2013

ANNUAL REPORT

Firm Capital

PROPERTY TRUST

DISCIPLINED INVESTING

CAPITAL PRESERVATION

PROPERTY TRUST

PROFILE
Firm Capital Property Trust (TSXV: FCD.UN) is focused on creating long-term value for Unitholders, through capital preservation and disciplined investing to achieve stable distributable income. In partnership with management and industry leaders, FCPT's plan is to co-own a diversified property portfolio of the following real estate asset classes:

- Multi Residential,
- Industrial & Flex Industrial,
- Net Lease Convenience and Stand Alone Retail, and
- Core Service Provider / Healthcare Professional Office.

In addition to stand alone accretive acquisitions, the Trust will make acquisitions, on a co-ownership basis with strong financial partners and will make joint acquisitions and the acquisition of partial interests from existing ownership groups, in a manner that provides liquidity to those selling owners and professional management for those remaining as partners. Firm Capital Realty Partners Inc., through a structure focused on an alignment of interests with the Trust, will source, syndicate and participate in investments.

The Trust is externally asset and property managed by Firm Capital Realty Partners Inc. ("**FCRPI**") and Firm Capital Properties Inc. ("**FCPI**"), respectively.

The units are listed on the TSX Venture Exchange under the stock symbol FCD.UN

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REPORT TO UNITHOLDERS

OVERVIEW

Firm Capital Property Trust (the "Trust") is an unincorporated, open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario pursuant to the Declaration of Trust. The Trust was established to hold a diversified portfolio of real estate, focusing on the following asset classes: industrial and flex industrial, multi residential, net lease convenience and standalone retail and core service provider / healthcare professional office. The Trust was formed on August 30, 2012 and started operations on November 29, 2012, when it acquired four retail assets, closed two private placement transactions and completed a plan of arrangement with a predecessor entity. The Trust completed two acquisitions of 26 properties during 2013 for a total value of $30.9 million.

FINANCIAL RESULTS

The Trust's investment portfolio as at December 31, 2013 totaled $60.4 million. Rental Revenue for the Trust for the year ended December 31, 2013 was $5,514,133. Net Operating Income ("NOI") was $3,459,742, which represents an NOI margin of approximately 63%. EBITDA was $2,964,862 and includes a deduction for General and Administrative ("G&A") of $623,437.

LOOKING FORWARD

Through the remainder of 2014, the Trust expects access to the capital markets to remain open to well capitalized entities that have a strong balance sheet and have sufficient cash flows to fund monthly distributions. Access to conventional mortgage financing is expected to remain strong however we continue to anticipate seeing higher than normal volatility in underlying interest rates but do not expect that rates will be significantly higher than they were in 2013.

The Trust continues to target multi-residential, industrial and flex industrial, net lease convenience and stand-alone retail, core service provider and healthcare professional office assets across Canada. We expect to predominately grow through external acquisitions during 2014 and will assess each acquisition on its own merits to ensure they meet our investment objectives but will not grow the portfolio only for the sake of growth. In addition to growth generated by acquisitions, the Trust's growth is expected to come from within the portfolio, through a combination of leasing and build out of existing excess density, however these initiatives will take time to implement. The Trust is committed to remaining focused on its portfolio in order to preserve and improve occupancy levels through active management and leasing in order to maintain a stable stream of cash flows. We will continue to focus our acquisition program towards off market and partial interest transactions as we anticipate they will provide the Trust with the best investment opportunities.

March 19, 2014

Robert McKee
President and Chief Executive Officer

Sandy Poklar
Chief Financial Officer

MANAGEMENT DISCUSSION & ANALYSIS

*The following management's discussion and analysis ("**MD&A**") of the financial condition and results of operations of Firm Capital Property Trust ("**FCPT**" or the "**Trust**") should be read in conjunction with the Trust's audited annual consolidated financial statements for the year ended December 31, 2013 and for the period from August 30, 2012 (date of formation) to December 31, 2012. This MD&A has been prepared taking into account material transactions and events up to and including March 19, 2014. Additional information about the Trust has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our web site at www.firmcapital.com.*

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 2014 objectives and our strategies to achieve those objectives, as well as statements with respect to management's beliefs, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties, including those described below in this MD&A under Risks and Uncertainties, which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Such risk factors include, but are not limited to, risks associated with real property ownership, availability of cash flow, general uninsured losses, future property acquisitions, environmental matters, tax related matters, debt financing, unitholder liability, potential conflicts of interest, potential dilution, reliance on key personnel, changes in legislation and changes in the tax treatment of trusts. The Trust cannot assure investors that actual results will be consistent with any forward-looking statements and the Trust assumes no obligation to update or revise such forward-looking statements to reflect actual events or new circumstances. All forward-looking statements contained in this MD&A are qualified by this cautionary statement. Although the forward-looking information contained in this MD&A are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

All forward-looking statements in this MD&A are qualified by these cautionary statements. Except as required by applicable law, the Trust undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

INTRODUCTION

Firm Capital Property Trust (TSXV : FCD.UN) is focused on creating long-term value for Unitholders, through capital preservation and disciplined investing to achieve stable distributable income. In partnership with management and industry leaders, FCPT's plan is to co-own a diversified property portfolio of the following real estate asset classes:

- Multi Residential,
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In addition to stand alone accretive acquisitions, the Trust will make acquisitions, on a co-ownership basis with strong financial partners and will make joint acquisitions and the acquisition of partial interests from existing ownership groups, in a manner that provides liquidity to those selling owners and professional management for those remaining as partners. Firm Capital Realty Partners Inc., through a structure focused on an alignment of interests with the Trust, will source, syndicate and participate in investments.

The Trust is externally asset and property managed by Firm Capital Realty Partners Inc. ("**FCRPI**") and Firm Capital Properties Inc. ("**FCPI**"), respectively.

MANAGEMENT DISCUSSION & ANALYSIS

The Trust is an unincorporated open-ended real estate investment trust established on August 30, 2012 under the laws of the Province of Ontario pursuant to a Declaration of Trust. The Trust is a "mutual fund trust" as defined in the Tax Act, but is not a "mutual fund" within the meaning of applicable Canadian securities legislation. The head office and registered office of the Trust is located at 163 Cartwright Avenue Toronto, Ontario M6A 1V5.

Additional information on the Trust and its portfolio is available on the Firm Capital web site at www.firmcapital.com or on the SEDAR website at www.sedar.com.

BASIS OF PRESENTATION

For fiscal periods beginning on or after January 1, 2011, Canadian public companies are required to prepare their financial statements in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board. The Trust has adopted IFRS as issued by the International Accounting Standards Board as its basis of financial reporting commencing with its first consolidated financial statements for the period ended December 31, 2012. The Trust's reporting currency is the Canadian dollar.

Net Operating Income ("**NOI**"), Stabilized NOI, Funds from Operations ("**FFO**"), Adjusted Funds from Operations ("**AFFO**"), FFO Payout Ratio, AFFO Payout Ratio and Debt/Gross Book Value ("**GBV**") are non-GAAP measures commonly used by Canadian real estate investment trusts as an indicator of financial performance. "**GAAP**" means generally accepted accounting principles described by the Canadian Institute of Chartered Accountants ("**CICA**") Handbook - Accounting, which are applicable as at the date on which any calculation using GAAP is to be made. As a public entity, the Trust applies IFRS as described in Part I of the CICA Handbook - Accounting.

The Trust calculates NOI as revenues, prepared in accordance with IFRS, less property operating expenses such as taxes, utilities, repairs and maintenance. NOI does not include charges for interest and amortization.

The Trust calculates FFO substantially in accordance with the guidelines set out by the Real Property Association of Canada ("**RealPAC**"), as issued in December 2010 for entities adopting IFRS. These guidelines include certain additional adjustments to FFO under IFRS from the previous definition of FFO.

AFFO is calculated as FFO less adjustments for non-cash items, normalized capital expenditures, tenant inducements and leasing charges.

NOI, FFO, AFFO, FFO Payout Ratio, AFFO Payout Ratio and Debt/GBV are not measures defined under IFRS. NOI, FFO and AFFO are not intended to represent operating profits for the period, or from a property, nor should any of these measures be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Readers should be further cautioned that NOI, FFO and AFFO, FFO Payout Ratio, AFFO Payout Ratio and Debt/GBV as calculated by the Trust may not be comparable to similar measures presented by other issuers.

FOURTH QUARTER HIGHLIGHTS

- Stabilized FFO and AFFO of $0.585 million and $0.598 million. Stabilized AFFO is a 6% increase over Q3/2013;
- Stabilized FFO and AFFO per Unit of $0.104 and $0.106 per Unit;
- Stabilized FFO and AFFO payout ratios of 86% and 84%;
- Rental revenue of $2.3 million, which is a 51% increase over the $1.5 million generated during Q3/2013;
- Strong 92.2% occupancy;
- Net rent per square foot increased by 1.2% to $7.72 per square foot over Q3/2013;
- Net Operating Income ("**NOI**") of $1.3 million, which is a 23% increase over the $1.0 million generated during Q3/2013;
- Net Income of $1.1 million, which includes a $0.45 million and $0.027 million net fair value adjustment for the real estate portfolio and marketable securities, respectively; and
- Announced 5.7% increase in monthly distributions to $0.030833 per Unit ($0.37 per Unit annualized)

YEAR END HIGHLIGHTS

- Stabilized FFO and AFFO of $2.0 million and $1.9 million;
- Stabilized FFO and AFFO per Unit of $0.403 and $0.387 per Unit;
- Stabilized FFO and AFFO payout ratios of 87% and 91%, well below the 110% and 116% recorded during Q1/2013;
- Rental revenue of $5.5 million and NOI of $3.5 million vs. $0.288 million and $0.189 million reported for the period ended December 31, 2012, respectively;
- Net Income of $3.8 million, which includes a $1.7 million and $0.050 million net fair value adjustment for the real estate portfolio and marketable securities, respectively;
- Increased the asset base by 124% since the beginning of 2013 to $61.5 million from $27.4 million, while keeping leverage at a conservative 49.5% debt / gross book value;
- Increased the investment portfolio from four properties at the beginning of 2013 to 30 by the end of 2013;

- Acquired our first core service provider professional building in Barrie, ON and our first 50% interest in an industrial portfolio located in Montreal, QC for a total of $31.3 million (including transaction costs and working capital adjustments);

- Sold ISG Capital Corporation for a $50,000 gain, while also receiving $66,140 in income prior to the disposition;

- Raised approximately $6.4 million of trust units at $5.10 per Unit through a non-brokered private placement; and

- Implemented Distribution Reinvestment Plan ("**DRIP**") and Unit Purchase Plan

CURRENT PROPERTY PORTFOLIO & HIGHLIGHTS

INITIAL PORTFOLIO ACQUISITION

On November 29, 2012, the Trust acquired its first portfolio of four, income producing, retail investment properties comprised of 113,965 square feet of gross leasable area ("**GLA**") located in Ontario and Nova Scotia for approximately $26.9 million (including transaction costs and net of tenant rental deposits).

CORE SERVICE PROVIDER PROFESSIONAL BUILDING ACQUISITION

On April 9, 2013, the Trust acquired a 42,884 square foot professional services medical building for a purchase price of approximately $6.9 million (incl. transaction costs and working capital adjustments). The property is located in Barrie, Ontario, on Wellington St. West, a short distance to Highway 400 and the Dunlop Street West intersection. The property has excess development land possibilities.

MONTREAL INDUSTRIAL PORTFOLIO ACQUISITION

On August 1, 2013, the Trust acquired a 50% interest in 25 industrial buildings located in Montreal, Quebec. The acquisition cost of the entire portfolio is $48.8 million, including closing costs and working capital adjustments). The acquisition cost for the Trust's 50% interest in the portfolio is $24.4 million (including transaction costs and working capital adjustments). The portfolio is comprised of 1,029,898 square feet and consists of seventeen multi-tenant and eight single-tenant industrial buildings. The portfolio has in excess of 90 tenants and is in proximity to Pierre Elliott Trudeau Airport as well as the Trans-Canada Highway. 50% of the Portfolio was acquired by the Trust, while the remaining 50% was acquired by an entity associated with FCRPI that consists predominantly of senior management and certain trustees of FCPT.

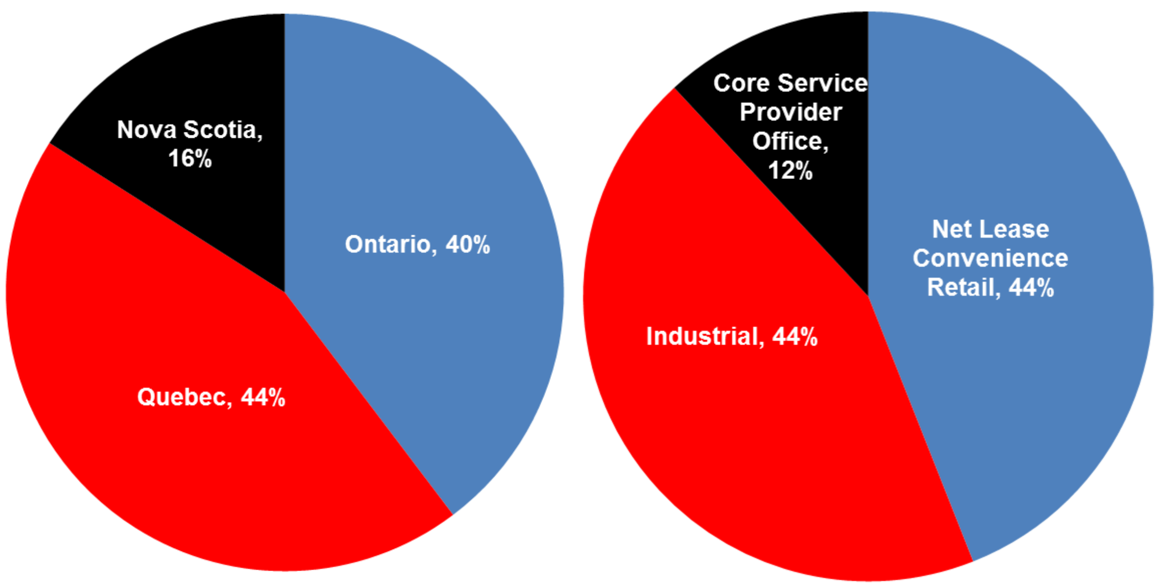
Based on the Trust's pro rata interest as at December 31, 2013, the property portfolio consists of 30 properties with a total GLA of 671,798 square feet (668,740 square feet of Net Leasable Area ("**NLA**").

PORTFOLIO DIVERSIFICATION

The portfolio is well diversified across geographies and asset classes:

Net Lease Convenience Retail	Ownership Interest	Gross Leaseable Area	Net Leaseable Area	Occupancy Q4/2013	Occupancy Q3/2013	Net Rent PSF Q4/2013	Net Rent PSF Q3/2013
Bridgewater, Nova Scotia	100.0%	46,707	46,707	91.4%	91.4%	$16.77	$16.77
Brampton, Ontario	100.0%	36,137	36,137	100.0%	100.0%	$24.71	$24.71
Hanover, Ontario	100.0%	19,874	19,874	100.0%	100.0%	$17.94	$17.94
Pembroke, Ontario	100.0%	11,247	11,247	100.0%	100.0%	$12.62	$12.62
Total / Weighted Average	**100.0%**	**113,965**	**113,965**	**96.5%**	**96.5%**	**$19.09**	**$19.09**
Core Service Provider Office							
Barrie, Ontario	100.0%	42,884	39,826	98.7%	99.4%	$13.91	$13.84
Total / Weighted Average	**100.0%**	**42,884**	**39,826**	**98.7%**	**99.4%**	**$13.91**	**$13.84**
Industrial & Flex Industrial							
Montreal, QC	50.0%	514,949	514,949	90.8%	93.4%	$ 4.50	$ 4.48
Total / Weighted Average	**50.0%**	**514,949**	**514,949**	**90.8%**	**93.4%**	**$ 4.50**	**$ 4.48**
Overall Total / Weighted Average	**56.5%**	**671,798**	**668,740**	**92.2%**	**94.3%**	**$ 7.72**	**$ 7.63**

Geographical and Asset Class Portfolio Diversification based on NOI



TENANT DIVERSIFICATION

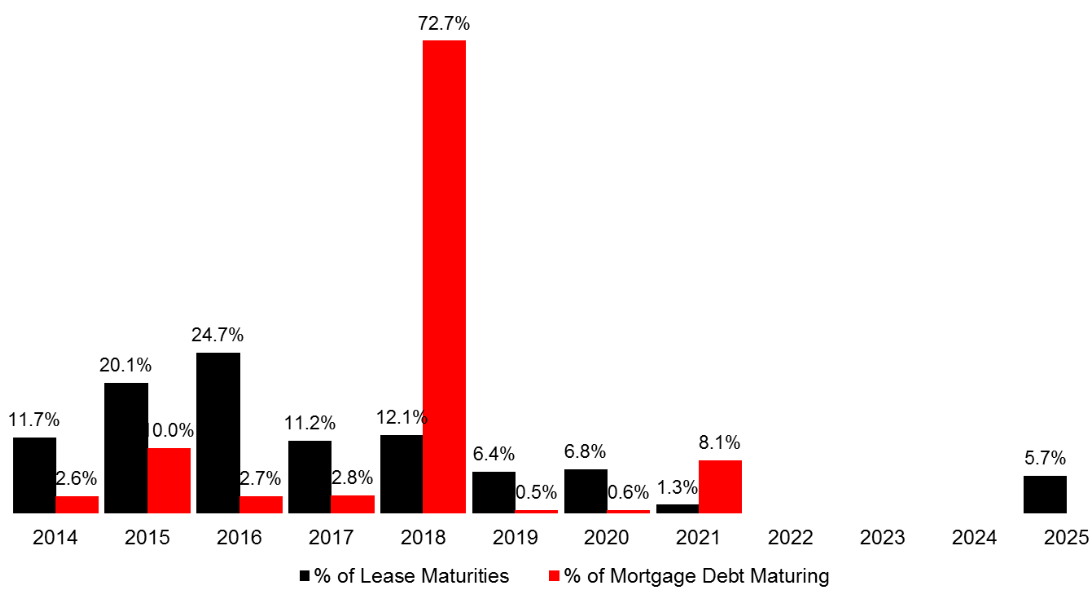
The portfolio is well diversified by tenant profile with no tenant accounting for more than 5.4% of total net rent. Further, the top 10 tenants are largely comprised of credit worthy and large national tenants and account for 33.0% of total net rent and 21.1% of total NLA:

#	Tenant	Location	% of Owned NLA	% of Total Net Rent
1	Cara Corporation (Kelsey's, Swiss Chalet)	Brampton, ON & Bridgewater, NS	1.6%	5.4%
2	Quebecor Media	Montreal, QC	7.5%	4.2%
3	Staples	Bridgewater, NS	2.2%	4.2%
4	Mark's Work Wearhouse (Canadian Tire)	Hanover, ON	1.5%	3.5%
5	Reitmans	Pembroke, ON & Bridgewater, NS	1.5%	2.8%
6	Easy Home	Hanover, ON & Bridgewater, NS	1.2%	2.8%
7	Boston Pizza	Pembroke, ON & Bridgewater, NS	1.8%	2.8%
8	The Beer Store	Brampton, ON	0.9%	2.8%
9	LifeLabs LP (OMERS)	Barrie, ON	1.0%	2.3%
10	Haivision Systems	Montreal, QC	2.0%	2.2%
Total			**21.1%**	**33.0%**

Note: Excludes headlease with Calloway REIT on the Brampton, ON asset which represents 4.4% of total net rent and 1.3% of owned NLA

DURATION MATCHED DEBT & LEASE MATURITY PROFILE

The current portfolio has a weighted average lease term to maturity of 4.0 years, which is duration matched with mortgage debt with a weighted average term to maturity of 4.6 years.



OCCUPANCY

For Q4/2013, occupancy was 92.2%, a slight decline over the 94.3% reported at Q3/2013. The reason for the slight decline was largely the result of the Montreal Industrial portfolio whose occupancy declined to 90.8% at Q4/2013 from 93.4% at Q3/2013. The decline was the result of two tenant lease expiries that comprised of approximately 35,100 square feet of total net leasable area (FCPT's pro-rata interest equates to 17,550 square feet of net leasable area). Senior management was aware of this potential vacancy at the time they purchased the portfolio during Q3/2013 and had underwritten the NOI based on a 90% occupancy rate, in line with the reported Q4/2013 occupancy rate.

Subsequent to Q4/2013, a 10 year lease was entered into in the Montreal Industrial portfolio that's comprised of 31,563 square feet of net leasable area (FCPT's pro-rata interest equates to

15,782 square feet of net leasable area) which would bring the overall occupancy of the entire investment portfolio to approximately 93%. This new lease commences during Q2/2014.

NET RENTS

For Q4/2013, net rent per square foot increased by 1.2% to $7.72 per square foot over Q3/2013. The increase is the result of FCPT's active re-leasing program at both the Barrie medical office property and Montreal Industrial portfolio where net rents per square foot increased to $13.91 and $4.50 per square foot, respectively. Net rents for the Net Lease Convenience Retail portfolio went unchanged at $19.09 per square foot.

RESULTS OF OPERATIONS

REVENUE, PROPERTY EXPENSES & NOI

Rental revenue for the three and twelve months ended December 31, 2013 was $2,265,159 and $5,514,133, respectively, in comparison to the $288,658 reported for the period ended December 31, 2012. Rental revenue includes all amounts earned from tenants lease agreements including basic rent, operating cost and realty tax recoveries. The year-over-period variance is due to a combination of a full year's benefit of the net lease convenience retail portfolio as well as the Barrie Medical and Montreal Industrial acquisitions during 2013.

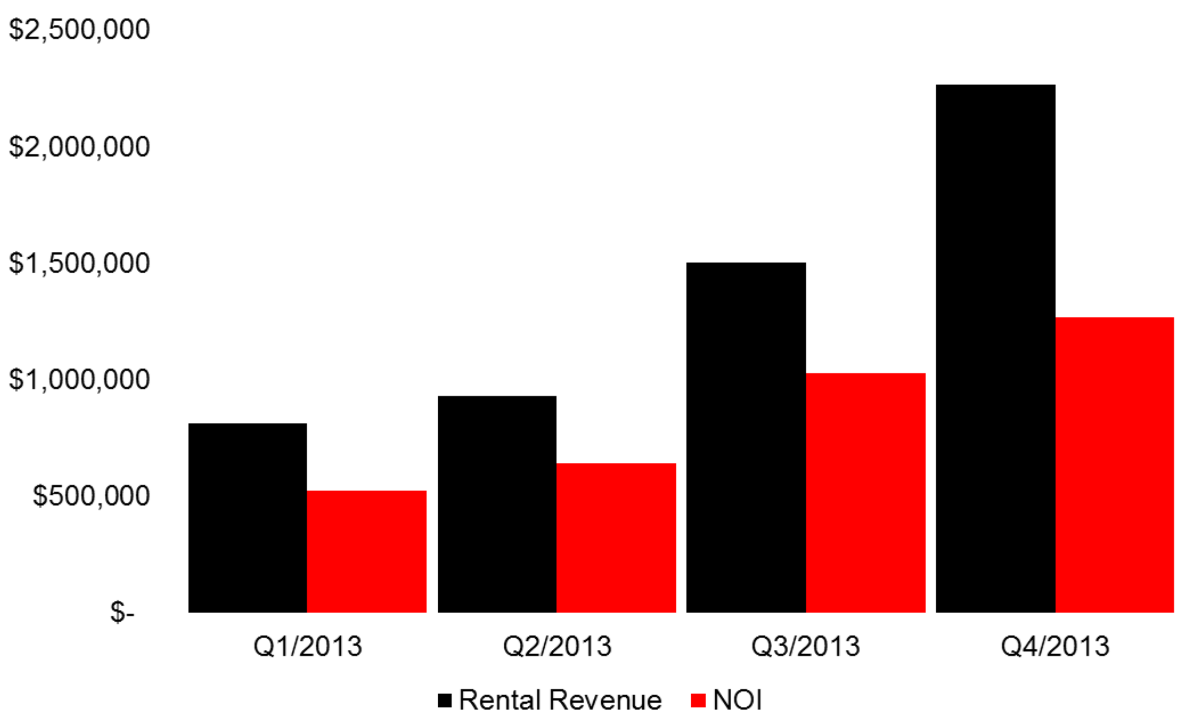
Property operating expenses for the three and twelve months ended December 31, 2013 was $998,786 and $2,054,391, respectively, in comparison to $98,721 reported for the period ended December 31, 2012. Property operating expenses include realty taxes as well as other costs related to maintenance, HVAC, insurance, utilities and property management fees paid to FCPI. Property operating expenses consists of the following:

	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2013	Period Ended December 31, 2012
Realty Taxes	$ 608,897	$ 1,213,496	$ -
Property Management Fees	106,513	266,463	11,987
Operating Expenses	283,376	574,432	86,734
Property Operating Expenses	**$ 998,786**	**$ 2,054,391**	**$ 98,721**

NOI for the three and twelve months ended December 31, 2013 was $1,266,373 and $3,459,742, respectively, in comparison to the $189,937 reported for the period ended December 31, 2012. The year-over-period variance is due to a combination of a full year's benefit of the net lease convenience retail portfolio as well as the Barrie Medical and Montreal Industrial acquisitions during 2013.

		Three Months Ended December 31, 2013		Twelve Months Ended December 31, 2013		Period Ended December 31, 2012
Rental Revenue	**$**	**2,265,159**	**$**	**5,514,133**	**$**	**288,658**
Property Operating Expenses		(998,786)		(2,054,391)		(98,721)
Net Operating Income ("NOI")	**$**	**1,266,373**	**$**	**3,459,742**	**$**	**189,937**

Since Q1/2013; rental revenue and NOI have steadily increased as a result of the Trust's accretive acquisitions. Quarterly rental revenues and NOI have increased by 178% and 142% to $2.3 million and $1.3 million from $0.8 million and $0.5 million, respectively.



OTHER INCOME

Other income for the three and twelve months ended December 31, 2013 was $6,160 and $128,557, respectively, in comparison to the $441 earned for the period ended December 31, 2012. Other income is comprised of the following:

	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2013	Period Ended December 31, 2012
Interest Income	$ 1,392	$ 2,881	$ 441
Dividend Income	4,768	9,536	-
Income & Gain on Sale of ISG Capital Corporation	-	116,140	-
Other Income	**$ 6,160**	**$ 128,557**	**$ 441**

Dividend income of $9,536 relates to amounts received from the Trust's marketable securities. $116,140 was received from the Trust's former wholly-owned subsidiary, ISG Capital Corporation in the form of $66,140 of income and $50,000 from the eventual gain on sale on July 16, 2013.

FINANCE COSTS

Finance costs for the three and twelve months ended December 31, 2013 was $338,564 and $778,159, respectively, in comparison to the $32,921 reported for the period ended December 31, 2012. The year-over-period variance is due to a combination of mortgages placed on the Hanover and Bridgewater properties aggregating $8.3 million at a 3.3% weighted average interest rate and the financings both assumed and placed on the Barrie Medical and Montreal Industrial portfolios aggregating $19.9 million at a 4.1% weighted average interest rate, offset by the partial repayment of the bank indebtedness during 2013.

Finance costs are comprised of the following:

	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2013	Period Ended December 31, 2012
Mortgage Interest	$ 306,825	$ 592,801	$ -
Bank Indebtedness Interest	29,208	145,034	23,652
Finance Fee Amortization	16,398	54,190	9,269
Non-Cash Interest Expense - Assumed Mortgage	(13,866)	(13,866)	-
Finance Costs	**$ 338,564**	**$ 778,159**	**$ 32,921**

Finance fee amortization relates to fees paid on securing the bank indebtedness (as outlined below) and the Trust's various mortgages. Non-cash interest expense relates to the fair value adjustment to interest expense required as a result of the assumed mortgage from the acquisition of the Barrie, Ontario professional services medical building.

The effective average interest rate for the bank indebtedness during for the three and twelve months ended December 31, 2013 was approximately 4.4%. As outlined in further detail below, the weighted average interest rate of the mortgages as at December 31, 2013 stands at approximately 3.9%.

GENERAL AND ADMINISTRATIVE (G&A) EXPENSES

G&A expense for the three and twelve months ended December 31, 2013 was $231,523 and $623,437, respectively, in comparison to the $109,824 reported for the period ended December 31, 2012. The year-over-period variance is due to a combination of owning for a full year the net lease convenience retail portfolio as well as the Barrie Medical and Montreal Industrial acquisitions during 2013. G&A expense consists of the following:

	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2013	Period Ended December 31, 2012
Professional Fees	$ 36,319	$ 116,847	$ 79,998
Asset Management Fees	115,314	344,193	16,839
Public Company Expenses	53,026	110,065	6,619
Office & General	17,303	30,954	5,417
Insurance	9,561	21,378	951
General & Administrative	**$ 231,523**	**$ 623,437**	**$ 109,824**

Professional fees include legal, audit and tax advisory fees. Asset management fees were paid to FCRPI as outlined below. Public company expenses include trustee fees, transfer agent fees, press releases and print media.

NET INCOME & COMPREHENSIVE NET INCOME

Net Income for the three and twelve months ended December 31, 2013 was $1,057,578 and $3,822,015, respectively, in comparison to the $287,989 reported for the period ended December 31, 2012. The year-over-period variance is due to a combination of a full year's benefit of the net lease convenience retail portfolio as well as the Barrie Medical and Montreal Industrial acquisitions during 2013.

Included within Net Income for the three and twelve months ended December 31, 2013 is a Fair Value Adjustment with respect to the Portfolio and assumed mortgages of $445,029 and $1,683,555 and to the marketable securities of $27,297 and $50,919, respectively, in comparison to the $263,011 and nil reported for the period ended December 31, 2012, respectively. This represents the difference between the purchase price of the Portfolio and the IFRS value as outlined in note 5 of the audited annual consolidated financial statements as well as the fair value of the marketable securities.

FUNDS FROM OPERATIONS ("FFO") & ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

For the three months ended December 31, 2013, FFO per Unit was $0.104 while AFFO per Unit was $0.106. Based on distributions paid over that period, FFO and AFFO payout ratios are 86% and 84%, respectively. For the twelve months ended December 31, 2013, FFO per Unit was $0.426 while AFFO per Unit was $0.410. Based on distributions paid over that period, FFO and AFFO payout ratios are 82% and 86%, respectively.

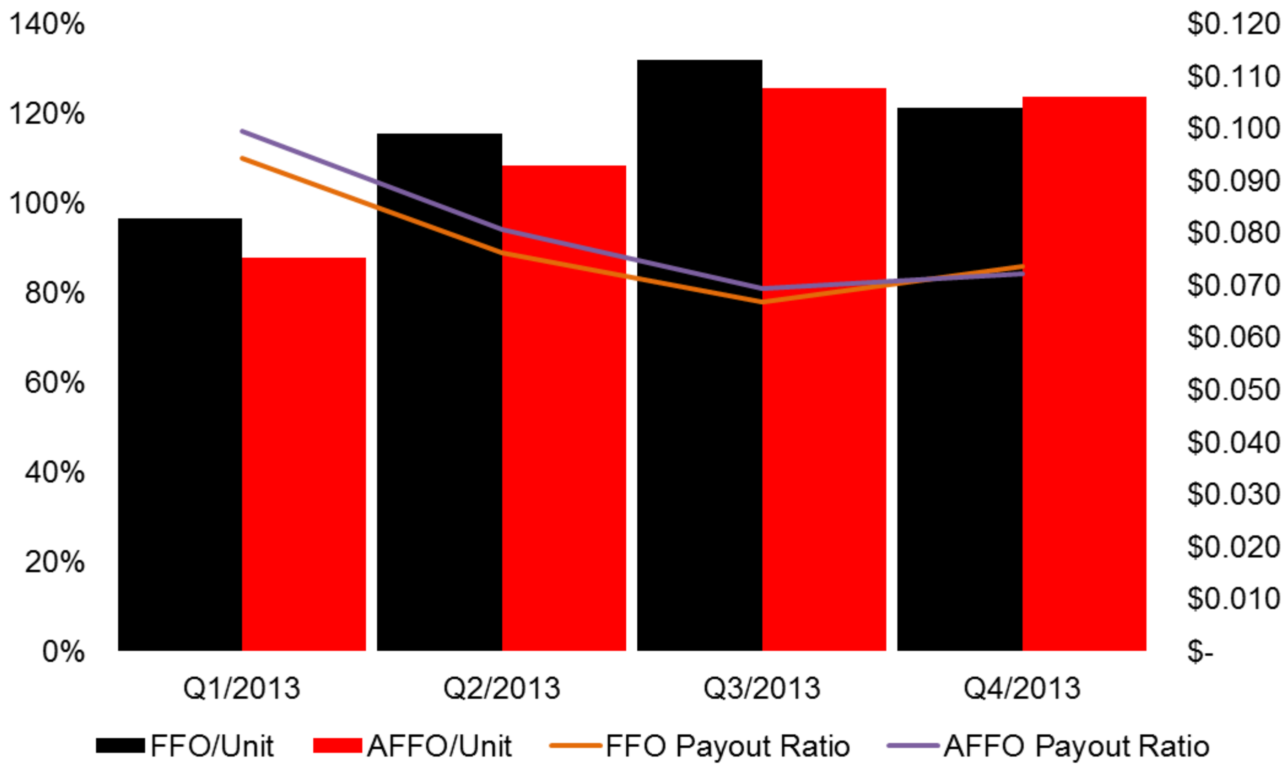
		Three Months Ended December 31, 2013		Twelve Months Ended December 31, 2013
Rental Revenue	$	**2,265,159**	$	**5,514,133**
Less: Property Operating Expenses		(998,786)		(2,054,391)
Net Operating Income (NOI)	$	**1,266,373**	$	**3,459,742**
Interest Income		1,392		2,881
Dividend Income		4,768		9,536
Income & Gain on Sale of ISG Capital Corporation		-		116,140
Less: General & Administrative Expenses		(231,523)		(623,437)
Less: Unit-Based Compensation Expense		(117,192)		(99,162)
EBITDA	$	**923,818**	$	**2,865,699**
Less: Finance Costs		(338,564)		(778,159)
Funds From Operations (FFO)	$	**585,254**	$	**2,087,540**
Less: Straight-Line Rent Adjustment		(55,958)		(55,958)
Less: Normalized TI/LCs & Capex		(35,076)		(107,014)
Less: Non-Cash Interest Expense - Assumed Mortgage		(13,866)		(13,866)
Add: Unit-Based Compensation Expense		117,192		99,162
Adjusted Funds From Operations (AFFO)	$	**597,546**	$	**2,009,864**
FFO Per Unit	$	**0.104**	$	**0.426**
AFFO Per Unit	$	**0.106**	$	**0.410**
Distributions Per Unit	$	**0.089**	$	**0.352**
FFO Payout Ratio		**86%**		**82%**
AFFO Payout Ratio		**84%**		**86%**
Weighted Average Trust Units Outstanding		**5,633,969**		**4,897,175**

The difference between FFO and AFFO is the deduction for straight-line rent, reserves for TIs/LCs, capital expenditures and the non-cash interest expense component for the assumed mortgage on the Barrie Medical asset, offset by the add back for unit-based compensation expense. Under RealPAC, the unit-based compensation expense is deducted for FFO, but added back for purposes of reporting AFFO.

Included within EBITDA for the twelve months ended December 31, 2013 is $116,140 of income and gains received from the Trust's former wholly-owned subsidiary ISG Capital Corporation. As this income and gain on sale is non-recurring in nature, FFO on a stabilized basis for the three and twelve months ended December 31, 2013 would be $0.104 and $0.403 per Unit, respectively. This results in an FFO payout ratio of 86% and 87%, respectively. Likewise, AFFO on a stabilized basis for the three and twelve months ended December 31, 2013 would decrease to $0.106 and $0.387 per Unit, respectively. This results in an AFFO payout ratio of 84% and 91%, respectively.

		Three Months Ended December 31, 2013		Twelve Months Ended December 31, 2013
FFO	$	**585,254**	$	**2,087,540**
Income & Gain on Sale of ISG Capital Corporation		-		(116,140)
Stabilized FFO	$	**585,254**	$	**1,971,400**
Less: Straight-Line Rent Adjustment		(55,958)		(55,958)
Less: Normalized TI/LCs & Capex		(35,076)		(107,014)
Less: Non-Cash Interest Expense - Assumed Mortgage		(13,866)		(13,866)
Add: Unit-Based Compensation Expense		117,192		99,162
Stabilized AFFO	$	**597,546**	$	**1,893,724**
Stabilized FFO Per Unit	$	**0.104**	$	**0.403**
Stabilized AFFO Per Unit	$	**0.106**	$	**0.387**
Distributions Per Unit	$	**0.089**	$	**0.352**
Stabilized FFO Payout Ratio		**86%**		**87%**
Stabilized AFFO Payout Ratio		**84%**		**91%**

Since Q1/2013; Stabilized FFO and AFFO per unit has steadily increased, while FFO and AFFO payout ratios have declined well below 100% as a result of the Trust's accretive acquisition program. Stabilized FFO and AFFO have increased by 25% and 41% to $0.104 and $0.106 per unit, respectively. Likewise, FFO and AFFO payout ratios have declined to 86% and 84% over that same period.



DISTRIBUTIONS

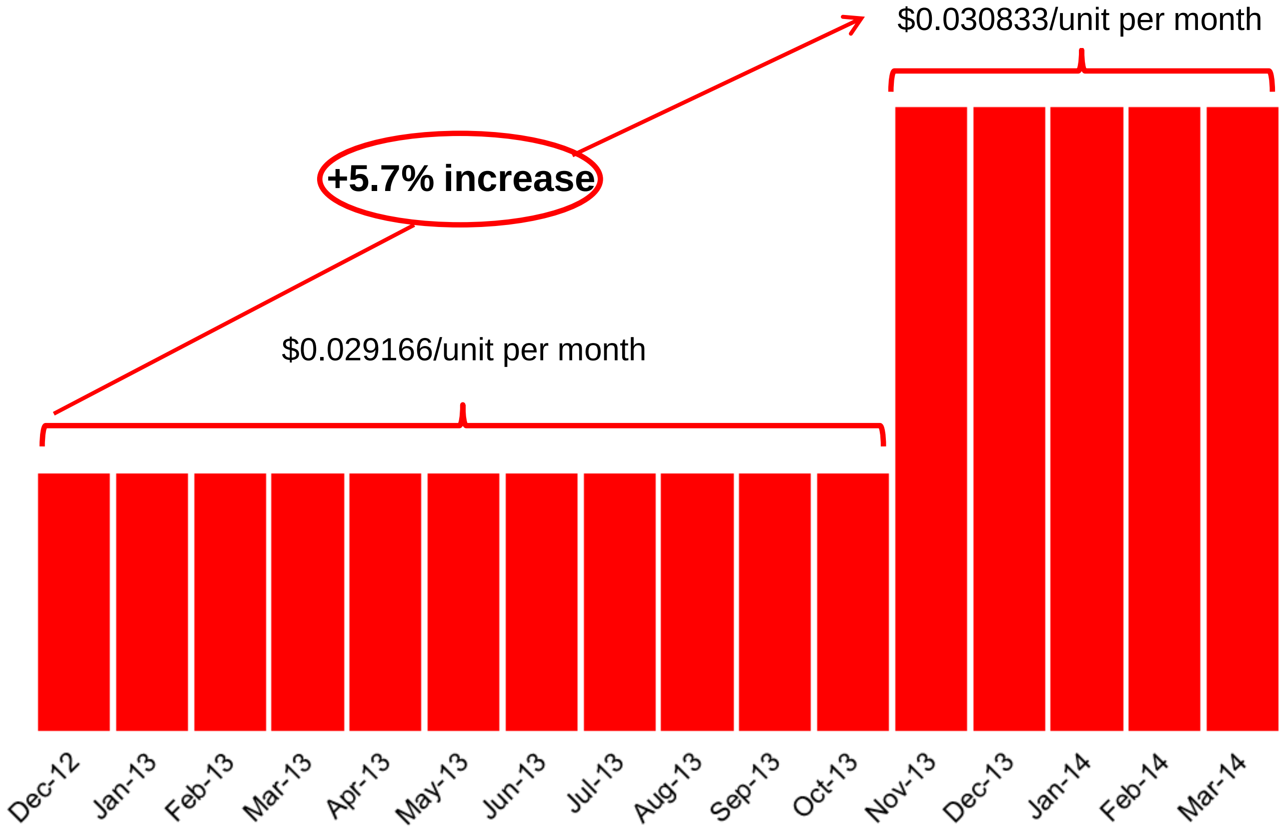
For the three months ended December 31, 2013, distributions per unit of $0.029166 were declared for the month of October, 2013 and $0.030833 per unit for the months of November and December, 2013. This represented total distributions declared of $511,745.

For the twelve months ended December 31, 2013, distributions per unit of $0.029166 were declared each month commencing in January, 2013 through to October, 2013 and $0.030833 per unit for the months of November and December, 2013 and resulting in total distributions declared of $1,733,739.

For the period ended December 31, 2012, the Trust declared distributions of $127,586 or $0.029166 per Unit for the month of December 31, 2012.

On October 31, 2013, the Trust announced that its Board of Trustees has approved a 5.7% increase in its monthly distributions to $0.030833 per unit from $0.029166 per unit. On an annualized basis this equates to anticipated distributions of $0.37 per unit up from $0.35 per unit.

Outlined below are the historical distributions paid by the Trust since its inception in November, 2012.



The policy of the Trust is to pay cash distributions on or about the 15th day of each month to Unitholders of record on the last business day of the preceding month. Distributions paid to Unitholders who are non-residents of Canada will be subject to Canadian withholding tax.

MANAGEMENT DISCUSSION & ANALYSIS

The excess / (deficiency) of cash flow from operating activities over distributions and net income and comprehensive income over distributions for the three and twelve months ended December 31, 2013 and period ended December 31, 2012 is outlined below:

	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2013	Period Ended December 31, 2012
Cash Flow From Operating Activities	$ 1,272,292	$ 3,318,397	$ 342,616
Net Income & Comprehensive Income	$ 1,057,578	$ 3,822,015	$ 287,989
Distributions	$ 511,745	$ 1,733,739	$ 127,586
Excess of Cash Flow From Operating Activities Over Distributions	$ 760,547	$ 1,584,658	$ 215,030
Excess of Net Income & Comprehensive Income Over Distributions	$ 545,833	$ 2,088,276	$ 160,403

On March 19, 2014, the Trust approved monthly cash distributions of $0.030833 per Trust unit for the months of April, May and June, 2014. These distributions will be paid on or about May 15, 2014, June 16, 2014 and July 15, 2014 to unitholders of record at the close of business on April 30, 2014; May 30, 2014; and June 30, 2014, respectively.

INVESTMENT PROPERTIES

As at December 31, 2013, the Trust's property portfolio consists of 30 properties with a fair value of $60.4 million, in comparison to the $27.2 million reported for the period ended December 31, 2012. The year-over-period variance is the result of the acquisitions of the Barrie Medical and Montreal Industrial portfolios as well as increase in fair value of the entire portfolio over that same period. The investment portfolio valuation is allocated by property type as follows:

	Net Lease Convenience Retail	Core Service Provider Office	Industrial	Total
Balance, December 31, 2012	$ 27,205,000	$ -	$ -	$ 27,205,000
Acquisitions	-	7,077,256	24,408,219	31,485,475
Capital Expenditures	-	-	15,081	15,081
Fair Value Adjustment	1,072,451	24,562	586,542	1,683,555
Balance, December 31, 2013	**$ 28,277,451**	**$ 7,101,818**	**$ 25,009,842**	**$ 60,389,111**

For the twelve months ended December 31, 2013, senior management of the Trust internally valued the Investment Properties using the overall capitalization method. Investment properties are valued on a highest and best use basis. For all of the Trust's investment properties the current use is considered the best use. Fair value was determined by applying a capitalization rate to stabilized NOI. Stabilized NOI incorporates allowances for vacancy, management fees and structural reserves for tenant inducements and capital expenditures and is capped at a rate deemed appropriate for each investment property. Capitalization rates are based on many factors, including but not limited to the asset location, type, size and quality of the asset and taking into account any available market data at the valuation date.

Investment Properties measured at fair value are categorized by level according to the inputs used. The Trust has classified these inputs as Level 3. There have been no transfers into or out of Level 3 in the current year

Significant unobservable inputs in Level 3 valuations are as follows:

Year Ended December 31, 2013	Net Lease Convenience Retail	Core Service Provider Office	Industrial	Weighted Average
Capitalization Rate Range	6.5% - 8.0%	7.25%	7.85%	7.47%
Weighted Average Cap. Rate	7.24%	7.25%	7.85%	7.47%
Weighted Average NOI	$ 668,612	$ 514,882	$ 1,963,273	$ 1,191,691

CURRENT ASSETS

Current assets as at December 31, 2013 and period ended December 31, 2012 consisted of the following:

	Year Ended December 31, 2013	Period Ended December 31, 2012
Accounts Receivable	$ 241,928	$ 111,285
Prepaid Expenses	146,600	81,222
Deposits	3,924	-
Marketable Securities	239,354	-
Cash	432,560	-
	$ 1,064,366	**$ 192,507**

Accounts receivable as at December 31, 2013 and the period from November 29, 2012 to December 31, 2012 consist mainly of tenant receivables and Harmonized Sales Tax (“**HST**”) and Quebec Sales Tax (“**QST**”) recoveries from the Canada Revenue Agency and Revenue Quebec, respectively.

Prepaid expenses as at December 31, 2013 and the period from November 29, 2012 to December 31, 2012 consist mainly of prepaid property taxes, insurance and TSX listing fees.

Marketable securities consist of securities the Trust has acquired for investment purposes.

BANK INDEBTEDNESS

On November 29, 2012, the Trust entered into a Revolving Operating Facility (the “**Facility**”) with a Canadian Chartered Bank fully secured by first charges against certain investment properties. The full amount available under the Facility was $15 million. On March 29, 2013, the full amount available under the Facility was reduced to $7 million. On September 17, 2013; the Facility was increased to $8 million. The term of the Facility is 24 months. The interest rate is based on a calculated formula using the Canadian Chartered Bank's Prime Lending Rate. Amounts drawn under the Facility are due to be repaid at the maturity date of November 29, 2014.

Bank Indebtedness as at December 31, 2013 (with comparatives for the period ended December 31, 2012) is as follows:

	Year Ended December 31, 2013	Period Ended December 31, 2012
Bank Indebtedness, Opening	$ 5,536,119	$ -
Add: Net Draws / (Repayments)	(3,071,363)	5,591,017
Less: Finance Fees	(4,090)	(64,167)
Add: Amortization - Finance Fees	49,806	9,269
Bank Indebtedness, Closing	**$ 2,510,472**	**$ 5,536,119**

The decline in bank indebtedness can largely be attributed to the Bridgewater and Hanover financings as outlined below whereby a portion of the proceeds were used to repay the draw on the Facility.

MORTGAGES PAYABLE

On April 9, 2013, the Trust announced long term financing of its Bridgewater, Nova Scotia and Hanover, Ontario properties. The Trust received from a Canadian Chartered Bank, two new first mortgage financings totaling approximately $8.3 million, for five year terms, at an interest rate of 3.33% and 3.34% respectively.

On April 9, 2013, the Trust assumed an existing $3.3 million mortgage due in approximately eight years with a 5.31% interest rate with respect to the acquisition of the 42,884 square foot professional services building in Barrie, Ontario,.

The acquisition of the Montreal Industrial Portfolio was financed, in part, with two new first mortgage financings provided by two Canadian Chartered Banks for gross proceeds of approximately $33.2 million. The Trust's pro rata interest in the new first mortgage financings was approximately $16.6 million. The weighted average term to maturity for both mortgage financings is 4.4 years and the weighted average interest rate is 3.9%.

As at December 31, 2013, total outstanding mortgages stood at $27,928,471 (net of unamortized financing costs of $129,264, offset by a $178,812 fair value adjustment as a result of the assumed mortgage debt from the acquisition of the Barrie, Ontario professional services medical building) with a weighted average contractual interest rate of approximately 3.9% and weighted average repayment term of approximately 4.6 years. The mortgages are repayable as follows:

	Scheduled Principal Repayments	Debt Maturing During The Period	Total Mortgages Payable	Scheduled Interest Payments
2014	$ 723,506	$ -	$ 723,506	$ 1,066,282
2015	728,621	2,062,433	2,791,054	960,172
2016	749,995	-	749,995	917,556
2017	781,116	-	781,116	886,435
2018	489,545	19,765,745	20,255,290	559,949
Thereafter	379,614	2,198,348	2,577,962	304,462
Face Value	**$ 3,852,397**	**$ 24,026,526**	**$27,878,923**	**$ 4,694,856**
Less:Unamortized Financing Costs			(129,264)	
Add: Fair Value Adjustment on Assumed Mortgage			178,812	
Total Mortgages			**$27,928,471**	

	Year Ended December 31, 2013	Period Ended December 31, 2012
Current:		
Mortgages	$ 723,506	$ -
Unamortized Financing Costs	(43,365)	-
Fair Value Adjustment on Assumed Mortgage	32,456	
	$ 712,597	$ -
Non-Current:		
Mortgages	27,155,417	-
Unamortized Financing Costs	(85,899)	-
Fair Value Adjustment on Assumed Mortgage	146,356	
	$ 27,215,874	$ -
	$ 27,928,471	**$ -**

ACCOUNTS PAYABLE & ACCRUED LIABILITIES

Accounts payable and accrued liabilities as at December 31, 2013 and for the period ended December 31, 2012 are $911,778 and $496,233, respectively, and consist of the following:

	Year Ended December 31, 2013	Period Ended December 31, 2012
Professional Fees	$ 128,965	$ 307,311
Utilities, Repairs & Maintenance, Other	566,453	114,126
Due to Asset & Property Manager	44,632	32,573
Accrued Interest Expense	49,911	18,568
Option Liabilities	121,817	23,655
	$ 911,778	**$ 496,233**

Professional fees represent amounts payable for legal and audit advisory fees. The variance over the period ended December 31, 2012 is a result of the acquisition of the Portfolio that occurred in November, 2012, for which the Trust incurred various one-time professional fees to acquire the Portfolio.

Utilities, Repairs & Maintenance, Other consist of utility costs, property taxes, repairs and maintenance, HST payables to CRA and QST payables to Revenue Quebec. The majority of the balance as at December 31, 2013 relates to HST and QST payables, with the remainder utility costs, property taxes, repairs and maintenance.

Due to Asset & Property Manager represent amounts payable to FCRPI and FPCI as outlined below. Option liabilities relate to the unit option plan as outlined below.

UNIT OPTION PLAN & OPTION LIABILITIES

Under the Trust's unit option plan, the aggregate number of unit options reserved for issuance at any given time shall not exceed 10% of the number of outstanding Trust Units. On November 29, 2012, the Trust granted and currently has issued and outstanding 415,000 Trust unit options at a weighted average exercise price of $5.00 per Trust Unit. The unit options fully vested on the date of grant and expire on November 29, 2017.

Unit-based compensation relates to the aforementioned unit options for the twelve month period ended December, 2013 and stands at an expense of $99,162. Unit-based compensation was determined based on the change in fair value of the options with the following assumptions:

	Year Ended December 31, 2013
Expected Option Life (Years)	1.0
Risk Free Interest Rate	0.97%
Distribution Yield	6.93%
Expected Volatility	20.00%

Expected volatility is based on the historical volatility of the Trust Units. The risk free interest rate of return is the yield on zero-coupon Government of Canada bonds of a term consistent with the expected option life.

The fair value of an option under the Trust’s unit option plan at the date of grant was $0.50 per unit option.

UNITHOLDERS’ EQUITY

Unitholders’ equity as at December 31, 2013 was $29,560,702 and consists of the following:

	Number of Units		Unitholder's Equity
Non-Brokered Private Placement	2,000,000	$	10,000,000
ISG Share/Trust Unit Conversion	2,374,467		11,872,335
Less: Issue Costs			(870,795)
Add: Net Income			287,989
Less: Distributions			(127,586)
Unitholders' Equity, December 31, 2012	**4,374,467**	**$**	**21,161,943**
Non-Brokered Private Placement	1,250,768		6,378,917
Less: Issue Costs			(113,584)
Issuance of Units from DRIP	8,765		45,150
Add: Net Income			3,822,015
Less: Distributions			(1,733,739)
Unitholders' Equity, December 31, 2013	**5,634,000**	**$**	**29,560,702**

On August 1, 2013, the Trust announced the completion of a non-brokered private placement of Trust Units. 1,250,768 trust units were issued at $5.10 per Trust Unit for gross proceeds of approximately $6.4 million. The net proceeds of the non-brokered private placement along with the new mortgage financings as outlined above and existing cash resources were used to fund the acquisition of the Montreal Industrial Portfolio.

Subsequent to quarter end, the Trust closed the first and second tranches of its previously announced private placement of Trust Units. 1,376,780 trust units were issued by the Trust for gross proceeds of approximately $7.3 million at a subscription price of $5.30 per Trust Unit.

As at March 19, 2014, there were 7,012,046 trust units issued and outstanding.

RELATED PARTY TRANSACTIONS

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and are measured at fair value.

ASSET MANAGEMENT AGREEMENT

The Trust has entered into an Asset Management agreement with FCRPI, an entity related to certain trustees and management of the Trust. The term of the contract is initially ten years and automatically renews for successive five year periods. Details of the Asset Management agreement are posted on SEDAR (www.SEDAR.com) and in the notes to the financial statements.

For the three and twelve months ended December 31, 2013 and the period ended December 31, 2012, the following fees were paid to FCRPI:

		Three Months Ended December 31, 2013		Year Ended December 31, 2013		Period Ended December 31, 2012
Asset Management Fees	$	115,314	$	344,193	$	16,839
Acquisition Fees		-		231,000		196,613
Placement Fees		-		78,263		74,167
	$	**115,314**	**$**	**653,456**	**$**	**287,619**

The year-over-period variance is due to a combination of owning for a full year the net lease convenience retail portfolio, the Barrie Medical and Montreal Industrial acquisitions during 2013, and the impact of the Bridgewater and Hanover long term financings and equity issuances (placements fees only) during 2013.

Asset Management Fees are charged monthly and are based on 0.75% of the first $100 million of the Gross Book Value ("**GBV**") of the portfolio. $115,314 and $344,193 relates to fees charged on the Portfolio for the three and twelve months ended December 31, 2013 and includes the full impact of the net lease convenience retail portfolio as well as the Barrie Medical and Montreal Industrial acquisitions during 2013 in comparison to the $16,839 paid for the period ended December 31, 2012 which includes just the fees to asset manage the net lease convenience retail portfolio from the date of acquisition during 2012.

Acquisition Fees are paid on every acquisition and are based on 0.75% of the first $100 million of GBV of acquisitions. Acquisition fees incurred during 2013 are the result of the acquisitions of the Montreal Industrial Portfolio and the Barrie medical office building in comparison to the period ended December 31, 2012 which included just the net lease convenience retail portfolio acquisition.

Placement Fees are paid on financings undertaken by FCRPI and are based on 0.25% of the aggregate value of all debt and financings arranged. Placement fees incurred during the year were the result of the mortgage debt and private placement equity raised as a result of the acquisition of the Montreal Industrial Portfolio as well as the Bridgewater and Hanover long term financings. For the period ended December 31, 2012, placement fees relate to the private placement equity and bank indebtedness arranged to acquire the net lease convenience retail portfolio.

PROPERTY MANAGEMENT AGREEMENT

The Trust has entered into a Property Management agreement with FCPI, an entity related to certain trustees and management of the Trust. The term of the contract is initially ten years and automatically renews for successive five year periods. Details of the Property Management agreement are posted on SEDAR (www.SEDAR.com) and in the notes to the financial statements.

For the three and twelve months ended December 31, 2013 and the period ended December 31, 2012, the following fees were paid to FCPI:

	Three Months Ended December 31, 2013	Year Ended December 31, 2013	Period Ended December 31, 2012
Property Management Fees	$ 88,020	$ 242,981	$ 11,987
Commercial Leasing Renewal Fees	18,493	23,482	-
	$ 106,513	**$ 266,463**	**$ 11,987**

The year-over-period variance is due to a combination of owning for a full year the net lease convenience retail portfolio as well as the Barrie Medical and Montreal Industrial acquisitions during 2013.

Property Management Fees are charged monthly. $88,020 and $242,981 relates to fees charged on the property management of the Portfolio for the three and twelve months ended December 31, 2013 and includes the full impact of the net lease convenience retail portfolio as well as the Barrie Medical and Montreal Industrial acquisitions during 2013 in comparison to the $11,987 paid for the period ended December 31, 2012 which includes just the fees to property manage the net lease convenience retail portfolio from the date of acquisition during 2012.

INCOME TAXES

The Trust is a mutual fund trust and a real estate investment trust (a "**REIT**") pursuant to the Income Tax Act (Canada) (the "**Tax Act**"). Under current tax legislation, a REIT is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to Unitholders each year. The Trust is a REIT if it meets prescribed conditions under the Tax Act relating to the nature of its assets and revenue (the "**REIT Conditions**"). The Trust has reviewed the REIT Conditions and has assessed their interpretation and application.

The Trust intends to qualify as a REIT under the Tax Act and to make distributions not less than the amount necessary to ensure that the Trust will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in the consolidated financial statements.

CAPITAL MANAGEMENT

The Trust's objectives when managing capital are to safeguard the ability to continue as a going concern, and to generate sufficient returns to provide unitholders with stable cash distributions. The Trust's capital currently consists of Bank Indebtedness, Mortgages and Unitholders' equity.

The Trust's Declaration of Trust permits the Trust to incur or assume indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the Trust is not more than 75% of the gross book value of the Trust's total assets. Gross Book Value ("**GBV**") is defined in the Declaration of Trust as "at any time, the book value of the assets of the Trust and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet, plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets) shown thereon or in the notes thereto plus the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by the Trust shown thereon or in the notes thereto, or if approved by a majority of the Trustees at any time, the appraised value of the assets of the Trust and its consolidated subsidiaries may be used instead of book value." As at December 31, 2013 and December 31, 2012, the ratio of such indebtedness to gross book value was 49.5% and 20.6%, respectively, which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

With respect to the Bank Indebtedness, the Trust must maintain ratios including minimum unitholders' equity, maximum debt/GBV, minimum interest service and debt service coverage ratios. The Trust monitors these ratios and is in compliance with these requirements for the year ending December 31, 2013.

CONTRACTUAL OBLIGATIONS

The Trust's contractual obligations over the next few years are as follows:

	Less than 1 Year	1 - 2 Years	> 2 Years	Total
Bank Indebtedness	$ 2,519,654	$ -	$ -	$ 2,519,654
Mortgages	723,506	3,541,049	23,614,368	27,878,923
Tenant Rental Deposits	-	-	368,341	368,341
Distribution Payable	173,713	-	-	173,713
Accounts Payable & Accrued Liabilities	911,778	-	-	911,778
	$ 4,328,651	**$ 3,541,049**	**$ 23,982,709**	**$ 31,852,409**

DISTRIBUTION REINVESTMENT PLAN & UNIT PURCHASE PLAN

On February 5, 2013, the Trust announced the commencement of its Distribution Reinvestment Plan ("**DRIP**") and Unit Purchase Plan (the "**Plan**").

DISTRIBUTION REINVESTMENT PLAN ("DRIP")

Under the terms of the DRIP, FCPT's Unitholders may elect to automatically reinvest all or a portion of their regular monthly distributions in additional REIT units, without incurring brokerage fees or commissions.

Units purchased through the DRIP are acquired at the weighted average closing price of trust units in the five trading days immediately prior to the distribution payment date. Units purchased through the DRIP will be acquired either in the open market or be issued directly from FCPT's treasury based on a floor price to be set at the discretion of the board of trustees.

Currently, there are 281,723 units reserved under the DRIP.

For the three and twelve months ended December 31, 2013, 67 and 8,765 Trust Units were issued, respectively, from treasury for total gross proceeds $352 and $45,150, respectively to Unitholders who elected to receive their distributions under the DRIP. For the period ended December 31, 2012, no trust units were issued under the DRIP.

UNIT PURCHASE PLAN

Unitholders who elect to receive trust units under the DRIP may also enroll in the REIT's new Unit Purchase Plan. The Plan gives each Unitholder resident in Canada the right to purchase additional units of the Trust monthly. Under the terms of the Plan, FCPT's Unitholders may purchase a minimum of $1,000 of Units on each Monthly Purchase Date and maximum purchases of up to $12,000 per annum. The aggregate number of Units that may be issued may not exceed 2% of the Units of the Trust per annum.

Registered Unitholders may enroll in the DRIP and the Plan by completing a form and submitting to Equity Financial Trust Company at the address set out in the form, or contact the Trust for copies of the forms. Beneficial Unitholders are encouraged to see their broker or other intermediary for enrolment information. The expected level of insider participation by management and trustees of the Trust under the DRIP and the Plan is currently not known. The DRIP and the Plan are subject to certain limitations and restrictions; interested participants are encouraged to review the full text of the DRIP and Plan at www.firmcapital.com.

For the three and twelve months ended December 31, 2013 and period ended December 31, 2012, no trust units were issued under the Unit Purchase Plan.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is materially complete and reliable. In addition, the Trust's Audit Committee and Board of Trustees provide an oversight role with respect to all public financial disclosures by the Trust, and have reviewed and approved this MD&A and the audited annual consolidated financial statements as at December 31, 2013 and December 31, 2012.

CONTROLS AND PROCEDURES

The Trust maintains appropriate information systems, procedures and controls to ensure that information disclosed externally is complete, reliable, and timely. The Trust's Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of, the design and operating effectiveness of the Trust's disclosure controls and procedures (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2013 and have concluded that such disclosure controls and procedures were appropriately designed and were operating effectively.

The Trust has also established adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Trust's financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS for periods effective November 29, 2012. The Trust's Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision, of the design and operating effectiveness of the Trust's internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2013. Based on that assessment, it was determined that The

Trust's internal controls over financial reporting were appropriately designed and were operating effectively. In addition, the Trust did not make any changes to the design of the Trust's internal controls over financial reporting during the three and twelve months ended December 31, 2013 that would have materially affected or would be reasonably likely to materially affect the Trust's internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are described in note 3 of the Trust's audited consolidated financial statements for the year ended December 31, 2013 and for the period from August 30, 2012 (Date of Formation) to December 31, 2012 and accordingly should be read in conjunction with them.

ESTIMATES

The preparation of the audited annual consolidated financial statements requires management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The critical accounting estimates have been set out in the audited consolidated financial statements for the year ended December 31, 2013 and for the period from August 30, 2012 (Date of Formation) to December 31, 2012 and accordingly should be read in conjunction with them.

CRITICAL JUDGEMENTS

The critical judgments have been set out in its consolidated financial statements for the year ended December 31, 2013 and for the period from August 30, 2012 (Date of Formation) to December 31, 2012 and accordingly should be read in conjunction with them.

FUTURE CHANGES IN ACCOUNTING POLICIES

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2014 and have not been applied in preparing these audited annual consolidated financial statements. A summary of these standards are as follows:

> **IAS 32** - Financial Instruments: Presentation ("IFRS 9") was amended in December 2011. The amendments address inconsistencies in practice when applying the current criteria for offsetting financial instruments by clarifying the meaning of 'currently has a legally enforceable right to set-off', and clarifying that some gross settlement systems may be

considered equivalent to net settlement. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively.

IAS 36 - Impairment of Assets ("IAS 36") was amended to remove certain disclosures of the recoverable amount of cash generating units that had been included in IAS 36 by the issue of IFRS 13. The amendments are effective for annual periods beginning on or after January 1, 2014.

IFRS 7 - Financial Instruments: Disclosures ("IFRS 7") was amended in October 2010. The amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with an entity's continuing involvement in derecognized financial assets and the offsetting of financial assets and financial liabilities. The amendments are effective for annual periods beginning on or after January 1, 2015 and are required to be applied in accordance with the standard.

IFRS 9 - Financial Instruments ("IFRS 9") will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 was amended by the IASB in October 2010 to provide guidance on the classification and reclassification of financial liabilities, their measurement, and the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss. When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

IFRIC 21 – Levies ("IFRIC 21") sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. Realty taxes payable by the Trust may be considered levies and the Trust is currently assessing the impact of this standard on its consolidated financial statements.

The Trust is currently evaluating the impact of this new and amended standard on its audited annual consolidated financial statements.

SUBSEQUENT EVENTS

The following are events announced by the Trust subsequent to December 31, 2013:

- On January 15, 2014, February 17, 2014, March 17, 2014, the Trust distributed monthly cash distributions of $0.030833 per Trust unit to unitholders of record at the close of business on December 31, 2013, January 31, 2014 and February 28, 2014, respectively.

- On January 27, 2014 and February 7, 2014, the Trust closed the first and second tranches of its previously announced private placement of Trust Units. The gross proceeds raised by the Trust were approximately $7.3 million at a subscription price of $5.30 per Trust Unit.

- On March 19, 2014, the Trust approved monthly cash distributions of $0.030833 per Trust unit for the months of April, May and June, 2014. These distributions will be paid on or about May 15, 2014, June 16, 2014 and July 15, 2014 to unitholders of record at the close of business on April 30, 2014; May 30, 2014; and June 30, 2014, respectively.

RISKS AND UNCERTAINTIES

The Trust is faced with the following ongoing risk factors, among others, that would affect Unitholders' equity and the Trust's ability to generate returns. All real property investments are subject to elements of risk. General economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors affect such investments. The Trust's properties are located in three Canadian provinces. As a result, our properties are impacted by factors specifically affecting their respective real estate markets. These factors may differ from those affecting the real estate markets in other regions of Canada.

- *LIQUIDITY & GENERAL MARKET CONDITIONS*
  The Trust faces the risk associated with general market conditions and their potential consequent effects. Current general market conditions may include, among other things, the insolvency of market participants, tightening lending standards and decreased availability of cash, and changes in unemployment levels, retail sales levels, and real estate values. These market conditions may affect occupancy levels and FCPT's ability to obtain credit on favourable terms or to conduct financings through the public market.
- *REAL PROPERTY OWNERSHIP AND TENANT RISKS*
  Real property investments are relatively illiquid. This illiquidity will tend to limit the ability of the Trust to respond to changing economic or investment conditions. If the Trust were to be required to liquidate assets quickly, there is a risk the proceeds realized from such sale would be less than the book value of the assets or less than what could be expected to be realized under normal circumstances. By specializing in certain types of real estate, the Trust is exposed to adverse effects on that segment of the real estate market and does not benefit from a broader diversification of its portfolio by property class.

  All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the properties. The properties generate revenue through rental payments made by the tenants thereof. The ability to rent unleased space in properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. Cash available for distribution will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms. If properties do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, this could have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.

  Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the Trust's properties or revenues to be derived therefrom. Reported estimates of market rent can be seasonal and the significance of any variations from quarter to quarter would materially affect the Trust's annualized estimated gain-to-lease amount. There can be no assurance that upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues and it may take a significant amount of time for market rents to be recognized by the Trust due to internal and external limitations on its ability to charge these new market-based rents in the short term.

- *COMPETITION*

  Many of the sectors in which the Trust operates are highly competitive. The Trust faces competition from many sources, including from other buildings in the immediate vicinity of the properties and the broader geographic areas where the Trust's properties are and will be located. In addition, overbuilding in the geographic areas where the Trust's properties are located may increase the supply of competing properties and may reduce occupancy rates and rental revenues of the Trust and could have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.

  The Trust's ability to make real estate investments in accordance with the Trust's objectives and investment policies depends upon the availability of suitable investments and the general economy and marketplace. Increased competition for acquisitions in the geographies in which the Trust operates from other acquirers of real estate may impact the availability of suitable investments and achievable investment yields for the Trust.

- *CHANGES IN APPLICABLE LAWS*

  The Trust's operations will have to comply with numerous federal, provincial and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations may include zoning laws, building codes, landlord tenant laws and other laws generally applicable to business operations. Non-compliance with laws could expose the Trust to liability.

  Lower revenue growth or significant unanticipated expenditures may result from the Trust's need to comply with changes in applicable laws, including (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions, (ii) rent control or rent stabilization laws or other landlord/tenant laws, or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of the Trust's properties, including changes to building codes and fire and life-safety codes.

- *UNEXPECTED COSTS OR LIABILITIES RELATED TO ACQUISITIONS*

  Risks associated with real property acquisitions is that there may be an undisclosed or unknown liability concerning the acquired properties, and the Trust may not be indemnified for some or all of these liabilities. Following an acquisition, the Trust may discover that it has acquired undisclosed liabilities, which may be material. The Trust conducts what it believes to be an appropriate level of investigation in connection with its acquisition of properties and seeks through contract to ensure that risks lie with the appropriate party.

- *ACCESS TO CAPITAL*

  The real estate industry is highly capital intensive. The Trust will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that the Trust will have access to sufficient capital or access to capital on terms favourable to the Trust for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, the Trust may not be able to borrow funds due to the limitations set forth in the Declaration of Trust.

In addition, global financial markets have experienced a sharp increase in volatility during recent years. This has been, in part, the result of the re-valuation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as governments continue attempts to restore liquidity to the global economy, no assurance can be given that the combined impact of the significant re-valuations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world in the near to medium term. These market conditions and unexpected volatility or illiquidity in financial markets may inhibit the Trust's access to long-term financing in the Canadian capital markets. As a result, it is possible that financing which the Trust may require in order to grow and expand its operations, upon the expiry of the term of financing, on refinancing any particular property owned by the Trust or otherwise, may not be available or, if it is available, may not be available on favourable terms to the Trust. Failure by the Trust to access required capital could have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.

- *INTEREST RATE & DEBT FINANCING RISK*

  The Trust will be subject to the risks associated with debt financing. There can be no assurance that the Trust will be able to refinance its existing indebtedness on terms that are as or more favourable to the Trust as the terms of existing indebtedness. The inability to replace financing of debt on maturity would have an adverse impact on the financial condition and results of FCPT.

- *ENVIRONMENTAL RISK*

  Environmental and ecological related policies have become increasingly important in recent periods. Under various federal, provincial and municipal laws, an owner or operator of real property could become liable for the cost of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The existence of such a liability can have a negative impact on the value of the underlying real property.

  It is our policy to obtain a Phase I environmental audit conducted by a qualified environmental consultant prior to acquiring any additional property, who has the appropriate insurance coverage. In addition, where appropriate, tenant leases generally specify that the tenant will conduct its business in accordance with environmental regulations and be responsible for any liabilities arising out of infractions to such regulations. It is our practice to regularly inspect tenant premises that may be subject to environmental risk.

- *LEGAL RISK*

  In the normal course of the Trust's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Trust and as a result, could have a material adverse effect on the Trust's assets, liabilities, business, financial condition and results of operations. Even if the Trust prevails in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the Trust's business operations, which could have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.

- *LEASE ROLLOVER RISK*
  The value of investment properties and the stability of cash flows derived from those properties is dependent upon the level of occupancy and lease rates in those properties. Upon expiry of any lease, there is no assurance that a lease will be renewed on favourable terms, or at all; nor is there any assurance that a tenant can be replaced. A contraction in the Canadian economy would negatively impact demand for space in our properties, consequently increasing the risk that leases expiring in the near term will not be renewed.
- *INCOME TAX RISK*
  On December 22, 2007, the SIFT Rules were enacted. Under the SIFT Rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to the tax.

  The SIFT Rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions). The Trust has reviewed the REIT Conditions and has assessed their interpretation and application to the Trust's assets and liabilities. The Trust believes that it has met the REIT Conditions throughout the three and twelve months ended December 31, 2013 and period ended December 31, 2012. There can be no assurances, however, that the Trust will continue to be able to satisfy the REIT Conditions in the future such that the Trust will not be subject to the tax imposed by the SIFT Rules.
- *FIXED COSTS AND INCREASED EXPENSES*
  The failure to maintain stable or increasing average monthly rental rates combined with acceptable occupancy levels would likely have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the Trust is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

  The Trust is also subject to utility and property tax risk relating to increased costs that the Trust may experience as a result of higher resource prices as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of re-valuations of properties and their adherent tax rates. In some instances, enhancements to properties may result in significant increases in property assessments following a re-valuation. Additionally, utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the Trust cannot charge back to the tenant may have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.

The timing and amount of capital expenditures by the Trust will affect the amount of cash available for distributions to holders of Trust Units. Distributions may be reduced, or even eliminated, at times when the Trust deems it necessary to make significant capital or other expenditures.

- *UNITHOLDER RISK*

  There is a risk that FCPT's Unitholders could become subject to liability. The Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as Trustee or carrier shall be held to have any personal liability as such, and no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any Unitholder or annuitant for any liability whatsoever, in tort, contract or otherwise, to any person in connection with the Trust property or the affairs of the Trust, including, without limitation, for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Trust or of the Trustees or any obligation which a Unitholder or annuitant would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such, but rather the assets of the Trust only are intended to be liable and subject to levy or execution for satisfaction of such liability. Each Unitholder and annuitant under a plan of which a Unitholder acts as Trustee or carrier shall be entitled to be reimbursed out of the assets of the Trust in respect of any payment of a Trust obligation made by such Unitholder or annuitant. The Declaration of Trust further provides that, whenever possible, any written instrument creating an obligation which is or includes the granting by the Trust of a mortgage, and to the extent management of the Trust determines to be practicable, any written instrument which is, in the judgment of management of the Trust, a material obligation, shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the Trustees, Unitholders, annuitants under a plan of which a Unitholder acts as a Trustee or carrier, or Officers, employees or agents of the Trust, but that only property of the Trust or a specific portion thereof shall be bound; the Trust, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the Trust upon the acquisition of real property.

  Certain provinces have legislation relating to Unitholder liability protection, including British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec. To FCPT's knowledge, certain of these statutes have not yet been judicially considered and it is possible that reliance on such statute by a Unitholder could be successfully challenged on jurisdictional or other grounds.

- *DEPENDENCE ON FCRPI AND FCPI*

  The Trust's earnings and operations are impacted by the FCRPI's ability to source appropriate real estate investments that provide sufficient yields for investors and FCPI to maintain these real estate investments. The Trust has also entered into long-term contracts with FCRPI and FCPI, as more particularly described in the "Asset Management Agreement" and "Property Management Agreement" both dated November 20, 2012 as posted on SEDAR (www.SEDAR.com). The Trust is exposed to adverse developments in the business and affairs of FCRPI and FCPI, since the day to day activities of the Trust are run by FCRPI and FCPI and since all of the Trust's real estate investments are originated by FCRPI.

- *RETURN RISK*

  There is no guarantee as to the return an investment in Trust Units of the Trust will generate.

- *POTENTIAL CONFLICTS OF INTEREST*
  The Trust is subject to various potential conflicts of interest because the Asset Manager and Property Manager are controlled by an insider of the Trust. Further, the Trustees and Officers may co-invest in property acquisitions and investments alongside the Trust. In addition, the Trustees and Officers of the Trust may from time to time deal with parties with whom the Trust may be dealing with, or may be seeking investments similar to those desired by the Trust. Certain Trustees and Officers of the Trust are also employed by entities directly and/or indirectly related to the Asset Manager and Property Manager and are involved in varying real estate related activities including, but not limited to acquisitions, divestitures and management of real estate and real estate related debt and equities.

  The Declaration of Trust does not restrict Trustees or Officers of the Trust, the Asset Manager, the Property Manager and/or its affiliates from being engaged (directly or indirectly) in real estate and business transactions in which their individual interests actually, or are perceived to be, in conflict with the interests of Trust. Accordingly, there can be no guarantee that the Trustees and Officers of the Trust, when acting in a capacity other than a Trustee or Officer of the Trust will act in the best interests of the Trust.
- *RELIANCE ON KEY PERSONNEL AND TRUSTEES*
  In assessing the risk of an investment in the Trust Units, potential investors should be aware that they will be relying on the good faith, experience and judgment of the Trustees. Although investments made by the Trust are carefully chosen by the Trustees, there can be no assurance that such investments will earn a positive return in the short- or long-term or that losses may not be suffered by the Trust from such investments.
- *DILUTION*
  The number of Trust Units the Trust is authorized to issue is unlimited. The Trustees have the discretion to issue additional Trust Units in other circumstances, including under the Unit Option Plan. Any issuance of Trust Units may have a dilutive effect to existing Unitholders.
- *OPERATIONAL RISKS*
  Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings. Management endeavours to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and if deemed necessary improvements are implemented.
- *RISK RELATED TO INSURANCE RENEWALS*
  Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When the Trust's current and future insurance policies expire, the Trust may encounter difficulty in obtaining or renewing property or casualty insurance on its properties at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if the Trust is able to renew its policies at levels and with limitations consistent with its current policies, the Trust cannot be sure that it will be able to obtain such insurance at premiums that are reasonable. If the Trust is unable to obtain adequate insurance on its properties for certain risks, it could cause the Trust to be in default under specific covenants on certain of its indebtedness or other contractual commitments that it has which require the Trust to maintain adequate insurance on its properties to protect

against the risk of loss. If this were to occur, or if the Trust were unable to obtain adequate insurance, and its properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.

OUTLOOK

Through 2014, the Trust expects access to the capital markets to remain open to well capitalized entities that have a strong balance sheet and have sufficient cash flows to fund monthly distributions. Access to conventional mortgage financing is expected to remain strong however we continue to anticipate seeing higher than normal volatility in underlying interest rates but do not expect that rates will significantly be higher than they were in 2013.

While most economists view the Canadian economy to show growth that is higher than 2013 levels, management's future expectations for economic growth is that it will be similar to 2013 or slightly lower, but do not view this as an impediment to our growth or to impact our performance in 2014. Management continues to believe that the Trust is well positioned with a strong balance sheet to take advantage of opportunities as they arise.

The Trust continues to target multi-residential, industrial and flex industrial, net lease convenience and stand-alone retail, core service provider and healthcare professional office assets across Canada. We expect to predominately grow through external acquisitions during 2014 and will assess each acquisition on its own merits to ensure they meet our investment objectives but will not grow the portfolio only for the sake of growth. In addition to growth generated by acquisitions, the Trust's growth is expected to come from within the portfolio, through a combination of leasing and build out of existing excess density, however these initiatives will take time to implement. The Trust is committed to remaining focused on its portfolio in order to preserve and improve occupancy levels through active management and leasing in order to maintain a stable stream of cash flows. We will continue to focus our acquisition program towards off market and partial interest transactions as we anticipate they will provide the Trust with the best investment opportunities.

March 19, 2014

Independent Auditor's Report

To the Unitholders of
Firm Capital Property Trust

We have audited the accompanying consolidated financial statements of Firm Capital Property Trust and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2013 and the consolidated statements of income and comprehensive income, changes in unitholders' equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 present fairly, in all material respects, the financial position of Firm Capital Property Trust and its subsidiaries as at December 31, 2013 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

Other Matters
The consolidated financial statements of Firm Capital Property Trust as at December 31, 2012 and for the period from August 30, 2012 (date of formation) to December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements dated March 14, 2013.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

FIRM CAPITAL PROPERTY TRUST

Consolidated Balance Sheet

	Notes		December 31, 2013		December 31, 2012
Assets					
Non-Current Assets:					
Investment Properties	5	$	60,389,111	$	27,205,000
Current Assets:					
Accounts Receivable			241,928		111,285
Prepaid Expenses			146,600		81,222
Deposits			3,924		-
Marketable Securities			239,354		-
Cash			432,560		-
Total Current Assets			1,064,366		192,507
Total Assets		$	61,453,477	$	27,397,507
Liabilities & Unitholders' Equity					
Current Liabilities:					
Distribution Payable		$	173,713	$	127,586
Accounts Payable & Accrued Liabilities	6		911,778		496,233
Bank Indebtedness	7		2,510,472		5,536,119
Mortgages	8		712,597		-
Total Current Liabilities			4,308,560		6,159,938
Non-Current Liabilities					
Tenant Rental Deposits			368,341		75,626
Mortgages	8		27,215,874		-
Total Non-Current Liabilities			27,584,215		75,626
Total Liabilities			31,892,775		6,235,564
Unitholders' Equity	9		29,560,702		21,161,943
Total Liabilities and Unitholders' Equity		$	61,453,477	$	27,397,507
Commitments & Contingencies	18				
Subsequent Events	21				

See accompanying Notes to Consolidated Financial Statements.

Approved by the Board of Trustees

(signed) "*Robert McKee*"	(signed) "*Sandy Poklar*"
Robert McKee	Sandy Poklar
CEO & Trustee	CFO & Trustee

FIRM CAPITAL PROPERTY TRUST

Consolidated Statement of Income and Comprehensive Income
For the Year Ended December 31, 2013 and Period from August 30, 2012 (Date of Formation) to December 31, 2012

	Notes	Year Ended December 31, 2013	Period From August 30, 2012 - December 31, 2012
Net Operating Income			
Rental Revenue	10	$ 5,514,133	$ 288,658
Property Operating	14	(2,054,391)	(98,721)
		$ 3,459,742	$ 189,937
Other Income			
Interest Income		2,881	441
Dividend Income	11	9,536	-
Income & Gain on Sale of ISG Capital Corporation	12	116,140	-
		$ 128,557	$ 441
Expenses:			
Finance Costs	13	778,159	32,921
General & Administrative	14	623,437	109,824
Unit-Based Compensation Expense	9(f)	99,162	22,655
		$ 1,500,758	$ 165,400
Income before Fair Value Adjustment Adjustments		2,087,541	24,978
Fair Value Adjustment on Investment Properties & Assumed Mortgages	5,8	1,683,555	263,011
Fair Value Adjustment on Marketable Securities		50,919	-
Net Income & Comprehensive Income		$ 3,822,015	$ 287,989

See accompanying Notes to Consolidated Financial Statements.

FIRM CAPITAL PROPERTY TRUST

Consolidated Statement of Changes in Unitholders' Equity
For the Year Ended December 31, 2013 and Period from August 30, 2012 (Date of Formation) to December 31, 2012

	Notes	Trust Units	Retained Earnings	Unitholders' Equity
Unitholders' Equity, August 30, 2012		$ -	$ -	$ -
Issuance of Units	9(d)	10,000,000	-	10,000,000
ISG Share/Trust Unit Conversion, Net of Issue Costs	2,9(c)	11,001,540	-	11,001,540
Net Income & Comprehensive Income		-	287,989	287,989
Distributions		-	(127,586)	(127,586)
Unitholder's Equity, December 31, 2012		$ 21,001,540	$ 160,403	$ 21,161,943
Issuance of Units, Net of Issuance Costs	9(e)	6,265,333	-	6,265,333
Issuance of Units from Distribution Reinvestment Plan	9(g)	45,150	-	45,150
Net Income & Comprehensive Income		-	3,822,015	3,822,015
Distributions		-	(1,733,739)	(1,733,739)
Unitholders' Equity, December 31, 2013		$ 27,312,023	$ 2,248,679	$ 29,560,702

See accompanying Notes to Consolidated Financial Statements.

FIRM CAPITAL PROPERTY TRUST

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2013 and the Period from August 30, 2012 (Date of Formation) to December 31, 2012

	Notes	Year Ended December 31, 2013	Period From August 30, 2012 - December 31, 2012
Cash Flows from (used in) Operating Activities:			
Net Income		$ 3,822,015	$ 287,989
Adjustments:			
Fair Value Adjustment on Investment Properties & Assumed Mortgages	5,8	(1,683,555)	(263,011)
Fair Value Adjustment on Marketable Securities		(50,919)	-
Unit-Based Compensation Expense/(Recovery)	9(f)	99,162	22,655
Finance Costs, Net of Interest Income		734,954	23,211
Finance Fee Amortization	13	54,190	9,269
Non-Cash Interest Expense - Assumed Mortgage	13	(13,866)	-
Straight Line Rent Adjustment		(55,958)	-
Gain on Sale of ISG Capital Corporation	12	(50,000)	-
Change in Non-Cash Operating Working Capital:			
Accounts Receivable		(14,517)	(111,285)
Prepaid Expenses		215,572	(81,222)
Accounts Payable and Accrued Liabilities	6	316,383	473,578
Tenant Rental Deposits		(1,229)	-
Interest Accrual		(49,911)	(18,568)
Deposits		(3,924)	-
		$ 3,318,397	$ 342,616
Cash Flows from (used in) Financing Activities			
Issuance of Units, Net of Issuance Costs	9(e)	6,265,333	10,000,000
ISG Common Shares/Trust Unit Conversion	2,9(c)	-	11,001,540
Bank Indebtedness	7	(3,066,184)	5,526,850
Mortgages, Net Advances	8	24,433,733	-
Cash Interest Paid, Net of Interest Income Received		(685,043)	(4,643)
Cash Distributions Paid		(1,642,462)	-
		$ 25,305,377	$ 26,523,747
Cash Flows used in Investing Activities			
Acquisitions and Capital Expenditures, Incl. Closing Costs	4	(28,002,779)	(26,866,363)
Marketable Securities		(188,435)	-
		(28,191,214)	(26,866,363)
Increase in Cash		432,560	-
Cash, Beginning of Period		-	-
Cash, End of Period		$ 432,560	$ -

See accompanying Notes to Consolidated Financial Statements.

1. The Trust

Firm Capital Property Trust (the ‘‘Trust’’ or the “REIT”) is an unincorporated open-ended real estate investment trust established on August 30, 2012 under the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated November 20, 2012. The Trust is a “mutual fund trust” as defined in the Income Tax Act (Canada), but is not a “mutual fund” within the meaning of applicable Canadian securities legislation. The head office and registered office of the Trust is located at 163 Cartwright Avenue Toronto, Ontario M6A 1V5. These consolidated financial statements were approved by the Board of Trustees on March 19, 2014.

The Trust owns 100% of the outstanding Class A Limited Partnership Units of Firm Capital Property Limited Partnership (“FCPLP”), a limited partnership created under the laws of the Province of Ontario. FCPLP ultimately owns 100% of the investment properties through various subsidiaries.

2. Plan of Arrangement

ISG Capital Corporation (“ISG” or the “Corporation”), incorporated under the Canada Business Corporations Act ("CBCA") on July 23, 2007, and the Trust entered into an Arrangement Agreement on August 30, 2012. The Arrangement Agreement provided for the implementation of a Plan of Arrangement pursuant to section 192(4) of the CBCA. The Plan of Arrangement is available on SEDAR (www.sedar.com) for further information. The Plan of Arrangement was completed on November 29, 2012 and included the disposition of the Corporation's sole investment property as well as the conversion of the Corporation's shares into units of the Trust.

On November 29, 2012, the Trust announced the completion of a brokered private placement of share capital through the Corporation. 59,523,809 common shares were issued at $0.168 per share for gross proceeds of $10.0 million. This transaction is further described in note 9(c) of these consolidated financial statements.

Under the Arrangement Agreement, all of the outstanding common shares of the Corporation prior to the brokered private placement were redeemed in exchange for approximately $1.2 million in cash and 374,467 units of the Trust at $5.00 per unit or approximately $1.9 million. In addition, the shares issued in the brokered private placement were exchanged for 2.0 million units of the Trust at $5.00 per unit. The final cash redemption amount for the common shares of ISG was $0.163 per common share and the final unit redemption amount was $0.168 per common share, resulting in an exchange ratio of 0.0336 Trust units per common share of ISG. The Trust is the reporting issuer trading on the TSX Venture Exchange under the ticker symbol FCD.UN.

3. Summary of Significant Accounting Policies

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (‘‘IASB’’).

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting periods as the Trust, using consistent accounting policies. All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

(c) Basis of Presentation and Measurement

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars, which is the Trust's functional currency. The accounting policies set out below have been applied consistently as presented in the IFRS consolidated financial statements as at December 31, 2013. Standards issued but not yet effective for the current accounting period are described in note 3(p).

The consolidated financial statements are prepared on the historical cost basis with the exception of investment properties, marketable securities, cash and the liabilities related to unit-based compensation expense, which are measured at fair value.

(d) Co-Ownership Arrangement

The Trust currently is the co-owner in one joint arrangement, the Montreal Industrial Portfolio (as outlined in note 4). This arrangement is classified as a joint operation because the parties involved have joint control of the assets and joint responsibility of the liabilities relating to the arrangement. As a result, the Trust includes its pro-rata share of its assets, liabilities, revenues, expenses and cash flows in these consolidated financial statements. Management believes that the assets of this joint arrangement are sufficient for the purpose of satisfying the associated obligations.

(e) Segmented Information

The Trust owns, develops, manages and operates several investment properties located in Canada. In measuring performance, the Trust's senior management does not distinguish or group its operations on a geographical or any other basis and, accordingly, has a single reportable segment for disclosure purposes.

(f) Investment Properties

The Trust selected the fair value method to account for real estate classified as investment property. The Trust's investment properties are principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise.

The Trust determines the fair value of the investment properties based upon a combination of the discounted cash flow method and the overall capitalization methods, which are generally accepted appraisal methodologies. Under the discounted cash flow method, expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one net operating income is stabilized, incorporates allowances for vacancy, management fees and structural reserves for tenant inducements and capital expenditures and is capped at a rate deemed appropriate for each investment property.

Subsequent capital expenditures are charged to the investment property only when it is probable that the future economic benefits of the expenditure will flow to the Trust and the cost can be measured reliably.

(g) Financial Instruments

Initially, all financial assets and liabilities are recorded on the consolidated balance sheet at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. All financial assets are classified as one of: (a) at fair value through profit or loss ("FVTPL"); (b) held-to-maturity; (c) loans and receivables; or (d) available-for-sale. Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. All financial liabilities are classified as either: (a) at fair value through profit or loss; or (b) other liabilities.

Financial assets and liabilities classified as at fair value through profit or loss are measured at fair value, with gains and losses recognized in net income. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recognized in other comprehensive income.

The following summarizes the Trust's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial Assets		
Accounts Receivable	Loans & Receivables	Amortized Cost
Deposits	Loans & Receivables	Amortized Cost
Marketable Securities	FVTPL	Fair Value
Cash	FVTPL	Fair Value
Financial Liabilities		
Distribution Payable	Other Liabilities	Amortized Cost
Accounts Payable & Accrued Liabilities	Other Liabilities	Amortized Cost
Bank Indebtedness	Other Liabilities	Amortized Cost
Tenant Rental Deposits	Other Liabilities	Amortized Cost
Mortgages	Other Liabilities	Amortized Cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, with the exception of those classified as at fair value through profit or loss, are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest rate method. Transaction costs directly attributable to the acquisition or issuance of financial assets or liabilities classified as at fair value through profit or loss are recognized immediately in net income.

Financial assets, other than those classified as at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

The Trust uses a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements of financial instruments carried at fair value. Level 1 of the fair value hierarchy uses quoted market prices in active markets for identical assets or liabilities to determine the fair value of assets and liabilities. Level 2 includes valuations using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 valuations are based on inputs not based on observable market data.

(h) Unitholders' Equity
The Trust Units are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with International Accounting Standard 32 (IAS 32) and as further described in note 9(b). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, puttable instruments may be presented as equity.

To be presented as equity, a puttable instrument must meet all of the following conditions: (i) it must entitle the holder to a pro-rata share of the entity's net assets in the event of the entity's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class in (ii) must have identical features; (iv) other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the instrument must be based substantially on the profit or loss of the entity or change in fair value of the instrument. This is called the "Puttable Instrument Exemption".

The Trust Units meet the Puttable Instrument Exemption criteria and accordingly are presented as equity in the consolidated financial statements. The distributions on Trust Units are deducted from retained earnings. Additional information regarding Unitholders' Equity is in note 9 of these consolidated financial statements.

(i) Unit-Based Compensation
The REIT has a unit option plan, granted to senior management and the Board of Trustees of the Trust, which provides holders with the right to receive Units, which are puttable. The REIT measures these amounts at fair value at the grant date, and compensation expense is recognized over the vesting period. The amounts are fair valued at each reporting period and the change in fair value is recognized as a fair value adjustment to financial instruments. Unit-based compensation is classified as a liability.

(j) Revenue Recognition
The Trust has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue from investment properties includes rents earned from tenants under lease agreements, realty tax and operating cost recoveries and other incidental income. Base rents are recognized as revenue on a straight-line basis over the term of the underlying leases. The Trust also earns dividends and interest income from its cash and marketable securities assets and recognizes this income when earned.

(k) Leasing Costs
Amounts expended to meet the Trust's obligations under lease contracts are characterized as either tenant improvements, which enhance the value of the property, or lease inducements. When the obligation is determined to be a tenant improvement, the Trust is considered to have acquired an asset. Accordingly, the tenant improvements are capitalized as part of investment property. When the obligation is determined to be a lease inducement, the amount is recognized as an asset and is deferred and amortized over the term of the lease as a reduction of revenue.

Leasing commissions incurred by the Trust in negotiating and arranging tenant leases are added to the carrying amount on investment properties.

(l) Income Taxes
The Trust is a mutual fund trust and a real estate investment trust (a "REIT") pursuant to the Income Tax Act (Canada) (the "Tax Act"). Under current tax legislation, a REIT is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to Unitholders each year. The Trust is a REIT if it meets prescribed conditions under the Tax Act relating to the nature of its assets and revenue (the "REIT Conditions"). The Trust has reviewed the REIT Conditions and has assessed their interpretation and application.

The Trust intends to qualify as a REIT under the Tax Act and to make distributions not less than the amount necessary to ensure that the Trust will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in the consolidated financial statements.

(m) Estimates
The preparation of the consolidated financial statements requires management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

Investment Properties - The estimates used when determining the fair value of investment properties are capitalization rates, discount rates and estimated future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals. For additional details, please refer to note 5 of these consolidated financial statements.

Unit-Based Compensation - The Trust has a unit option plan, which provides holders with the right to receive trust units, which are puttable. The Trust measures these amounts at fair value at the grant date and compensation expense is recognized over the vesting period. The amounts are fair valued at each reporting period and the change in fair value is recognized as compensation expense. The unit-based compensation is presented as a liability.

Fair value of financial instruments - The fair value of financial instruments is estimated as the amount for which an instrument could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The critical estimates and assumptions underlying the fair value of financial instruments are described herein in these consolidated financial statements.

(n) Critical Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts reported in the consolidated financial statements is as follows:

Accounting for Acquisitions - Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Trust's acquisitions are generally determined to be asset purchases as the Trust does not acquire an integrated set of processes as part of the acquisition transaction.

Joint Arrangements - The Trust's policy for its joint arrangement in the Montreal Industrial Portfolio is described in Note 3(d). In applying this policy, the Trust makes judgments with respect to whether the Trust has joint control and whether the arrangements are joint operations or joint ventures.

Classification of Trust Units as liabilities and equity - The Trust's accounting policies relating to the classification of Units as liabilities and equity are described in Note 3(h). The critical judgments inherent in these policies relate to applying the criteria set out in IAS 32, "Financial Instruments Presentation", relating to the Puttable Instrument Exemption.

Leases - The Trust's policy for revenue recognition is described in Note 3(j). In applying this policy, the Trust makes judgments with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property which determines whether such amounts are treated as additions to investment property or incentives resulting in an adjustment to revenue. The Trust also makes judgments in determining whether certain leases are operating or finance leases. All tenant leases where the Trust is a lessor have been determined to be operating leases.

Income Taxes - Under current tax legislation, a real estate investment trust is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders in the year. The Trust is a real estate investment trust if it meets certain prescribed conditions under the Tax Act relating to the nature of its assets and revenue (the "REIT Conditions"). The Trust has reviewed the REIT Conditions and has assessed their interpretation and application to the Trust's assets and revenue, and it has determined that it qualifies as a real estate investment trust. The Trust intends to continue to qualify as a real estate investment trust and to make distributions not less than the amount necessary to ensure that the Trust will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in the consolidated financial statements. The Trust expects to continue to qualify as a real estate investment trust under the Tax Act; however, should it no longer qualify it would not be able to flow through its taxable income to unitholders and the Trust would therefore be subject to tax.

(o) New Accounting Policies Adopted During the Period

i. **Financial Instrument: Disclosure**
IFRS 7, "Financial instruments: Disclosures", relates to asset and liability offsetting and was amended to include new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The Trust's adoption of this amendment did not result in a material impact to these consolidated financial statements.

ii. **Investments in Subsidiaries**
IFRS 10 - Consolidated Financial Statements ("IFRS 10"), replaced the guidance in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 provides a single control model to be applied in the control analysis for all investors. In addition, the consolidation procedures are carried substantially unmodified from IAS 29 (2008). For the purpose of this assessment, the Trust determines it controls an entity when:

(i) it has power over the investee;
(ii) it is exposed, or has rights, to variable returns from its involvement with that entity; and
(iii) it has the ability to affect those returns through its power over that entity.

The Trust has assessed its consolidation conclusions and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of the Trust's limited partnership and other entities as at January 1, 2013.

iii. **Joint Arrangements**
IFRS 11 - Joint Arrangements ("IFRS 11"). The Trust adopted IFRS 11, which replaces IAS 31, Interests in Joint Ventures. IFRS 11 separates investments in joint arrangements into two types: joint operations and joint ventures. The Trust has assessed its investments in joint arrangements and determined that the adoption of IFRS 11 did not result in any change as at January 1, 2013.

iv. **Disclosure of Interests in Other Entities**
IFRS 12, "Disclosure of interests in Other Entities", includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off-balance sheet vehicles. The Trust's investment in its joint arrangement falls within the scope of IFRS 12 and the Trust has expanded its disclosure of the arrangement accordingly under note 3(d).

v. **Fair Value Measurements**
IFRS 13 - Fair Value Measurement ("IFRS 13"), replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The Trust adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Trust to determine fair value and did not result in any measurement adjustments as at January 1, 2013.

(p) Future Changes in Accounting Policies
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2014 and have not been applied in preparing these consolidated financial statements. A summary of these standards is as follows:

i. IAS 32 - Financial Instruments: Presentation ("IFRS 9") was amended in December 2011. The amendments address inconsistencies in practice when applying the current criteria for offsetting financial instruments by clarifying the meaning of currently has a legally enforceable right to set-off', and clarifying that some gross settlement systems may be considered equivalent to net settlement. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively.

ii. IAS 36 - Impairment of Assets ("IAS 36") was amended to remove certain disclosures of the recoverable amount of cash generating units that had been included in IAS 36 by the issue of IFRS 13. The amendments are effective for annual periods beginning on or after January 1, 2014.

iii. IFRS 7 - Financial Instruments: Disclosures ("IFRS 7") was amended in October 2010. The amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with an entity's continuing involvement in derecognized financial assets and the offsetting of financial assets and financial liabilities. The amendments are effective for annual periods beginning on or after January 1, 2015 and are required to be applied in accordance with the standard.

iv. IFRS 9 - Financial Instruments ("IFRS 9") will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 was amended by the IASB in October 2010 to provide guidance on the classification and reclassification of financial liabilities, their measurement and the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss. When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

v. IFRIC 21 - Levies ("IFRIC 21") sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. Realty taxes payable by the Trust may be considered levies and the Trust is currently assessing the impact of this standard on its consolidated financial statements.

The Trust is currently evaluating the impact of these new and amended standards on its consolidated financial statements.

4. Acquisition of Investment Properties

On November 29, 2012, the Trust acquired a portfolio (the "Portfolio") of four retail investment properties located in Ontario and Nova Scotia for $26,941,989 (including transaction costs). In addition, tenant rental deposits of $75,626 were assumed as part of the acquisition of the Portfolio.

On April 9, 2013, the Trust acquired a 42,884 square foot professional services medical building for $6,884,578 (including transaction costs) located in Barrie, Ontario. In addition, a mortgage with a face amount of $3,302,273 (excluding a $192,678 fair value adjustment) and tenant rental deposits of $19,199 were assumed as part of the acquisition.

On August 1, 2013, the Trust acquired a 50% undivided interest in 25 industrial buildings comprised of 1,029,898 square feet located in Montreal, Quebec (the “Montreal Industrial Portfolio”). The total acquisition cost for the Trust’s 50% interest in the portfolio is $24,408,219 (including transaction costs). In addition, accounts receivables of $10,168, prepaid expenses of $280,950, net of tenant rental deposits of $274,745 were assumed as part of the acquisition. The remaining 50% was acquired by an entity that consists predominantly of senior management and certain trustees of the Trust.

The acquisitions have been accounted for as asset acquisitions using the acquisition method, with the results of operations included in the Trust’s accounts from the date of acquisition.

The net assets acquired for all transactions are as follows:

	Year Ended December 31, 2013	Period Ended December 31, 2012
Investment Properties, including acquisition costs	$ 31,485,475	$ 26,941,989
Accounts Receivable	10,168	-
Prepaid Expenses	280,950	-
Tenant Rental Deposits	(293,944)	(75,626)
Assumed Mortgage at Fair Value	(3,494,951)	
Net Assets Acquired	$ 27,987,698	$ 26,866,363
Consideration Paid, Funded By:		
Bank Indebtedness	$ 1,605,647	$ 5,983,988
Mortgages	16,521,009	-
Cash	9,861,042	20,882,375
	$ 27,987,698	$ 26,866,363

5. Investment Properties

	Year Ended December 31, 2013	Period Ended December 31, 2012
Balance, Beginning of Year	$ 27,205,000	$ -
Investment Properties, including acquisition costs (note 4)	31,485,475	26,941,989
Capital Expenditures	15,081	-
Fair Value Adjustment on Investment Properties	1,683,555	263,011
Balance, End of Year	$ 60,389,111	$ 27,205,000

	Net Lease Convenience Retail	Core Service Provider Office	Industrial	Total
Balance, Beginning of Year	$ 27,205,000	$ -	$ -	$ 27,205,000
Acquisitions (note 4)	-	7,077,256	24,408,219	31,485,475
Capital Expenditures	-	-	15,081	15,081
Fair Value Adjustment on Investment Properties	1,072,451	24,562	586,542	1,683,555
	$ 28,277,451	$ 7,101,818	$ 25,009,842	$ 60,389,111

For the twelve months ended December 31, 2013, senior management of the Trust internally valued the Investment Properties using the overall capitalization method. Investment properties are valued on a highest and best use basis. For all of the Trust's investment properties the current use is considered the best use. Fair value was determined by applying a capitalization rate to stabilized net operating income ("Stabilized NOI"). Stabilized NOI incorporates allowances for vacancy, management fees and structural reserves for tenant inducements and capital expenditures and is capped at a rate deemed appropriate for each investment property. Capitalization rates are based on many factors, including but not limited to the asset location, type, size and quality of the asset and taking into account any available market data at the valuation date.

Investment Properties measured at fair value are categorized by level according to the inputs used. The Trust has classified these inputs as Level 3. There have been no transfers into or out of Level 3 in the current year

Significant unobservable inputs in Level 3 valuations are as follows:

Year Ended December 31, 2013	Net Lease Convenience Retail	Core Service Provider Office	Industrial	Weighted Average
Capitalization Rate Range	6.5% - 8.0%	7.25%	7.85%	7.47%
Weighted Average Capitalization Rate	7.24%	7.25%	7.85%	7.47%
Weighted Average Stabilized NOI	$ 668,612	$ 514,882	$ 1,963,273	$ 1,191,691

The fair value of the Trust's investment properties is sensitive to changes in the significant unobservable inputs. Changes in certain inputs would result in a change to the fair value of the Trust's investment properties as set out in the following table:

		Year Ended December 31, 2013
Weighted Average		**Increase/(Decrease) in Valuation**
- Capitalization Rate	25 basis point increase	$ (1,900,000)
- Capitalization Rate	25 basis point decrease	2,000,000

Generally, an increase in NOI will result in an increase to the fair value of an investment property. An increase in the capitalization rate will result in a decrease to the fair value of an investment property. The capitalization rate magnifies the effect of a change in stabilized NOI.

6. Accounts Payable & Accrued Liabilities

Accounts payable and accrued liabilities as at December 31, 2013 and for the period ended December 31, 2012 are $911,778 and $496,233 and consist of the following:

	Year Ended December 31, 2013	Period Ended December 31, 2012
Professional Fees	$ 128,965	$ 307,311
Utilities, Repairs & Maintenance, Other	566,453	114,126
Due to Asset & Property Manager	44,632	32,573
Accrued Interest Expense	49,911	18,568
Option Liabilities (note 9(f))	121,817	23,655
Accounts Payable & Accrued Liabilities	$ 911,778	$ 496,233

7. Bank Indebtedness

On November 29, 2012, the Trust entered into a Revolving Operating Facility (the “Facility”) with a Canadian Chartered Bank fully secured by first charges against certain investment properties. The full amount available under the Facility was $15 million. On March 29, 2013, the full amount available under the Facility was reduced to $7 million. On September 17, 2013, the Facility was increased to $8 million. The term of the Facility is 24 months. The interest rate is based on a calculated formula using the Canadian Chartered Bank’s Prime Lending Rate. Amounts drawn under the Facility are due to be repaid at the maturity date of November 29, 2014.

Bank Indebtedness as at December 31, 2013 (with comparatives for the period ended December 31, 2012) is as follows:

	Year Ended December 31, 2013	Period Ended December 31, 2012
Bank Indebtedness, Opening	$ 5,536,119	$ -
Add: Net Draws / (Repayments)	(3,071,363)	5,591,017
Less: Finance Fees	(4,090)	(64,167)
Add: Amortization - Finance Fees	49,806	9,269
Bank Indebtedness, Closing	$ 2,510,472	$ 5,536,119

8. Mortgages

As at December 31, 2013, total outstanding mortgages stood at $27,928,471 (net of unamortized financing costs of $129,264, offset by a $178,812 fair value adjustment as a result of the assumed mortgage debt from the acquisition of the Barrie, Ontario professional services medical building) with a weighted average contractual interest rate of approximately 3.9% and weighted average repayment term of approximately 4.6 years. The mortgages are repayable as follows:

	Scheduled Principal Repayments	Debt Maturing During The Period	Total Mortgages Payable	Scheduled Interest Payments
2014	$ 723,506	$ -	$ 723,506	$ 1,066,282
2015	728,621	2,062,433	2,791,054	960,172
2016	749,995	-	749,995	917,556
2017	781,116	-	781,116	886,435
2018	489,545	19,765,745	20,255,290	559,949
Thereafter	379,614	2,198,348	2,577,962	304,462
Face Value	$ 3,852,397	$ 24,026,526	$ 27,878,923	$ 4,694,856
Less: Unamortized Financing Costs			(129,264)	
Add: Fair Value Adjustment on Assumed Mortgage			178,812	
Total Mortgages			$ 27,928,471	

	Year Ended December 31, 2013	Period Ended December 31, 2012
Current:		
Mortgages	$ 723,506	-
Unamortized Financing Costs	(43,365)	-
Fair Value Adjustment on Assumed Mortgage	32,456	
	$ 712,597	-
Non-Current:		
Mortgages	$ 27,155,417	$ -
Unamortized Financing Costs	(85,899)	-
Fair Value Adjustment on Assumed Mortgage	146,356	
	$ 27,215,874	$ -
Total Mortgages	$ 27,928,471	

9. Unitholders' Equity

(a) Issued & Outstanding

	Number of Units	Amount
Balance, August 30, 2012	-	$ -
ISG Share/Trust Unit Conversion (note 2 and 9(c))	2,374,467	11,872,335
Non-Brokered Private Placement (note 9(d))	2,000,000	10,000,000
Less: Issue Costs	-	(870,795)
Balance, December 31, 2012	4,374,467	$ 21,001,540
Non-Brokered Private Placement (note 9(e))	1,250,768	6,378,917
Less: Issue Costs	-	(113,584)
Issuance of Units from Distribution Reinvestment Plan (note 9(g))	8,765	45,150
Balance, December 31, 2013	5,634,000	$ 27,312,023

(b) Authorized

In accordance with the Declaration of Trust, the Trust may issue an unlimited number of units (the "Trust Units"). The Board of Trustees of the Trust has discretion in respect to the timing and amounts of distributions. Each Unitholder is entitled on demand to redeem all or any part of the Trust Units registered in the name of the Unitholder at prices determined and payable in accordance with the conditions provided for in the Declaration of Trust.

Trust Units are redeemable at any time, in whole or in part, on demand by the unitholders. Upon receipt of the redemption notice by the Trust, all rights to and under the Trust Units tendered for redemption shall be surrendered and the unitholders shall be entitled to receive a price per Trust Unit equal to the lesser of:

i. 90% of the “market price” of the Trust Units on the Exchange or market on which the Units are listed or quoted for trading during the ten consecutive trading days ending immediately prior to the date on which the Trust Units were surrendered for redemption; and

ii. 100% of the “closing market price” on the Exchange or market or on which the Trust Units are listed or quoted for trading on the redemption date.

The total amount payable by the Trust, in respect of any Trust Units surrendered for redemption during any calendar month, shall not exceed $50,000 unless waived at the discretion of the Trustees and be satisfied by way of a cash payment in Canadian dollars within 30 days after the end of the calendar month in which the Trust Units were tendered for redemption. To the extent the Redemption Price payable in respect of Trust Units surrendered for redemption exceeds $50,000 in any given month, such excess will be redeemed for cash, and by a distribution in specie of assets held by the Trust on a pro rata basis.

(c) Brokered Private Placement
On November 29, 2012, the Trust announced the completion of a brokered private placement of share capital through the former ISG Capital Corporation. 59,523,809 common shares were issued at $0.168 per share for gross proceeds of $10.0 million. As outlined in note 2, the Arrangement Agreement converted the former ISG Capital Corporation into the Trust and the common shares issued in the brokered private placement were immediately exchanged into 2,000,000 Trust Units at $5.00 per Trust Unit.

(d) Non-Brokered Private Placement
On November 29 2012, the Trust announced the completion of a non-brokered private placement of Trust Units. 2,000,000 trust units were issued at $5.00 per Trust Unit for gross proceeds of $10.0 million.

(e) Non-Brokered Private Placement
On August 1, 2013, the Trust announced the completion of a non-brokered private placement of Trust Units. 1,250,768 trust units were issued at $5.10 per Trust Unit for gross proceeds of $6.4 million.

(f) Unit-Based Compensation Plan
Under the Trust's unit option plan, the aggregate number of unit options reserved for issuance at any given time shall not exceed 10% of the number of outstanding Trust Units. On November 29, 2012, the Trust granted and currently has issued and outstanding 415,000 Trust unit options at a weighted average exercise price of $5.00 per Trust Unit. The unit options fully vested on the date of grant and expire on November 29, 2017. Unit-based compensation relates to the aforementioned unit options for the twelve month period ended December 31, 2013 and stands at an expense of $99,162. Unit-based compensation was determined based on the change in fair value of the options with the following assumptions:

	Year Ended December 31, 2013
Expected Option Life (Years)	1.0
Risk Free Interest Rate	0.97%
Distribution Yield	6.93%
Expected Volatility	20.00%

Expected volatility is based in part on the historical volatility of the Trust Units. The risk free interest rate of return is the yield on zero-coupon Government of Canada bonds of a term consistent with the expected option life.

The fair value of an option under the Trust's unit option plan at the date of grant was $0.50 per unit option.

(g) Distribution Reinvestment Plan ("DRIP") and Unit Purchase Plan ("UPP")

The Trust has both a DRIP and UPP currently in place. Under the terms of the DRIP, the Trust's Unitholders may elect to automatically reinvest all or a portion of their regular monthly distributions in additional Trust Units, without incurring brokerage fees or commissions. Trust Units purchased through the DRIP are acquired at the weighted average closing price of Trust Units in the five trading days immediately prior to the distribution payment date. Trust Units purchased through the DRIP will be acquired either in the open market or be issued directly from the Trust's treasury based on a floor price to be set at the discretion of the Board of Trustees.

Unitholders who elect to receive Trust Units under the DRIP may also enroll in the Trust's UPP. The UPP gives each Unitholder resident in Canada the right to purchase additional Trust Units of the Trust monthly. Under the terms of the UPP, Trust Unitholders may purchase a minimum of $1,000 of Units on each Monthly Purchase Date and maximum purchases of up to $12,000 per annum. The aggregate number of Trust Units that may be issued may not exceed 2% of the Trust Units of the Trust per annum.

For the year ended December 31, 2013 and period ended December 31, 2012, 8,765 and nil Trust Units were issued, respectively, from treasury for total gross proceeds of $45,150 and nil, respectively, to Unitholders who elected to receive their distributions under the DRIP. No Trust Units were issued under the UPP.

(h) Distributions

For the year ended December 31, 2013, distributions per unit of $0.029166 were declared each month commencing in January, 2013 through to October, 2013 and $0.030833 per unit for the months of November and December, 2013 and resulting in total distributions declared of $1,733,739. For the period ended December 31, 2012, the Trust declared distributions of $127,586 or $0.029166 per Unit for the month of December 31, 2012.

10. Revenue

The Trust currently leases real estate to tenants under operating leases. Future minimum rental income on tenant operating leases over their remaining lease terms is as follows:

Within one year	$	4,693,086
Later than one year and not longer than five years		9,489,411
Thereafter		2,405,748
	$	16,588,245

11. Dividend Income

Dividend Income relates to dividends received from the marketable securities.

12. Income & Gain on Sale of ISG Capital Corporation

During 2013, the Trust received $66,140 of income from ISG. In addition, on July 16, 2013, the Trust sold ISG for $50,000 and which had a carrying value of nil.

13. Finance Costs

Finance Costs for the year ended December 31, 2013 and period ended December 31, 2012 are as follows:

	Year Ended December 31, 2013	Period Ended December 31, 2012
Mortgage Interest	$ 592,801	$ -
Bank Indebtedness Interest	145,034	23,652
Finance Fee Amortization	54,190	9,269
Non-Cash Interest Expense - Assumed Mortgage	(13,866)	-
Finance Costs	$ 778,159	$ 32,921

Finance fee amortization relates to fees paid on securing the bank indebtedness and the Trust's various mortgages. Non-cash interest expense relates to the fair value adjustment to interest expense required as a result of the assumed mortgage from the acquisition of the Barrie, Ontario professional services medical building.

14. Property Operating and General & Administrative Expenses

Property operating expenses include realty taxes as well as other costs related to maintenance, HVAC, insurance, utilities and property management fees paid to Firm Capital Properties Inc. ("FCPI") as described in further detail in note 15(b). General & Administrative expenses include professional fees, public company expenses, office and general, insurance and asset management fees paid to Firm Capital Realty Partners Inc. ("FCRPI") as described in further detail in note 15(a).

Property operating expenses and General & Administrative for the year ended December 31, 2013 and period ended December 31, 2012 are as follows:

	Year Ended December 31, 2013	Period Ended December 31, 2012
Realty Taxes	$ 1,213,496	$ -
Property Management Fees (note 15(b))	266,463	11,987
Operating Expenses (Utilities, Maintenance, Insurance, etc.)	574,432	86,734
Property Operating Expenses	$ 2,054,391	$ 98,721

	Year Ended December 31, 2013	Period Ended December 31, 2012
Professional Fees	$ 116,847	$ 79,998
Asset Management Fees (note 15(a))	344,193	16,839
Public Company Expenses	110,065	6,619
Office & General	30,954	5,417
Insurance	21,378	951
General & Administrative	$ 623,437	$ 109,824

15. Related Party Transactions

(a) Asset Management Agreement

The Trust has entered into an Asset Management Agreement with FCRPI, an entity related to certain trustees and management of the Trust. The term of the contract is initially ten years and automatically renews for successive five year periods.

As part of the Agreement, FCRPI agrees to provide the following services which include but are not limited to the following: (i) arrange financing, refinancings and structuring of financings for the Trust's Investment Properties and future acquisitions; (ii) identify, recommend and negotiate the purchase price for acquisitions and dispositions; (iii) prepare budgets and financial forecasts for the Trust and future acquisitions; (iv) provider of services of senior management including the CEO and CFO; (v) assist in investor relations for the Trust; (vi) assist the Trust with regulatory and financial reporting requirements (other than services provided by the CFO of the Trust); (vii) assist the Trust with the preparation of all documents, reports data and analysis required by the Trust for its filings and document necessary for its continuous disclosure requirements pursuant to applicable stock exchange rules and securities laws; (viii) attend meetings of Trustees or applicable committees, as requested by the Trust, to present financing opportunities, acquisition opportunities and disposition opportunities; and (ix) arrange and coordinating advertising, promotional, marketing and related activities on behalf of the Trust. In addition, FCRPI provides a member of the FCRPI's senior management team to act as Vice President, Investment Portfolio Management of the Trust, for a fixed fee of $25,000 per annum until the Trust's assets are equivalent of $100 million or more, at which time the Trust shall internalize the position of Vice President, Investment Portfolio Management and the above fee arrangement will be terminated, at which point all costs associated with such employee will be assumed by the Trust.

As compensation for the services, FCRPI is paid the following fees:

(a) Asset Management Fees: The Trust pays the following fees annually:

I. 0.75% of the first $100 million of the Gross Book Value of the Properties; and
II. 0.50% of the Gross Book Value of the Properties in excess of $100 million.

(b) Acquisition Fees: The Trust pays the following acquisition fees:

I. 0.75% of the first $100 million of aggregate Gross Book Value in respect of new properties acquired in a particular year;
II. 0.65% of the next $100 million of aggregate Gross Book Value in respect of new

properties acquired in such year; and thereafter

III. 0.50% of the aggregate Gross Book Value of new properties acquired in such year.

(c) Performance Incentive Fees: The Trust pays a fee equivalent to 15% of Adjusted Funds From Operations ("AFFO") once AFFO exceeds $0.40 per Unit.

(d) Placement Fees: The Trust pays a fee equivalent to 0.25% of the aggregate value of all debt and equity financing arranged by FCRPI.

In addition to the fees outlined above, FCRPI is entitled to reimbursement of all actual expenses incurred in performing its responsibilities under the Asset Management Agreement.

For the year ended December 31, 2013 and period ended December 31, 2012, the following fees were paid to FCRPI:

	Year Ended December 31, 2013	Period Ended December 31, 2012
Asset Management Fees	$ 344,193	$ 16,839
Acquisition Fees	231,000	196,613
Placement Fees	78,263	74,167
	$ 653,456	$ 287,619

As at December 31, 2013, $15,063 ($16,839 as at December 31, 2012) was due to FCRPI and has been accounted for in accounts payable and accrued liabilities.

(b) Property Management Agreement

The Trust has entered into a Property Management Agreement with FCPI, an entity related to certain trustees and management of the Trust. The term of the contract is initially ten years and automatically renews for successive five year periods.

As part of the Agreement, FCPI agrees to provide the following services which include but are not limited to the following: (i) lease the Properties and to obtain tenants from time to time as vacancies occur; (ii) to establish the rent, the duration, the terms and conditions of all leases and renewals thereof; (iii) to enter into agreements to lease and offers to lease in respect of the Properties; (iv) collect all rents, including parking revenues, tenant recoveries, leasehold recoveries and any other revenues or monies accruing to the Properties, or sums which may be receipts due and payable in connection with or incidental to the Properties; (v) maintain the Properties in reasonable operating condition and repair, (vi) arrange for and supervise the making or installation of such maintenance, repairs, improvements (including tenant improvements) and alterations as may be required; (vii) maintain all licenses and permits as required; (viii) collect all rents; (ix) recover all operating costs as required under various tenant lease arrangements; (x) prepare all property operating and capital expenditure budgets; and (xi) undertake, supervise and budget all tenant improvements, construction projects and alterations.

As compensation for the services, FCPI is paid the following fees:

(a) Property Management Fees: The Trust pays the following fees annually:

I. Multi-Unit Residential Properties: For each multi-unit residential property with 120 units or less, a fee equal to four percent (4.0%) of Gross Revenues and for each multi-unit residential property with more than 120 units, a fee equal to three and one half percent (3.5%) of Gross Revenues.

II. Industrial & Commercial Properties: Fee equal to four and one quarter percent (4.25%) of Gross Revenues from the property; provided, however, that for such properties with a single tenant, the fee shall be equal to three percent (3.0%) of Gross Revenues.

(b) Commercial Leasing Fees: Where FCPI leases a rental space on commercial terms, FCPI shall be entitled to receive a leasing commission equal to three percent (3.0%) of the net rental payments for the first year of the lease, and one and one half percent (1.5%) of the net rental payments for each year during the balance of the duration of the lease; provided, however, that where a third party broker arranges for the lease of any such property that is not subject to a long term listing agreement, FCPI shall be entitled to reduced commission equal to 50% of the foregoing amounts with respect to such property. No leasing fees will be paid for relocating existing tenants, rewriting leases or holding over without a lease unless the area or length of term has increased.

(c) Commercial Leasing Renewal Fees: Renewals of space leased on commercial terms (including lease renewals at the option of the tenant) which are handled exclusively by FCPI shall be subject to a commission payable to FCPI of one half of one percent (0.50%) of the net rental payments for each year of the renewed lease.

(d) Construction Development Property Management Fees: Where FCPI is requested by the Trust to construct tenant improvements or to renovate same, or where FCPI is requested by the Trust to construct, modify, or reconstruct improvements to, or on, the Properties (collectively, "Capital Expenditures"), FCPI shall receive as compensation for its services with respect thereto a fee equal to five percent (5.0%) of the cost of such Capital Expenditures, including the cost of all permits, materials, labour, contracts, and subcontracts; provided, however, that no such fee shall be payable unless the Capital Expenditures are undertaken following a tendering or procurement process where the total cost of Capital Expenditures exceed $50,000.

In addition to the fees outlined above, FCPI is entitled to reimbursement of all actual expenses incurred in performing its responsibilities under the Property Management Agreement.

For the year ended December 31, 2013 and period ended December 31, 2012, the following fees were paid to FCPI:

	Year Ended December 31, 2013	Period Ended December 31, 2012
Property Management Fees	$ 242,981	$ 11,987
Commercial Leasing Renewal Fees	23,482	-
	$ 266,463	$ 11,987

As at December 31, 2013, $29,569 ($11,987 as at December 31, 2012) was due to FCPI and has been accounted for in accounts payable and accrued liabilities.

(c) Lease Agreement

On August 1, 2013, FCPI entered into a lease agreement with the entity that owns the Montreal Industrial Portfolio to lease office space on commercially available terms. For the year ended December 31, 2013, $9,300 of net rent was paid on this lease.

16. Income Taxes

The Trust currently qualifies as a mutual fund trust and a real estate investment trust ("REIT") for Canadian income tax purposes. Under current tax legislation, income distributed annually by the Trust to unitholders is a deduction in the calculation of its taxable income. As the Trust intends to distribute all of its taxable income to its unitholders, the Trust does not record a provision for current Canadian income taxes.

The Tax Act contains legislations affecting the tax treatment of a specified investment flow-through ("SIFT") trust or partnership (the "SIFT Rules"). A SIFT includes a publicly-listed or traded partnership or trust, such as an income trust.

Under the SIFT Rules, certain distributions from a SIFT are not deductible in computing a SIFT's taxable income, and a SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to tax.

The SIFT Rules do not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the REIT Conditions and has assessed their interpretation and application to the REIT's assets and revenues. The REIT believes that it has met the REIT Conditions throughout the year ended December 31, 2013 and period ended December 31, 2012. As a result, the REIT does not recognize any deferred income tax assets or liabilities for income tax purposes.

17. Key Management Personnel

Key management personnel includes all senior management of the Trust employed by FCRPI and FCPI and Trustees of the Trust. Management salaries are payable by FCRPI under the Asset Management Agreement as reflected in note 15(a).

18. Commitments & Contingencies

For the year ended December 31, 2013 and the period ended December 31, 2012, the Trust had no material commitments and contingencies other than those commitments outlined under the asset and property management agreements with FCRPI and FCPI.

19. Capital Management

The Trust's objectives when managing capital are to safeguard the ability to continue as a going concern and to generate sufficient returns to provide unitholders with stable cash distributions. The Trust's capital currently consists of Bank Indebtedness, Mortgages and Unitholders' Equity.

The Trust's Declaration of Trust permits the Trust to incur or assume indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the Trust is not more than 75% of the gross book value of the Trust's total assets. Gross book value ("GBV") is defined in the Declaration of Trust as "at any time, the book value of the assets of the Trust and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet, plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets) shown thereon or in the notes thereto plus the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by the Trust shown thereon or in the notes thereto, or if approved by a majority of the Trustees at any time, the appraised value of the assets of the Trust and its consolidated subsidiaries may be used instead of book value." As at December 31, 2013 and December 31, 2012, the ratio of such indebtedness to gross book value was 49.5% and 20.6%, respectively, which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

With respect to the Bank Indebtedness, the Trust must maintain ratios including minimum unitholders' equity, maximum debt/GBV, minimum interest service and debt service coverage ratios. The Trust monitors these ratios and is in compliance with these requirements throughout the year ending December 31, 2013 and period ended December 31, 2012.

20. Risk Management & Fair Values

(a) Risk Management:

In the normal course of business, the Trust is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

I. Market Risk

(a) Interest Rate Risk:

The Trust is exposed to interest rate risk on its borrowings. It minimizes the risk by restricting debt to 75% of the gross book value of the Trust's gross book value of its assets. The Trust has its bank indebtedness and one mortgage financing under variable rate terms.

The following table outlines the impact on interest expense of a 100 basis point increase or decrease in interest rates on the REIT's variable rate debt:

Impact on Interest Expense	**Year Ended December 31, 2013**	**Period Ended December 31, 2012**
Bank Indebtedness	$ 25,289	$ 55,361
Mortgages	20,963	-
	$ 46,252	$ 55,361

(b) Credit Risk

The Trust's maximum exposure to credit risk is equivalent to the carrying value of accounts receivable.

The Trust is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The Trust's properties are diversified across three Canadian provinces and numerous tenants. The majority of the accounts receivable balance consists largely of Harmonized Sales Tax ("HST") and Quebec Sales Tax ("QST") receivables. These HST and QST receivable balances are expected to be collected in due course.

(c) Liquidity Risk

Liquidity risk is the risk the Trust will not be able to meet its financial obligations as they come due. The Trust manages liquidity by maintaining adequate cash and by having appropriate credit facilities available. The Trust has the ability to access the debt capital markets and is able to receive debt capital as and when required. In addition, the Trust continuously monitors and reviews both actual and forecasted cash flows.

The following are the estimated maturities of the Trust's non-derivative financial liabilities as at December 31, 2013 including bank indebtedness, mortgages, tenant rental deposits, distribution payable, and accounts payable and accrued liabilities.

	Less than 1 Year	1 - 2 Years	>2 Years	Total
Bank Indebtedness (note 7)	$ 2,519,654	$ -	$ -	$ 2,519,654
Mortgages (note 8)	723,506	3,541,049	23,614,368	27,878,923
Tenant Rental Deposits	-	-	368,341	368,341
Distribution Payable	173,713	-	-	173,713
Accounts Payable & Accrued Liabilities	911,778	-	-	911,778
	$ 4,328,651	$ 3,541,049	$ 23,982,709	$ 31,852,409

II. Fair values

The Trust uses a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements of financial instruments carried at fair value. Level 1 of the fair value hierarchy uses quoted market prices in active markets for identical assets or liabilities to determine the fair value of assets and liabilities. Level 2 includes valuations using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 valuations are based on input for the asset or liability that are not based on observable market data.

The fair value of the Trust's cash, accounts receivable, deposits, distribution payable, tenant rental deposits, and accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments. Bank indebtedness approximates carrying amounts due to the fact that it is based on floating interest rates.

The fair value of the Trust's financial instruments is summarized in the following table:

	Year Ended December 31, 2013		
	Loans & Receivables / Other Liabilities	**FVTPL**	**Period Ended December 31, 2012**
Financial Assets			
Accounts Receivable	$ 241,928	$ -	$ 111,285
Deposits	3,924	-	-
Marketable Securities	-	239,354	-
Cash	-	432,560	-
Financial Liabilities			
Distribution Payable	$ 173,713	$ -	$ 127,586
Accounts Payable & Accrued Liabilities	911,778	-	496,233
Bank Indebtedness	2,510,472	-	5,536,119
Tenant Rental Deposits	368,341	-	75,626
Mortgages	27,928,471	-	-

III. Fair value hierarchy

Under the fair value hierarchy, financial instruments are measured at fair value on the consolidated balance sheet and the trust liabilities are measured using a Level 1 methodology.

The fair value of the marketable securities is based on quoted market prices (Level 1).

The fair value of the mortgages is estimated based on the present value of future payments, discounted at a yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage (Level 2). The estimated fair value of the mortgages approximates its carrying value.

The fair value of unit-based compensation relates to unit options granted which are carried at fair value, estimated using the Black-Scholes pricing model for option valuation (Level 3) as outlined in note 9(f).

21. Subsequent Events

(a) On January 15, 2014, February 17, 2014, March 17, 2014, the Trust distributed monthly cash distributions of $0.030833 per Trust unit to unitholders of record at the close of business on December 31, 2013, January 31, 2014 and February 28, 2014, respectively.

(b) On January 27, 2014 and February 7, 2014, the Trust closed the first and second tranches of its previously announced private placement of Trust Units. The gross proceeds raised by the Trust were approximately $7.3 million at a subscription price of $5.30 per Trust Unit.

(c) On March 19, 2014, the Trust approved monthly cash distributions of $0.030833 per Trust Unit for the months of April, May and June, 2014. These distributions will be paid on or about May 15, 2014, June 16, 2014 and July 15, 2014 to unitholders of record at the close of business on April 30, 2014; May 30, 2014; and June 30, 2014, respectively.

Firm Capital Property Trust

CORPORATE DIRECTORY

Officers & Senior Management

Robert Mckee
President and
Chief Executive Officer

Sandy Poklar, CPA, CA
Chief Financial Officer

Eli Dadouch
Vice Chairman & Co-Chief
Investment Officer

Jonathan Mair, CPA, CA
Co-Chief
Investment Officer

Joseph Fried
Secretary &
General Counsel

Michael Weitzner
Vice-President
Asset Management

(1) Member of the Audit Committee
(2) Independent Trustee
(3) Chairman of the Board, Investment Committee and Audit Committee

Asset Manager

Firm Capital Realty Partners Inc.

Property Manager

Firm Capital Properties Inc.

Registered Office

Firm Capital Property Trust
163 Cartwright Avenue
Toronto, Ontario
M6A 1V5
Telephone: 416-635-0221
Fax: 416-635-1713

Auditors

PWC LLP

Transfer Agent

Equity Financial Trust Company of Canada

Legal Counsel

Stikeman Elliott LLP

Stock Exchange Listing

Shares Listed
TSXV Symbol **: FCD.UN**

Plan Eligibility

RRSP RRIF DPSP TFSA

Unitholder Distribution Reinvestment Plan

Firm Capital Property Trust offers its registered unitholders the opportunity to participate in its Distribution Reinvstment Plan (the “DRIP”) and Unit Purchase Plan

If you are a Unitholder and would like to enroll or would like further information about the Plan, please contact Firm Capital Property Trust, Attention:
Sandy Poklar - Chief Financial Officer
Telephone
(416) 635-0221