Section 1: 8-K (8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported):
July 2, 2018

JBG SMITH

JBG SMITH PROPERTIES

(Exact name of Registrant as specified in its charter)

Maryland	**No. 001-37994**	**81-4307010**
(State or other jurisdiction of incorporation or organization)	(Commission file number)	(I.R.S. Employer Identification No.)

4445 Willard Avenue, Suite 400 **Chevy Chase, MD**	**20815**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(240) 333-3600**

Former name or former address, if changed since last report:

____

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2.):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425) Soliciting

☐ material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).
Emerging growth company ☐

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

JBG SMITH Properties (the "Company") is filing this Current Report on Form 8-K to provide (i) the Unaudited Pro Forma Consolidated and Combined Statement of Operations for the year ended December 31, 2017, and (ii) certain historical financial statements that were initially included in the Company's Registration Statement on Form S-11 (No. 333-220498) and the Current Report on Form 8-K filed with the SEC on July 21, 2017, in each case for the purpose of incorporating this Current Report on Form 8-K by reference into subsequent registration statements.

The following financial statements are filed as part of this report:

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired

1. JBG Real Estate Operating Assets Audited Combined Statement of Revenues and Expenses from Real Estate Operations for the year ended December 31, 2016
2. JBG Real Estate Operating Assets Unaudited Combined Statement of Revenues and Expenses from Real Estate Operations for the six months ended June 30, 2017
3. JBG/Operating Partners, L.P. and Subsidiaries audited financial statements for the year ended December 31, 2016
4. JBG/Operating Partners, L.P. and Subsidiaries unaudited interim financial statements for the six months ended June 30, 2017

(b) Pro Forma Financial Information

1. JBG SMITH Properties Unaudited Pro Forma Consolidated and Combined Statement of Operations for the year ended December 31, 2017

(d) Exhibits

23.1 Consent of KPMG LLP

99.1 JBG Real Estate Operating Assets Audited Combined Statement of Revenues and Expenses from Real Estate Operations for the year ended December 31, 2016

99.2 JBG Real Estate Operating Assets Unaudited Combined Statement of Revenues and Expenses from Real Estate Operations for the six months ended June 30, 2017

99.3 JBG/Operating Partners, L.P. and Subsidiaries audited financial statements for the year ended December 31, 2016

99.4 JBG/Operating Partners, L.P. and Subsidiaries unaudited interim financial statements for the six months ended June 30, 2017

99.5 JBG SMITH Properties Unaudited Pro Forma Consolidated and Combined Statement of Operations for the year ended December 31, 2017

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

JBG SMITH PROPERTIES

By: /s/ Steven A. Museles
Name: Steven A. Museles
Title: Chief Legal Officer and Corporate Secretary

July 2, 2018

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Section 2: EX-23.1 (EX-23.1)

Exhibit 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in the registration statement (No. 333-220507) on Form S-8 of JBG SMITH Properties of our reports dated June 8, 2017, with respect to the (i) combined statement of revenues and expenses from real estate operations of the JBG Real Estate Operating Assets for the year ended December 31, 2016; and (ii) consolidated financial statements of JBG/Operating Partners, L.P. as of and for the year ended December 31, 2016, which reports appear in the Form 8-K of JBG SMITH Properties dated July 2, 2018.

/s/ KPMG LLP
McLean, Virginia
July 2, 2018

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Section 3: EX-99.1 (EX-99.1)

Exhibit 99.1

JBG REAL ESTATE OPERATING ASSETS

COMBINED STATEMENT OF REVENUES AND EXPENSES FROM REAL ESTATE OPERATIONS

Including Independent Auditors' Report

For the Year Ended December 31, 2016

INDEPENDENT AUDITORS' REPORT

The Partners of
JBG/Operating Partners, L.P.:

We have audited the accompanying combined statement of revenues and expenses from real estate operations (as defined in Note 1) for the year ended December 31, 2016, and the related notes (the "statement").

Management's Responsibility for the Financial Statement

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement.

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

Opinion

In our opinion, the combined statement of revenues and expenses from real estate operations referred to above presents fairly, in all material respects, the revenue and certain expenses described in Note 1 of the statement for the year ended December 31, 2016, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

We draw attention to Note 1 to the statement, which describes that the accompanying statement was prepared for the purpose of complying with the Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended (for inclusion in the filing of Form 10 of JBG SMITH Properties) and is not intended to be a complete presentation of revenues and expenses. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the statement as a whole. The accompanying combining information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statement. The information has been subjected to the auditing procedures applied in the audit of the statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used

to prepare the statement or to the statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statement as a whole.

/s/ KPMG LLP

McLean, Virginia
June 8, 2017

JBG REAL ESTATE OPERATING ASSETS

Combined Statement of Revenues and Expenses from Real Estate Operations
(dollar amounts in thousands)

		For the Year Ended December 31, 2016
Revenue		
Property rentals	$	204,906
Tenant expense reimbursement		26,916
Other revenue		3,456
Total Revenue		235,278
Expenses		
Property operating		72,711
Real estate taxes		27,832
Management fees		7,330
Total Expenses		107,873
Revenues in Excess of Expenses	$	127,405

See accompanying notes to combined statement of revenues and expenses from real estate operations.

JBG REAL ESTATE OPERATING ASSETS

Notes to the Combined Statement of Revenues and Expenses from

Real Estate Operations

For the Year Ended December 31, 2016

(dollar amounts in thousands)
(dollar amounts in thousands)

NOTE 1—BASIS OF PRESENTATION

JBG Real Estate Operating Assets is not a separate or single legal entity, but rather a combination of real estate operating assets and entities under the common management of JBG/Operating Partners, L.P. (the "Partnership") and its consolidated subsidiaries (the "Management Company"). The Management Company earns fees in connection with investment, development, property management, leasing, construction management, tenant improvement construction, and finance provided to commercial office, multifamily (both rental and for-sale), retail, and hotel assets. Substantially all fee revenue earned by the Management Company is from services provided to the real estate assets owned by affiliated real estate investment funds (each a "Fund" and collectively, the "Funds") and real estate ventures (the "Ventures"). The Funds either held or continue to hold direct or indirect ownership in each real estate asset ("Property Asset") through separate limited liability companies (each, a "Property LLC"). The Funds own direct or indirect equity interests in the Property LLCs. The Ventures also either held or continue to hold interests in real estate assets (the "Venture Assets"). The Management Company, Funds, Ventures, Property Assets, Property LLCs, and Venture Assets are collectively referred to as "JBG".

On October 31, 2016, the Partnership entered into a Master Transaction Agreement (the "Transaction Agreement") with Vornado Realty Trust, Vornado Realty L.P., JBG Properties, Inc., certain affiliates of JBG Properties, Inc., JBG SMITH Properties ("JBG SMITH") and JBG SMITH Properties LP, a Delaware limited partnership and JBG SMITH's subsidiary operating partnership (the "Operating Partnership"). On July 18, 2017, in accordance with the Transaction Agreement, the Management Company, the Funds' interests in certain Property LLCs, and interests in the Ventures, were contributed through a series of transactions to the Operating Partnership, in exchange for the right to receive units of limited partnership interest in the Operating Partnership or common shares of JBG SMITH or, in certain circumstances, cash (the "Transaction"). As of the closing of the Transaction on July 18, 2017, JBG SMITH was a publicly traded real estate investment trust. Except where the context requires otherwise, "JBG SMITH" refers to JBG SMITH, the Operating Partnership and their consolidated subsidiaries.

On July 18, 2017, JBG SMITH acquired up to 100% of the ownership interests in certain Property LLCs from one or more of the following real estate funds, affiliated with the Management Company: JBG Investment Fund I, L.P. ("Fund I"); JBG Investment Fund II, L.P. ("Fund II"); JBG Investment Fund III, L.P. ("Fund III"); JBG Investment Fund VI, L.L.C. ("Fund VI"); JBG Investment Fund VII, L.L.C. ("Fund VII"); JBG Investment Fund VIII, L.L.C. ("Fund VIII"); JBG Investment Fund IX, L.L.C. ("Fund IX"); JBG/Urban Direct Member, L.L.C. ("Urban Direct"); and JBG/Recap Investors, L.L.C. ("Recap"). JBG SMITH also acquired interests in several Ventures from the Funds and other affiliates of the Management Company.

The Management Company, Funds, Ventures, and Property LLCs are not entities under common control or subsidiaries of a common parent. The Property Assets and Venture Assets presented in the combined statement of revenues and expenses from real estate operations and supplementary information presented in Schedule 1 (the "Statement") have been under common management of the Management Company since the date of acquisition by the applicable Fund.

Although JBG SMITH acquired less than 100% of the equity interests in certain of the Property LLCs and each Venture, the Statement presents 100% of the revenues and expenses from real estate operations for each Property Asset and Venture Asset. The schedule included in the Supplemental Information identifies the selling entity (Fund) and the name of the Venture, and the percentage ownership in each Property Asset or Venture Asset that was acquired by JBG SMITH.

The following tables set forth the percentage ownership interest JBG SMITH acquired in the Property LLCs and Ventures that hold ownership interests in certain Property Assets and Venture Assets. The ownership percentages are unaudited.

NOTE 1—BASIS OF PRESENTATION (Continued)

JBG SMITH acquired 100% of the ownership interests in the Property LLCs that hold the ownership interests in the following Property Assets:

Property Asset—Office	Property Asset—Retail	Property Asset—Multifamily
1233 20th Street	North End Retail	Falkland Chase—North
1600 K Street		Falkland Chase—South & West
1831 Wiehle Avenue		Fort Totten Square
800 North Glebe Road		
7200 Wisconsin Avenue		
RTC—West		
Summit I		

(dollar amounts in thousands)

Summit II
Wiehle Avenue Office Building

JBG SMITH acquired less than 100% of the ownership interests in the Property LLCs and Ventures that hold the ownership interests in the following Property Assets and Venture Assets, with the exception of 12725 Twinbrook Parkway.

Property Assets and Venture Assets	Type	JBG SMITH Ownership (Unaudited)
5640 Fishers/12441 Parklawn	Office	10.0%
12725 Twinbroook Parkway	Office	0.0%(1)
11333 Woodglen Drive	Office	18.0%
Capitol Point—North	Office	59.0%
Chase Tower Office/Retail	Office	10.0%
Courthouse Metro Office	Office	18.0%
Fishers Place I	Office	10.0%
Fishers Place II	Office	10.0%
Fishers Place III	Office	10.0%
L'Enfant Plaza Office—East	Office	49.0%
L'Enfant Plaza Office—North	Office	49.0%
L'Enfant Plaza Retail	Office	49.0%
NoBe II Office	Office	18.0%
Pickett Industrial Park	Office	10.0%
Rosslyn Gateway—North	Office	18.0%
Rosslyn Gateway—South	Office	18.0%
The Foundry	Office	9.9%
Woodglen	Office	18.0%
Stonebridge at Potomac Town Center—Phase I	Retail	10.0%
Atlantic Plumbing	Multifamily	64.0%
Fairway Apartments	Multifamily	10.0%
Galvan	Multifamily	1.8%
The Alaire	Multifamily	18.0%
The Gale Eckington	Multifamily	5.0%
The Terano	Multifamily	1.8%

(1) The Fund's 10% ownership interest in the asset was sold to an unrelated party on July 12, 2017.

NOTE 1—BASIS OF PRESENTATION (Continued)

The accompanying combined statement of revenues and expenses from real estate operations has been prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act. Accordingly, the combined statement of revenues and expenses from real estate operations does not reflect the actual operations for the period presented as revenues and expenses from real estate operations excludes certain revenue and expenses expected to be incurred in the future operations of the Property Assets or Venture Assets. Such items include depreciation, amortization, interest expense, interest income, ground rent expense, and amortization of above- and below-market leases. Revenue includes contractual base and other rent pursuant to the lease agreements, tenant expense reimbursements, and other revenue derived from the operation of the real estate asset. The expenses presented are the direct expenses associated with operating and maintaining the real estate asset and are recognized as incurred. Further, the accompanying combined statement of revenues and expenses from real estate operations does not include any amounts for non-operating real estate assets including future development parcels and Property Assets or Venture Assets in the near-term development, development, and construction phases.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination—The combined statement of revenues and expenses from real estate operations includes selected accounts of the Property Assets and Venture Assets as described in Note 1. All significant intercompany accounts and transactions have been eliminated in the combined statement of revenues and expenses from real estate operations.

Revenue Recognition—Property rental revenue is recognized on a straight-line basis over the lease term when collectability is reasonably assured and the tenant has taken possession or controls the physical use of the leased asset.

(dollar amounts in thousands)

Tenant expense reimbursements for real estate taxes, common area maintenance, and other recoverable costs are recognized in the period that the expenses are incurred. The reimbursements are recognized and presented gross as the Property Assets and Venture Assets are generally the primary obligor with respect to purchasing goods and services from third-party suppliers, have discretion in selecting the supplier, and bear the associated credit risk.

Other revenue is revenue derived from lease termination fees and the tenants' use of parking and other property facilities. Lease termination fees are recognized when the related leases are canceled and the landlord has no continuing obligation to provide services to such former tenants. Other revenue is recognized when the related services are utilized by the tenants.

Use of Estimates—Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenues and expenses from real estate operations during the reporting period to present the statement of revenues and expenses from real estate operations in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

NOTE 3—SUMMARY TABLE (UNAUDITED)

The following table separately presents the aggregate operating revenues and expenses for the wholly owned Property Assets and the less than wholly owned consolidated and non-consolidated Property Assets and Venture Assets. Presentation of amounts as "100% Owned", "Less Than 100% Owned Consolidated", and "Less Than 100% Owned Non-Consolidated" are unaudited.

	Year Ended December 31, 2016			
	100% Owned	Less Than 100% Owned Consolidated	Combined	Less Than 100% Owned Non-Consolidated
Revenue				
Property rentals	$ 70,242	$ —	$ 70,242	$ 134,664
Tenant expense reimbursement	6,072	—	6,072	20,844
Other revenue	961	—	961	2,495
Total Revenue	77,275	—	77,275	158,003
Expenses				
Property operating	20,942	—	20,942	51,769
Real estate taxes	9,511	—	9,511	18,321
Management fees	2,283	—	2,283	5,047
Total Expenses	32,736	—	32,736	75,137
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 44,539	$ —	$ 44,539	$ 82,866

NOTE 4—LEASE COMMITMENTS

There are various lease agreements in place with tenants to lease space in the Property Assets and Venture Assets. As of December 31, 2016, the minimum future cash rents receivable under non-cancelable operating leases in each of the next five years and thereafter were as follows:

2017	$ 136,004
2018	133,646
2019	120,305
2020	110,195
2021	84,909
Thereafter	292,700
	$ 877,759

Leases generally require reimbursement of the tenant's proportional share of common area, real estate taxes, and other operating expenses, which are excluded from the amounts above. Future cash rents receivable on multifamily real estate operating assets are excluded from the table above as the lease terms are generally one year or less.

JBG REAL ESTATE OPERATING ASSETS

Notes to the Combined Statement of Revenues and Expenses from Real Estate Operations

For the Year Ended December 31, 2016

(dollar amounts in thousands)

NOTE 5—TENANT CONCENTRATIONS

For the year ended December 31, 2016, 15% of total combined revenue was recognized from one government agency tenant.

NOTE 6—RELATED PARTY TRANSACTIONS

The Management Company provides all property management and related services for the Property Assets and Venture Assets, which are calculated as a percentage of rental revenue or gross receipts. These fees, which have been recorded as management fees in the accompanying Statement, totaled $7,330 for the year ended December 31, 2016.

NOTE 7—SUBSEQUENT EVENTS

Subsequent events were evaluated through June 8, 2017, the date the combined statement of revenues and expenses from real estate operations was available to be issued.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1

Combined Statement of Revenues and Expenses from Real Estate Operations

For the Year Ended December 31, 2016

(dollar amounts in thousands)

	Office			
	Capitol Point—North	**L'Enfant Plaza Office—East**	**L'Enfant Plaza Office—North**	**L'Enfant Plaza Retail**
Revenue				
Property rentals	$ 165	$ 16,883	$ 8,444	$ 4,800
Tenant expense reimbursement	55	1,419	310	890
Other revenue	(24)	149	81	153
Total Revenue	196	18,451	8,835	5,843
Expenses				
Property operating	335	4,911	3,627	3,472
Real estate taxes	494	3,723	1,998	802
Management fees	30	524	187	142
Total Expenses	859	9,158	5,812	4,416
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ (663)	$ 9,293	$ 3,023	$ 1,427
Affiliated Seller	Fund VI/Urban Direct	Fund VI/Urban Direct	Fund VI/Urban Direct	Fund VI/Urban Direct
JBG SMITH Ownership (Unaudited)	59.0%	49.0%	49.0%	49.0%
Anticipated Financial Statement Presentation by Combined Entity (Unaudited)	Non-Consolidated	Non-Consolidated	Non-Consolidated	Non-Consolidated
Jurisdiction	DC	DC	DC	DC

Note: This schedule is presented for the purposes of additional analysis and is not a required part of the Statement. The terms "consolidated" and "non-consolidated" reflect management's preliminary conclusion with respect to presentation of such assets in JBG SMITH's financial statements upon completion of the transaction described in Note 1 and is therefore unaudited.

See accompanying independent auditors' report.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations

For the Year Ended December 31, 2016

(dollar amounts in thousands)

	Office—Continued			
	1233 20th Street	The Foundry	1600 K Street	Subtotal DC Office
Revenue				
Property rentals	$ 5,814	$ 9,049	$ 3,656	$ 48,811
Tenant expense reimbursement	112	249	248	3,283
Other revenue	(20)	29	90	458
Total Revenue	5,906	9,327	3,994	52,552
Expenses				
Property operating	1,732	2,845	1,174	18,096
Real estate taxes	1,199	1,625	669	10,510
Management fees	153	254	117	1,407
Total Expenses	3,084	4,724	1,960	30,013
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 2,822	$ 4,603	$ 2,034	$ 22,539
Affiliated Seller	Fund VIII	Fund IX	Fund VII	
JBG SMITH Ownership (Unaudited)	100.0%	9.9%	100.0%	
Anticipated Financial Statement Presentation by Combined Entity (Unaudited)	Consolidated	Non-Consolidated	Consolidated	
Jurisdiction	DC	DC	DC	

See accompanying independent auditors' report.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations

For the Year Ended December 31, 2016

(dollar amounts in thousands)

	Office—Continued					
	Courthouse Metro Office	Rosslyn Gateway—North	Rosslyn Gateway—South	Pickett Industrial Park	1831 Wiehle Avenue	Wiehle Avenue Office Building
Revenue						
Property rentals	$ 637	$ 5,261	$ 2,902	$ 3,014	$ 1,902	$ 1,208
Tenant expense reimbursement	109	181	145	834	250	121
Other revenue	66	50	3	(1)	4	4
Total Revenue	812	5,492	3,050	3,847	2,156	1,333
Expenses						
Property operating	349	1,636	1,123	867	661	634
Real estate taxes	102	370	335	410	165	142
Management fees	60	156	94	98	65	60
Total Expenses	511	2,162	1,552	1,375	891	836
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 301	$ 3,330	$ 1,498	$ 2,472	$ 1,265	$ 497
Affiliated Seller	Urban Direct	Urban Direct	Urban Direct	Fund IX	Fund VIII/Urban Direct	Fund VIII
JBG SMITH Ownership						

(Unaudited)	18.0%	18.0%	18.0%	10.0%	100.0%	100.0%
Anticipated Financial Statement Presentation by Combined Entity (Unaudited)	Non-Consolidated	Non-Consolidated	Non-Consolidated	Non-Consolidated	Consolidated	Consolidated
Jurisdiction	VA	VA	VA	VA	VA	VA

See accompanying independent auditors' report.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations

For the Year Ended December 31, 2016

(dollar amounts in thousands)

	Office—Continued				
	800 North Glebe Road	**Summit I**	**Summit II**	**RTC—West**	**Subtotal VA Office**
Revenue					
Property rentals	$ 9,914	$ 3,751	$ 4,209	$ 13,427	$ 46,225
Tenant expense reimbursement	3,015	—	115	480	5,250
Other revenue	274	2	7	108	517
Total Revenue	13,203	3,753	4,331	14,015	51,992
Expenses					
Property operating	2,716	736	1,154	3,854	13,730
Real estate taxes	1,730	232	423	1,739	5,648
Management fees	386	10	122	374	1,425
Total Expenses	4,832	978	1,699	5,967	20,803
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 8,371	$ 2,775	$ 2,632	$ 8,048	$ 31,189
Affiliated Seller	Fund VII/Urban Direct	Fund VIII	Fund VIII	Fund VIII	
JBG SMITH Ownership (Unaudited)	100.0%	100.0%	100.0%	100.0%	
Anticipated Financial Statement Presentation by Combined Entity (Unaudited)	Consolidated	Consolidated	Consolidated	Consolidated	
Jurisdiction	VA	VA	VA	VA	

See accompanying independent auditors' report.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations

For the Year Ended December 31, 2016

(dollar amounts in thousands)

	Office—Continued					
	11333 Woodglen Drive	**NoBe II Office**	**Woodglen**	**7200 Wisconsin Avenue**	**Chase Tower Office/Retail**	**12725 Twinbrook Parkway(1)**
Revenue						
Property rentals	$ 2,027	$ 905	$ 145	$ 10,934	$ 11,310	$ 1,355
Tenant expense reimbursement	529	101	—	427	1,102	1,093
Other revenue	69	(10)	—	27	189	—
Total Revenue	2,625	996	145	11,388	12,601	2,448
Expenses						

Property operating	1,098	1,058	48	2,593	2,857	936
Real estate taxes	204	144	32	976	1,242	131
Management fees	72	32	—	327	387	72
Total Expenses	1,374	1,234	80	3,896	4,486	1,139
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 1,251	$ (238)	$ 65	$ 7,492	$ 8,115	$ 1,309
Affiliated Seller	Urban Direct	Urban Direct	Urban Direct	Fund VI	Fund I/Fund II/Fund III/Recap	Fund I/Fund II/Fund III
JBG SMITH Ownership (Unaudited)	18.0%	18.0%	18.0%	100.0%	10.0%	10.0%
Anticipated Financial Statement Presentation by Combined Entity (Unaudited)	Non-Consolidated	Non-Consolidated	Non-Consolidated	Consolidated	Non-Consolidated	Non-Consolidated
Jurisdiction	MD	MD	MD	MD	MD	MD

(1) Asset was sold on July 12, 2017.

See accompanying independent auditors' report.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations

For the Year Ended December 31, 2016

(dollar amounts in thousands)

	Office—Continued					
	Fishers Place I	**Fishers Place II**	**Fishers Place III**	**5640 Fishers/12441 Parklawn**	**Subtotal MD Office**	**Total Office**
Revenue						
Property rentals	$ 3,992	$ 2,149	$ 8,195	$ 1,768	$ 42,780	$ 137,816
Tenant expense reimbursement	3,505	2,544	703	2,331	12,335	20,868
Other revenue	105	137	136	—	653	1,628
Total Revenue	7,602	4,830	9,034	4,099	55,768	160,312
Expenses						
Property operating	2,979	2,415	2,273	2,279	18,536	50,362
Real estate taxes	694	271	622	231	4,547	20,705
Management fees	190	79	269	67	1,495	4,327
Total Expenses	3,863	2,765	3,164	2,577	24,578	75,394
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 3,739	$ 2,065	$ 5,870	$ 1,522	$ 31,190	$ 84,918
Affiliated Seller	Fund I/Fund II/Fund III/Recap	Fund I/Fund II/Fund III/Recap	Fund I/Fund II/Fund III/Recap	Fund I/Fund II/Fund III/Recap		
JBG SMITH Ownership (Unaudited)	10.0%	10.0%	10.0%	10.0%		
Anticipated Financial Statement Presentation by Combined Entity (Unaudited)	Non-Consolidated	Non-Consolidated	Non-Consolidated	Non-Consolidated		
Jurisdiction	MD	MD	MD	MD		

See accompanying independent auditors' report.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations

For the Year Ended December 31, 2016

(dollar amounts in thousands)

	Retail	
	North End Retail	Subtotal DC Retail
Revenue		
Property rentals	$ 980	$ 980
Tenant expense reimbursement	227	227
Other revenue	46	46
Total Revenue	1,253	1,253
Expenses		
Property operating	824	824
Real estate taxes	200	200
Management fees	42	42
Total Expenses	1,066	1,066
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 187	$ 187
Affiliated Seller	Fund VII	
JBG SMITH Ownership (Unaudited)	100.0%	
Anticipated Financial Statement Presentation by Combined Entity (Unaudited)	Consolidated	
Jurisdiction	DC	

See accompanying independent auditors' report.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations

For the Year Ended December 31, 2016

(dollar amounts in thousands)

	Retail—Continued		
	Stonebridge at Potomac Town Center—Phase I	Subtotal VA Retail	Total Retail
Revenue			
Property rentals	$ 11,075	$ 11,075	$ 12,055
Tenant expense reimbursement	2,870	2,870	3,097
Other revenue	349	349	395
Total Revenue	14,294	14,294	15,547
Expenses			
Property operating	2,521	2,521	3,345
Real estate taxes	1,551	1,551	1,751
Management fees	524	524	566
Total Expenses	4,596	4,596	5,662
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 9,698	$ 9,698	$ 9,885
Affiliated Seller	Fund IX		
JBG SMITH Ownership (Unaudited)	10.0%		
Anticipated Financial Statement Presentation by Combined Entity (Unaudited)	Non-Consolidated		
Jurisdiction	VA		

See accompanying independent auditors' report.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations

For the Year Ended December 31, 2016

(dollar amounts in thousands)

	Multifamily			
	The Gale Eckington	Atlantic Plumbing	Fort Totten Square	Subtotal DC Multifamily
Revenue				
Property rentals	$ 13,516	$ 5,285	$ 6,375	$ 25,176
Tenant expense reimbursement	425	177	871	1,473
Other revenue	321	125	155	601
Total Revenue	14,262	5,587	7,401	27,250
Expenses				
Property operating	3,697	2,453	2,705	8,855
Real estate taxes	77	525	1,288	1,890
Management fees	561	250	288	1,099
Total Expenses	4,335	3,228	4,281	11,844
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 9,927	$ 2,359	$ 3,120	$ 15,406
Affiliated Seller	Fund IX	Fund VII	Fund VII	
JBG SMITH Ownership (Unaudited)	5.0%	64.0%	100.0%	
Anticipated Financial Statement Presentation by Combined Entity (Unaudited)	Non-Consolidated	Non-Consolidated	Consolidated	
Jurisdiction	DC	DC	DC	

See accompanying independent auditors' report.

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations

For the Year Ended December 31, 2016

(dollar amounts in thousands)

	Multifamily—Continued	
	Fairway Apartments	Subtotal VA Multifamily
Revenue		
Property rentals	$ 6,283	$ 6,283
Tenant expense reimbursement	559	559
Other revenue	243	243
Total Revenue	7,085	7,085
Expenses		
Property operating	2,096	2,096
Real estate taxes	772	772
Management fees	284	284
Total Expenses	3,152	3,152
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 3,933	$ 3,933
Affiliated Seller	Fund IX	
JBG SMITH Ownership (Unaudited)	10.0%	
Anticipated Financial Statement Presentation by Combined Entity (Unaudited)	Non-Consolidated	
Jurisdiction	VA	

See accompanying independent auditors' report.

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations

For the Year Ended December 31, 2016

(dollar amounts in thousands)

	Galvan	The Terano	The Alaire	Falkland Chase—South & West
Revenue				
Property rentals	$ 5,543	$ 4,200	$ 5,761	$ 5,190
Tenant expense reimbursement	340	104	269	123
Other revenue	109	76	140	141
Total Revenue	5,992	4,380	6,170	5,454
Expenses				
Property operating	2,589	1,620	1,685	1,279
Real estate taxes	838	437	691	430
Management fees	239	224	252	217
Total Expenses	3,666	2,281	2,628	1,926
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 2,326	$ 2,099	$ 3,542	$ 3,528
Affiliated Seller	Urban Direct	Urban Direct	Urban Direct	Fund VIII
JBG SMITH Ownership (Unaudited)	1.8%	1.8%	18.0%	100.0%
Anticipated Financial Statement Presentation by Combined Entity (Unaudited)	Non-Consolidated	Non-Consolidated	Non-Consolidated	Consolidated
Jurisdiction	MD	MD	MD	MD

See accompanying independent auditors' report.

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations

For the Year Ended December 31, 2016

(dollar amounts in thousands)

	Multifamily—Continued			
	Falkland Chase—North	Subtotal MD Multifamily	Total Multifamily	Combined Total
Revenue				
Property rentals	$ 2,882	$ 23,576	$ 55,035	$ 204,906
Tenant expense reimbursement	83	919	2,951	26,916
Other revenue	123	589	1,433	3,456
Total Revenue	3,088	25,084	59,419	235,278
Expenses				
Property operating	880	8,053	19,004	72,711
Real estate taxes	318	2,714	5,376	27,832
Management fees	122	1,054	2,437	7,330
Total Expenses	1,320	11,821	26,817	107,873
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 1,768	$ 13,263	$ 32,602	$ 127,405
Affiliated Seller	Fund VIII			
JBG SMITH Ownership (Unaudited)	100.0%			
Anticipated Financial Statement Presentation by Combined Entity (Unaudited)	Consolidated			
Jurisdiction	MD			

See accompanying independent auditors' report.

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Section 4: EX-99.2 (EX-99.2)

Exhibit 99.2

JBG REAL ESTATE OPERATING ASSETS

INTERIM COMBINED STATEMENT OF REVENUES AND EXPENSES FROM REAL ESTATE OPERATIONS (Unaudited)

For the Six Months Ended June 30, 2017

JBG REAL ESTATE OPERATING ASSETS

Combined Statement of Revenues and Expenses from Real Estate Operations (Unaudited)
(dollar amounts in thousands)

	For the Six Months Ended June 30, 2017
Revenue	
Property rentals	$ 110,105
Tenant expense reimbursement	9,515
Other revenue	2,045
Total Revenue	121,665
Expenses	
Property operating	30,571
Real estate taxes	15,570
Management fees	4,102
Total Expenses	50,243
Revenues in Excess of Expenses	$ 71,422

See accompanying notes to combined statement of revenues and expenses from real estate operations.

JBG REAL ESTATE OPERATING ASSETS

Notes to the Combined Statement of Revenues and Expenses from

Real Estate Operations (Unaudited)

For the Six Months Ended June 30, 2017

(dollar amounts in thousands)

NOTE 1—BASIS OF PRESENTATION

JBG Real Estate Operating Assets is not a separate or single legal entity, but rather a combination of real estate operating assets and entities under the common management of JBG/Operating Partners, L.P. (the “Partnership”) and its consolidated subsidiaries (the “Management Company”). The Management Company earns fees in connection with investment, development, property management, leasing, construction management, tenant improvement construction, and finance provided to commercial office, multifamily (both rental and for-sale), retail, and hotel assets. Substantially all fee revenue earned by the Management Company is from services provided to the real estate assets owned by affiliated real estate investment funds (each a “Fund” and collectively, the “Funds”) and real estate ventures (the “Ventures”). The Funds either held or continue to hold direct or indirect ownership in each real estate asset (“Property Asset”) through separate limited liability companies (each, a “Property LLC”). The Funds own direct or indirect equity interests in the Property LLCs. The Ventures also either held or continue to hold interests in real estate assets (the “Venture Assets”). The Management Company, Funds, Ventures, Property Assets, Property LLCs, and Venture Assets are collectively referred to as “JBG”.

On October 31, 2016, the Partnership entered into a Master Transaction Agreement (the “Transaction Agreement”) with Vornado Realty Trust, Vornado Realty L.P., JBG Properties, Inc., certain affiliates of JBG Properties, Inc., JBG SMITH Properties (“JBG SMITH”) and JBG SMITH Properties LP, a Delaware limited partnership and JBG SMITH’s subsidiary operating partnership (the “Operating Partnership”). On July 18, 2017, in accordance with the Transaction Agreement, the Management Company, the Funds’ interests in certain Property LLCs, and interests in the

Ventures, were contributed through a series of transactions to the Operating Partnership, in exchange for the right to receive units of limited partnership interest in the Operating Partnership or common shares of JBG SMITH or, in certain circumstances, cash (the "Transaction"). As of the closing of the Transaction on July 18, 2017, JBG SMITH was a publicly traded real estate investment trust. Except where the context requires otherwise, "JBG SMITH" refers to JBG SMITH, the Operating Partnership and their consolidated subsidiaries.

On July 18, 2017, JBG SMITH acquired up to 100% of the ownership interests in certain Property LLCs from one or more of the following real estate funds, affiliated with the Management Company: JBG Investment Fund I, L.P. ("Fund I"); JBG Investment Fund II, L.P. ("Fund II"); JBG Investment Fund III, L.P. ("Fund III"); JBG Investment Fund VI, L.L.C. ("Fund VI"); JBG Investment Fund VII, L.L.C. ("Fund VII"); JBG Investment Fund VIII, L.L.C. ("Fund VIII"); JBG Investment Fund IX, L.L.C. ("Fund IX"); JBG/Urban Direct Member, L.L.C. ("Urban Direct"); and JBG/Recap Investors, L.L.C. ("Recap"). JBG SMITH also acquired interests in several Ventures from the Funds and other affiliates of the Management Company.

The Management Company, Funds, Ventures, and Property LLCs are not entities under common control or subsidiaries of a common parent. The Property Assets and Venture Assets presented in the combined statement of revenues and expenses from real estate operations and supplementary information presented in Schedule 1 (the "Statement") have been under common management of the Management Company since the date of acquisition by the applicable Fund.

Although JBG SMITH acquired less than 100% of the equity interests in certain of the Property LLCs and each Venture, the Statement presents 100% of the revenues and expenses from real estate operations for each Property Asset and Venture Asset. The schedule included in the Supplemental Information identifies the selling entity (Fund) and the name of the Venture, and the percentage ownership in each Property Asset or Venture Asset that was acquired by JBG SMITH.

The following tables set forth the percentage ownership interest JBG SMITH acquired in the Property LLCs and Ventures that hold ownership interests in certain Property Assets and Venture Assets.

JBG SMITH acquired 100% of the ownership interests in the Property LLCs that hold the ownership interests in the following Property Assets:

Property Asset—Office	Property Asset—Retail	Property Asset—Multifamily
1233 20th Street	North End Retail	Falkland Chase—North
1600 K Street		Falkland Chase—South & West
1831 Wiehle Avenue		Fort Totten Square
800 North Glebe Road		
7200 Wisconsin Avenue		
RTC—West		
Summit I		
Summit II		
Wiehle Avenue Office Building		

JBG SMITH acquired less than 100% of the ownership interests in the Property LLCs and Ventures that hold the ownership interests in the following Property Assets and Venture Assets, with the exception of 12725 Twinbrook Parkway.

Property Assets and Venture Assets	Type	JBG SMITH Ownership
5640 Fishers/12441 Parklawn	Office	10.0%
12725 Twinbrook Parkway	Office	0.0%(1)
11333 Woodglen Drive	Office	18.0%
Capitol Point—North	Office	59.0%
Chase Tower Office/Retail	Office	10.0%
Courthouse Metro Office	Office	18.0%
Fishers Place I	Office	10.0%
Fishers Place II	Office	10.0%
Fishers Place III	Office	10.0%
L'Enfant Plaza Office—East	Office	49.0%
L'Enfant Plaza Office—North	Office	49.0%
L'Enfant Plaza Retail	Office	49.0%
NoBe II Office	Office	18.0%
Pickett Industrial Park	Office	10.0%
Rosslyn Gateway—North	Office	18.0%
Rosslyn Gateway—South	Office	18.0%
The Foundry	Office	9.9%
Woodglen	Office	18.0%
Stonebridge at Potomac Town Center—Phase I	Retail	10.0%
Atlantic Plumbing	Multifamily	64.0%
Fairway Apartments	Multifamily	10.0%
Galvan	Multifamily	1.8%

The Alaire	Multifamily	18.0%
The Gale Eckington	Multifamily	5.0%
The Terano	Multifamily	1.8%

(1) The Fund's 10% ownership interest in the asset was sold to an unrelated party on July 12, 2017.

The accompanying combined statement of revenues and expenses from real estate operations has been prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act. Accordingly, the combined statement of revenues and expenses from real estate operations does not reflect the actual operations for the period presented as revenues and expenses from real estate operations excludes certain revenue and expenses expected to be incurred in the future operations of the Property Assets or Venture Assets. Such items include depreciation, amortization, interest expense, interest income, ground rent expense, and amortization of above- and below-market leases. Revenue includes contractual base and other rent pursuant to the lease agreements, tenant expense reimbursements, and other revenue derived from the operation of the real estate asset. The expenses presented are the direct expenses associated with operating and maintaining the real estate asset and are recognized as incurred.

Further, the accompanying combined statement of revenues and expenses from real estate operations does not include any amounts for non-operating real estate assets including future development parcels and Property Assets or Venture Assets in the near-term development, development, and construction phases.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination—The combined statement of revenues and expenses from real estate operations includes selected accounts of the Property Assets and Venture Assets as described in Note 1. All significant intercompany accounts and transactions have been eliminated in the combined statement of revenues and expenses from real estate operations.

Unaudited Interim Combined Statement—The combined statement of revenues and expenses from real estate operations for the six months ended June 30, 2017 is unaudited. In the opinion of management, the Statement reflects all adjustments necessary for a fair presentation of the results of the interim periods. All such adjustments are of a normal recurring nature.

Revenue Recognition—Property rental revenue is recognized on a straight-line basis over the lease term when collectability is reasonably assured and the tenant has taken possession or controls the physical use of the leased asset.

Tenant expense reimbursements for real estate taxes, common area maintenance, and other recoverable costs are recognized in the period that the expenses are incurred. The reimbursements are recognized and presented gross as the Property Assets and Venture Assets are generally the primary obligor with respect to purchasing goods and services from third-party suppliers, have discretion in selecting the supplier, and bear the associated credit risk.

Other revenue is revenue derived from lease termination fees and the tenants' use of parking and other property facilities. Lease termination fees are recognized when the related leases are canceled and the landlord has no continuing obligation to provide services to such former tenants. Other revenue is recognized when the related services are utilized by the tenants.

Use of Estimates—Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenues and expenses from real estate operations during the reporting period to present the statement of revenues and expenses from real estate operations in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

NOTE 3—SUMMARY TABLE

The following table separately presents the aggregate operating revenues and expenses for the wholly owned Property Assets and the less than wholly owned consolidated and non-consolidated Property Assets and Venture Assets.

	Six Months Ended June 30, 2017			
	100% Owned	Less Than 100% Owned Consolidated	Combined	Less Than 100% Owned Non-Consolidated
Revenue				
Property rentals	$ 35,959	$ —	$ 35,959	$ 74,146
Tenant expense reimbursement	3,620	—	3,620	5,895
Other revenue	454	—	454	1,591
Total Revenue	40,033	—	40,033	81,632
Expenses				
Property operating	10,279	—	10,279	20,292
Real estate taxes	5,067	—	5,067	10,503
Management fees	1,273	—	1,273	2,829
Total Expenses	16,619	—	16,619	33,624
Revenues in Excess of Expenses	$ 23,414	$ —	$ 23,414	$ 48,008

NOTE 4—LEASE COMMITMENTS

There are various lease agreements in place with tenants to lease space in the Property Assets and Venture Assets. As of June 30, 2017, the minimum future cash rents receivable under non-cancelable operating leases in each of the next five years and thereafter were as follows:

Six Months Ending December 31, 2017	$ 67,249
2018	132,940
2019	119,977
2020	110,655
2021	85,295
Thereafter	295,024
	$ 811,140

Leases generally require reimbursement of the tenant's proportional share of common area, real estate taxes, and other operating expenses, which are excluded from the amounts above. Future cash rents receivable on multifamily real estate operating assets are excluded from the table above as the lease terms are generally one year or less.

NOTE 5—TENANT CONCENTRATIONS

For the six months ended June 30, 2017, 14% of total combined revenue was recognized from one government agency tenant.

NOTE 6—RELATED PARTY TRANSACTIONS

The Management Company provides all property management and related services for the Property Assets and Venture Assets, which are calculated as a percentage of rental revenue or gross receipts. These fees, which have been recorded as management fees in the accompanying Statement, totaled $4,102 for the six months ended June 30, 2017.

NOTE 7—SUBSEQUENT EVENTS

Subsequent events were evaluated through September 15, 2017, the date the combined statement of revenues and expenses from real estate operations was available to be issued.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1

Combined Statement of Revenues and Expenses from Real Estate Operations (Unaudited)

For the Six Months Ended June 30, 2017

(dollar amounts in thousands)

	Office			
	Capitol Point—North	**L'Enfant Plaza Office—East**	**L'Enfant Plaza Office—North**	**L'Enfant Plaza Retail**
Revenue				
Property rentals	$ 67	$ 9,252	$ 4,746	$ 1,968
Tenant expense reimbursement	(49)	223	148	384
Other revenue	—	41	164	39
Total Revenue	18	9,516	5,058	2,391
Expenses				
Property operating	84	2,419	1,783	1,151
Real estate taxes	246	1,998	1,371	453
Management fees	10	331	124	77
Total Expenses	340	4,748	3,278	1,681
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ (322)	$ 4,768	$ 1,780	$ 710
Affiliated Seller	Fund VI/Urban Direct	Fund VI/Urban Direct	Fund VI/Urban Direct	Fund VI/Urban Direct
JBG SMITH Ownership	59.0%	49.0%	49.0%	49.0%
Anticipated Financial Statement				

Presentation by Combined Entity	Non-Consolidated	Non-Consolidated	Non-Consolidated	Non-Consolidated
Jurisdiction	DC	DC	DC	DC

Note: This schedule is presented for the purposes of additional analysis and is not a required part of the Statement. The terms "consolidated" and "non-consolidated" reflect management's preliminary conclusion with respect to presentation of such assets in JBG SMITH's financial statements upon completion of the transaction described in Note 1.

See accompanying notes to combined statement of revenues and expenses from real estate operations.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations (Unaudited)

For the Six Months Ended June 30, 2017

(dollar amounts in thousands)

	Office—Continued			
	1233 20th Street	**The Foundry**	**1600 K Street**	**Subtotal DC Office**
Revenue				
Property rentals	$ 2,897	$ 4,719	$ 1,747	$ 25,396
Tenant expense reimbursement	147	116	141	1,110
Other revenue	11	122	40	417
Total Revenue	3,055	4,957	1,928	26,923
Expenses				
Property operating	939	1,453	583	8,412
Real estate taxes	625	804	372	5,869
Management fees	73	138	66	819
Total Expenses	1,637	2,395	1,021	15,100
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 1,418	$ 2,562	$ 907	$ 11,823
Affiliated Seller	Fund VIII	Fund IX	Fund VII	
JBG SMITH Ownership	100.0%	9.9%	100.0%	
Anticipated Financial Statement Presentation by Combined Entity	Consolidated	Non-Consolidated	Consolidated	
Jurisdiction	DC	DC	DC	

See accompanying notes to combined statement of revenues and expenses from real estate operations.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations (Unaudited)

For the Six Months Ended June 30, 2017

(dollar amounts in thousands)

	Office—Continued					
	Courthouse Metro Office	**Rosslyn Gateway—North**	**Rosslyn Gateway—South**	**Pickett Industrial Park**	**1831 Wiehle Avenue**	**Wiehle Avenue Office Building**
Revenue						
Property rentals	$ 237	$ 2,815	$ 1,421	$ 1,508	$ 821	$ 501
Tenant expense reimbursement	1	75	(3)	433	126	50
Other revenue	9	9	11	—	—	—
Total Revenue	247	2,899	1,429	1,941	947	551
Expenses						
Property operating	137	828	483	389	323	294

Real estate taxes	103	187	169	228	83	71
Management fees	30	85	44	59	34	30
Total Expenses	270	1,100	696	676	440	395
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ (23)	$ 1,799	$ 733	$ 1,265	$ 507	$ 156
Affiliated Seller	Urban Direct	Urban Direct	Urban Direct	Fund IX	Fund VIII/Urban Direct	Fund VIII
JBG SMITH Ownership	18.0%	18.0%	18.0%	10.0%	100.0%	100.0%
Anticipated Financial Statement Presentation by Combined Entity	Non-Consolidated	Non-Consolidated	Non-Consolidated	Non-Consolidated	Consolidated	Consolidated
Jurisdiction	VA	VA	VA	VA	VA	VA

See accompanying notes to combined statement of revenues and expenses from real estate operations.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations (Unaudited)

For the Six Months Ended June 30, 2017

(dollar amounts in thousands)

	Office—Continued				
	800 North Glebe Road	**Summit I**	**Summit II**	**RTC—West**	**Subtotal VA Office**
Revenue					
Property rentals	$ 4,998	$ 1,917	$ 2,158	$ 6,894	$ 23,270
Tenant expense reimbursement	1,687	—	73	245	2,687
Other revenue	132	1	2	47	211
Total Revenue	6,817	1,918	2,233	7,186	26,168
Expenses					
Property operating	1,383	193	611	2,059	6,700
Real estate taxes	901	221	221	899	3,083
Management fees	219	41	68	222	832
Total Expenses	2,503	455	900	3,180	10,615
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 4,314	$ 1,463	$ 1,333	$ 4,006	$ 15,553
Affiliated Seller	Fund VII/Urban Direct	Fund VIII	Fund VIII	Fund VIII	
JBG SMITH Ownership	100.0%	100.0%	100.0%	100.0%	
Anticipated Financial Statement Presentation by Combined Entity	Consolidated	Consolidated	Consolidated	Consolidated	
Jurisdiction	VA	VA	VA	VA	

See accompanying notes to combined statement of revenues and expenses from real estate operations.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations (Unaudited)

For the Six Months Ended June 30, 2017

(dollar amounts in thousands)

	Office—Continued					
	11333 Woodglen Drive	**NoBe II Office**	**Woodglen**	**7200 Wisconsin Avenue**	**Chase Tower Office/Retail**	**12725 Twinbrook Parkway[1]**

Revenue						
Property rentals	$ 975	$ 326	$ 89	$ 4,977	$ 5,918	$ 666
Tenant expense reimbursement	213	13	—	325	645	570
Other revenue	46	26	—	6	191	—
Total Revenue	1,234	365	89	5,308	6,754	1,236
Expenses						
Property operating	416	513	46	1,338	1,454	446
Real estate taxes	92	49	6	505	648	72
Management fees	38	10	—	159	192	39
Total Expenses	546	572	52	2,002	2,294	557
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 688	$ (207)	$ 37	$ 3,306	$ 4,460	$ 679
Affiliated Seller	Urban Direct	Urban Direct	Urban Direct	Fund VI	Fund I/Fund II/ Fund III/Recap	Fund I/Fund II/ Fund III
JBG SMITH Ownership	18.0%	18.0%	18.0%	100.0%	10.0%	10.0%
Anticipated Financial Statement Presentation by Combined Entity	Non-Consolidated	Non-Consolidated	Non-Consolidated	Consolidated	Non-Consolidated	Non-Consolidated
Jurisdiction	MD	MD	MD	MD	MD	MD

(1) Asset was sold on July 12, 2017.

See accompanying notes to combined statement of revenues and expenses from real estate operations.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations (Unaudited)

For the Six Months Ended June 30, 2017

(dollar amounts in thousands)

	Office—Continued					
	Fishers Place I	**Fishers Place II**	**Fishers Place III**	**5640 Fishers/12441 Parklawn**	**Subtotal MD Office**	**Total Office**
Revenue						
Property rentals	$ 1,996	$ 1,072	$ 4,066	$ 884	$ 20,969	$ 69,635
Tenant expense reimbursement	375	141	206	—	2,488	6,285
Other revenue	52	71	64	—	456	1,084
Total Revenue	2,423	1,284	4,336	884	23,913	77,004
Expenses						
Property operating	81	55	1,087	79	5,515	20,627
Real estate taxes	362	138	280	113	2,265	11,217
Management fees	97	41	108	30	714	2,365
Total Expenses	540	234	1,475	222	8,494	34,209
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 1,883	$ 1,050	$ 2,861	$ 662	$ 15,419	$ 42,795
Affiliated Seller	Fund I/Fund II/Fund III/Recap	Fund I/Fund II/Fund III/Recap	Fund I/Fund II/ Fund III/Recap	Fund I/Fund II/Fund III/Recap		
JBG SMITH Ownership	10.0%	10.0%	10.0%	10.0%		
Anticipated Financial Statement Presentation by Combined Entity	Non-Consolidated	Non-Consolidated	Non-Consolidated	Non-Consolidated		
Jurisdiction	MD	MD	MD	MD		

See accompanying notes to combined statement of revenues and expenses from real estate operations.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations (Unaudited)

For the Six Months Ended June 30, 2017

(dollar amounts in thousands)

	Retail	
	North End Retail	Subtotal DC Retail
Revenue		
Property rentals	$ 938	$ 938
Tenant expense reimbursement	124	124
Other revenue	3	3
Total Revenue	1,065	1,065
Expenses		
Property operating	186	186
Real estate taxes	96	96
Management fees	24	24
Total Expenses	306	306
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 759	$ 759
Affiliated Seller	Fund VII	
JBG SMITH Ownership	100.0%	
Anticipated Financial Statement Presentation by Combined Entity	Consolidated	
Jurisdiction	DC	

See accompanying notes to combined statement of revenues and expenses from real estate operations.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations (Unaudited)

For the Six Months Ended June 30, 2017

(dollar amounts in thousands)

	Retail—Continued		
	Stonebridge at Potomac Town Center—Phase I	Subtotal VA Retail	Total Retail
Revenue			
Property rentals	$ 5,667	$ 5,667	$ 6,605
Tenant expense reimbursement	1,158	1,158	1,282
Other revenue	57	57	60
Total Revenue	6,882	6,882	7,947
Expenses			
Property operating	925	925	1,111
Real estate taxes	776	776	872
Management fees	268	268	292
Total Expenses	1,969	1,969	2,275
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 4,913	$ 4,913	$ 5,672
Affiliated Seller	Fund IX		
JBG SMITH Ownership	10.0%		
Anticipated Financial Statement Presentation by Combined Entity	Non-Consolidated		
Jurisdiction	VA		

See accompanying notes to combined statement of revenues and expenses from real estate operations.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations (Unaudited)

For the Six Months Ended June 30, 2017

(dollar amounts in thousands)

	Multifamily			
	The Gale Eckington	Atlantic Plumbing	Fort Totten Square	Subtotal DC Multifamily
Revenue				
Property rentals	$ 7,228	$ 5,638	$ 4,081	$ 16,947
Tenant expense reimbursement	184	183	593	960
Other revenue	230	80	99	409
Total Revenue	7,642	5,901	4,773	18,316
Expenses				
Property operating	1,638	1,255	1,277	4,170
Real estate taxes	363	428	656	1,447
Management fees	309	222	177	708
Total Expenses	2,310	1,905	2,110	6,325
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 5,332	$ 3,996	$ 2,663	$ 11,991
Affiliated Seller	Fund IX	Fund VII	Fund VII	
JBG SMITH Ownership	5.0%	64.0%	100.0%	
Anticipated Financial Statement Presentation by Combined Entity	Non-Consolidated	Non-Consolidated	Consolidated	
Jurisdiction	DC	DC	DC	

See accompanying notes to combined statement of revenues and expenses from real estate operations.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations (Unaudited)

For the Six Months Ended June 30, 2017

(dollar amounts in thousands)

	Multifamily—Continued	
	Fairway Apartments	Subtotal VA Multifamily
Revenue		
Property rentals	$ 3,175	$ 3,175
Tenant expense reimbursement	271	271
Other revenue	126	126
Total Revenue	3,572	3,572
Expenses		
Property operating	1,008	1,008
Real estate taxes	386	386
Management fees	147	147
Total Expenses	1,541	1,541
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 2,031	$ 2,031
Affiliated Seller	Fund IX	
JBG SMITH Ownership	10.0%	
Anticipated Financial Statement Presentation by Combined Entity	Non-Consolidated	
Jurisdiction	VA	

See accompanying notes to combined statement of revenues and expenses from real estate operations.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations (Unaudited)

For the Six Months Ended June 30, 2017

(dollar amounts in thousands)

	Multifamily—Continued			
	Galvan	The Terano	The Alaire	Falkland Chase—South & West
Revenue				
Property rentals	$ 4,586	$ 2,221	$ 2,906	$ 2,662
Tenant expense reimbursement	390	89	129	66
Other revenue	82	81	90	70
Total Revenue	5,058	2,391	3,125	2,798
Expenses				
Property operating	1,176	574	812	675
Real estate taxes	566	298	367	241
Management fees	190	113	127	102
Total Expenses	1,932	985	1,306	1,018
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 3,126	$ 1,406	$ 1,819	$ 1,780
Affiliated Seller	Urban Direct	Urban Direct	Urban Direct	Fund VIII
JBG SMITH Ownership	1.8%	1.8%	18.0%	100.0%
Anticipated Financial Statement Presentation by Combined Entity	Non-Consolidated	Non-Consolidated	Non-Consolidated	Consolidated
Jurisdiction	MD	MD	MD	MD

See accompanying notes to combined statement of revenues and expenses from real estate operations.

JBG REAL ESTATE OPERATING ASSETS

Supplemental Information—Schedule 1 (Continued)

Combined Statement of Revenues and Expenses from Real Estate Operations (Unaudited)

For the Six Months Ended June 30, 2017

(dollar amounts in thousands)

	Multifamily—Continued			
	Falkland Chase—North	Subtotal MD Multifamily	Total Multifamily	Combined Total
Revenue				
Property rentals	$ 1,368	$ 13,743	$ 33,865	$ 110,105
Tenant expense reimbursement	43	717	1,948	9,515
Other revenue	43	366	901	2,045
Total Revenue	1,454	14,826	36,714	121,665
Expenses				
Property operating	418	3,655	8,833	30,571
Real estate taxes	176	1,648	3,481	15,570
Management fees	58	590	1,445	4,102
Total Expenses	652	5,893	13,759	50,243
Revenues in Excess of Expenses (Expenses in Excess of Revenues)	$ 802	$ 8,933	$ 22,955	$ 71,422
Affiliated Seller	Fund VIII			
JBG SMITH Ownership	100.0%			
Anticipated Financial Statement Presentation by Combined Entity	Consolidated			
Jurisdiction	MD			

See accompanying notes to combined statement of revenues and expenses from real estate operations.

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Section 5: EX-99.3 (EX-99.3)

Exhibit 99.3

JBG/OPERATING PARTNERS, L.P. AND SUBSIDIARIES
Chevy Chase, Maryland

CONSOLIDATED FINANCIAL STATEMENTS

Including Report of Independent Auditors

For the Year Ended
December 31, 2016

INDEPENDENT AUDITORS' REPORT

The Partners
JBG/Operating Partners, L.P.

We have audited the accompanying consolidated financial statements of JBG/Operating Partners, L.P. and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of income and comprehensive income, changes in partners' deficit, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of JBG/Operating Partners, L.P. and its subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

/s/ KPMG LLP

McLean, Virginia
June 8, 2017

JBG/OPERATING PARTNERS, L.P. AND SUBSIDIARIES

Consolidated Balance Sheet

As of December 31, 2016

(dollar amounts in thousands)

Assets		
Current assets		
Cash and cash equivalents	$	5,091
Accounts receivable		8,107
Prepaid expenses and other current assets		1,036
Due from affiliates		8,852
Total current assets		23,086
Intangible assets, net		1,116
Goodwill		8,967
Investment in affiliates		151
Property and equipment, net		6,189
Total Assets	$	39,509
Liabilities and Partners' Deficit		
Current liabilities		
Line of credit	$	3,600
Accounts payable		424
Accrued expenses		20,880
Accrued limited partner profit-sharing expense, current		4,223
Deferred rent, current		302
Contingent purchase consideration payable		1,675
Due to affiliate		156
Total current liabilities		31,260
Accrued limited partner profit-sharing expense, net of current portion		128,758
Deferred rent, net of current portion		2,871
Total Liabilities		162,889
Total Partners' Deficit		(123,380)
Total Liabilities and Partners' Deficit	$	39,509

See accompanying notes to the consolidated financial statements.

JBG/OPERATING PARTNERS, L.P. AND SUBSIDIARIES

Consolidated Statement of Income and Comprehensive Income

For the Year Ended December 31, 2016

(dollar amounts in thousands)

Revenues		
Asset management fees	$	35,992
Asset management fee credits		3,757
Development and construction management fees		26,049
Property management fees		21,873
Leasing fees		6,068
Other revenue		3,907
Total revenues		97,646
Operating Expenses		
Salary and benefits—reimbursement to general partner		55,516
Limited partner profit-sharing expense		24,471
Asset management fee credit expense		3,757
General and administrative		14,959
Depreciation and amortization		1,827
Total operating expenses		100,530
Operating Loss		(2,884)
Income from investments in affiliates		539
Other Income (Expenses)		

Gain on acquisition of affiliate, net	3,412
Loss on disposal of equipment	(9)
Interest expense	(303)
Total other income (expenses)	3,100
Income Before Income Taxes	755
Income Taxes	(386)
Net Income	369
Other comprehensive income	—
Comprehensive Income	$ 369

See accompanying notes to the consolidated financial statements.

JBG/OPERATING PARTNERS, L.P. AND SUBSIDIARIES

Consolidated Statement of Changes in Partners' Deficit

For the Year Ended December 31, 2016

(dollar amounts in thousands)

Balance, January 1, 2016	$ (123,749)
Net Income	369
Balance, December 31, 2016	$ (123,380)

See accompanying notes to the consolidated financial statements.

JBG/OPERATING PARTNERS, L.P. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2016

(dollar amounts in thousands)

Cash Flows from Operating Activities	
Net income	$ 369
Reconciliation adjustments	
Gain on acquisition of affiliate, net	(3,412)
Loss on disposal of equipment	9
Depreciation and amortization	1,827
Other adjustments	60
Income from investment in affiliates	(539)
Distributions from affiliates	604
Changes in, net of acquired amounts:	
Accounts receivable	287
Prepaid expenses and other current assets	107
Accounts payable	99
Accrued expenses	2,195
Accrued limited partner profit-sharing expense	4,517
Due from affiliate, net	(7,901)
Deferred rent	(199)
Net cash used in operating activities	(1,977)
Cash Flows from Investing Activities	
Acquisition of affiliate	(4,668)
Acquisition of property and equipment	(427)
Net cash used in investing activities	(5,095)
Cash Flows from Financing Activities	
Line of credit advances	12,000
Line of credit repayments	(8,400)
Loan costs	(60)
Net cash provided by financing activities	3,540
Net Decrease in Cash and Cash Equivalents	(3,532)

Cash and Cash Equivalents, beginning of year		8,623
Cash and Cash Equivalents, end of year	$	5,091
Supplemental Disclosure of Cash Flow Information		
Interest paid	$	243
Taxes paid	$	313
Supplemental Disclosure of Non-Cash Activity		
Contingent consideration for acquisition of affiliate	$	2,000

See accompanying notes to the consolidated financial statements.

JBG/OPERATING PARTNERS, L.P. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(dollar amounts in thousands)

NOTE 1—ORGANIZATION

JBG/Operating Partners, L.P. and subsidiaries (the "Partnership") is a limited partnership under the laws of the State of Delaware and will continue in perpetuity, unless earlier terminated or dissolved pursuant to the limited partnership agreement or by operation of law.

The Partnership is a fee-based real estate services company that is owned by a group of investors, including a general partner and nineteen limited partners (the "Limited Partners"). The Limited Partners, and all other personnel providing services to and on behalf of the Partnership, are employees of the Partnership's general partner. The Partnership reimburses its general partner for all salary, benefits, and related costs under a cost reimbursement arrangement.

The Partnership operates in the Washington, DC metropolitan area and earns fees in connection with investment, development, assets and property management, leasing, construction management, tenant improvement construction and finance services provided to commercial office properties, multifamily (both rental and for-sale), retail and hotels. Substantially all fee revenue earned by the Partnership is from services provided for the real estate assets owned by affiliated real estate investment funds (the "Funds") and other real estate investment vehicles (collectively, the "Contributing Entities"). The Contributing Entities own interests in real estate assets through separate limited liability companies ("Property LLCs"). The Partnership, Contributing Entities, and Property LLCs are not under common control or ownership.

On October 31, 2016, the Partnership entered into a Master Transaction Agreement (the "Transaction Agreement") with Vornado Realty Trust, Vornado Realty L.P., JBG Properties, Inc., certain affiliates of JBG Properties, Inc., JBG SMITH Properties ("JBG SMITH") and JBG SMITH Properties LP, a Delaware limited partnership and JBG SMITH's subsidiary operating partnership (the "Operating Partnership"), pursuant to which, among other things, the Partnership, and the Funds' interests in certain separate Property LLCs' will be contributed through a series of formation transactions to the Operating Partnership, in exchange for the right to receive units of limited partnership interest in the Operating Partnership or common shares of JBG SMITH or, in certain circumstances, cash (the "Transaction"). As of the closing of the Transaction, JBG SMITH will be a publicly traded real estate investment trust. The Contributing Entities are otherwise not parties to the formation transactions and the substantial majority of them will continue to exist independent of the Transaction. It is expected that the Partnership will merge with and into a subsidiary of the Operating Partnership, which will continue providing management and other services to, and on behalf of, certain of the Contributing Entities and the Property LLCs owned by the Contributing Entities that were not contributed in the Transaction.

On May 25, 2016, the Partnership and certain affiliated entities entered into a Master Combination Agreement (the "Combination Agreement") with New York REIT, Inc. ("NYRT"). On August 2, 2016, the Partnership and NYRT entered into a Termination and Release Agreement (the "Termination Agreement") which terminated the Combination Agreement. In accordance with the Termination Agreement, NYRT reimbursed the Partnership $9,500 for professional fees incurred by the Partnership pursuing the transactions governed by the Combination Agreement. The Partnership's share of the reimbursement from NYRT totaled $1,303 and was recorded as a reduction of general and administrative expenses on the accompanying consolidated statement of income and comprehensive income. The remaining amount reimbursed by NYRT was recorded as a reduction of due from affiliates.

The Partnership has one reportable segment—real estate services.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates.

Principles of Consolidation—The consolidated financial statements include the accounts of the Partnership and its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The Partnership has adopted the

Financial Accounting Standards Board's ("FASB") Accounting Standards Updated ("ASU") No. 2015-02, *Amendment to the Consolidation Analysis*, which improves targeted areas of the consolidation guidance and reduces the number of consolidation models for all periods presented.

The Partnership does not have significant involvement and is not the primary beneficiary of any variable interest entities.

When the requirements for consolidation are not met, but the Partnership has significant influence over the operations of an investee, the Partnership accounts for its partially owned entities under the equity method. The Partnership's judgement with respect to its level of influence of an entity involves the consideration of various factors, including voting rights, forms of its ownership interest, representation in the entity's governance, the size of its investment (including loans), its ability to participate in policy making decisions and rights of the other investors to participate in the decision making process and to replace the Partnership as managing member and/or liquidate the venture, if applicable. The assessment of the Partnership's influence over an entity affects the presentation of these investments in the accompanying consolidated financial statements.

Equity method investments are initially recorded at cost and subsequently adjusted for the Partnership's share of net income or loss and cash contributions and distributions each period. See Note 5.

Cash and Cash Equivalents—For purposes of the accompanying consolidated balance sheet and consolidated statement of cash flows, the Partnership considers short-term investments with remaining maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable—Accounts receivable are stated at net realizable value. Management considers the following factors when determining the collectability of specific customer accounts: customer credit worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability. Based on management's assessments, an allowance for doubtful accounts was not deemed necessary as of December 31, 2016.

Property and Equipment—Furniture, fixtures, and equipment are recorded at cost and are depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are costs incurred to prepare the Partnership's corporate office space for occupancy and are depreciated on a straight-line basis over the shorter of the estimated useful lives of the improvements or the terms of the respective leases. The following are the estimated useful lives used for depreciation purposes:

Assets	Depreciation Period
Furniture, fixtures, and equipment	3-5 years
Leasehold improvements	8-15 years

Expenditures for ordinary maintenance and repairs are expensed to operations as incurred. Significant renovations and improvements that improve or extend the useful life of the asset are capitalized. Depreciation and amortization expense related to property and equipment for the year ended December 31, 2016 was $1,620.

Business Combination—The Partnership accounts for business combinations using the acquisition method of accounting, under which the purchase price of the acquisition is allocated to the assets acquired and liabilities assuming using the fair values determined by management as of the acquisition date. Contingent consideration obligations that are elements of consideration transferred are recognized as of the acquisition date as part of the fair value transferred in exchange for the acquired business. Acquisition-related costs incurred in connection with the business combination are expensed.

Intangible Assets—Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives and are reviewed annually for impairment or when events or circumstances indicate their carrying amount may not be recoverable. No impairment was recorded during the year ended December 31, 2016.

Goodwill—Goodwill is the excess of cost of an acquired entity over the amounts specifically assigned to assets acquired and liabilities assumed in a business combination. The Partnership tests the carrying value of goodwill for impairment on an annual basis, or on an interim basis if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Such interim circumstances may include, but are not limited to, significant adverse changes in the general business climate, unanticipated competition, and the loss of key personnel. The Partnership first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If assessing the totality of events or circumstances leads to a determination that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, a quantitative assessment is performed to determine if the goodwill is impaired. The Partnership does not believe that impairment indicators are present as of December 31, 2016, and, accordingly, no such losses have been reflected in the accompanying consolidated financial statements.

Long-Lived Assets—Long-lived assets, such as property and equipment, and acquired intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Partnership first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. The Partnership does not believe that impairment indicators are present as of December 31, 2016, and, accordingly, no such losses have been reflected in the accompanying consolidated financial statements.

Fair Value Measurements—U.S. GAAP has established a framework for measuring fair value and requires certain disclosures for all financial and non-financial instruments required to be recorded in the consolidated balance sheet or disclosed in the footnotes to the consolidated financial statements. Broadly, U.S. GAAP requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. U.S. GAAP generally requires the use of one or more valuation techniques that include the market, income, or cost approaches. U.S. GAAP also establishes market or observable inputs as the preferred source of values when using such valuation techniques, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The valuation techniques required by U.S. GAAP are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. U.S. GAAP classifies inputs using the following hierarchy:

Level 1	Quoted prices for identical instruments in active markets.
Level 2	Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
Level 3	Significant inputs to the valuation model are unobservable.

Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been used had a ready market for the asset or liability existed, and the

differences could be material. Additionally, changes in the market environment and other events that may occur over the life of these assets and liabilities may cause the gains or losses, if any, ultimately realized, to be different than the valuations currently assigned.

The fair value of the intangible assets and goodwill and the measurement of the contingent consideration were based on unobservable inputs, including projected probability-weighted cash payments and a discount rate, which reflects a market rate. Changes in fair value may occur as a result of a change in the actual or projected cash payments, the probability weightings applied by the Partnership to projected payments, or a change in the discount rate. Significant increases or decreases in any of these inputs in isolation could result in a significant upward or downward change in the fair value measurement. Allocations of fair value to other assets and liabilities was equal to the respective carrying amounts.

The following table summarizes the Partnership’s liabilities measured at fair value on a recurring basis as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Contingent purchase consideration payable	—	—	$ 1,675	$ 1,675

The changes in the contingent purchase consideration payable measured at fair value for which the Partnership has used Level 3 inputs to determine fair value for the year ended December 31, 2016, are as follows:

Balance, January 1, 2016	$ —
Fair value at acquisition	2,000
Unrealized gain	(325)
Balance, December 31, 2016	$ 1,675
Remeasurement included in earnings related to financial liabilities still held as of December 31, 2016	$ 325

The fair value of the Partnership’s contingent consideration payable as of December 31, 2016 was computed using a discounted cash flow valuation technique; the most significant input used in determining the fair value of contingent consideration was the fair value of the Partnership. This input was an unobservable Level 3 input which and was derived from various sources of information including consultation with third parties.

Revenue Recognition—The Partnership’s revenue streams are received for providing various real estate management and advisory services, including:

- Asset management services provided to the Contributing Entities, as delegated by the managing member or equivalent of each of the Contributing Entities, for executing strategies to maximize real estate values, managing/supervising asset performance, and providing related reporting and other services to the Fund investors. Asset management fees are recognized as services are provided. See also Note 8.

- Pre-development and construction management fees are received for services rendered at agreed upon hourly rates as stipulated in the related agreement. Revenue is recognized as services are provided or when the related fee has been earned.

- Development fees are received for services rendered and are based on a percentage of development costs incurred as stipulated in the related agreement. Revenue is recognized as services are provided or when the related fee has been earned.

- Property management services, include on-site oversight and maintenance, lease management, accounting, and other property related services. Property management fees are calculated as a percentage of rental revenue and are recognized as services are provided.

- Leasing commissions include commissions received when a lease is executed. Leasing commissions are recognized when earned.

Income Taxes—JBG/Operating Partners, L.P. is a limited partnership and certain subsidiaries of JBG/Operating Partners, L.P. are limited liability companies. Limited partnerships and limited liability companies are not subject to federal income taxes, although they may be subject to state income taxes in certain instances. The Partnership and the limited liabilities companies record no provision or benefit for federal income taxes because taxable income or loss passes through to and is reported by the partners and members on their respective income tax returns.

Deferred income taxes are provided for temporary differences in the reported costs of assets and liabilities and their tax bases, and are calculated due to the requirement of certain of the Partnership's subsidiaries to pay unincorporated business franchise tax in Washington, DC ("DC Franchise Tax"). DC Franchise Tax is an income-based tax and accounted for under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 740, *Income Taxes*.

The tax effects from an uncertain tax position can be recognized in the financial statements only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Partnership recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Partnership applied the accounting standard to all tax positions for which the statute of limitations remained open. As a result of this review, the Partnership did not identify any material uncertain tax positions.

The Partnership recognizes interest and penalties related to unrecognized tax benefits in income tax expense. For the year ended December 31, 2016, the Partnership has not recognized any interest or penalties in the consolidated statement of income and comprehensive income. The Partnership is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for the years before 2013. The Partnership is not currently under examination by any taxing jurisdiction.

The Partnership's DC Franchise Tax for the year ended December 31, 2016 totaled $386, and is included in income tax expense on the consolidated statement of income and comprehensive income.

NOTE 3—ACQUISITION OF AFFILIATE

Prior to January 8, 2016, the Partnership held a 33.3 percent interest in JBG/Rosenfeld Retail Properties, LLC ("JBGR") and accounted for its interest using the equity method of accounting. On January 8, 2016, the Partnership acquired the remaining 66.7 percent interest for cash consideration of $4,668 plus contingent consideration of up to $2,250. The acquisition of JBGR is expected to enable the Partnership to provide a full range of real estate services for retail properties. Upon the acquisition, the estimated fair value of the contingent consideration totaled $2,000. The amount of contingent consideration payable will be determined based on the fair value of the Partnership derived from the Transaction described in Note 1. As of December 31, 2016, the estimated fair value of the contingent consideration was $1,675. The Partnership estimates that the contingent consideration will be paid during 2017.

The carrying value of the Partnership's 33.3 percent interest was zero on the date of acquisition. Pursuant to U.S. GAAP, the Partnership's existing equity interest is remeasured at fair value on the date of acquisition. The fair value adjustment is recognized as a gain in the consolidated statement of income and comprehensive income and allocated to investee's assets and liabilities based on their relative fair values.

As of the acquisition date, the fair value of JBGR totaled $10,220. Of this amount, $4,668 was paid to the sellers, $2,000 of contingent consideration is payable to the sellers, and $3,552 is allocable to the Partnership for its existing 33.3 percent interest. Also included in gain on acquisition of affiliate, net on the consolidated statement of

income and comprehensive income is the write-off of deferred rent receivable of $465 related to a preexisting sublease between the Partnership and JBGR.

The following table summarizes the preliminary estimated fair values of the assets and liabilities at the acquisition date.

Accounts receivable	$	465
Other assets		90
Property and equipment		187
Accrued expenses		(812)
Net identifiable liabilities assumed		(70)
Intangible assets		1,323
Goodwill		8,967
Net assets acquired	$	10,220

The goodwill recognized is attributable primarily to expected synergies and assembled workforce of JBGR. The amounts of revenue and net income of JBGR included in the Partnership's consolidated statement of income and comprehensive income for the year ended December 31, 2016 are $9,036 and $1,191, respectively.

As of the acquisition date, the fair value of the accounts receivable, other assets, and accrued expenses approximated the historical basis of the assets and liabilities due to the near term liquidity of the assets and liabilities. The value for property and equipment was determined based on a replacement cost approach, adjusted for estimated depreciation.

The following table sets forth the acquired intangible assets detail as of December 31, 2016:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Exclusive leasing agreements	$ 1,002	$ 100	$ 902
Non-competition agreement	321	107	214
	$ 1,323	$ 207	$ 1,116

Exclusive leasing agreements are amortized on a straight-line basis over their estimated useful lives of approximately 10 years. The non-competition agreement is amortized on a straight-line basis over the term of the non-competition agreement, which is 3 years. Amortization expense for intangible assets for the year ended December 31, 2016 was $207.

Estimated amortization of the acquired intangible assets as of December 31, 2016 is as follows:

2017	$ 207
2018	207
2019	100
2020	100
2021	100
Thereafter	402
	$ 1,116

Additionally, in January 2016, the Partnership entered into a Consulting Agreement with an entity owned by certain individual sellers of JBGR. The noncancelable term of the Consulting Agreement expires on January 1, 2018. Under the terms of the Consulting Agreements, monthly payments of $181 and $186 are payable in 2016 and 2017, respectively. The Partnership incurred consulting fees of $2,172 for the year ended December 31, 2016 related to the Consulting Agreement, which is included in general and administrative expense on the accompanying consolidated statement of income and comprehensive income.

NOTE 4—PROPERTY AND EQUIPMENT

The following table sets forth the details of property and equipment as of December 31, 2016:

Furniture, fixtures, and equipment	$ 8,260
Leasehold improvements	7,791
	16,050
Less accumulated depreciation and amortization	(9,862)
Property and equipment, net	$ 6,189

NOTE 5—INVESTMENT IN AFFILIATE

The Partnership applies the equity method of accounting for investment in Hotco, LLC ("Hotco"). Under the Hotco limited liability agreement, the Partnership is not obligated to fund operating losses or other obligations of Hotco.

The Partnership periodically evaluates the carrying value of its equity method investment for impairment when the estimated fair value is less than the carrying value. The Partnership records a charge to reduce carrying value to estimated fair value when impairment is deemed other than temporary. No impairment was recorded for the year ended December 31, 2016.

The following information summarizes the aggregate financial position and results Hotco as of and for the year ended December 31, 2016:

Assets	$ 610
Liabilities	99
Equity	511
Total Liabilities and Equity	$ 610
Partnership's Investment in Affiliate	$ 127
Net Income	$ 2,165
Partnership's Ownership Percentage	24.9%

In addition to this equity method investment, the Partnership has several immaterial investments accounted for under the cost method.

In 2017, Hotco was dissolved and the remaining net assets were distributed to its members in accordance with the Hotco, LLC limited liability agreement.

NOTE 6—LINES OF CREDIT

The Partnership maintains a line of credit that had a maximum amount available of $8,000 as of December 31, 2016, which matures on September 30, 2017. The Partnership maintains a second line of credit with a maximum amount available of $8,000 as of December 31, 2016, which matures on June 30, 2017. Advances on the two lines of credit bear interest at a variable rate equal to the Adjusted London Interbank Offered Rate ("LIBOR") plus 3.00 percent. As of December 31, 2016, borrowings on the lines of credit totaled $3,600 and the effective interest rate was 3.72 percent. The Partnership incurred interest expense of $243 for the year ended December 31, 2016, related to the lines of credit.

In connection with the Partnership obtaining each line of credit, certain of the Limited Partners entered into Repayment Guaranty Agreements (the "Guaranty Agreements"). Under the Guaranty Agreements, these Limited Partners agreed to guarantee timely payment due to the lender through the maturity date, including reasonable attorney fees and expenses. The terms of the Guaranty Agreements require partners to comply with certain financial covenants, including maintaining a collective minimum liquidity of $8,000 as of December 31, 2016. As of December 31, 2016, the partners were in compliance with the collective minimum liquidity requirement.

NOTE 7—LIMITED PARTNER PROFIT-SHARING EXPENSE

The Limited Partners serve in an employment capacity, delivering real estate services for the benefit of the Partnership. The Limited Partners receive salary and other benefits in that capacity from the Partnership's general partner. The Partnership reimburses its general partner for these costs. In addition, and pursuant to the Limited Partnership Agreement, as amended (the "Partnership LPA"), the Limited Partners are entitled to receive a share of the Partnership's annual distributable cash, as defined in the Partnership LPA ("Distributable Cash"), subject to continued employment. The payment of this Distributable Cash is referred to as an "Annual Profit-Sharing Payment."

In addition to the Annual Profit-Sharing Payment, under the Partnership LPA, the Limited Partners are eligible to receive an annual profit-sharing payment equal to the Limited Partner's share of Distributable Cash for each year in the five-year period following conclusion of such Limited Partner's employment with the Partnership ("Redemption Payments"). Pursuant to the Partnership LPA, Redemption Payments vest ratably over a fifteen year period during the Limited Partner's continued employment. The Annual Profit-Sharing Payment and the Redemption Payments are collectively referred to as the "Profit-Sharing Arrangement."

The Limited Partners were not obligated to make an equity investment in the Partnership in exchange for the right to receive the benefit of the Annual Profit-Sharing Payment or Redemption Payments. Although the terms of the Partnership LPA require that Limited Partners contribute capital in the event of a capital call, no such capital call has occurred in the past, and none are expected in the future. In light of this history, the Partnership does not consider the Limited Partners to be substantively at risk for adverse changes in the net equity of the Partnership. The Partnership accounts for the Profit-Sharing Arrangement and recognizes corresponding compensation expense equal to (a) the Annual Profit-Sharing Payment; and (b) the vested portion of the Redemption Payments payable in accordance with the Partnership LPA when such future payments become probable and estimable. The compensation expense recorded related to these interests is recorded as limited partner profit-sharing expense on the consolidated statement of income and comprehensive income, and the vested portion of Redemption Payments is accrued as accrued limited partner profit-sharing expense on the consolidated balance sheet. The partners' capital deficit is attributable to the expense recognition related to this Profit-Sharing Arrangement.

Judgment is required for purposes of estimating the Redemption Payments element of the Profit-Sharing Arrangement. Specifically, management must estimate the amount of final distributions expected to be paid based upon the availability of Distributable Cash.

In connection with the contemplated Transaction, this Profit-Sharing Arrangement is expected to be terminated. The Limited Partners are expected to receive units of limited partnership in the Operating Partnership to settle any future amounts due for vested Redemption Payments.

The current liability for Redemption Payments is equal to the amount payable over the next 12 months for Limited Partners that have previously retired or separated from the Partnership. Future actual payments may differ materially from current estimates. Future payment to the Limited Partners for the Annual Profit-Sharing Payments and future Redemption Payments is solely dependent upon the availability of Distributable Cash.

NOTE 8—ASSET MANAGEMENT FEES AND FEE CREDITS

Each of the Funds pay an Asset Management Fee to the Fund's managing member ("Fund Managing Member Entity"). The Asset Management Fee is calculated quarterly on the basis of an annual rate ranging from 0.35 percent to 1.50 percent (0.029 percent to 0.125 percent per month) of the Fund's committed or invested member capital as defined in the Fund's organizational documents, determined and calculated as of the first day of each quarter, and payable monthly. At the election of the Fund Managing Member Entity, the Asset Management Fee is initially payable in the form of a credit amount representing a residual equity interest in the Fund up to certain defined monetary thresholds ("Asset Management Fee Credit"). Fee credits are presented as Asset Management Fee Credits in the consolidated statement of income and comprehensive income. After achievement of the threshold, the remaining Asset Management Fee is payable in cash. The Fund Managing Member Entity may, at any time, make an irrevocable election to receive the Asset Management Fee in cash instead of in the form of an Asset

Management Fee Credit. Fees paid in cash are presented as Asset Management Fees in the consolidated statement of income and

comprehensive income. As of December 31, 2016, all Asset Management Fee Credits have been earned and no Asset Management Fee Credits are expected to be earned in the future.

The Fund Managing Member Entity may delegate the provision of services, and may assign the corresponding fee, to an affiliate. The Fund Managing Member Entity has delegated responsibility for such services to the Partnership.

The Fund Managing Member Entity has granted the Asset Management Fee Credits to certain Partnership Limited Partners in exchange for services rendered to the Fund. The Partnership does not retain any portion of the Asset Management Fee Credits. These amounts are presented as asset management fee credit expense in the consolidated statement of income and comprehensive income. Measurement of the revenue amount and corresponding expense is based on the fair value of the services rendered as this amount is more readily determinable than the fair value of the residual equity interest in the Fund. The fair value of the services rendered is equal to the amount of cash that would have been received had the Fund Managing Member Entities elected to receive a cash payment instead of the fee credit.

In connection with the Transaction, it is expected that the asset management agreements will be amended. The amendments are expected to include the removal of the ability to elect a Fee Credit in lieu of a cash payment for the asset management fee, among other changes.

The Partnership does not have a direct ownership interest or any other interests in the Fund Managing Member Entities.

NOTE 9—COMMITMENTS

The Partnership’s general partner leases office space from a related party under a non-cancelable operating lease expiring in 2022. Because the general partner has no other operations or activities other than its interest in the Partnership, and the Partnership reimburses the general partner for all amounts due under the lease agreement, the rental obligation and related amounts are presented and disclosed in the Partnership’s consolidated financial statements.

The lease contains a renewal option for two additional five-year periods. The Partnership recognizes lease expense on a straight-line basis over the non-cancelable term of the lease. The Partnership reports the liability associated with the lease as deferred rent liability on the accompanying consolidated balance sheet. As of December 31, 2016, the deferred rent liability related to this lease was $3,173.

Future minimum rental payments due under the lease are as follows:

2017	$	3,889
2018		3,991
2019		4,096
2020		4,203
2021		4,313
Thereafter		3,313
	$	23,805

For the year ended December 31, 2016 lease expense totaled $4,095, and is included in general and administrative expense on the accompanying consolidated statement of income and comprehensive income.

A portion of the leased space was subleased to JBGR; this sublease was terminated upon the acquisition of the remaining interest in JBGR in January 2016.

NOTE 10—BUSINESS AND CREDIT CONCENTRATIONS

Substantially all revenues of the Partnership are derived from performing services for the affiliated Contributing Entities and Property LLCs.

The Partnership maintains cash and cash equivalents at insured financial institutions. The combined account balances at each institution periodically exceed FDIC insurance coverage, and, as a result, there is a concentration of credit risk related to amounts in excess of FDIC insurance coverage. The Partnership believes that the risk is not significant.

NOTE 11—EMPLOYEE RETIREMENT SAVINGS PLAN

The Partnership’s general partner maintains a multiple employer retirement savings plan pursuant to Section 401(k) of the Internal Revenue Code whereby employees may contribute a portion of their compensation to their respective retirement accounts, in an amount not to exceed the maximum allowed under the Internal Revenue Code. The Partnership provides a discretionary matching contribution, which totaled $823 for the year ended December 31, 2016, and is included in salary and benefits—reimbursement to general partner on the accompanying consolidated statement of income and comprehensive income. The Partnership may also provide a discretionary profit-sharing contribution under the plan. No discretionary profit-sharing contributions were made during the year ended December 31, 2016.

NOTE 12—RELATED PARTY TRANSACTIONS

The Partnership provides a wide range of services to affiliated entities, including asset management, property management, leasing, tenant improvement construction, acquisition, repositioning, development, redevelopment, accounting, and financing services. The rates for these services have been agreed upon in advance and are included in the related agreements. For the year ended December 31, 2016 revenues of $91,146, were earned from affiliated entities.

As of December 31, 2016, the Partnership had accounts receivable balances totaling $7,124 from affiliated entities and accounts payable totaling $200 due to an affiliate.

During the year ended December 31, 2016, the Partnership received reimbursements of professional fees incurred in 2016 and 2015 associated with the Combination Agreement described in Note 1. Fees reimbursed in 2016 by the Funds and other affiliates totaled $5,598 and fees reimbursed by NYRT, in accordance with the Termination Agreement described in Note 1, totaled $9,500. During the year ended December 31, 2016, the Partnership expensed professional fees incurred related to the Combination Agreement of $1,307 based on its value allocation associated with the intended transaction described in the Combination Agreement, which are included in general and administrative expenses on the accompanying consolidated statement of income and comprehensive income. As of December 31, 2016, $100 is due from an affiliate related to the fees incurred and is included in due from affiliate on the accompanying consolidated balance sheet. The amount due from the affiliate was repaid in January 2017.

During the year ended December 31, 2016, the Partnership incurred certain professional fees of $5,607 and certain personnel costs of $3,145 associated with the Transaction Agreement described in Note 1, which will be reimbursed by JBG SMITH upon closing of the Transaction described in Note 1. These reimbursable professional fees and personnel costs and are included in due from affiliate on the accompanying consolidated balance sheet.

NOTE 13—SUBSEQUENT EVENTS

The Partnership evaluated subsequent events through June 8, 2017, the date the consolidated financial statements were available to be issued.

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Section 6: EX-99.4 (EX-99.4)

Exhibit 99.4

JBG/OPERATING PARTNERS, L.P. AND SUBSIDIARIES
Chevy Chase, Maryland

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

June 30, 2017

JBG/OPERATING PARTNERS, L.P. AND SUBSIDIARIES

Consolidated Balance Sheet (Unaudited)

As of June 30, 2017

(dollar amounts in thousands)

Assets		
Current assets		
Cash and cash equivalents	$	15,728
Accounts receivable		6,889
Prepaid expenses and other current assets		526
Due from affiliate		32,748
Total current assets		55,891
Intangible assets, net		1,013
Goodwill		8,967
Investment in affiliates		24

Property and equipment, net		5,434
Total Assets	$	71,329
Liabilities and Partners' Deficit		
Current liabilities		
Lines of credit	$	14,700
Accounts payable		2,703
Accrued expenses		24,433
Accrued limited partner profit-sharing expense, current		4,266
Deferred rent, current		351
Contingent purchase consideration payable		1,675
Due to affiliate		178
Total current liabilities		48,306
Accrued limited partner profit-sharing expense, net of current portion		129,659
Deferred rent, net of current portion		2,676
Total Liabilities		180,641
Total Partners' Deficit		(109,312)
Total Liabilities and Partners' Deficit	$	71,329

See accompanying notes to the consolidated financial statements.

JBG/OPERATING PARTNERS, L.P. AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

For the Six Months Ended June 30, 2017 and 2016

(dollar amounts in thousands)

	Six Months Ended June 30,	
	2017	**2016**
Revenues		
Asset management fees	$ 19,359	$ 17,008
Asset management fee credits	—	3,757
Development and construction management fees	17,095	12,770
Property management fees	11,103	10,888
Leasing fees	5,367	3,200
Other revenue	1,102	2,068
Total revenues	54,026	49,691
Operating Expenses		
Salary and benefits—reimbursement to general partner	26,367	28,251
Limited partner profit-sharing expense	5,643	13,724
Asset management fee credit expense	—	3,757
General and administrative	6,827	9,089
Depreciation and amortization	881	1,032
Total operating expenses	39,718	55,853
Operating Income (Loss)	14,308	(6,162)
Income from investments in affiliates	91	370
Other (Expenses) Income		
Gain on acquisition of affiliate, net	—	3,087
Interest expense	(171)	(132)
Total other (expenses) income	(171)	2,955
Income (Loss) Before Income Taxes	14,228	(2,837)
Income Taxes	(160)	(122)
Net Income (Loss)	14,068	(2,959)
Other comprehensive income	—	—
Comprehensive Income (Loss)	$ 14,068	$ (2,959)

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Partners' Deficit (Unaudited)

For the Six Months Ended June 30, 2017

(dollar amounts in thousands)

Balance, January 1, 2017	$	(123,380)
Net income		14,068
Balance, June 30, 2017	$	(109,312)

See accompanying notes to the consolidated financial statements.

JBG/OPERATING PARTNERS, L.P. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

For the Six Months Ended June 30, 2017 and 2016

(dollar amounts in thousands)

	Six Months Ended June 30,	
	2017	2016
Cash Flows from Operating Activities		
Net income (loss)	$ 14,068	$ (2,959)
Reconciliation adjustments		
Gain on acquisition of affiliate, net	—	(3,087)
Depreciation and amortization	881	1,032
Other adjustments	30	30
Income from investment in affiliates	(91)	(370)
Distributions from affiliates	218	274
Changes in, net of acquired amounts:		
Accounts receivable	1,218	(261)
Prepaid expenses and other current assets	477	212
Accounts payable	2,279	(34)
Accrued expenses	3,553	(4,330)
Accrued limited partner profit-sharing expense	944	5,174
Due from affiliate, net	(23,874)	(9,466)
Deferred rent	(146)	(95)
Net cash used in operating activities	(443)	(13,880)
Cash Flows from Investing Activities		
Acquisition of affiliate	—	(4,668)
Acquisition of property and equipment	—	(171)
Net cash used in investing activities	—	(4,839)
Cash Flows from Financing Activities		
Line of credit advances	14,700	12,000
Line of credit repayments	(3,600)	—
Loan costs	(20)	—
Net cash provided by financing activities	11,080	12,000
Net Increase (Decrease) in Cash and Cash Equivalents	10,637	(6,719)
Cash and Cash Equivalents, beginning of period	5,091	8,623
Cash and Cash Equivalents, end of period	$ 15,728	$ 1,904
Supplemental Disclosure of Cash Flow Information		
Taxes paid	$ 101	$ 172
Interest paid	$ 141	$ 102
Supplemental Disclosure of Non-Cash Activity		
Contingent consideration for acquisition of affiliate	$ —	$ 2,000

See accompanying notes to the consolidated financial statements.

JBG/OPERATING PARTNERS, L.P. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

NOTE 1—ORGANIZATION

JBG/Operating Partners, L.P. and subsidiaries (the "Partnership") is a limited partnership under the laws of the State of Delaware and will continue in perpetuity, unless earlier terminated or dissolved pursuant to the limited partnership agreement or by operation of law.

The Partnership is a fee-based real estate services company that is owned by a group of investors, including a general partner and nineteen limited partners (the "Limited Partners''). The Limited Partners, and all other personnel providing services to and on behalf of the Partnership, are employees of the Partnership's general partner. The Partnership reimburses its general partner for all salary, benefits, and related costs under a cost reimbursement arrangement.

The Partnership operates in the Washington, DC metropolitan area and earns fees in connection with investment, development, assets and property management, leasing, construction management, tenant improvement construction and finance services provided to commercial office properties, multifamily (both rental and for-sale), retail and hotels. Substantially all fee revenue earned by the Partnership is from services provided for the real estate assets owned by affiliated real estate investment funds (the ''Funds'') and other real estate investment vehicles (collectively, the "Contributing Entities"). The Contributing Entities own interests in real estate assets through separate limited liability companies (''Property LLCs''). The Partnership, Contributing Entities, and Property LLCs are not under common control or ownership.

On October 31, 2016, the Partnership entered into a Master Transaction Agreement (the "Transaction Agreement") with Vornado Realty Trust, Vornado Realty L.P., JBG Properties, Inc., certain affiliates of JBG Properties, Inc., JBG SMITH Properties ("JBG SMITH") and JBG SMITH Properties LP, a Delaware limited partnership and JBG SMITH's subsidiary operating partnership (the "Operating Partnership"). On July 18, 2017, in accordance with the Transaction Agreement, the Partnership, and the Funds' interests in certain separate Property LLCs' were contributed through a series of formation transactions to the Operating Partnership, in exchange for the right to receive units of limited partnership interest in the Operating Partnership or common shares of JBG SMITH (a publicly traded real estate investment trust) or, in certain circumstances, cash (the "Transaction"). The Contributing Entities are otherwise not parties to the formation transactions and the substantial majority of them continue to exist independent of the Transaction. Upon the closing of the Transaction, the Partnership merged with and into a subsidiary of the Operating Partnership, which will continue providing management and other services to, and on behalf of, certain of the Contributing Entities and the Property LLCs owned by the Contributing Entities that were not contributed in the Transaction.

On May 25, 2016, the Partnership and certain affiliated entities entered into a Master Combination Agreement (the "Combination Agreement") with New York REIT, Inc. ("NYRT"). On August 2, 2016, the Partnership and NYRT entered into a Termination and Release Agreement (the "Termination Agreement") which terminated the Combination Agreement. In accordance with the Termination Agreement, NYRT reimbursed the Partnership $9,500 for professional fees incurred by the Partnership pursuing the transactions governed by the Combination Agreement.

The Partnership has one reportable segment—real estate services.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates.

Principles of Consolidation—The consolidated financial statements include the accounts of the Partnership and its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The Partnership has adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2015-02, *Amendment to the Consolidation Analysis*, which improves targeted areas of the consolidation guidance and reduces the number of consolidation models for all periods presented.

The Partnership does not have significant involvement and is not the primary beneficiary of any variable interest entities.

When the requirements for consolidation are not met, but the Partnership has significant influence over the operations of an investee, the Partnership accounts for its partially owned entities under the equity method. The Partnership's judgement with respect to its level of influence of an entity involves the consideration of various factors, including voting rights, forms of its ownership interest, representation in the entity's governance, the size of its investment (including loans), its ability to participate in policy making decisions and rights of the other investors to participate in the decision making process and to replace the Partnership as managing member and/or liquidate the venture, if applicable. The assessment of the Partnership's influence over an entity affects the presentation of these investments in the accompanying consolidated financial statements.

(dollar amounts in thousands)

Equity method investments are initially recorded at cost and subsequently adjusted for the Partnership's share of net income or loss and cash contributions and distributions each period. See Note 5.

Unaudited Interim Consolidated Financial Statements—The interim consolidated financial statements are unaudited. In the opinion of management, these consolidated financial statements reflect all adjustments necessary for a fair presentation of the results of the interim period. All such adjustments are of a normal recurring nature.

Cash and Cash Equivalents—For purposes of the accompanying consolidated balance sheet and consolidated statements of cash flows, the Partnership considers short-term investments with remaining maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable—Accounts receivable are stated at net realizable value. Management considers the following factors when determining the collectability of specific customer accounts: customer credit worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability. Based on management's assessments, an allowance for doubtful accounts was not deemed necessary as of June 30, 2017.

Property and Equipment—Furniture, fixtures, and equipment are recorded at cost and are depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are costs incurred to prepare the Partnership's corporate office space for occupancy and are depreciated on a straight-line basis over the shorter of the estimated useful lives of the improvements or the terms of the respective leases. The following are the estimated useful lives used for depreciation purposes:

Assets	Depreciation Period
Furniture, fixtures, and equipment	3 - 5 years
Leasehold improvements	8 - 15 years

Expenditures for ordinary maintenance and repairs are expensed to operations as incurred. Significant renovations and improvements that improve or extend the useful life of the asset are capitalized. Depreciation and amortization expense related to property and equipment for the six months ended June 30, 2017 and 2016 was $777 and $812, respectively.

Business Combinations—The Partnership accounts for business combinations using the acquisition method of accounting, under which the purchase price of the acquisition is allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date. Contingent consideration obligations that are elements of consideration transferred are recognized as of the acquisition date as part of the fair value transferred in exchange for the acquired business. Acquisition-related costs incurred in connection with the business combination are expensed as incurred.

Intangible Assets—Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives and are reviewed annually for impairment or when events or circumstances indicate their carrying amount may not be recoverable. No impairment was recorded during the six months ended June 30, 2017 and 2016.

Goodwill—Goodwill is the excess of cost of an acquired entity over the amounts specifically assigned to assets acquired and liabilities assumed in a business combination. The Partnership tests the carrying value of goodwill for impairment on an annual basis, or on an interim basis if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Such interim circumstances may include, but are not limited to, significant adverse changes in the general business climate, unanticipated competition, and the loss of key personnel. The Partnership first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If assessing the totality of events or circumstances leads to a determination that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, a quantitative assessment is performed to determine if the goodwill is impaired. The Partnership does not believe that impairment indicators were present during the periods presented, and, accordingly, no such losses have been reflected in the accompanying consolidated financial statements.

Long-Lived Assets—Long-lived assets, such as property and equipment, and acquired intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Partnership first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. The Partnership does not believe that impairment indicators were present during the periods presented, and, accordingly, no such losses have been reflected in the accompanying consolidated financial statements.

Fair Value Measurements—U.S. GAAP has established a framework for measuring fair value and requires certain disclosures for all financial and non-financial instruments required to be recorded in the consolidated balance sheet or disclosed in the footnotes to the consolidated financial statements. Broadly, U.S. GAAP requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. U.S. GAAP generally requires the use of one or more valuation techniques that include the market, income, or cost approaches. U.S. GAAP also establishes market or observable inputs as the preferred source of values when using such valuation techniques, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The valuation techniques required by U.S. GAAP are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. U.S. GAAP classifies inputs using the following hierarchy:

Level 1 - Quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been used had a ready market for the asset or liability existed, and the differences could be material. Additionally, changes in the market environment and other events that may occur over the life of these assets and liabilities may cause the gains or losses, if any, ultimately realized, to be different than the valuations currently assigned.

The fair value of the intangible assets and goodwill and the measurement of the contingent consideration were based on unobservable inputs, including projected probability-weighted cash payments and a discount rate, which reflects a market rate. Changes in fair value may occur as a result of a change in the actual or projected cash payments, the probability weightings applied by the Partnership to projected payments, or a change in the discount rate. Significant increases or decreases in any of these inputs in isolation could result in a significant upward or downward change in the fair value measurement. Allocations of fair value to other assets and liabilities was equal to the respective carrying amounts.

The following table summarizes the Partnership’s liabilities measured at fair value on a recurring basis as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Contingent purchase consideration payable	$ —	$ —	$ 1,675	$ 1,675

The fair value of the Partnership’s contingent consideration payable as of June 30, 2017 was computed using a discounted cash flow valuation technique; the most significant input used in determining the fair value of contingent consideration was the fair value of the Partnership. This input was an unobservable Level 3 input which and was derived from various sources of information including consultation with third parties.

Revenue Recognition—The Partnership’s revenue streams are received for providing various real estate management and advisory services, including:

- Asset management services provided to the Contributing Entities, as delegated by the managing member or equivalent of each of the Contributing Entities, for executing strategies to maximize real estate values, managing/supervising asset performance, and providing related reporting and other services to the Fund investors. Asset management fees are recognized as services are provided. See also Note 8.

- Pre-development and construction management fees are received for services rendered at agreed upon hourly rates as stipulated in the related agreement. Revenue is recognized as services are provided or when the related fee has been earned.

- Development fees are received for services rendered and are based on a percentage of development costs incurred as stipulated in the related agreement. Revenue is recognized as services are provided or when the related fee has been earned.

(dollar amounts in thousands)

- Property management services, include on-site oversight and maintenance, lease management, accounting, and other property related services. Property management fees are calculated as a percentage of rental revenue and are recognized as services are provided.

- Leasing commissions include commissions received when a lease is executed. Leasing commissions are recognized when earned.

Income Taxes—JBG/Operating Partners, L.P. is a limited partnership and certain subsidiaries of JBG/Operating Partners, L.P. are limited liability companies. Limited partnerships and limited liability companies are not subject to federal income taxes, although they may be subject to state income taxes in certain instances. The Partnership and the limited liabilities companies record no provision or benefit for federal income taxes because taxable income or loss passes through to and is reported by the partners and members on their respective income tax returns.

Deferred income taxes are provided for temporary differences in the reported costs of assets and liabilities and their tax bases, and are calculated due to the requirement of certain of the Partnership's subsidiaries to pay unincorporated business franchise tax in Washington, DC ("DC Franchise Tax"). DC Franchise Tax is an income-based tax and accounted for under the FASB Accounting Standards Codification Topic 740, *Income Taxes*.

The tax effects from an uncertain tax position can be recognized in the financial statements only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Partnership recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Partnership applied the accounting standard to all tax positions for which the statute of limitations remained open. As a result of this review, the Partnership did not identify any material uncertain tax positions.

The Partnership recognizes interest and penalties related to unrecognized tax benefits in income tax expense. For the six months ended June 30, 2017 and 2016, the Partnership has not recognized any interest or penalties in the consolidated statements of operations and comprehensive income (loss). The Partnership is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for the years before 2014. The Partnership is not currently under examination by any taxing jurisdiction.

The Partnership's DC Franchise Tax for the six months ended June 30, 2017 and 2016 totaled $160 and $122, respectively, and is included in income tax expense on the consolidated statements of operations and comprehensive income (loss).

NOTE 3—ACQUISITION OF AFFILIATE

Prior to January 8, 2016, the Partnership held a 33.3 percent interest in JBG/Rosenfeld Retail Properties, LLC ("JBGR") and accounted for its interest using the equity method of accounting. On January 8, 2016, the Partnership acquired the remaining 66.7 percent interest for cash consideration of $4,668 plus contingent consideration of up to $2,250. The acquisition of JBGR is expected to enable the Partnership to provide a full range of real estate services for retail properties. Upon the acquisition, the estimated fair value of the contingent consideration totaled $2,000. The amount of contingent consideration payable is based on the fair value of the Partnership derived from the Transaction described in Note 1. As of June 30, 2017, the estimated fair value of the contingent consideration was $1,675. Upon the closing of the Transaction, described in Note 1, the contingent consideration of $1,675 was transferred to the sellers.

The carrying value of the Partnership's 33.3 percent interest was zero on the date of acquisition. Pursuant to U.S. GAAP, the Partnership's existing equity interest is remeasured at fair value on the date of acquisition. The fair value adjustment is recognized as a gain in the consolidated statements of operations and comprehensive income (loss) and allocated to investee's assets and liabilities based on their relative fair values.

As of the acquisition date, the fair value of JBGR totaled $10,220. Of this amount, $4,668 was paid to the sellers, $2,000 of contingent consideration was payable to the sellers, and $3,552 is allocable to the Partnership for its existing 33.3 percent interest. Also included in gain on acquisition of affiliate, net on the consolidated statements of operations and comprehensive income (loss) for the six months ended June 30, 2016, is the write-off of deferred rent receivable of $465 related to a preexisting sublease between the Partnership and JBGR.

The following table summarizes the preliminary estimated fair values of the assets and liabilities at the acquisition date.

Accounts receivable	$ 465
Other assets	90
Property and equipment	187
Accrued expenses	(812)

(dollar amounts in thousands)

Net identifiable liabilities assumed		(70)
Intangible assets		1,323
Goodwill		8,967
Net assets acquired	$	10,220

The goodwill recognized is attributable primarily to expected synergies and assembled workforce of JBGR.

The following table sets forth the acquired intangible assets detail as of June 30, 2017:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Exclusive leasing agreements	$ 1,002	$ 150	$ 852
Non-competition agreement	321	160	161
	$ 1,323	$ 310	$ 1,013

Exclusive leasing agreements are amortized on a straight-line basis over their estimated useful lives of approximately 10 years. The non-competition agreement is amortized on a straight-line basis over the term of the non-competition agreement, which is 3 years. Amortization expense for the six months ended June 30, 2017 and 2016 was $104 and $220, respectively.

Estimated amortization of the acquired intangible assets as of June 30, 2017 is as follows:

Six months ending December 31, 2017	$	104
2018		207
2019		100
2020		100
2021		100
Thereafter		402
	$	1,013

Additionally, in January 2016, the Partnership entered into a Consulting Agreement with an entity owned by certain individual sellers of JBGR. The noncancelable term of the Consulting Agreement expires on January 1, 2018. Under the terms of the Consulting Agreements, monthly payments of $181 and $186 are payable in 2016 and 2017, respectively. The Partnership incurred consulting fees of $1,116 and $1,086 for the six months ended June 30, 2017 and 2016, respectively, related to the Consulting Agreement, which is included in general and administrative expense on the accompanying consolidated statements of operations and comprehensive income (loss).

NOTE 4—PROPERTY AND EQUIPMENT

The following table sets forth the details of property and equipment as of June 30, 2017:

Furniture, fixtures, and equipment	$	8,260
Leasehold improvements		7,791
		16,051
Less accumulated depreciation and amortization		(10,617)
Property and equipment, net	$	5,434

NOTE 5—INVESTMENT IN AFFILIATE

The Partnership applied the equity method of accounting for investment in Hotco, LLC (“Hotco”), which was dissolved on March 31, 2017. Under the Hotco limited liability agreement, the Partnership was not obligated to fund operating losses or other obligations of Hotco.

The Partnership periodically evaluates the carrying value of its equity method investment for impairment when the estimated fair value is less than the carrying value. The Partnership records a charge to reduce carrying value to estimated fair value when impairment is deemed other than temporary. No impairment was recorded for the six months ended June 30, 2017 and 2016.

During the six months ended June 30, 2017, the Partnership received its final distribution from Hotco of $100. As of June 30, 2017, the Partnership's investment in Hotco was $0. For the six months ended June 30, 2017 and 2016, the Partnership recorded income from its investment in Hotco of $91 and $370, respectively.

As of June 30, 2017, the Partnership had several immaterial investments accounted for under the cost method, which were distributed to the Limited Partners upon the closing of the Transaction described in Note 1.

NOTE 6—LINES OF CREDIT

The Partnership maintains a line of credit that had a maximum amount available of $8,000 as of June 30, 2017, with a maturity date of September 30, 2017. The Partnership maintains a second line of credit with a maximum amount available of $8,000, which was increased to $16,000 on June 30, 2017 and extended through December 30, 2017. Advances on the two lines of credit bear interest at a variable rate equal to the Adjusted London Interbank Offered Rate ("LIBOR") plus 3.00 percent. As of June 30, 2017, borrowings on the lines of credit totaled $14,700 and the effective interest rate was 4.17 percent. The Partnership incurred interest expense of $171 and $132 for the six months ended June 30, 2017, and 2016, respectively, related to the lines of credit. Upon the closing of the Transaction, both lines of credit were repaid in full and terminated.

In connection with the Partnership obtaining each line of credit, certain of the Limited Partners entered into Repayment Guaranty Agreements (the "Guaranty Agreements"). Under the Guaranty Agreements, these Limited Partners agreed to guarantee timely payment due to the lender through the maturity date, including reasonable attorney fees and expenses. The terms of the Guaranty Agreements require partners to comply with certain financial covenants, including maintaining a collective minimum liquidity of $8,000 as of June 30, 2017. As of June 30, 2017, the partners were in compliance with the collective minimum liquidity requirement. The Guaranty Agreements were terminated upon the closing of the Transaction.

NOTE 7—LIMITED PARTNER PROFIT-SHARING EXPENSE

The Limited Partners serve in an employment capacity, delivering real estate services for the benefit of the Partnership. The Limited Partners receive salary and other benefits in that capacity from the Partnership's general partner. The Partnership reimburses its general partner for these costs. In addition, and pursuant to the Limited Partnership Agreement, as amended (the "Partnership LPA"), the Limited Partners are entitled to receive a share of the Partnership's annual distributable cash, as defined in the Partnership LPA ("Distributable Cash"), subject to continued employment. The payment of this Distributable Cash is referred to as an "Annual Profit-Sharing Payment."

In addition to the Annual Profit-Sharing Payment, under the Partnership LPA, the Limited Partners are eligible to receive an annual profit-sharing payment equal to the Limited Partner's share of Distributable Cash for each year in the five-year period following conclusion of such Limited Partner's employment with the Partnership ("Redemption Payments"). Pursuant to the Partnership LPA, Redemption Payments vest ratably over a fifteen year period during the Limited Partner's continued employment. The Annual Profit-Sharing Payment and the Redemption Payments are collectively referred to as the "Profit-Sharing Arrangement."

The Limited Partners were not obligated to make an equity investment in the Partnership in exchange for the right to receive the benefit of the Annual Profit-Sharing Payment or Redemption Payments. Although the terms of the Partnership LPA require that Limited Partners contribute capital in the event of a capital call, no such capital call has occurred in the past, and none are expected in the future. In light of this history, the Partnership does not consider the Limited Partners to be substantively at risk for adverse changes in the net equity of the Partnership. The Partnership accounts for the Profit-Sharing Arrangement and recognizes corresponding compensation expense equal to (a) the Annual Profit-Sharing Payment; and (b) the vested portion of the Redemption Payments payable in accordance with the Partnership LPA when such future payments become probable and estimable. The compensation expense recorded related to these interests is recorded as limited partner profit-sharing expense on the consolidated statements of operations and comprehensive income (loss), and the vested portion of Redemption Payments is accrued as accrued limited partner profit-sharing expense on the consolidated balance sheet. The partners' capital deficit is attributable to the expense recognition related to this Profit-Sharing Arrangement.

Judgment is required for purposes of estimating the Redemption Payments element of the Profit-Sharing Arrangement. Specifically, management must estimate the amount of final distributions expected to be paid based upon the availability of Distributable Cash.

Upon the closing of the Transaction, this Profit-Sharing Arrangement was terminated. The Limited Partners received units of limited partnership in the Operating Partnership to settle any future amounts due for vested Redemption Payments.

NOTE 8—ASSET MANAGEMENT FEES AND FEE CREDITS

(dollar amounts in thousands)

Each of the Funds pay an Asset Management Fee to the Fund's managing member ("Fund Managing Member Entity"). The Asset Management Fee is calculated quarterly on the basis of an annual rate ranging from 0.35 percent to 1.50 percent (0.029 percent to 0.125 percent per month) of the Fund's committed or invested member capital as defined in the Fund's organizational documents, determined and calculated as of the first day of each quarter, and payable monthly. At the election of the Fund Managing Member Entity, the Asset Management Fee is initially payable in the form of a credit amount representing a residual equity interest in the Fund up to certain defined monetary thresholds ("Asset Management Fee Credit"). Fee credits are presented as Asset Management Fee Credits in the consolidated statements of operations and comprehensive income (loss). After achievement of the threshold, the remaining Asset Management Fee is payable in cash. The Fund Managing Member Entity may, at any time, make an irrevocable election to receive the Asset Management Fee in cash instead of in the form of an Asset Management Fee Credit. Fees paid in cash are presented as Asset Management Fees in the consolidated statement of operations and comprehensive income (loss). As of June 30, 2017, all Asset Management Fee Credits have been earned and no Asset Management Fee Credits are expected to be earned in the future.

The Fund Managing Member Entity may delegate the provision of services, and may assign the corresponding fee, to an affiliate. The Fund Managing Member Entity has delegated responsibility for such services to the Partnership.

The Fund Managing Member Entity has granted the Asset Management Fee Credits to certain Partnership Limited Partners in exchange for services rendered to the Fund. The Partnership does not retain any portion of the Asset Management Fee Credits. These amounts are presented as asset management fee credit expense in the consolidated statements of operations and comprehensive income (loss). Measurement of the revenue amount and corresponding expense is based on the fair value of the services rendered as this amount is more readily determinable than the fair value of the residual equity interest in the Fund. The fair value of the services rendered is equal to the amount of cash that would have been received had the Fund Managing Member Entities elected to receive a cash payment instead of the fee credit.

Upon the closing of the Transaction, the asset management agreements were amended to remove the ability to elect a Fee Credit in lieu of a cash payment for the asset management fee, among other changes.

The Partnership does not have a direct ownership interest or any other interests in the Fund Managing Member Entities.

NOTE 9—COMMITMENTS

The Partnership's general partner leases office space from a related party under a non-cancelable operating lease expiring in 2022. Because the general partner has no other operations or activities other than its interest in the Partnership, and the Partnership reimburses the general partner for all amounts due under the lease agreement, the rental obligation and related amounts are presented and disclosed in the Partnership's consolidated financial statements.

The lease contains a renewal option for two additional five-year periods. The Partnership recognizes lease expense on a straight-line basis over the non-cancelable term of the lease. The Partnership reports the liability associated with the lease as deferred rent liability on the accompanying consolidated balance sheet. As of June 30, 2017, the deferred rent liability related to this lease was $3,027.

Future minimum rental payments due under the lease are as follows:

Six months ending December 31, 2017	$	2,085
2018		3,991
2019		4,096
2020		4,203
2021		4,313
Thereafter		3,313
	$	22,001

For the six months ended June 30, 2017 and 2016, lease expense totaled $2,052 and $2,070, respectively, and is included in general and administrative expense on the accompanying consolidated statements of operations and comprehensive income (loss).

A portion of the leased space was subleased to JBGR; this sublease was terminated upon the acquisition of the remaining interest in JBGR in January 2016.

NOTE 10—BUSINESS AND CREDIT CONCENTRATIONS

Substantially all revenues of the Partnership are derived from performing services for the affiliated Contributing Entities and Property LLCs.

The Partnership maintains cash and cash equivalents at insured financial institutions. The combined account balances at each institution periodically exceed FDIC insurance coverage, and, as a result, there is a concentration of credit risk related to amounts in excess of FDIC insurance coverage. The Partnership believes that the risk is not significant.

NOTE 11—EMPLOYEE RETIREMENT SAVINGS PLAN

The Partnership's general partner maintains a multiple employer retirement savings plan pursuant to Section 401(k) of the Internal Revenue Code whereby employees may contribute a portion of their compensation to their respective retirement accounts, in an amount not to exceed the maximum allowed under the Internal Revenue Code. The Partnership provides a discretionary matching contribution, which totaled $573 and $368 for the six months ended June 30, 2017 and 2016, respectively, and is included in salary and benefits—reimbursement to general partner on the accompanying consolidated statements of operations and comprehensive income (loss). The Partnership may also provide a discretionary profit-sharing contribution under the plan. No discretionary profit-sharing contributions were made during the six months ended June 30, 2017 and 2016.

NOTE 12—RELATED PARTY TRANSACTIONS

The Partnership provides a wide range of services to affiliated entities, including asset management, property management, leasing, tenant improvement construction, acquisition, repositioning, development, redevelopment, accounting, and financing services. The rates for these services have been agreed upon in advance and are included in the related agreements. For the six months ended June 30, 2017 and 2016, revenues of $50,359 and $46,048, respectively, were earned from affiliated entities.

As of June 30, 2017, the Partnership had accounts receivable balances totaling $6,235 from affiliated entities.

The Partnership incurred certain reimbursable professional fees and personnel costs associated with the Transaction Agreement described in Note 1. As of June 30, 2017, reimbursable professional fees and personnel costs totaled $32,748 and are included in due from affiliate on the accompanying consolidated balance sheet. Upon the closing of the Transaction described in Note 1, JBG SMITH reimbursed the Partnership $31,382. The remaining balance is expected to be reimbursed by JBG SMITH in 2017.

NOTE 13—SUBSEQUENT EVENTS

The Partnership evaluated subsequent events through September 15, 2017 the date the consolidated financial statements were available to be issued.

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Section 7: EX-99.5 (EX-99.5)

Exhibit 99.5

UNAUDITED PRO FORMA CONSOLIDATED AND COMBINED STATEMENT OF OPERATIONS

The following unaudited pro forma consolidated and combined statement of operations for the year ended December 31, 2017 has been prepared in accordance with Article 11 of Regulation S-X, using the assumptions set forth in the notes to the unaudited pro forma consolidated and combined statement of operations by applying pro forma adjustments to the audited consolidated and combined statement of operations of JBG SMITH Properties ("JBG SMITH" or the "Company"), a real estate investment trust ("REIT") located in Maryland, which includes the operating results of the Vornado Included Assets, as defined below, for the year ended December 31, 2017 and the operating results of the JBG Assets, as defined below, from July 18, 2017, the date of acquisition by JBG SMITH, referred to as the "combination", through December 31, 2017. The JBG Assets refers to the portfolio of assets located in the Washington, DC metropolitan area (the "JBG Included Properties") previously owned by The JBG Companies ("JBG") and the management business of JBG/Operating Partners, L.P. and its affiliated entities that conduct business under The JBG Companies trade name (collectively "JBG Operating Partners"). The JBG Included Properties is comprised of the consolidated assets (the "JBG Consolidated Assets") and interests in unconsolidated real estate ventures (the "JBG Unconsolidated Real Estate Ventures"). The unaudited pro forma adjustments to the audited consolidated and combined statement of operations of JBG SMITH gives effect to the combination as if it had occurred on January 1, 2017. All significant pro forma adjustments and underlying assumptions are described in the notes to the unaudited pro forma consolidated and combined statement of operations.

The unaudited pro forma adjustments include the following:

- The operating results of the JBG Assets for the period from January 1, 2017 through July 17, 2017, the portion of the fiscal year prior to the combination; and

- The execution of our $1.4 billion credit agreement and borrowings on the facility and term loan on July 18, 2017 in conjunction with the combination, as if they had occurred on January 1, 2017.

The accompanying unaudited pro forma consolidated and combined statement of operations does not give effect to the potential full-year impact of cost savings that may result from the transactions described above or items that will not have a recurring impact. While Vornado Realty Trust ("Vornado") provides JBG SMITH with certain information technology, financial reporting and payroll services on a transitional basis pursuant to a Transition Services Agreement, a significant portion of these services are approximately one year in duration. Accordingly, the accompanying unaudited pro forma consolidated and combined statement of operations does not give effect to the Transition Services Agreement with Vornado.

The unaudited pro forma consolidated and combined statement of operations is presented for illustrative purposes only and is not necessarily indicative of the financial results that would have actually been reported had the combination occurred on January 1, 2017 nor is the unaudited pro forma consolidated and combined statement of the operations indicative of our future financial results.

The audited consolidated and combined statement of operations of JBG SMITH includes the results of the carve-out of the Vornado Included Assets, which comprises substantially all the assets and liabilities of Vornado's Washington D.C. segment, from the financial information of Vornado for the period from January 1, 2017 through July 17, 2017. The historical financial results of the Vornado Included Assets reflect charges for certain corporate expenses, which include costs related to human resources, security, payroll and benefits, legal, corporate communications and information services. Costs of the services that were allocated or charged to the Vornado Included Assets were based on either actual costs incurred or a proportion of costs estimated to be applicable to the Vornado Included Assets based on a number of factors, most significantly, the Vornado Included Assets' percentage of Vornado's revenue. These allocated amounts are included as a component of general and administrative expenses on the consolidated and combined statement of operations and do not necessarily reflect what actual costs would have been if the Vornado Included Assets had been a separate standalone public company prior to July 17, 2017. Actual costs may be materially different.

The unaudited pro forma consolidated and combined statement of operations should be read in conjunction with the Company's consolidated and combined financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. The Company's consolidated and combined financial statements and related notes for the three months ended March 31, 2018 included in the Company's Quarterly Report on Form 10-Q reflected all the combination-related matters for the entirety of the three month period ended March 31, 2018 and, therefore, do not require any pro forma adjustments.

JBG SMITH
PRO FORMA CONSOLIDATED AND COMBINED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2017
(unaudited and dollar amount in thousands)

		Results of the JBG Assets prior to the Combination					
	JBG SMITH Audited 2017 Results (A)	JBG Operating Partners (B)	JBG Consolidated Assets (C)	JBG Unconsolidated Real Estate Ventures (D)	Elimination Pro Forma Adjustments (E)	Other Pro Forma Adjustments (F)	JBG SMITH Pro Forma
REVENUES:							
Property rentals	$ 436,625	$ —	$ 41,442	$ —	$ —	$ —	$ 478,067
Tenant expense reimbursements	37,985	—	3,944	—	—	—	41,929
Third-party real estate services, including reimbursements	63,236	50,627	—	—	(1,361)	—	112,502
Other income	5,167	—	497	—	—	—	5,664
Total Revenue	**543,013**	**50,627**	**45,883**	**—**	**(1,361)**	**—**	**638,162**
EXPENSES:							
Depreciation and amortization	161,659	4,794	23,830	—	—	—	190,283
Property operating	111,055	—	13,416	—	—	—	124,471
Real estate taxes	66,434	—	6,073	—	—	—	72,507
General and administrative:							
Corporate and other	47,131	51,787	—	—	(1,361)	—	97,557

Third-party real estate services	51,919	—	—	—	—	—	51,919
Share-based compensation related to the formation transaction	29,251	—	—	—	—	23,494	52,745
Transaction and other costs	127,739	—	—	—	—	(125,451)	2,288
Total Operating Expenses	**595,188**	**56,581**	**43,319**	**—**	**(1,361)**	**(101,957)**	**591,770**
Operating Income (Loss)	**(52,175)**	**(5,954)**	**2,564**	**—**	**—**	**101,957**	**46,392**
Loss from unconsolidated real estate ventures	(4,143)	—	—	(6,371)	—	—	(10,514)
Interest and other income (expense), net	1,788	—	2	—	—	(1,804)	(14)
Interest expense	(58,141)	—	(11,566)	—	—	384	(69,323)
Loss on extinguishment of debt	(701)	—	—	—	—	—	(701)
Gain on bargain purchase	24,376	—	—	—	—	(24,376)	—
Income (Loss) before Income Tax Expense	**(88,996)**	**(5,954)**	**(9,000)**	**(6,371)**	**—**	**76,161**	**(34,160)**
Income tax benefit (expense)	9,912	(2,977)	—	—	—	(5,855)	1,080
Net Income (Loss)	**(79,084)**	**(8,931)**	**(9,000)**	**(6,371)**	**—**	**70,306**	**(33,080)**
Net loss attributable to redeemable noncontrolling interests	7,328	—	—	—	—	(4,101)	3,227
Net loss attributable to noncontrolling interests	3	—	—	—	—	—	3
Net Income (Loss) Attributable to Common Shareholders	**$ (71,753)**	**$ (8,931)**	**$ (9,000)**	**$ (6,371)**	**$ —**	**$ 66,205**	**$ (29,850)**
Weighted average shares outstanding - basic and diluted							117,955
Earnings per share - basic and diluted							$ (0.25)

Notes to Pro Forma Consolidated and Combined Statement of Operations (unaudited)

1. Adjustments to Unaudited Pro Forma Consolidated and Combined Statement of Operations

(dollar amounts in thousands, except per share and unit amounts)

(A) Derived from the audited consolidated and combined statement of operations of JBG SMITH for the year ended December 31, 2017, which was included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017. JBG SMITH's audited consolidated and combined statement of operations for the year ended December 31, 2017 includes the results of the Vornado Included Assets for the year ended December 31, 2017 and the results of the JBG Assets subsequent to the combination. Accordingly, the results of operations for the year ended December 31, 2017 reflect the Vornado Included Assets on a combined basis for the period prior to

July 17, 2017 and the Vornado Included Assets and the JBG Assets on a consolidated basis for the period subsequent to July 17, 2017.

The acquisition of the JBG Assets comprises (i) JBG Operating Partners, a real estate services company providing investment, development, asset and property management, leasing, construction management and other services primarily to the assets owned, directly or indirectly, by the legacy funds formerly organized by JBG (the "JBG Legacy Funds"), (ii) the JBG Consolidated Assets and (iii) the JBG Unconsolidated Real Estate Ventures. Consideration paid with respect to the acquisitions referred to in clauses (ii) and (iii) above was in the form of common shares of JBG SMITH and common units of limited partner interest ("OP Units") in our operating partnership, JBG SMITH Properties LP ("JBG SMITH LP"), which holds substantially all of our assets and through which we conduct our operations. Consideration paid with respect to the acquisition of JBG Operating Partners described in clause (i) above was in the form of OP Units. JBG Operating Partners was owned by 20 unrelated individuals prior to the combination. Upon completion of the combination, 19 of these individuals became employees of JBG SMITH and three of these individuals are members of our board of trustees.

The acquisition of the JBG Assets was accounted for as a business combination using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*, whereby the identifiable assets acquired and liabilities assumed, which were recorded at their acquisition-date fair values, and the income from the operations was consolidated into the financial statements commencing July 18, 2017.

A portion of the OP Unit consideration paid to certain of the former owners of JBG Operating Partners, with an estimated fair value of $110,591, is subject to post combination employment with vesting periods of either 12 or 60 months. In accordance with accounting principles generally accepted in the United States, consideration that is subject to future employment is not considered a component of the purchase price for the business combination and has been recognized as compensation expense, which is included in general and administrative: share-based compensation related to the formation transaction in the pro forma consolidated and combined statement of operations in accordance with ASC Topic 718, *Share-based Payments*.

The acquisition resulted in a bargain purchase gain as the estimated fair value of the identifiable net assets acquired exceeded the purchase consideration by $24,376. The purchase consideration was determined based upon the relative equity values of the Vornado Included Assets and the JBG Assets. The JBG Parties, which are comprised of JBG Properties, Inc., JBG/Operating Partners L.P., JBG Investment Fund VI, L.L.C., JBG Investment Fund VII, L.L.C., JBG Investment Fund VIII, L.L.C., JBG Investment Fund IX, L.L.C. and JBG/Urban Direct Member, L.L.C., received a total number of JBG SMITH common shares and/or JBG SMITH LP OP Units equal to their relative equity values. The ultimate value of the consideration was based on the total common shares and OP Units issued in the combination multiplied by the volume weighted average share price on July 18, 2017 of $37.10.

In the combination, JBG SMITH acquired the JBG Assets in exchange for 37.2 million common shares and OP Units. The combination has been accounted for at fair value under the acquisition method of accounting. The following preliminary allocation of the purchase price is based on preliminary estimates and assumptions and is subject to change based on a final determination of the fair value of the purchase consideration and assets acquired and liabilities assumed:

	JBG Operating Partners	JBG Consolidated Assets and JBG Unconsolidated Real Estate Ventures	Total JBG Assets
Fair value of purchase consideration			
Common shares and common limited partnership units	$ 126,893	$ 1,097,992	$ 1,224,885
Cash	3,683	16,890	20,573
Total consideration paid	$ 130,576	$ 1,114,882	$ 1,245,458
Fair value of assets acquired and liabilities assumed			
Land and improvements	$ 868	$ 337,204	$ 338,072
Building and improvements	—	609,156	609,156
Construction in progress	—	699,800	699,800
Leasehold improvements and equipment	7,890	—	7,890
Cash	19	104,510	104,529
Restricted cash	—	13,460	13,460
Investments in and advances to unconsolidated real estate ventures	40	241,571	241,611
Identified intangible assets	48,900	89,471	138,371
Note receivable (1)	—	50,934	50,934
Identified intangible liabilities	—	(8,687)	(8,687)
Mortgages payable assumed (2)	—	(768,523)	(768,523)
Capital lease obligations assumed (3)	—	(33,543)	(33,543)
Lease assumption liabilities (4)	—	(43,388)	(43,388)
Deferred tax liability (5)	(18,610)	—	(18,610)
Other assets acquired (liabilities assumed), net	(8,459)	(49,191)	(57,650)
Noncontrolling interests in consolidated subsidiaries	—	(3,588)	(3,588)
Net assets acquired	30,648	1,239,186	1,269,834
Gain on bargain purchase (6)	(99,928)	124,304	24,376

Total consideration paid	$ 130,576	$ 1,114,882	$ 1,245,458

(1) During the year ended December 31, 2017, JBG SMITH received proceeds of $50,934 from the repayment of the notes receivable acquired in the combination.

(2) Subject to various interest rate swap and cap agreements assumed in the combination that are considered economic hedges, but not designated as accounting hedges.

(3) In the combination, two ground leases were assumed that were determined to be capital leases. On July 25, 2017, JBG SMITH purchased a land parcel located in Reston, Virginia associated with one of the ground leases for $19,500.

(4) Includes a $14,000 payment to a tenant, expected to be paid in 2018, and a $29,388 lease liability JBG SMITH

assumed in relocating a tenant to one of its office buildings. The $29,388 assumed lease liability is based on the contractual payments JBG SMITH assumed under the tenant's previous lease, which are partially offset by estimated sub-tenant income JBG SMITH anticipates receiving as it actively pursues a sub-tenant.

(5) Related to the management and leasing contracts acquired in the combination.

(6) The combination resulted in a gain on bargain purchase because the estimated fair value of the identifiable net assets acquired exceeded the purchase consideration by $24,376. The purchase consideration was based on the fair value of the common shares and OP Units issued in the combination. The Company continues to reassess the recognition and measurement of identifiable assets and liabilities acquired and has preliminarily concluded that all acquired assets and liabilities were recognized and that the valuation procedures and resulting estimates of fair values were appropriate.

The fair value of the mortgages payable assumed was determined using prevailing market interest rates at the time of acquisition for comparable debt financings. The fair values of the interest rate swaps and caps was based on the estimated amounts the Company would receive or pay to terminate the contracts at the acquisition date and was determined using interest rate pricing models and observable inputs. Accordingly, $788 of interest rate swaps and caps are included in other assets acquired (liabilities assumed), net. The carrying value of cash, restricted cash, working capital balances, leasehold improvements, equipment and other assets acquired and liabilities assumed approximate their fair value.

The fair values of buildings are determined using the "as-if vacant" approach whereby the Company uses discounted income or cash flow models with inputs and assumptions that it believes are consistent with market conditions at the time of acquisitions for similar assets. The most significant assumptions in determining the allocation of the purchase price to buildings are the exit capitalization rate, discount rate, estimated market rents and hypothetical expected lease-up periods. The Company assesses fair value of land based on market comparisons and development projects using an income approach of cost plus a margin.

The fair values of identified intangible assets are determined based on the following:

- The value allocable to the above or below market component of an acquired in-place lease is determined based upon the present value (using a discount rate which reflects the risks associated with the acquired leases) of the difference between (i) the contractual amounts to be received pursuant to the lease over its remaining term and (ii) management's estimate of the amounts that would be received using market rates over the remaining term of the lease. Amounts allocated to above market leases are recorded as identified intangible assets and amounts allocated to below market leases are recorded as lease intangible liabilities. These intangibles are amortized to property rental income over the remaining terms of the respective leases;

- Factors considered in determining the value allocable to in-place leases during hypothetical lease-up periods related to space that is leased at the time of acquisition include (i) lost rent and operating cost recoveries during the hypothetical lease-up period and (ii) theoretical leasing commissions required to execute similar leases. These intangible assets are recorded as identified intangible assets and are amortized to depreciation and amortization expense over the remaining term of the existing lease; and

- The allocation to intangible assets related to JBG Operating Partners (in-place property management, leasing, asset management, and development and construction management contracts) is based on revenue and expense projections over the estimated life of each contract discounted using a market discount rate. These management contract intangibles are amortized to depreciation and amortization expense over the weighted average life of the management contracts.

The fair value of the common shares and OP Units purchase consideration was determined as follows (in thousands, except exchange ratio and price per share/unit):

Outstanding common shares and common limited partnership units prior to the Combination	100,571

Exchange ratio (1)		2.71
Common shares and OP Units issued in consideration		37,164
Price per share/unit (2)	$	37.10
Fair value of common shares and OP Units issued in consideration	$	1,378,780
Fair value adjustment to OP Units due to transfer restrictions		(43,303)
Portion of consideration attributable to performance of future services (3)		(110,591)
Fair value of common shares and OP Units purchase consideration	$	1,224,886

(1) Represents the implied exchange ratio of one common share and OP Unit of JBG SMITH for 2.71 common shares and common limited partnership units prior to the combination.

(2) Represents the volume weighted average share price on July 18, 2017.

(3) OP Unit consideration paid to certain of the owners of the JBG Assets, which have an estimated fair value of $110,591 is subject to post-combination employment with vesting over periods of either 12 or 60 months and amortization is recognized as compensation expense over the period of employment in “General and administrative expense: share-based compensation related to the formation transaction” in the pro forma consolidated and combined statement of operations.

The following tables present the consolidated real estate ventures included in the JBG Consolidated Assets and JBG Unconsolidated Real Estate Ventures, which were included within the JBG Assets at the time of the combination, along with JBG SMITH’s percentage ownership of each asset at the time of the combination. The allocations to the JBG SMITH consolidated and unconsolidated real estate ventures at the time of the combination were based on the estimated fair values of the identified assets acquired and liabilities assumed of each venture, including future expected cash flows from promote interests.

The following table reflects the ownership interests in partially owned consolidated real estate ventures that were acquired as part of the JBG Consolidated Assets on July 18, 2017.

JBG CONSOLIDATED ASSETS—PARTIALLY OWNED	TYPE	PERCENT OWNERSHIP
Akridge		
West Half II	Multifamily—Under Construction	94.2%
West Half III	Multifamily—Under Construction	94.2%

The following table reflects the ownership interests in the JBG Unconsolidated Real Estate Ventures that were acquired on July 18, 2017.

JBG UNCONSOLIDATED REAL ESTATE VENTURES	TYPE	PERCENT OWNERSHIP
MFP-JBGU		
L’Enfant Plaza Office—East	Office—Operating	49.0%
L’Enfant Plaza Office—North	Office—Operating	49.0%
Rosslyn Gateway—North	Office—Operating	18.0%
NoBe II Office	Office—Operating	18.0%
Rosslyn Gateway—South	Office—Operating	18.0%
11333 Woodglen Drive	Office—Operating	18.0%
Courthouse Metro Office	Office—Operating	18.0%
L’Enfant Plaza Retail	Office—Operating	49.0%
L’Enfant Plaza Office—Southeast	Office—Under Construction	49.0%
The Alaire	Multifamily—Operating	18.0%
The Terano	Multifamily—Operating	1.8%
Galvan	Multifamily—Operating	1.8 %
Capitol Point—North Option (1)	Future Development	59.0%

Capitol Point—North (1)	Future Development	59.0%
L’Enfant Plaza Office—Center	Future Development	49.0%
Rosslyn Gateway—South Land	Future Development	18.0%
Rosslyn Gateway—North Land	Future Development	18.0%
5615 Fishers Drive	Future Development	18.0%
12511 Parklawn Drive	Future Development	18.0%
Twinbrook	Future Development	18.0%
Woodglen	Future Development	18.0%
CBREI Venture		
Pickett Industrial Park	Office—Operating	10.0%
The Foundry	Office—Operating	9.9%
Fairway Apartments	Multifamily—Operating	10.0%

The Gale Eckington	Multifamily—Operating	5.0%
Atlantic Plumbing	Multifamily—Operating	64.0%
Stonebridge at Potomac Town Center—Phase I	Other—Operating	10.0%
Stonebridge at Potomac Town Center—Phase II	Other—Near-Term Development	10.0%
Stonebridge at Potomac Town Center—Phase III	Future Development	10.0%
Fairway Land	Future Development	10.0%
Brandywine		
1250 1st Street	Future Development	30.0%
50 Patterson Street	Future Development	30.0%
51 N Street	Future Development	30.0%
MRP Realty		
965 Florida Avenue (1)	Multifamily—Near-Term Development	70.0%
Berkshire		
7900 Wisconsin Avenue	Multifamily—Under Construction	50.0%

(1) As of December 31, 2017, the Company consolidated the real estate venture pursuant to a restructured venture agreement.

The following table reflects the preliminary estimated fair value of the depreciable tangible and identified intangible assets and liabilities and their related useful lives for JBG Operating Partners and the JBG Consolidated Assets:

	JBG Operating Partners	JBG Consolidated Assets	Total Fair Value	Useful Life
Tangible Assets:				
Building and improvements	$ —	$ 543,584	$ 543,584	3 - 40 years
Tenant improvement	—	65,572	65,572	Shorter of useful life or remaining life of the respective lease
Leasehold improvements	4,422	—	4,422	Shorter of useful life or remaining life of the respective lease
Equipment	3,468	—	3,468	5 years
Identified Intangible Assets:				
In-place leases	$ —	$ 60,317	$ 60,317	Remaining life of the respective lease
Above-market real estate lease	—	11,732	11,732	Remaining life of the respective lease
Below-market ground leases	—	332	332	Remaining life of the respective lease
Option to enter into ground lease	—	17,090	17,090	Remaining life of contract
Management and leasing contracts	48,900	—	48,900	Estimated life of contracts, ranging between 3 - 9 years
Identified Intangible Liabilities:				
Below-market real estate leases	$ —	$ 8,687	$ 8,687	Remaining life of the respective lease

In establishing the useful lives for determining the pro forma adjustments, the Company considered the length of time the asset had been in existence, its maintenance history, including anticipated future maintenance and any contractual stipulations that might limit the asset's useful life.

(B) The table below presents the pro forma statement of operations of JBG Operating Partners for the year ended December 31, 2017. The historical information for the period prior to the combination is derived from the consolidated statement of income of JBG Operating Partners for the six months ended June 30, 2017.

	For the Period Prior to the Combination (January 1, 2017 – July 17, 2017)			
	Historical JBG Operating Partners for the Six Months Ended June 30, 2017	Historical JBG Operating Partners for the period from July 1, 2017 – July 17, 2017(1)	Other Adjustments	JBG Operating Partners
Revenues				
Third-party real estate services	$ 54,026	$ 4,938	$ (8,337)(2)(3)	$ 50,627
Expenses				
Depreciation and amortization	881	—	3,913(4)	4,794
General and administrative:				
Corporate and other	38,837	3,550	9,400(3)(5)	51,787
Total expenses	39,718	3,550	13,313	56,581

Operating income (loss)	14,308	1,388	(21,650)	(5,954)
Income (loss) from unconsolidated real estate ventures	91	8	(99)(6)	—
Interest expense	(171)	(16)	187(7)	—
Income tax expense	(160)	(15)	(2,802)(8)	(2,977)
Net income (loss)	$ 14,068	$ 1,365	$ (24,364)	$ (8,931)

(1) Reflects the operating results of JBG Operating Partners for the period July 1, 2017 through July 17, 2017.

(2) Elimination of third-party real estate services revenue associated with services provided to JBG Consolidated Assets.

(3) Adjustment to reflect the payment for and reimbursement of property operating payroll expenses.

(4) Adjustment to depreciation and amortization expense based on the estimated fair value of JBG Operating Partners' real estate and intangible assets.

(5) Adjustment to reflect the termination of JBG Operating Partners' profit sharing arrangement upon completion of the combination.

(6) Elimination of income attributable to an investment not acquired by JBG SMITH in the combination.

(7) Adjustment to eliminate interest expense for repayment of JBG Operating Partners' line of credit.

(8) Adjustment to record the income tax provision on pro forma fee income from REIT subsidiaries using an estimated 40.37% effective income tax rate.

(C) The table below presents the pro forma combined statement of revenues and expenses from real estate operations of the operating JBG Consolidated Assets (the "JBG Operating Assets") for the period of January 1, 2017 through July 17, 2017. The historical information for the period of January 1, 2017 through June 30, 2017 is derived from the combined statements of revenues and expenses from real estate operations of the JBG Operating Assets for the six months ended June 30, 2017.

	For the Period Prior to the Combination (January 1, 2017 – July 17, 2017)			
	JBG Operating Assets for the Six Months Ended June 30, 2017(1)	JBG Operating Assets for the period from July 1, 2017 – July 17, 2017(2)	Other Adjustments (3)	JBG Consolidated Assets
Revenue:				
Property rentals	$ 35,959	$ 3,287	$ 2,196	$ 41,442
Tenant expense reimbursement	3,620	331	(7)	3,944
Other revenue	454	41	2	497
Total revenue	$ 40,033	$ 3,659	$ 2,191	$ 45,883
Expenses:				
Property operating	11,552	1,056	808	13,416
Real estate taxes	5,067	463	543	6,073
Total expenses	$ 16,619	$ 1,519	$ 1,351	$ 19,489

(1) This information is derived from the combined statements of revenues and expenses from real estate operations of the JBG Operating Assets for the six months ended June 30, 2017, which were prepared for the purposes of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended.

(2) Reflects the operating results of the JBG Operating Assets for the period July 1, 2017 through July 17, 2017.

(3) Reflects the net impact of straight-line rents and the amortization of above or below market lease intangibles based on the preliminary purchase price allocation described in Note A. Also, reflects operating revenue and expenses related to incidental operations for three under construction development assets for the period of January 1, 2017 through July 17, 2017 owned by JBG SMITH but not included in the combined statements of revenue and expenses from real estate operations prepared for the purposes of complying with Rule 3-14 of Regulation S-X, as they were not operating assets. Such assets generated immaterial incidental operating revenue and expenses.

Pro forma depreciation and amortization expense is presented based on the estimated fair values of the real estate and identified intangible assets described in Note A. Estimated useful lives are discussed in Note A.

Above and below market leases are amortized as a decrease or an increase to rental income, respectively, over the lives of the respective leases. Amortization of acquired in-place leases, excluding ground leases, is included

as a component of depreciation and amortization. Ground lease amortization is included in property operating expense.

Interest expense on assumed debt associated with the JBG Consolidated Assets is calculated using the historical results for each assumed loan and adjusted for the amortization of the net premium resulting from the recognition of the assumed debt at fair value based on market loan interest rates. The contractual interest rates on the assumed debt range from 2.82% to 8.76%.

(D) Reflects JBG SMITH's share of the income (loss) from its interests in the JBG Unconsolidated Real Estate Ventures accounted for under the equity method, including adjustment for the basis difference between the fair value of the interest in the JBG Unconsolidated Real Estate Ventures and the proportionate interest in the depreciable assets held by each venture. This basis difference is amortized over the estimated life of the underlying assets and recognized as a component of equity in earnings from unconsolidated real estate ventures. Also, reflects operating revenue and expenses related to incidental operations for five assets and two JBG Legacy Funds for the period of January 1, 2017 through July 17, 2017, which were acquired by JBG SMITH, but not included in the combined statements of revenue and expenses from real estate operations prepared for the purposes of complying with Rule 3-14 of Regulation S-X, as they were not operating assets at the time of the combination. Such assets generated immaterial incidental operating revenue and expenses.

(E) *Third-party Real Estate Services Revenues / Property Operating*

Reflects the elimination of intercompany management fees and intercompany fees for legal, marketing and other services of $1,361 provided by JBG Operating Partners to the JBG Operating Assets that were acquired in the combination.

(F) *Other Pro Forma Adjustments*

General and Administrative: Share-Based Compensation Related to the Formation Transaction

Reflects non-cash compensation expense adjustments for the period from January 1, 2017 through July 17, 2017 related to (i) estimated amortization of the grant date fair value of the portion of OP Units transferred to the partners of JBG Operating Partners in connection with their contribution of the JBG management company, which have vesting schedules, subject to continued employment over one or five years, (ii) estimated amortization of the fair value of the Formation Awards, which have vesting schedules, subject to continued employment, over five years and (iii) estimated amortization of the fair value of the equity awards made on July 18, 2017 to a key employee, of which 50% vested immediately and 50% has a vesting schedule, subject to continued employment, over five years. JBG Operating Partners has provided development, construction and other services to the JBG Consolidated Assets. JBG Operating Partners recorded revenue for these services and incurred payroll and related costs reported as general and administrative expense. On a pro forma basis, these costs are capitalized at the property level, and no revenue or general and administrative cost is recorded. Accordingly, $552 of these share-based costs are reflected as capitalized wages for the year ended December 31, 2017.

General and Administrative — Third-party real estate services

Our third-party real estate services business provides a wide range of real estate services to the JBG Legacy Funds, other JBG-affiliated entities, joint ventures and third parties with which we have longstanding relationships and earns fees for providing such services. A significant portion of our employees' time and corresponding overhead cost is attributable to our third-party real estate services business. Subsequent to the combination, general and administrative expenses are allocated in proportion to our employee's time during the applicable period spent managing assets that will be consolidated in our financial statements (the proportional amount of general and administrative expense that will be allocated to our corporate function) versus assets that will not be consolidated in our financial statements (the proportional amount of general and administrative expense that will be allocated to our third-party real estate services business). For the period ending July 17, 2017, our employee's time cannot be reasonably allocated using the same methodology outlined above. We estimate the cost associated with our employee's time attributable to our third-party real estate services business for the period ending July 17, 2017, to be $31,046.

Transaction Costs

Transaction costs and other costs (such as advisory, legal, accounting, valuation and other professional fees) of $125,451 for the year ended December 31, 2017 have been removed as a pro forma adjustment.

Interest and Other Income, net

Reflects the elimination of interest income of $1,804 for the period from January 1, 2017 through July 17, 2017 related to the repayment of Vornado's $76,738 payable to JBG SMITH.

Interest Expense

Represents the elimination of $5,958 of historical interest expense for the period from January 1, 2017 through July 17, 2017 associated with (i) the repayment of the $174,639 payable to Vornado, (ii) the combined $43,609 repayment of the 1700 and 1730 M Street mortgage loans and (iii) the repayment of the $115,751 payable to Vornado utilizing borrowings under our revolving credit facility.

The elimination of historical interest expense is offset by additional incremental interest expense of $5,574, net of capitalized interest, for the period from January 1, 2017 through July 17, 2017, associated with (i) the $50,000 borrowing from our unsecured term loan facility, (ii) the $115,751 borrowing from our revolving credit facility, (iii) the $220,000 mortgage borrowing on The Bartlett, (iv) amortization of debt issuance costs related to the $1.4 billion credit facility and (v) facilities fees associated with the Company's term loan and revolving credit facility. The incremental interest expense associated with the Company's borrowings uses actual market rates had the borrowings been outstanding for the period January 1, 2017 through July 17, 2017.

Net Loss Attributable to Redeemable Noncontrolling Interests

Reflects the adjustment associated with the allocation of net loss of $4,101 to the redeemable noncontrolling interest in JBG SMITH LP for the year ended December 31, 2017.

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