnification obligations are made in the ordinary course of business as part of standard commercial and industry practice, and that any potential liability under the Partnership's similar commitments is remote. Should any such indemnification obligation become payable, the Partnership would separately record and/or disclose such liability in accordance with U.S. GAAP.

11. Business Concentrations

For the six months ended June 30, 2021, the Partnership had three lessees which accounted for approximately 24%, 15% and 11% of the Partnership's income derived from finance leases. For the six months ended June 30, 2020, the Partnership had three lessees which accounted for approximately 15%, 15% and 13% of the Partnership's income derived from finance leases. For the six months ended June 30, 2020, the Partnership had one lessee which accounted for approximately 92% of the Partnership's rental income derived from operating leases. For the six months ended June 30, 2021, the Partnership had two promissory notes which accounted for approximately 74% and 10% of the Partnership's interest income derived from collateralized loans receivable. For the six months ended June 30, 2020, the Partnership had two promissory notes which accounted for approximately 60% and 23% of the Partnership's interest income derived from collateralized loans receivable.

At June 30, 2021, the Partnership had four lessees which accounted for approximately 17%, 15%, 11% and 11% of the Partnership's investment in finance leases. At June 30, 2020, the Partnership had four lessees which accounted for approximately 16%, 14%, 13% and 12% of the Partnership's investment in finance leases. At June 30, 2020, the Partnership had one lessee which accounted for approximately 100% of the Partnership's investment in operating leases. At June 30, 2021, the Partnership had three promissory notes which accounted for approximately 64%, 19% and 12% of the Partnership's investment in collateralized loans receivable. At June 30, 2020, the Partnership had three promissory notes which accounted for approximately 46%, 23% and 12% of the Partnership's investment in collateralized loans receivable.

12. Geographic Information

As of June 30, 2021 and December 31, 2020, all of the Partnership's revenue and assets are based in the United States.

13. Commitments and Contingencies

As of June 30, 2021 and December 31, 2020, the Partnership does not have any unfunded commitments for any investments.

14. COVID-19.

In December 2019, a novel strain of coronavirus (also known as COVID-19) was reported to have surfaced in Wuhan, China. In January 2020, this coronavirus spread to other countries, including the United States and Europe. The outbreak has continued to spread and is currently classified as a pandemic. Efforts to contain the spread of this coronavirus has intensified. During the year ended December 31, 2020, COVID-19 had a negative impact on our business and an impairment loss of \$1,592,055 was recorded as a result of that impact. Although the Partnership currently expects that the disruptive impact of coronavirus on its business will be temporary, this situation continues to evolve and improve and therefore the Partnership doesn't think that the coronavirus will directly or indirectly have a continued negative effect on its business and operating results.

15. Subsequent Events

On July 9, 2021, the Partnership received cash of \$113,273 as total payoff, in connection with a lease facility entered into on November 20, 2018, resulting in additional finance income of \$9,015.

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

As used in this Quarterly Report on Form 10-Q, references to "we," "us," "our" or similar terms include Arboretum Silverleaf Income Fund, L.P.

The following is a discussion of our current financial position and results of operations. This discussion should be read in conjunction with the disclosures below regarding "Forward-Looking Statements" and the "Risk Factors" set forth in Item 1A of Part II of this Quarterly Report on Form 10-Q.

Forward-Looking Statements

Certain statements within this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"). These statements are being made pursuant to the PSLRA, with the intention of obtaining the benefits of the "safe harbor" provisions of the PSLRA, and, other than as required by law, we assume no obligation to update or supplement such statements. Forward-looking statements are those that do not relate solely to historical fact. They include, but are not limited to, any statement that may predict, forecast, indicate or imply future results, performance, achievements or events. You can identify these statements by the use of words such as "may," "will," "could," "anticipate," "believe," "estimate," "expect," "intend," "predict," "continue," "further," "seek," "plan," or "project" and variations of these words or comparable words or phrases of similar meaning. These forward-looking statements reflect our current beliefs and expectations with respect to future events and are based on assumptions and are subject to risks and uncertainties and other factors outside our control that may cause actual results to differ materially from those projected. We undertake no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Overview

We are a Delaware limited partnership formed on January 14, 2016. Our partnership operates under a structure which we pool the capital invested by our partners. This pool of capital is then used to invest in business-essential, revenue-producing (or cost-saving) equipment and other physical assets with substantial economic lives and, in many cases, associated revenue streams and project financings. The pooled capital contributions are also used to pay fees and expenses associated with our organization and to fund a capital reserve.

Our principal investment strategy is to invest in business-essential, revenue-producing (or cost-savings) equipment with high in-place value and long, relative to the investment term, economic life and project financings. We expect to achieve our investment strategy by making investments in equipment already subject to lease or originating equipment leases in such equipment, which will include: (i) purchasing equipment and leasing it to third-party end users; (ii) providing equipment and other asset financing; (iii) acquiring equipment subject to lease and (iv) acquiring ownership rights (residual value interests) in leased equipment at lease expiration. From time to time, we may also purchase equipment and sell it directly to our leasing customers.

Many of our investments will be structured as full payout or operating leases. Full payout leases generally are leases under which the rent over the initial term of the lease will return our invested capital plus an appropriate return without consideration of the residual value, and where the lessee may acquire the equipment or other assets at the expiration of the lease term. Operating leases generally are leases under which the aggregate non-cancelable rental payments during the original term of the lease, on a net present value basis, are not sufficient to recover the purchase price of the equipment or other assets leased under the lease.

We also intend to invest by way of loans, participation agreements and residual sharing agreements where we would acquire an interest in a pool of equipment or other assets, or rights to the equipment or other assets, at a future date. We also may structure investments as project financings that are secured by, among other things, essential use equipment and/or assets. Finally, we may use other investment structures that our Investment Manager believes will provide us with the appropriate level of security, collateralization, and flexibility to optimize our return on our investment while protecting against downside risk, such as vendor and rental programs. In many cases, the structure will include us holding title to or a priority or controlling position in the equipment or other asset.

Although the final composition of our portfolio cannot be determined at this stage, we expect to invest in equipment and other assets that are considered essential use or core to a business or operation in the agricultural, energy, environmental, medical, manufacturing, technology, and transportation industries. Our Investment Manager may identify other assets or industries that meet our investment objectives. We expect to invest in equipment, other assets and project financings located primarily within the United States of America and the European Union but may also make investments in other parts of the world.

We are currently in the Operating Period. The Offering Period concluded on March 31, 2019. During the Operating Period, we will invest most of the net proceeds from our offering in business-essential, revenue-producing (or cost-saving) equipment, other physical assets with substantial economic lives and, in many cases, associated revenue streams and project financings. The Operating Period began on the date we admitted our first Limited Partners, at the initial closing, which occurred on October 3, 2016 and will last for four years from that date unless extended at the sole discretion of the General Partner. The General Partner extended the Operating Period for an additional year. At our initial closing, we reimbursed our Investment Manager for a portion of the fees and expenses associated with our organization and offering which they previously paid on our behalf and we funded a small capital reserve. The Liquidation Period, which follows the conclusion of the Operating Period, is the period in which we will sell assets in the ordinary course of business and will last two years, unless it is extended, at the sole discretion of the General Partner.

Our General Partner, our Investment Manager and their affiliates, including American Elm in its capacity as our selling agent and certain non-affiliates (namely, Selling Dealers) receive fees and compensation from the offering of our Units, including the following, with any and all compensation paid to our General Partner solely in cash. We pay an underwriting fee of 2% of the gross proceeds of the offering (excluding proceeds, if any, we receive from the sale of our Units to our General Partner or its affiliates) to our selling agent or selling agents. While American Elm initially acts as our exclusive selling agent, we may engage additional selling agents in the future. From these underwriting fees, a selling agent may pay Selling Dealers, a non-accountable marketing fee based upon such factors as the volume of sales of such Selling Dealers, the level of marketing support provided by such participating dealers and the assistance of such Selling Dealers in marketing the offering, or to reimburse representatives of such Selling Dealers for the costs and expenses of attending our educational conferences and seminars. This fee will vary, depending upon separately negotiated agreements with each Selling Dealer. In addition, we pay a sales commission to Selling Dealers up to 5% of the gross proceeds of this offering (excluding proceeds, if any, we receive from the sale of our Units to our General Partner or its affiliates).

Our General Partner receives an organizational and offering expense allowance of up to 1.5% of our offering proceeds to reimburse it for expenses incurred in preparing us for registration or qualification under federal and state securities laws and subsequently offering and selling our Units. The organizational and offering expense allowance will be paid out of the proceeds of the offering. The organizational and offering expense allowance will not exceed the actual fees and expenses incurred by our General Partner and its affiliates. Because organizational and offering expenses will be paid as and to the extent they are incurred, organizational and offering expenses may be drawn disproportionately to the gross proceeds of each closing.

During our Operating Period, our Investment Manager will receive a structuring fee in an amount equal to 1.5% of each cash investment made, including reinvestments, payable on the date each such investment is made.

During our Operating Period and our Liquidation Period, our Investment Manager receives a management fee in an amount equal to the greater of (i) 2.5% per annum of the aggregate offering proceeds, payable monthly in advance or (ii) \$62,500 per month.

Our General Partner will initially receive 1% of all distributed distributable cash. Our General Partner has a Promotional Interest in us equal to 20% of all distributed distributable cash after we have provided a return to our Limited Partners of their respective capital contributions plus an 8% per annum, compounded annually, cumulative return on their capital contributions.

Recent Significant Transactions

On January 28, 2021, the Partnership received cash of \$625,854 as total payoff, in connection with the loan agreement entered into on December 11, 2018. The loan had an outstanding balance of \$602,129 resulting in additional interest income of \$23,725.

Infrastructure Equipment

On March 12, 2021, the Partnership entered into a lease facility of \$975,000 for welding system with a company based in Louisiana. On March 12, 2021 and on April 27, 2021, the Partnership funded \$750,000 and \$225,000, respectively for this facility. The finance lease requires 42 monthly payments of \$29,120. The lease is secured by a first priority lien against the welding system.

On March 22, 2021, the Partnership funded \$2,218,258 for a lease facility for glass manufacturing equipment with a company based in Kentucky. The finance lease requires 36 monthly payments of \$70,912. The lease is secured by a first priority lien against the glass manufacturing equipment.

Collateralized loans receivable

On June 1, 2021, the Partnership funded a promissory note for \$357,166 for micro-needling machines to a borrower based in New York. The note accrues interest at a rate of 11.5% per annum and matures 35 months after date of funding. The borrower will make 35 monthly payments of \$11,945.55, commencing in June 2021. The note is secured by a first priority lien against the micro-needling machines.

Infrastructure Equipment

On June 8, 2021, the Partnership funded a finance lease for \$2,916,447 for infrastructure equipment based in Missouri. The finance lease requires 36 monthly payments of \$94,863.26 and commenced on June 8, 2021. The lease is secured by a first priority lien against the infrastructure equipment.

Critical Accounting Policies

An understanding of our critical accounting policies is necessary to understand our financial results. The preparation of interim condensed financial statements in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) requires our General Partner and our Investment Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates will primarily include the determination of allowance for notes and leases, depreciation and amortization, impairment losses and the estimated useful lives and residual values of the leased equipment we acquire. Actual results could differ from those estimates.

Lease Classification and Revenue Recognition

Each equipment lease we enter into is classified as either a finance lease or an operating lease, which is determined at lease inception, based upon the terms of each lease, or when there are significant changes to the lease terms. We capitalize initial direct costs associated with the origination and funding of lease assets. Initial direct costs include both internal costs (e.g., labor and overhead), if any, and external broker fees incurred with the lease origination. Costs related to leases that are not consummated are not eligible for capitalization as initial direct costs and are expensed as incurred as acquisition expense. For a finance lease, initial direct costs are capitalized and amortized over the lease term using the effective interest rate method. For an operating lease, the initial direct costs are included as a component of the cost of the equipment and depreciated over the lease term.

For finance leases, we record, at lease inception, the total minimum lease payments receivable from the lessee, the estimated unguaranteed residual value of the equipment at lease termination, the initial direct costs related to the lease, if any, and the related unearned income. Unearned income represents the difference between the sum of the minimum lease payments receivable, plus the estimated unguaranteed residual value, minus the cost of the leased equipment. Unearned income is recognized as finance income over the term of the lease using the effective interest rate method.

For operating leases, rental income is recognized on the straight-line basis over the lease term. Billed operating lease receivables are included in accounts receivable until collected. Accounts receivable is stated at its estimated net realizable value. Deferred revenue is the difference between the timing of the receivables billed and the income recognized on the straight-line basis.

Our Investment Manager has an investment committee that approves each new equipment lease and other financing transaction. As part of its process, the investment committee determines the residual value, if any, to be used once the investment has been approved. The factors considered in determining the residual value include, but are not limited to, the creditworthiness of the potential lessee, the type of equipment considered, how the equipment is integrated into the potential lessee’s business, the length of the lease, the industry in which the potential lessee operates and the secondary market value of the equipment. Residual values are reviewed for impairment in accordance with our impairment review policy.

The residual value assumes, among other things, that the asset will be utilized normally in an open, unrestricted and stable market. Short-term fluctuations in the marketplace are disregarded and it is assumed that there is no necessity either to dispose of a significant number of the assets, if held in quantity, simultaneously or to dispose of the asset quickly. The residual value is calculated using information from various external sources, such as trade publications, auction data, equipment dealers, wholesalers and industry experts, as well as inspection of the physical asset and other economic indicators.

Collateralized Loans Receivable, Net

Collateralized loans receivable are reported in the financial statements as the outstanding principal balance net of any unamortized deferred fees, and premiums or discounts on purchased loans. Costs to originate loans, if any, are reported as other assets in the financial statements and amortized to expense over the estimated life of the loan. Income is recognized over the life of the note agreement. On certain collateralized loans receivable, specific payment terms were reached requiring prepayments which resulted in the recognition of unearned interest income. Unearned income, discounts and premiums, if any, are amortized to interest income in the statements of operations using the effective interest rate method. Collateralized loans receivable are generally placed in a non-accrual status when payments are more than 90 days past due and all unpaid accrued interest is reversed. Additionally, the Investment Manager periodically reviews the creditworthiness of companies with payments outstanding less than 90 days. Based upon the Investment Manager's judgment, accounts may be placed in a non-accrual status. Accounts on a non-accrual status are only returned to an accrual status when the account has been brought current and the Partnership believes recovery of the remaining unpaid receivable is probable. Revenue on non-accrual accounts is recognized only when cash has been received.

Finance Lease Receivables and Allowance for Loan and Lease Accounts

In the normal course of business, the Partnership provides credit or financing to its customers, performs credit evaluations of these customers, and maintains reserves for potential credit losses. These credit or financing transactions are normally collateralized by the equipment being financed. In determining the amount of allowance for doubtful lease, notes and loan accounts, the Investment Manager considers historical credit losses, the past due status of receivables, payment history, and other customer-specific information, including the value of the collateral. The past due status of a receivable is based on its contractual terms. Expected credit losses are recorded as an allowance for doubtful lease, notes and loan accounts. Receivables are written off when the Investment Manager determines they are uncollectible.

Long-lived Asset Impairments

The Partnership assesses the impairment of long-lived assets with determinable useful lives whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be recoverable (a triggering event). When such events occur, management determines whether there has been impairment by comparing the anticipated undiscounted net future cash flows to the related asset's carrying value. If impairment exists, the asset is written down to its estimated carrying value.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which requires credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model (referred to as the current expected credit loss (CECL) model). Under this model, entities will estimate credit losses over the entire contractual term of the instrument from the date of initial recognition of that instrument. Current US GAAP is based on an incurred loss model that delays recognition of credit losses until it is probable the loss has been incurred. Accordingly, it is anticipated that credit losses will be recognized earlier under the CECL model than under the incurred loss model. ASU 2016-13 was to be effective for fiscal periods beginning after December 15, 2019 and must be adopted as a cumulative effect adjustment to retained earnings. In July 2019, the FASB decided to add a project to its technical agenda to propose staggered effective dates for certain accounting standards, including ASU 2016-13. The FASB has approved an approach that ASU 2016-13 will be effective for Public Business Entities that are SEC filers, excluding smaller reporting companies such as the Partnership, for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. For all other entities, including smaller reporting companies like the Partnership, ASU 2016-13 will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For all entities, early adoption will continue to be permitted; that is, early adoption is allowed for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (that is, effective January 1, 2019, for calendar-year-end companies). On November 15, 2019, the FASB delayed the effective date of FASB ASC Topic 326 for certain small public companies and other private companies. As amended, the effective date of ASC Topic 326 was delayed until fiscal years beginning after December 15, 2022 for SEC filers that are eligible to be smaller reporting companies under the SEC's definition, as well as private companies and not-for-profit entities. Nothing in this staff interpretation 3 should be read to accelerate or delay the effective dates of the standard as modified by the FASB. The Partnership is currently evaluating the impact of this guidance on its interim condensed financial statements.

During March 2020, the FASB issued ASU 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting. ASU 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles (“GAAP”) to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities may elect the optional expedients and exceptions included in ASU 2020-04 as of March 12, 2020 and through December 31, 2022. The Partnership is currently assessing the effect that electing the optional expedients and exceptions included in ASU 2020-04 would have on its results of operations, financial position and cash flows.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the interim condensed financial statements.

Business Overview

Our Offering Period commenced on August 11, 2016 and concluded on March 31, 2019. We were approved for sale under Blue Sky regulations in 49 states and the District of Columbia. During the Offering Period, the majority of our cash inflows were derived from financing activities and the direct result of capital contributions from Limited Partners.

During our Operating Period, which began on October 3, 2016, the date of our initial closing, we will use the majority of our net offering proceeds from Limited Partner capital contributions to acquire our initial investments. As our investments mature, we anticipate reinvesting the cash proceeds in additional investments in leased equipment and financing transactions, to the extent that the cash will not be needed for expenses, reserves and distributions to our Limited Partners. During this time-frame we expect both rental income and finance income to increase substantially as well as related expenses such as depreciation and amortization. During the Operating Period, we believe the majority of our cash outflows will be from investing activities as we acquire additional investments and to a lesser extent from financing activities from our paying quarterly distributions to our Limited Partners. Our cash flow from operations is expected to increase, primarily from the collection of rental and interest payments.

We are currently in our Operating Period. The Offering Period was declared effective by the SEC on August 11, 2016, and concluded on March 31, 2019. The Operating Period began on the date we admitted our first Limited Partners, at the initial closing, which occurred on October 3, 2016 and will last for four years from that date unless extended at the sole discretion of the General Partner. The General Partner extended the Operating Period for an additional year. At our initial closing, we reimbursed our Investment Manager for a portion of the fees and expenses associated with our organization and offering which they previously paid on our behalf and we funded a small capital reserve. The Liquidation Period, which follows the conclusion of the Operating Period, is the period in which we will sell assets in the ordinary course of business and will last two years, unless it is extended, at the sole discretion of the General Partner. Through June 30, 2021, the Partnership admitted 617 Limited Partners with total capital contributions of \$25,371,709 resulting in the sale of 2,537,170.91 Units. The Partnership received cash contributions of \$24,718,035 and applied \$653,674 which would have otherwise been paid as sales commission to the purchase of 65,367.46 additional Units.

The Operating Period is defined as the period in which we invest the net proceeds from the Offering Period into business-essential, revenue-producing (or cost-saving) equipment and other physical assets with substantial economic lives and, in many cases, associated revenue streams. During this period we anticipate substantial cash outflows from investing activities as we acquire leased and financed equipment. We also expect our operating activities to generate cash inflows during this time as we collect rental payments from the leased and financed assets we acquire.

Results of Operations for the Three Months Ended June 30, 2021 compared to the Three Months Ended June 30, 2020

Our revenue for the three months ended June 30, 2021 and 2020 is summarized as follows:

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 |
|----------------------|---|---|
| | (unaudited) | (unaudited) |
| Revenue: | | |
| Rental income | \$ — | \$ 94,550 |
| Finance income | 669,748 | 608,908 |
| Interest income | 138,323 | 112,477 |
| Other income | — | 527 |
| Total Revenue | \$ 808,071 | \$ 816,462 |

For the three months ended June 30, 2021, we received monthly lease payments of approximately \$3,179,000 and recognized \$669,748 in finance income from various finance leases during the same period. We also recognized \$138,323 in interest income from collateralized loans receivable during the same period.

For the three months ended June 30, 2020, we earned \$94,550 in rental income from one fabrication equipment operating lease. We received monthly lease payments of approximately \$1,970,664 and recognized \$608,908 in finance income from various finance leases during the same period. We also recognized \$112,477 in interest income from collateralized loans receivable.

Our expenses for the three months ended June 30, 2021 and 2020 are summarized as follows:

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 |
|--------------------------------------|---|---|
| | (unaudited) | (unaudited) |
| Expenses: | | |
| Management fees — Investment Manager | \$ 187,500 | \$ 187,500 |
| Interest expense | 142,910 | 199,851 |
| Depreciation | — | 75,536 |
| Professional fees | 72,698 | 84,085 |
| Administration expense | 76,838 | 82,143 |
| Other expenses | 2,008 | 900 |
| Total Expenses | \$ 481,979 | \$ 630,015 |

For the three months ended June 30, 2021, we incurred \$481,979 in total expenses. We paid \$187,500 in management fees to our Investment Manager during the three months ended June 30, 2021. We pay our Investment Manager a management fee during the Operating Period and the Liquidation Period equal to the greater of, (i) 2.5% per annum of the aggregate offering proceeds, payable monthly in advance or (ii) \$62,500 per month. We recognized \$76,838 in administration expense. Administration expense mainly consists of expenses paid to the fund administrator. We also incurred interest expense of \$142,910 related to our loan payable that was entered into on October 18, 2019. We also incurred \$72,698 in professional fees, which were mostly comprised of fees related to compliance with the rules and regulations of the SEC and consulting services. As the size and complexity of our activities grow, we expect that our professional fees will increase accordingly.

For the three months ended June 30, 2020, we incurred \$630,015 in total expenses. We paid \$187,500 in management fees to our Investment Manager during the three months ended June 30, 2020. We pay our Investment Manager a management fee during the Operating Period and the Liquidation Period equal to the greater of, (i) 2.5% per annum of the aggregate offering proceeds, payable monthly in advance or (ii) \$62,500 per month. We recognized \$75,536 in depreciation expense and \$82,143 in administration expense. Administration expense mainly consists of expenses paid to the fund administrator. We also incurred interest expense of \$199,851 related to our loan payable that was entered into on October 18, 2019. We also incurred \$84,085 in professional fees, which were mostly comprised of fees related to compliance with the rules and regulations of the SEC and consulting services.

Net Income (Loss)

As a result of the factors discussed above, we reported net income for the three months ended June 30, 2021 of \$326,092, as compared to net income of \$186,447 for the three months ended June 30, 2020.

Results of Operations for the Six Months Ended June 30, 2021 compared to the Six Months Ended June 30, 2020

Our revenue for the six months ended June 30, 2021 and 2020 is summarized as follows:

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|------------------------|---|---|
| | (unaudited) | (unaudited) |
| Revenue: | | |
| Rental income | \$ — | \$ 203,368 |
| Finance income | 1,114,269 | 1,213,211 |
| Interest income | 303,541 | 219,960 |
| Other income | — | 527 |
| Total Revenue | <u>\$ 1,417,810</u> | <u>\$ 1,637,066</u> |
| Gain on sale of assets | — | 70,483 |
| Revenue, net | <u>\$ 1,417,810</u> | <u>\$ 1,707,549</u> |

For the six months ended June 30, 2021, we received monthly lease payments of approximately \$4,794,000 and recognized \$1,114,269 in finance income from various finance leases during the same period. We also recognized \$303,541 in interest income from collateralized loans receivable.

For the six months ended June 30, 2020, we earned \$203,368 in rental income from five operating leases of pizza ovens equipment, and one fabrication equipment operating lease. We received monthly lease payments of approximately \$4,645,960 and recognized \$1,213,211 in finance income from various finance leases during the same period. We also recognized \$219,960 in interest income from collateralized loans receivable and a gain on sale of assets of \$70,483 during the same period.

Our expenses for the six months ended June 30, 2021 and 2020 are summarized as follows:

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|--------------------------------------|---|---|
| | (unaudited) | (unaudited) |
| Expenses: | | |
| Management fees — Investment Manager | \$ 375,000 | \$ 375,000 |
| Interest expense | 336,991 | 379,352 |
| Depreciation | — | 153,274 |
| Professional fees | 143,614 | 221,601 |
| Administration expense | 159,254 | 161,008 |
| Other expenses | 8,834 | 3,916 |
| Total Expenses | <u>\$ 1,023,693</u> | <u>\$ 1,294,151</u> |

For the six months ended June 30, 2021, we incurred \$1,023,693 in total expenses. We paid \$375,000 in management fees to our Investment Manager during the six months ended June 30, 2021. We pay our Investment Manager a management fee during the Operating Period and the Liquidation Period equal to the greater of, (i) 2.5% per annum of the aggregate offering proceeds, payable monthly in advance or (ii) \$62,500 per month. We recognized \$159,254 in administration expense. Administration expense mainly consists of expenses paid to the fund administrator. We also incurred interest expense of \$336,991 related to our loan payable that was entered into on October 18, 2019. We also incurred \$143,614 in professional fees, which were mostly comprised of fees related to compliance with the rules and regulations of the SEC and consulting services. As the size and complexity of our activities grow, we expect that our professional fees will increase accordingly.

For the six months ended June 30, 2020, we incurred \$1,294,151 in total expenses. We paid \$375,000 in management fees to our Investment Manager during the six months ended June 30, 2020. We pay our Investment Manager a management fee during the Operating Period and the Liquidation Period equal to the greater of, (i) 2.5% per annum of the aggregate offering proceeds, payable monthly in advance or (ii) \$62,500 per month. We recognized \$153,274 in depreciation expense and \$161,008 in administration expense. Administration expense mainly consists of expenses paid to the fund administrator. We also incurred interest expense of \$379,352 related to our loan payable that was entered into on October 18, 2019. We also incurred \$221,601 in professional fees, which were mostly comprised of fees related to compliance with the rules and regulations of the SEC and consulting services.

Net Income

As a result of the factors discussed above, we reported net income for the six months ended June 30, 2021 of \$394,117, as compared to a net income of \$413,398 for the six months ended June 30, 2020.

Liquidity and Capital Resources

Sources and Uses of Cash

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|------------------------------------|---|---|
| | (unaudited) | (unaudited) |
| Cash provided by (used in): | | |
| Operating activities | \$ 2,948,688 | \$ (419,040) |
| Investing activities | \$ (1,892,623) | \$ (5,088,688) |
| Financing activities | \$ (2,879,212) | \$ 493,071 |

Sources of Liquidity

We are currently in our Operating Period. The Offering Period was the time frame in which we raised capital contributions from Limited Partners through the sale of our Units. As such, during our Offering Period a substantial portion of our cash inflows were from financing activities. The Operating Period is the time frame in which we acquire equipment under lease or enter into other equipment financing transactions. During this time period we anticipate that a substantial portion of our cash outflows will be for investing activities. We believe that cash inflows will be sufficient to finance our liquidity requirements for the foreseeable future, including quarterly distributions to our Limited Partners, general and administrative expenses, fees paid to our Investment Manager and new investment opportunities.

Operating Activities

Cash provided by operating activities for the six months ended June 30, 2021 was \$2,948,688 and was primarily driven by the following factors; net income for the six months ended June 30, 2021 of approximately \$394,000, an increase in other assets of approximately \$2,261,000, and an increase in deferred revenue of approximately \$347,000. Offsetting these fluctuations was a decrease in accrued interest on loans payable of approximately \$42,000 and a decrease in accounts payable and accrued liabilities of approximately \$37,000. We expect our accounts payable and accrued expenses will fluctuate from period to period primarily due to the timing of payments related to lease and financings transactions we will enter into. We anticipate that as we enter into additional equipment leasing and financing transactions we will generate greater net cash inflows from operations principally from rental payments received from lessees.

Cash used in operating activities for the six months ended June 30, 2020 was \$419,040 and was primarily driven by the following factors; net income for the six months ended June 30, 2020 of approximately \$413,000, and an increase in depreciation of approximately \$153,000. Offsetting these fluctuations was a gain on sale of assets of approximately \$70,000, an increase in other assets of approximately \$855,000, a decrease in accounts payable and accrued liabilities of approximately \$26,000, and a decrease of deferred revenue of approximately \$60,000.

Investing Activities

Cash used in investing activities was \$1,892,623 for the six months ended June 30, 2021, which consisted of approximately \$6,255,000 that we paid for the purchase of finance leases, finance income of approximately \$1,114,000 and net of receipt of approximately \$4,794,000 in minimum rental payments from finance leases, offset by approximately \$683,000 in net cash received from origination and purchases of loans receivable, prepayments and satisfactions.

Cash used in investing activities was \$5,088,688 for the six months ended June 30, 2020, which consisted of approximately \$8,143,000 that we paid for the purchase of finance leases, finance income of approximately \$1,213,000 and net of receipt of approximately \$4,646,000 in minimum rental payments from finance leases, and approximately \$496,000 in net cash paid from origination and purchases of loans receivable, prepayments and satisfactions offset by approximately \$118,000 in cash received from sale of leased assets.

Financing Activities

Cash used in financing activities for the six months ended June 30, 2021 was \$2,879,212 which was primarily due to cash payments of approximately \$8,920,000 on the loan payable and \$259,000 in distributions to limited partners, offset by \$6,300,000 in cash received from loan payable.

Cash provided by financing activities for the six months ended June 30, 2020 was \$493,071 and was primarily due to cash received from loan payable of \$6,800,000, offsetting this increase were payments of approximately \$5,286,000 on the loan payable and \$1,021,000 in distributions to limited partners.

Distributions

During our Operating Period, we intend to pay cash distributions on a quarterly basis to our Limited Partners at 1.5% per quarter, the equivalent rate of 6.0% per annum, of each Limited Partners' capital contribution (pro-rated to the date of admission for each Limited Partner). Since June 30, 2017, our distribution rate has been 6.5% annually, paid quarterly at 1.625%, of capital contributions. Beginning as of March 31, 2018, we increased our distribution to 7.0% annually, paid quarterly at 1.75% of capital contributions. Beginning as of June 30, 2018, we increased our distribution to 7.5%, paid quarterly at 1.875% of capital contributions. Beginning as of September 30, 2018 we increased our distribution to 8.0%, paid quarterly at 2.00% of capital contributions. Beginning as of June 30, 2020, we decreased our distribution to 4.0%, paid quarterly at 1.00% of capital contributions. During the three months ended June 30, 2021, we made quarterly cash distributions to our Limited Partners totaling \$259,051. At June 30, 2021, we did not declare or accrue distributions due to the economic uncertainties from COVID-19. At June 30 2021, we had a distribution payable to the General Partner of \$48,698. During the six months ended June 30, 2020, we made quarterly cash distributions to our Limited Partners totaling \$1,020,669, and accrued \$252,587 for distributions due to Limited Partners which resulted in a distributions payable to Limited Partners of \$252,587 at June 30, 2020. At June 30, 2020, the Partnership declared and accrued a distribution of \$2,525, for distributions due to the General Partner which resulted in distributions payable to the General Partner of \$43,590 at June 30, 2020.

Commitments and Contingencies and Off-Balance Sheet Transactions

Commitment and Contingencies

Our income, losses and distributions are allocated 99% to our Limited Partners and 1% to our General Partner until the Limited Partners have received total distributions equal to each Limited Partners' capital contribution plus an 8%, compounded annually, cumulative return on each Limited Partners' capital contribution. After such time, income, losses and distributions will be allocated 80% to our Limited Partners and 20% to our General Partner.

We enter into contracts that contain a variety of indemnifications. Our maximum exposure under these arrangements is not known.

In the normal course of business, we enter into contracts of various types, including lease contracts, contracts for the sale or purchase of leased assets, loan agreements and management contracts. It is prevalent industry practice for most contracts of any significant value to include provisions that each of the contracting parties, in addition to assuming liability for breaches of the representations, warranties, and covenants that are part of the underlying contractual obligations, to also assume an obligation to indemnify and hold the other contractual party harmless for such breaches, and for harm caused by such party's gross negligence and willful misconduct, including, in certain instances, certain costs and expenses arising from the contract. Generally, to the extent these contracts are performed in the ordinary course of business under the reasonable business judgment of our General Partner and our Investment Manager, no liability will arise as a result of these provisions. Should any such indemnification obligation become payable, we would separately record and/or disclose such liability in accordance with accounting principles generally accepted in the United States of America.

As of June 30, 2021 and December 31, 2020, the Partnership does not have any unfunded commitments for any investments.

Off-Balance Sheet Transactions

None.

Contractual Obligations

None.

Subsequent Events

On July 9, 2021, the Partnership received cash of \$113,273 as total payoff, in connection with a lease facility entered into on November 20, 2018, resulting in additional finance income of \$9,015.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not Applicable for Smaller Reporting Companies.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

In connection with the preparation of this Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, our General Partner and Investment Manager carried out an evaluation, under the supervision and with the participation of the management of our General Partner and Investment Manager, including its Chief Executive Officer, of the effectiveness of the design and operation of our General Partner's and Investment Manager's disclosure controls and procedures as of the end of the period covered by this Report pursuant to the Securities Exchange Act of 1934. Based on the foregoing evaluation, the Chief Executive Officer concluded that our General Partner's and Investment Manager's disclosure controls and procedures were effective.

In designing and evaluating our General Partner's and Investment Manager's disclosure controls and procedures, our General Partner and Investment Manager recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Our General Partner's and Investment Manager's disclosure controls and procedures have been designed to meet reasonable assurance standards. Disclosure controls and procedures cannot detect or prevent all error and fraud. Some inherent limitations in disclosure controls and procedures include costs of implementation, faulty decision-making, simple error and mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all anticipated and unanticipated future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with established policies or procedures.

Evaluation of internal control over financial reporting

Our General Partner is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of condensed financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Partnership; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of condensed financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Partnership are being made only in accordance with authorizations of management and directors of the Partnership; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Partnership's assets that could have a material effect on the condensed financial statements.

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

Our General Partner and our Investment Manager have assessed the effectiveness of their internal control over financial reporting as of June 30, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control—Integrated Framework."

Based on their assessment, our General Partner and our Investment Manager believe that, as of June 30, 2021, its internal control over financial reporting is effective.

Changes in internal control over financial reporting

There were no additional material changes in our internal control over financial reporting during the quarter ended June 30, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are not aware of any material legal proceedings that are currently pending against us or against any of our assets.

Item 1A. Risk Factors

Not applicable.

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

Our Registration Statement on Form S-1, as amended, was declared effective by the SEC on August 11, 2016. Our Offering Period commenced on August 11, 2016 and concluded on March 31, 2019. From August 11, 2016 through March 31, 2019, the Partnership admitted 617 Limited Partners with total capital contributions of \$25,371,709 resulting in the sale of 2,537,170.91 Units. The Partnership received cash contributions of \$24,718,035 and applied \$653,674 which would have otherwise been paid as sales commission to the purchase of 65,367.46 additional Units.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

- 31.1 [Certification of President and Chief Compliance Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of President and Chief Compliance Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 Interactive Data Files

SIGNATURES

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

File No. 333-211626
ASIF GP, LLC
General Partner of the Registrant

Date: August 16, 2021

/s/ Michael Miroshnikov

Michael Miroshnikov
President

CERTIFICATION

I, Michael Miroshnikov, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arboretum Silverleaf Income Fund, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 16, 2021

/s/ Michael Miroshnikov

Michael Miroshnikov
President
(Principal Executive Officer)

CERTIFICATION

I, Joshua Yifat, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arboretum Silverleaf Income Fund, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 16, 2021

/s/ Joshua Yifat

Joshua Yifat
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report of Arboretum Silverleaf Income Fund, L.P. (the “Company”) on Form 10-Q for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, the undersigned, Michael Miroshnikov, Chief Compliance Officer of the Company, certify, 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, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: August 16, 2021

/s/ Michael Miroshnikov

Michael Miroshnikov
President
(Principal Executive Officer)

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

In connection with the Quarterly Report of Arboretum Silverleaf Income Fund, L.P. (the “Company”) on Form 10-Q for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, the undersigned, Joshua Yifat, Chief Financial Officer of the Company, certify, 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, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: August 16, 2021

/s/ Joshua Yifat

Joshua Yifat
Chief Financial Officer
(Principal Financial Officer)
